

## **GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES**

The annual general meeting on 7 May 2025 adopted the following guidelines for remuneration to senior executives.

The remuneration guidelines cover remuneration to the CEO and other senior executives (the group management) as well as remuneration to board members aside from board fees.

The guidelines shall apply to agreed remuneration, and to changes made to already agreed remuneration, after the guidelines was adopted by the annual general meeting 2025.

### **How the guidelines contribute to the company's business plan, long-term interests and sustainability**

The H&M group's business plan aims to deliver long-term, sustainable and profitable growth. The business plan is illustrated by a number of objectives to which the company's sustainability efforts and digital transformation contribute. For more information about the company's business plan, business idea and objectives, refer to [www.hmgroup.com](http://www.hmgroup.com).

To work successfully according to the company's business plan and safeguard the company's long-term interests the company needs to be able to recruit, motivate and retain talented, committed employees. The board of directors considers it important that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. These guidelines enable the company to offer this to its senior executives.

### **Types of remuneration etc.**

Senior executives shall be compensated at what are considered by the company to be competitive market rates, including in relation to industry comparisons. Levels of compensation shall also reflect the individual's competence, experience and performance. The total remuneration may consist of fixed basic cash salary, short-term variable remuneration, pension benefits and other benefits.

The general meeting may also decide upon, for example, long-term variable remuneration in the form of share and share price related programmes. Remuneration decided by the general meeting is not covered by these guidelines.

### **Fixed basic cash salary**

Senior executives shall have a fixed basic cash salary that is at a market level based on each position's significance for the company as a whole. The fixed basic cash salary shall reflect the individual's area of responsibility, competencies and experience and requires the individual to work in a committed manner at a high professional level.

### **Short-term variable remuneration**

Short-term variable remuneration shall be determined annually by the board of directors and shall aim to promote the H&M group's development in both the short and the long term.

Fulfilment of short-term variable remuneration targets shall be measured over a period of one year. The targets shall be based mainly on financial results, such as total sales and total operating profit. Financial performance may be the performance of the group or the business area for which the executive is responsible. Objectives may also be linked to non-financial measures, such as strategic, operational or individual targets to meet the various areas of the business plan, including sustainability, leadership and adherence to values. Each year the board of directors will set target levels for each of the performance parameters for the coming year. There shall always be a threshold for the achievement of financial performance targets, with the implication that if this threshold is not reached, no short-term variable remuneration will be paid regardless of the achievement of other targets.

The board of directors is responsible for this assessment in the case of short-term variable remuneration to the CEO. Regarding the assessment of short-term variable remuneration to other senior executives, the chair of the board is responsible in consultation with the CEO.

The short-term variable remuneration, which at individual level shall be based on the importance of the person's duties and position in terms of influencing the overall performance of the group, may vary but shall not exceed 80 per cent of the fixed basic cash salary.

### **Extraordinary arrangements**

In specific cases, the company may offer one-time compensation, provided that such compensation is only given on an individual basis for the purpose of recruiting or retaining senior executives and does not exceed an amount equivalent to 100 percent of the individual's annual fixed basic cash salary, and is not paid more than once per year per individual. Decisions on such remuneration shall be taken by the board of directors.

### **Pension benefits**

In the case of the CEO, pension benefits, including sickness insurance, are to be on a defined contribution basis. Variable cash remuneration shall not be pensionable, unless otherwise provided by law or mandatory provisions of collective bargaining agreements. The pension premiums for the year may not exceed 30 percent of the CEO's annual fixed basic cash salary.

In the case of other senior executives, pension benefits, including sickness insurance, are to be on a defined contribution basis unless the executive is covered by a defined benefit pension plan under the mandatory provisions of collective bargaining agreements. The pension premiums for the year may not exceed 40 percent of the senior executive's annual fixed basic cash salary.

The retirement age for the CEO shall be 65. The retirement age for other senior executives may vary between 62 and 65 years.

### **Other benefits**

Senior executives may receive other benefits such as wellness subsidies, car allowances and medical insurance. The total annual costs associated with other benefits may not exceed 20 percent of the individual's annual fixed basic cash salary.

For members of the group management stationed in a country other than their home country, additional remuneration and other benefits may be paid considering the specific circumstances of such expatriation in accordance with local practice and the group's *International Assignments Policy*.

