

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 75 of the administration report in H&M's annual report 2016, or pages 68-69 of the administration report in H&M's annual report 2017.

Evaluation of guidelines for senior executives and remuneration structures

This evaluation of variable remuneration relates to remuneration which was paid out during the financial year 1 December 2016 – 30 November 2017 and which is based on the fulfilment of targets for each individual concerned during 2016 and on the guidelines for senior executives adopted at the 2017 annual general meeting.

At the 2017 annual general meeting the AGM approved the board's proposed guidelines for remuneration to senior executives, which to some extent differed 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 considers it of the utmost importance that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance.

The 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 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. There shall be a clear link between the level of variable remuneration paid and the H&M group's financial and sustainable development. From time to time, therefore, senior executives are entitled to variable remuneration that depends on the fulfilment of targets – which include group-wide financial targets such as pre-set targets for profits and sales, sustainability targets, and individual targets within that person's area of responsibility. The targets are aimed at promoting the H&M group's development in both the short and the long term.

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

In a few cases senior executives may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to an extra year's fixed salary. Discretionary one-off amounts may also be paid to other key individuals.

To read the full guidelines refer to pages 69-70 of H&M's annual report 2017 or visit about.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. In the 2017 financial year no short-term variable remuneration was paid because the group did not reach its financial targets for 2016. In the 2017 financial year SEK 48.2 m (48.0) was paid in remuneration to the executive management team, which in addition to the CEO consists of the individuals responsible for finance, production, sustainability, expansion, communications, human resources, business development and logistics, as well as the individuals responsible for the H&M brand and the person responsible for new business. The CEO was paid SEK 13.7 m (13.4) in fixed salary.

An estimated expense of SEK 30.0 m (30.0) has been recognised in respect of remuneration that certain senior executives may receive in long-term variable remuneration, previously known as supplementary guidelines – see further description in the administration report on page 68. This will be paid out no earlier than 2019, in accordance with the guidelines approved at the 2014 AGM. The long-term variable remuneration is based on the fact that it is of the utmost importance that the key individuals covered by the long-term variable remuneration stay with the H&M group during the important development phase that the H&M group is currently in.

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.

Annual general meeting 2018

The guidelines proposed at the annual general meeting on 8 May 2018 basically accord with the guidelines adopted at the 2017 annual general meeting.

The Board of Directors
March 2018