

## **STATEMENT PURSUANT TO THE SWEDISH CORPORATE GOVERNANCE CODE, SECTION 10.3 LAST PARAGRAPH**

According to the Swedish Corporate Governance Code, the board of directors is to report the results of:

- the evaluation of programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management (the Code 9.1, second bullet point),
- the evaluation of the application of the guidelines for remuneration to senior executives that the annual general meeting is obliged to establish, as well as the current remuneration structures and levels in the company (the Code 9.1, third bullet point).

To read the company's complete guidelines for remuneration to senior executives see the company's website and page 77 of the administration report in H&M's annual report 2015, or page 75 of the administration report in H&M's annual report 2016.

### **Evaluation of variable remuneration**

*This evaluation of variable remuneration relates to remuneration which was paid out during the financial year 1 December 2015 – 30 November 2016 and which is based on the fulfilment of targets for each individual concerned during 2015 and on the guidelines for senior executives adopted at the 2015 annual general meeting.*

The largest portion of remuneration is fixed salary. This ensures that the incentive for individual senior executives to focus on the best interests of the entire company is maintained. At the same time, a limited level of variable remuneration serves as an incentive for the fulfilment of certain defined targets.

H&M's variable remuneration system (bonus scheme) is based primarily on the fulfilment of targets within the respective senior executive's area of responsibility. The results are linked to the measurable profit targets (qualitative, quantitative, general and individual) set in advance within their respective areas of responsibility. These targets also include measurable sustainability targets. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

For the CEO the maximum bonus is SEK 0.9 m net after tax and for other senior executives the maximum bonus is SEK 0.3 m net after tax. Net after tax means that income tax and social security costs are not included in the calculation. The bonuses that are paid out must be invested entirely in H&M shares, which must be held for at least five years.

The variable remuneration paid out to senior executives in 2016 amounted to SEK 0 (6.4) m and the CEO's bonus amounted to SEK 0 (2.0) m. An estimated expense of SEK 30.0 (30.0) m has been recognised in respect of remuneration that certain senior executives may receive in accordance with the supplementary guidelines – see further description in the administration report on page 76. This will be paid out no earlier than 2019, in accordance with the guidelines approved at the 2014 AGM.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to a maximum of 30 percent of their fixed yearly salary. One-off payments are discretionary and decided by the CEO and the chairman of the board. Under the guidelines there is no requirement to invest one-off payments in H&M shares; this applies only to bonuses.

## **Annual general meeting 2017**

Ahead of the 2017 annual general meeting the board submitted proposed guidelines for remuneration to senior executives which to some extent differ from previous guidelines, since in conjunction with the review of the organisation and its composition that took place in 2016 the guidelines for remuneration to senior executives were also reviewed.

The board's proposed new guidelines for senior executives cover the CEO and members of the executive management team, as well as those responsible for other group-wide functions. Overall, this amounts to nearly 20 individuals. The guidelines are based on industry comparisons.

Senior executives shall be compensated at what are considered by the company to be competitive market rates. The criteria used to set levels of compensation shall be based partly on the significance of the duties performed and partly on the employee's skills, experience and performance. Over time, the largest portion of the total remuneration shall consist of the fixed salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

The total annual remuneration may consist of the following components:

- fixed basic salary
- short-term variable remuneration
- long-term variable remuneration
- pension benefits
- other benefits

To read the board's proposal refer to pages 76–77 of H&M's annual report 2016 or visit [hm.com](http://hm.com).

### **Evaluation of guidelines for senior executives and remuneration structures**

The board of directors has concluded that H&M pays remuneration that is both in line with the market in general and competitive. The largest portion of remuneration consists of fixed salary. The maximum amounts of variable remuneration have been the same for a number of years. The variable remuneration, which is based on the fulfilment of targets within the respective area of responsibility, is deemed to be moderate and straightforward. The same applies to the supplementary guidelines, which are based on the fact that it is of the utmost importance that the key individuals covered by the supplementary guidelines stay with the H&M group during this important stage of development.

The company's pension terms are in line with what is generally offered in the market. H&M has previously established the H&M Incentive Program, a profit-sharing scheme for all employees. Contributions are made to an employees' foundation that will allocate units to employees who have worked for the company for a certain period of time. The board of directors believes that this is an effective way of rewarding employees for their efforts.

All things considered, the board of directors believes that H&M has a moderate and appropriate remuneration system with respect to both structures and levels in the company.

The Board of Directors  
March 2017