

# CORPORATE GOVERNANCE REPORT 2008

## H & M HENNES & MAURITZ AB

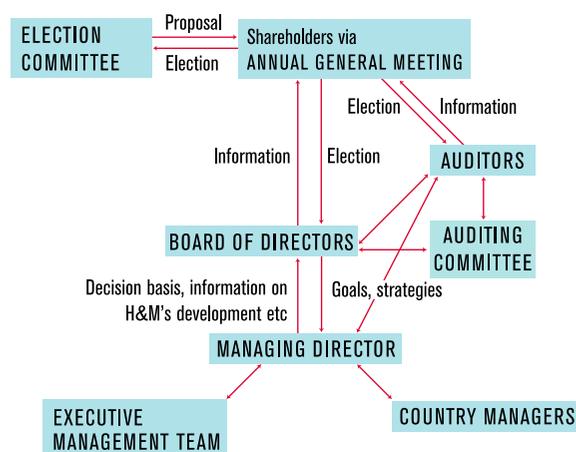
**H&M applies the Swedish Code of Corporate Governance and has therefore prepared this corporate governance report in accordance with the Code. This corporate governance report for 2008 describes H&M's corporate governance, management and administration as well as internal control over financial reporting. The Corporate Governance Report for 2008 is not part of the formal Annual Report and has not been reviewed by the company's auditors.**

The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation. The box below gives a brief statement of the rules from which H&M deviates. Explanations for the deviations are given in the relevant sections later in the report.

Deviations from the Code:

- The Chairman of the Board is the chairman of the Election Committee.
- H&M has no remuneration committee.

### H&M's CORPORATE GOVERNANCE STRUCTURE



Corporate governance is basically about how the company is to be run in order to safeguard the owners' interests. H&M's corporate governance is regulated by both external regulations and internal control documents.

Examples of external regulations:

- the Swedish Companies Act
- accounting legislation, including
- the Swedish Bookkeeping Act and Annual Accounts Act
- stock exchange rules
- Swedish Code of Corporate Governance

Examples of internal control documents:

- articles of association
- instructions and work plan for the Board of Directors and for the Managing Director
- Code of Ethics
- policies and guidelines

### SHAREHOLDERS AND ANNUAL GENERAL MEETING

The general meeting is the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. The Annual General Meeting is convened once a year in order to carry out tasks such as adopting the annual accounts and consolidated accounts, discharging the members of the Board of Directors and the Managing Director from liability and deciding how the profit or loss for the past financial year is to be allocated. The meeting also elects the Board of Directors and – when necessary – auditors for the forthcoming period of office. Extraordinary general meetings can be convened where there is a particular need to do so. At the end of the financial year H&M had 183,436 shareholders. H&M's shares are listed on the Stockholm Stock Exchange, NASDAQ OMX Stockholm AB.

### ELECTION COMMITTEE

The Election Committee is the general meeting's body for creating a decision basis for the meeting as regards election of the Board of Directors, Chairman of the Board, auditors and the chairman of the Annual General Meeting, as well as fees to the Board and auditors, plus principles for the Election Committee. An account of the work of the Election Committee ahead of each Annual General Meeting is available in a separate document on the website. Since the 2008 Annual General Meeting the members of H&M's Election Committee have been elected by the meeting.

### THE BOARD OF DIRECTORS

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders.

In addition to laws and recommendations, H&M's Board work is regulated by the Board's work plan, which contains rules on the distribution of work between the Board and the Managing Director, financial reporting, investments and financing. The work plan is established once a year.

### AUDITING COMMITTEE

The Board's Auditing Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting. This work includes dealing with critical accounting matters and financial reports issued by the company. The tasks of the Auditing Committee also include dealing with internal control matters and compliance with regulations.

### AUDITORS

The auditors are appointed by the shareholders at the Annual General Meeting every four years. The auditors scrutinise the company's annual report and accounts, the consolidated accounts and the management of the company by the Board and Managing Director.