### **Termination of employment**

Upon termination of employment, the notice period may not exceed 12 months for the CEO and 6 months for other senior executives.

If the company terminate a senior executive's employment, a maximum of one year's fixed basic cash salary may also be paid as severance pay. Severance pay shall not constitute a basis for vacation pay, pension or other benefits unless otherwise provided by law or mandatory collective bargaining agreements.

### **Salary and employment terms for other employees of the company**

When preparing the board of directors' proposed guidelines for remuneration to senior executives consideration was given to the salary and employment terms of the company's other employees by using information concerning the employees' total remuneration, the components of the remuneration and the increase in and rate of increase in the remuneration over time as part of the basis on which the board of directors assessed whether the guidelines, and the resulting limitations, are reasonable.

### **Consultancy fees**

If a board member performs work for the company (including through a wholly owned company) in addition to their board work, a separate fee may be paid for this (consultancy fee). Such fee shall not exceed the board fee paid to the member concerned. The fee is to be based on the current market rate and be proportionate to the benefit for the company and the extent to which such work contributes to the good financial and sustainable development of the H&M group.

#### **Decision process for establishment, review and implementation of the guidelines**

The company has no remuneration committee, since the board of directors deems it more appropriate for the entire board of directors to carry out the tasks of a remuneration committee. The board of directors prepares proposed guidelines for remuneration to senior executives and these proposals are presented at the annual general meetings. The board of directors is to prepare a proposal for new guidelines at least every four years and submit the proposal for decision by the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting. The board of directors shall also monitor and evaluate programmes for variable remuneration to the company's management and the application of the guidelines for remuneration to senior executives, as well as current remuneration structures and levels in the company. The board of directors shall further decide on the CEO's salary in accordance with the guidelines in effect and shall continually evaluate the work of the CEO. Once a year this matter is to be discussed separately in conjunction with the setting of the CEO's remuneration for the coming year. For other senior executives, the CEO is responsible for proposing remuneration, which is then approved by the chairman of the board. To avoid conflicts of interest, no member of the company's management is to be present when the board of directors discusses remuneration matters, with the exception of the presence of the CEO when discussing the remuneration of other senior executives, which should be done in accordance with these guidelines.

#### **Deviations from the guidelines**

The board of directors may decide to temporarily deviate from the guidelines adopted by the annual general meeting, in full or in part, if there is particular reason to do so in an individual case and this is necessary in order to provide for the company's long-term interests, including its sustainability, or to ensure the financial viability of the company. As stated above, the board of directors' duties include preparing decisions on remuneration issues, including decisions on deviations from the guidelines.

#### **Other**

There are currently two outstanding incentive programmes in which certain senior executives participate. One of the outstanding incentive programmes is the so-called LTI programme, which was implemented in 2021 and expires 30 November 2025. Under this programme, long-term variable cash remuneration may be paid out upon the achievement of predetermined long-term targets. Senior executives who wish to participate in the new LTI 2025 programme proposed by the board of directors to the annual general meeting 2025 are required to accept that their participation in the LTI 2021 programme will be shortened so that it ends already 30 November 2024, with reduced costs for the company as a result. The other ongoing incentive programme is the profit-sharing programme known as the H&M Incentive Program, which is for all employees of the H&M group. The programme was adopted by a previous annual general meeting and is not covered by these guidelines.

Regarding employment terms falling under rules other than Swedish rules, in the case of pension benefits and other benefits the guidelines are to be adapted as appropriate to comply with any such rules or established local practice, while fulfilling the general aim of the guidelines as far as possible.

#### **Description of significant changes to the guidelines and how the shareholders' views have been taken into account**

The proposed guidelines represent an update and streamlining compared with the guidelines adopted by the annual general meeting 2021 and are adapted to H&M's long-term interests. The provisions on long-term variable remuneration have been deleted as the board of directors intends to propose this as a separate resolution to the general meeting instead. The provisions on short-term variable remuneration have been shortened and streamlined, with fewer provisions and detailed restrictions. Some additions have been made to provide some flexibility for extraordinary arrangements and to allow for adjustments for expatriate executives. The provision on termination of employment has been

updated. The changes mainly coincide with the views expressed by shareholders. Some shareholders have also expressed a desire for greater transparency regarding the performance requirements for variable remuneration. These views have been considered in the drafting of the board of directors' proposal, but also in the board of directors' considerations regarding the format of the disclosures in future remuneration reports.