

H&M Group

Remuneration report 2020

This report describes how the general meeting's guidelines for remuneration in the H&M group, as adopted by the 2020 annual general meeting, were applied in the 2019/2020 financial year. It also describes the H&M group's remuneration to the CEO and fees to the board other than the board fees approved by the general meeting. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes*.

The required disclosures relating to remuneration of senior executives under the Swedish Annual Accounts Act can be found in note 7 on page 68 in the company's annual report for 2020 ("annual report 2020").

KEY DEVELOPMENTS IN 2020

Information about the company's overall performance in 2020 can be found in the CEO letter on pages 4–5 of the annual report 2020.

SHARE-BASED REMUNERATION

H&M does not have a share-based or share options-based programme for the remuneration of the CEO¹ or any other senior executive.

COMPLIANCE WITH THE REMUNERATION GUIDELINES AND APPLICATION OF PERFORMANCE CRITERIA

The remuneration guidelines adopted by the 2020 annual general meeting can be found on pages 40–41 of the annual report 2020. During 2020 the company has complied with the remuneration guidelines adopted by the general meeting. No deviations or derogations have been made from either the guidelines or the decision-making process that, according to the guidelines, is to be applied to determine the remuneration. The auditor's statement regarding the company's compliance with the guidelines can be found on the company's website with the documents for the 2021 annual general meeting: hmgroup.com.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. The H&M group's remuneration guidelines enable the company to offer the CEO competitive remuneration. The total remuneration to the CEO in 2020 complied with the company's remuneration guidelines. Ahead of the 2020 annual general meeting the board evaluated the application of the guidelines for remuneration to senior executives adopted at the 2019 AGM. The results of this evaluation were published on the website in good time before the 2020 AGM.

BOARD FEES AND CONSULTING FEES

Board fees are not covered by this report. Such fees are decided each year by the annual general meeting. See note 7 on page 68 of the annual report 2020.

In 2020 Patriksson Group AB, where board member Lena Patriksson Keller is the majority shareholder, performed consulting work for the H&M group for a total sum of SEK 3 million. Patriksson Group is one of Scandinavia's foremost fashion communications agencies and aim of the services provided by Patriksson Group is to strengthen brand communication for some of the H&M group's brands, namely COS, ARKET, & Other Stories and H&M. Since the work was not performed by Lena Patriksson Keller and Patriksson Group is moreover not wholly owned by Lena Patriksson Keller, the consulting fees are not affected by the remuneration guidelines passed by the general meeting. Nonetheless, the board wishes to specifically disclose in the remuneration report that the fees were paid. Procurement of the services in question, for which payment was made at market levels, was deemed to be appropriate and of benefit to H&M and took place without the involvement of Lena Patriksson Keller.

Moreover, and on a corresponding basis, the law firm of Mannheimer Swartling Advokatbyrå AB performed consulting services for the H&M group for a total sum of SEK 4.2 million in 2020. Board member Erica Wiking Häger is one of around 80 partners at this law firm. She does not participate in the firm's work for H&M.

¹ Helena Helmersson holds 300,000 call options issued by Ramsbury Invest AB where each option provides the right to buy one class B share in H&M during the 12-month period that follows a three-year period from the agreement date of 7 October 2020. The options issued have no dilution effect for H&M shareholders or cost to the H&M group since they are issued against Ramsbury Invest AB's existing shareholding.

TOTAL REMUNERATION OF THE CEO IN 2020 (SEK)

Name of director, position	Financial year	Fixed remuneration		Variable remuneration			Pension expense ³	Total remuneration	Proportion of fixed and variable remuneration
		Basic salary	Other benefits ²	One-year variable	Multi-year variable	Extra- ordinary items			
Karl-Johan Persson, CEO ⁴	1 Dec 2019 – 30 Nov 2020	1,295,135 ⁵	366	0	0	0	702,208	1,997,709	100% fixed 0% variable
Helena Helmersson, CEO ⁶	1 Dec 2019 – 30 Nov 2020	10,810,000 ⁷	116,191	0	0	0	3,416,600	14,342,791 ⁸	100% fixed 0% variable