### MANAGING DIRECTOR

The Managing Director is appointed by the Board of Directors and is responsible for the daily management of the company as directed by the Board. This means that the Managing Director must place particular importance on recruiting senior executives, buying and logistics matters, pricing policy and sales, marketing, development of the store network and IT development. The Managing Director reports to the Board on H&M's

development and produces decision bases for investments, expansion, etc. The role of Managing Director also includes contact with the financial market, the media and authorities.

### EXECUTIVE MANAGEMENT TEAM AND COUNTRY MANAGERS

H&M has a matrix organisation in which country managers and the members of the executive management team report directly to the Managing Director (see section on control environment). The matrix organisation consists both of the sales countries, headed by the country managers, and the central functions/departments, for which the executive management team is responsible.

### ANNUAL GENERAL MEETING 2008

All shareholders who are entered by name in the register of shareholders and have notified their attendance on time are entitled to participate in the meeting and vote for all their shares. Shareholders who cannot be present in person may be represented by a proxy. H&M's Annual General Meeting 2008 was held in Victoriahallen at the Stockholm International Fairs on 8 May. 974 shareholders attended the meeting, representing 80.9 percent of the votes and 60.7 percent of the capital. H&M's Board of Directors, management and Election Committee as well as the company's two auditors attended the meeting.

### IN THE MAIN, THE FOLLOWING RESOLUTIONS WERE PASSED:

- Lawyer Sven Unger was elected chairman of the meeting.
- The balance sheets and income statements for the parent company and for the Group were adopted.
- A dividend to shareholders of SEK 14.00 per share was approved.
- The members of the Board and the Managing Director were discharged from liability for the 2006/2007 financial year.
- The number of Board members elected by the meeting to serve until the next AGM was set at nine, with no deputies elected by the meeting.
- The fees paid to Board members until the next AGM were set at SEK 4,250,000 in total, to be distributed as follows: Chairman of the Board SEK 1,350,000; Board members SEK 375,000; members of the Auditing Committee an extra SEK 75,000; and the chairman of the Auditing Committee an extra SEK 125,000. No fees are to be paid to any member employed by the company.
- Mia Brunell Livfors was elected as a new ordinary member. Fred Andersson, Lottie Knutson, Sussi Kvant, Bo Lundquist, Stig Nordfelt, Karl-Johan Persson, Stefan Persson and Melker Schörling were re-elected as ordinary members. Stefan Persson was re-elected as Chairman of the Board.
- The proposed principles for the Election Committee were approved.
- The proposed guidelines for remuneration paid to senior executives were adopted.

The minutes of the Annual General Meeting were posted on the website within two weeks of the meeting.

Material from the meeting, such as the notice of the meeting, the Board's statement concerning allocation of profit and the

Managing Director's address and presentation, minutes, etc. were translated into English and posted on the website.

### ANNUAL GENERAL MEETING 2009

H&M's Annual General Meeting 2009 will be held in Victoriahallen at the Stockholm International Fairs on 4 May. To register to attend the 2009 AGM please see page 46 in H&M in figures 2008 including the annual accounts and the consolidated accounts or visit [www.hm.com](http://www.hm.com) under Investor Relations/Corporate Governance/Annual General Meeting. Since September 2008 information has been provided on the website concerning shareholders' rights to raise matters at the meeting and when such business must be received by H&M in order to be included in the notice of the meeting.

### ELECTION COMMITTEE

The members of the Election Committee were elected by the 2008 AGM, as recommended by the Code. The Election Committee was elected on the basis of its principles, which in brief state that the Election Committee shall be made up of the Chairman of the Board plus four other members each representing one of the four biggest shareholders as at 29 February 2008, apart from the shareholder that the Chairman of the Board represents.

The Election Committee's principles also include a procedure for replacing any member who leaves the Election Committee before its work is completed. To read the principles of the Election Committee in full, please see the document "Account of the work of H&M's Election Committee 2008" under Investor Relations/Corporate Governance/Election Committee at [www.hm.com](http://www.hm.com).

The composition of the Election Committee following election at the 2008 AGM was as follows:

- Stefan Persson, Chairman of the Board
- Lottie Tham, representing Lottie Tham
- Tomas Nicolin, representing Alecta
- Jan Andersson, representing Swedbank Robur Fonder
- Peter Lindell, representing AMF Pension

Deviating from the Code, the Election Committee appointed Stefan Persson as chairman of the Election Committee, on the grounds that this may be deemed an obvious choice in view of the ownership structure of H&M.

Since the 2008 AGM the Election Committee has held two meetings at which minutes were taken and was also in contact between these times. As a basis for its proposals to the 2009 AGM the Election Committee carried out an assessment of the composition of the Board of Directors. This assessment was partly based on Stefan Persson's verbal account of the work of the Board. The work of the Board functioned well over the course of the year.

No special fees were paid to the Election Committee's chairman, nor to any other member of the Committee.

Shareholders wishing to submit proposals to the Election Committee can do so either to individual members of the Election Committee or by e-mail to [valberedningen@hm.com](mailto:valberedningen@hm.com).

## H&M's BOARD OF DIRECTORS



**SUSSI KVART**

Board member and member of the Auditing Committee.

**KARL-JOHAN PERSSON**

Board member.

**MARIANNE NORIN-BROMAN**

Employee representative.

**MELKER SCHÖRLING**

Board member.

**STIG NORDFELT**

Board member and Chairman of the Auditing Committee.

**STEFAN PERSSON**

Chairman of the Board.

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**LOTTIE  
KNUTSON**

Board member.

**FRED ANDERSSON**

Board member.

**AGNETA  
RAMBERG**

Deputy  
employee  
representative.

**MIA BRUNELL  
LIVFORS**

Board member.

**BO LUNDQUIST**

Board member and  
member of the  
Auditing Committee.

**TINA  
JÄDERBERG**

Deputy  
employee  
representative.

**MARGARETA  
WELINDER**

Employee  
representative.

## FACTS ABOUT THE BOARD MEMBERS

### STEFAN PERSSON

Chairman of the Board. Born 1947.

#### PRIMARY OCCUPATION:

Working Chairman of the Board of H&M.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the board of MSAB and board assignments in family-owned companies.

#### EDUCATION:

Stockholm University & Lund University, 1969–1973.

#### WORK EXPERIENCE:

1976–1982 Country Manager for H&M in the UK and responsible for H&M's expansion abroad.  
1982–1998 Managing Director and Chief Executive Officer of H&M.  
1998– Chairman of the Board of H&M.

### FRED ANDERSSON

Board member. Born 1946.

#### PRIMARY OCCUPATION:

CEO of Coromandel förvaltning AB.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of Corem Property Group, Climate Well AB, Oriflame East Africa Ltd., Kenya, member of the board of Bonnier Industrier, Hammarplast Industrier.

#### EDUCATION:

Economics, Finnish Institute of Exports.

#### WORK EXPERIENCE:

Founder of Indoor Design in Helsinki, a design company with its own production.

1984–1989 Managing Director of Ikea of Sweden, Ikea's product range and buying company.  
1989–1992 CEO of Scandic Hotels.  
1992–1993 Consulting assignment for Securum.  
1993–1996 Managing Director, Volvo Personbilar Sverige.  
1996–1998 Chairman and responsible for EF's Whitbread project.  
1998 Founded the Coromandel companies.  
2002–2008 CEO and partner in the Nicator Group.  
2008– CEO of Coromandel förvaltning AB.  
2008– Chairman of Oriflame East Africa Ltd. Kenya.

### MIA BRUNELL LIVFORS

Board member. Born 1965.

#### PRIMARY OCCUPATION:

Managing Director and Chief Executive Officer of Investment AB Kinnevik.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the boards of Efva Attling Stockholm AB, Metro International S.A., Tele2 AB, Transcom WorldWide S.A., Korsnäs AB and Mellersta Sveriges Lantbruks AB since 2006, and of

Millicom International Cellular S.A. and Modern Times Group MTG AB since 2007.

#### EDUCATION:

Economics, Stockholm University.