PERFORMANCE OF THE CEO IN THE REPORTED FINANCIAL YEAR

Name	Description of performance criteria/Key Performance Indicators (KPIs)	Relative weighting of performance criteria/KPIs	Measured performance for the year ⁹	Actual award outcome ⁹
Karl-Johan Persson, CEO ⁴	Sales	25%	2020 was marked by the Covid-19 pandemic, the consequences of which brought significant challenges for the company. The crisis was managed in an exemplary manner by taking strong measures quickly in all parts of the business to mitigate the negative consequences of the pandemic, while at the same time the group's transformation was accelerated as the pandemic stepped up the pace of digitalisation further. However, since the threshold value for the performance parameter of operating profit was not reached, no variable remuneration was payable for 2020.	0
	Operating profit ¹⁰	25%		
	Sustainability goals ¹¹	25%		
	Business plan	25%		
Helena Helmersson, CEO ⁶	Sales	25%		0
	Operating profit ¹⁰	25%		
	Sustainability goals ¹¹	25%		
	Business plan	25%		

CHANGES IN REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE REPORTED FINANCIAL YEARS

Annual change ¹²	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015
Karl-Johan Persson, CEO ⁴	1,295,501 (-90.6%)	13,800,000 (0.0%)	13,800,000 (+0.7%)	13,700,000 (+2.2%)	13,400,000 (-10.7%)
Helena Helmersson, CEO ⁶	10,926,191 (-)	-	-	-	-
Net sales	187,031 (-19.6%)	232,755 (+10.6%)	210,400 (+5.2%)	200,004 (+4.0%)	192,267 (+6.3%)
Operating profit	3,099 (-82.1%)	17,346 (+12.0%)	15,493 (-24.7%)	20,569 (-13.7%)	23,823 (-11.6%)
Average remuneration, employees of the group ¹³	269,875 (0.0%)	269,940 (+7.2%)	251,819 (+5.8%)	238,131 (+4.3%)	228,353 (-0.7%)

- 2 Other benefits refers in the case of Karl-Johan Persson to medical care insurance and in the case of Helena Helmersson to medical care insurance, company car and – for a portion of the year – a company apartment. Neither Karl-Johan Persson nor Helena Helmersson received any kind of remuneration from other companies in the H&M group.
- 3 The pension arrangements consist partly of defined benefit pension under the ITP plan and partly of an extra pension provision. The same terms apply to both Karl-Johan Persson and Helena Helmersson: they are covered by the collectively agreed ITP pension supplemented by extra defined contribution arrangements such that the premiums amount to 30 percent of salary, with a plan retirement age of 65 years.
- 4 During the financial year Karl-Johan Persson was CEO from 1 December 2019 until 30 January 2020 inclusive.
- 5 On his departure from the position of CEO, the company settled the advance pay due to Karl-Johan Persson as a result of the company's principle of paying salary monthly in arrears.
- 6 CEO from 30 January 2020.
- 7 As part of a range of cost-saving measures to mitigate the negative consequences of the pandemic the salaries of senior executives including the CEO were temporarily reduced by 20 percent for three months, as communicated in conjunction with the three-month report for 2020.
- 8 The remuneration reported for Helena Helmersson does not include remuneration paid in respect of her position as chief operating officer between 1 December 2019 and 30 January 2020.
- 9 Measured in the same way for both Helena Helmersson and Karl-Johan Persson.
- 10 Regardless of how well the targets for the other three criteria have been met, the threshold value for operating profit must be reached for variable remuneration to be paid.
- 11 The sustainability goals can be found in the table on page 48 of the annual report 2020.
- 12 The remuneration includes salary and salary benefits, but not pension benefits.
- 13 This value is calculated based on all employees in all countries in the group, excluding the board, CEO and executive management team. Only the CEO of the group is employed in the listed H&M parent company.

Stockholm, March 2021
The Board of Directors of H & M Hennes & Mauritz AB