#### WORK EXPERIENCE:

1989–1992 Consensus AB  
1992–2006 Various managerial positions within Modern Times Group MTG AB and Chief Financial Officer 2001–2006.  
2006– Managing Director and CEO of Investment AB Kinnevik.

### LOTTIE KNUTSON

Board member. Born 1964.

#### PRIMARY OCCUPATION:

Communications Director at Fritidsresor Group Nordic with responsibility for communications as well as corporate social responsibility.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

No positions other than as member of the Board of H&M.

#### EDUCATION:

Université de Paris III, Diplôme de Culture Française, 1985–1986.  
Theatre History, Stockholm University, 1989.  
Department of Journalism at Stockholm University, 1987–1989.

#### WORK EXPERIENCE:

1988–1989 Journalist, Svenska Dagbladet.  
1989–1995 Communications department at SAS Group.  
1995–1996 PR Consultant, Johansson & Co.  
1996–1998 PR and Communications Consultant, Bates Sweden.  
1998–1999 Communications Consultant, JKL.  
1999– Communications Director at Fritidsresor Group for the Nordic countries.

### SUSSI KVART

Board member and member of the Auditing Committee. Born 1956.

#### PRIMARY OCCUPATION:

Consulting, with a focus on strategic business advice, corporate governance and board procedures.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of Kvinvest AB. Member of the boards of Healthcare Provision – Stockholm County Council, Stockholms Stadshus AB, Transparency International Sweden and DGC One AB.

#### EDUCATION:

Bachelor of Laws, Lund University 1980.

#### WORK EXPERIENCE:

1983–1989 Lagerlöf law firm (now Linklaters), as lawyer from 1986.  
1989–1991 Political Expert, Riksdagen (Swedish parliament), parliamentary office of the Swedish Liberal Party.  
1991–1993 Political Expert, Swedish Cabinet Office.

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1993–1999 Company Lawyer, LM Ericsson.  
1997–2001 Member of Aktiebolagskommittén  
(Swedish Companies Act Committee).  
2000–2001 Lawyer and Business Developer, LM Ericsson,  
Corporate Marketing and Strategic Business  
Development.  
2002– Sussi Kvart AB.

### BO LUNDQUIST

Board member and member of the Auditing Committee.  
Born 1942.

#### PRIMARY OCCUPATION:

Head of family-owned investment company. Board assignments.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of the boards of Stockholm University College of  
Physical Education and Sports (GIH), Teknikmagasinet AB  
(unlisted company); member of the board of Frans Svanström AB  
(unlisted company). Member of the Board of the Anders Wall  
Foundation for Free Enterprise.

#### EDUCATION:

M.Sc. Engineering, Chalmers University of Technology in  
Gothenburg 1968.

#### WORK EXPERIENCE:

1970–1974 Administrative Director, Luleå University  
1975–1978 Divisional Manager, SSAB.  
1978–1982 Sales Manager, Sandvik.  
1982–1984 Managing Director, Bulten.  
1984–1990 Vice President, Trelleborg.  
1991–1998 Managing Director and Chief Executive Officer,  
Esselte.  
1994–1998 Involved in various central trade and industry  
organisations, including Chairman of the  
Federation of Swedish Commerce and Trade.

### STIG NORDFELT

Board member and Chairman of the Auditing Committee.  
Born 1940.

#### PRIMARY OCCUPATION:

Consulting, with a focus on board procedures.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the boards of CGU Life AB and Capinordic Asset  
Management AB.

#### EDUCATION:

M.Sc. Business and Economics from the School of Business,  
Economics and Law, Gothenburg University 1963.

#### WORK EXPERIENCE:

1964–1981 Authorised Public Accountant, Reveko AB,  
Stockholm; from 1971, Senior Partner and  
joint owner.  
1982–1985 Managing Director, Tornet AB, Stockholm.  
1986–2006 Managing Director, Pilen AB, Stockholm.

### KARL-JOHAN PERSSON

Board member. Born 1975.

#### PRIMARY OCCUPATION:

Board assignments and responsible for expansion, business  
development, brand and new business at H&M.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

H&M's subsidiaries in Denmark, the USA, the UK and Germany.  
The Swedish Chamber of Commerce in the UK and the  
GoodCause Foundation.

#### EDUCATION:

European Business School, London, 1996-2000.

#### WORK EXPERIENCE:

2001–2004 Managing Director, European Network.  
2005–2007 Head of Business development and COS, at H&M.  
2007– Responsible for expansion, business development,  
brand and new business at H&M.

### MELKER SCHÖRLING

Board member. Born 1947.

#### PRIMARY OCCUPATION:

Founder and owner of MSAB.

#### OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB,  
Hexpol AB and Securitas AB.

#### EDUCATION:

M.Sc. Business and Economics from the School of Business,  
Economics and Law, Gothenburg University 1970.

#### WORK EXPERIENCE:

1970–1975 Controller, LM Ericsson, Mexico.  
1975–1979 Controller, ABB Fläkt, Stockholm.  
1979–1983 Managing Director, Essef Service, Stockholm.  
1984–1987 Managing Director, Crawford Door, Lund.  
1987–1992 Managing Director and CEO, Securitas AB,  
Stockholm.  
1993–1997 Managing Director and CEO, Skanska AB,  
Stockholm.

### MARIANNE NORIN-BROMAN

Employee representative on the H&M Board since 1995.  
Born 1944.

### MARGARETA WELINDER

Employee representative on the H&M Board since 2007.  
Born 1962.

### TINA JÄDERBERG

Deputy employee representative on the H&M Board since 2007.  
Born 1974.

### AGNETA RAMBERG

Deputy employee representative on the H&M Board since 1997.  
Born 1946.

## CORPORATE GOVERNANCE REPORT

### COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE DURING THE YEAR

Name	Year	Independent <sup>1)</sup>	Independent <sup>2)</sup>	Fees <sup>3)</sup> (SEK)	Board meetings	Auditing Committee	Share- holding	Shares by related parties
Stefan Persson, Chairman	1979	No	No	1,350,000	7/7		186,274,400	97,200,000 <sup>4)</sup> 3,200,000 <sup>5)</sup>
Fred Andersson	1990	Yes	Yes	375,000	6/7		800	
Mia Brunell Livfors	2008	Yes	Yes	375,000	4/4 <sup>8)</sup>			300 <sup>6)</sup>
Lottie Knutson	2006	Yes	Yes	375,000	6/7		600	
Sussi Kwart	1998	Yes	Yes	450,000	7/7	4/4	2,200	850
Bo Lundquist	1995	Yes	Yes	450,000	7/7	4/4		20,000 <sup>7)</sup>
Stig Nordfelt	1987	Yes	Yes	500,000	7/7	4/4	4 000	
Karl-Johan Persson	2006	No	No		6/7		6,066,000	
Melker Schörling	1998	Yes	No	375,000	7/7		114,000	
Marianne Norin-Broman, employee representative	1995	No	No		7/7		70	145
Margareta Welinder, employee representative	2007	No	No		7/7			
Tina Jäderberg, deputy employee representative	2007	No	No		3/7			
Agneta Ramberg, deputy employee representative	1997	No	No		7/7			

1) Independent of the company and the company management as defined by the Swedish Code of Corporate Governance.

2) Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance.

3) Fees as resolved at the 2008 Annual General Meeting. The fees relate to the period until the next AGM is held and will be paid out in 2009.

4) Class A shares owned through Ramsbury Invest AB.

5) Class B shares owned through Ramsbury Invest AB.

6) Shares held together with related parties.

7) Shares owned through Bo Lundquist's company Smidessken AB.

8) Elected by the AGM on 4 May, 2008.

There are no outstanding share- or share price-related incentive programmes for the Board of Directors.

### COMPOSITION OF THE BOARD OF DIRECTORS

During the financial year, H&M normally holds five regular Board meetings and one statutory Board meeting. Extraordinary Board meetings are held when the need arises. The Board consists of nine ordinary members elected by the AGM and no deputy members. There are also two employee representatives with two deputies. Seven of the members of the Board are female and six male; five out of thirteen are employed within the company. The Managing Director attends all Board meetings except when the Managing Director's work is being evaluated. The Managing Director reports to the Board on the operational work within the Group and ensures that the Board is given relevant and objective information on which to base its decisions. Other members of the management such as the CFO and Chief Accountant also attend in order to provide the Board with financial information. The Board is assisted by a secretary who is not a member of the Board.

### WORK OF THE BOARD IN 2008

H&M's Board held five regular Board meetings during the year, as well as a statutory Board meeting and an extraordinary meeting held by telephone. One of the meetings is an extended meeting and is generally held abroad. In 2008 this Board meeting was held in London, UK, and included visits to some of the stores there. The attendance of the Board members is reported in the table Composition of the Board of Directors and Attendance during the Year. Managing Director Rolf Eriksen was present at all the Board meetings during the year.

The Board meetings begin with a discussion of the company's financial situation, with costs and sales as the main focus. The various financial reports and the Annual Report are discussed and verified before being published. Accounting and auditing matters are dealt with within the Auditing Committee and reported back to the Board.

Matters dealt with at the Board meetings in 2008 included the company's main aims for the year, the acquisition of FaBric Scandinavien AB, the rate of expansion and the results of expansion into markets such as Japan, Hong Kong and Shanghai as well as new franchise countries such as Egypt, Saudi Arabia, Oman and Bahrain. The Board also reviewed the executive management team's risk assessment. In addition, the Managing Director reported on the status of new concepts such as COS and H&M Home as well as for example developments in buying work and Internet and catalogue sales, future marketing campaigns, the modernisation of the stores, the development of IT support, preparations for expansion into Russia, etc. The Board was kept informed of the company's CSR and environmental work. Decisions taken by the Board in 2008 include planned expansion via franchise into Israel in 2010 as well as investments to increase the total number of stores and the level of these investments.

The Board also discussed strategic matters such as competition and development opportunities, and also revised its financial policy and information policy.

In connection with the Board's review of the proposed annual report for 2008, auditors Åsa Lundvall and Erik Åström gave an account of the year's audit work.

### INDEPENDENCE ACCORDING TO THE CODE

The composition of H&M's Board meets the independence requirements set of members by the NASDAQ OMX Stockholm AB and the Code. This means that the majority of the Board members elected by the general meeting are independent of the company and the company management. At least two of these are also independent of the company's major shareholders.

### FINANCIAL REPORTING

H&M's financial reporting is carried out in compliance with the laws, statutes, agreements, regulations and recommendations that apply to companies listed on NASDAQ OMX Stockholm AB. It falls to the Board of Directors to ensure the quality of financial reporting with the help, for example, of the Auditing Committee (see text below). More information is available in the section on internal control over financial reporting.

### AUDITING COMMITTEE

H&M's Auditing Committee is made up of three Board members. The Committee is appointed annually by the Board of Directors at the statutory Board meeting held in conjunction with the AGM. The Auditing Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting. The Committee is also the main path of communication between the Board and the company's auditors.

The Auditing Committee, which comprises chairman Stig Nordfelt and members Sussi Kvart and Bo Lundquist, held four meetings during the financial year at which minutes were taken.

During the year the Committee addressed issues concerning the company's financial reporting and internal control, gathered information on the scope and focus of auditing assignments, and also gathered information on matters including development and the work on refinement and review of the Group structure, the effects of the acquisition of FaBric on the accounts and IT development. It also discussed the annual report and interim reports. The Auditing Committee also carried out an assessment of the work of the auditors as a basis for the Election Committee's proposal for election of auditors at the 2009 AGM. Authorised Public Accountants Åsa Lundvall and Erik Åström attended the Auditing Committee's meetings and reported to the Committee on their auditing work. The meetings were also attended by Leif Persson, CFO and Anders Jonasson, Chief Accountant,

The fees invoiced by the auditors over the past three financial years are as follows:

	GROUP			PARENT COMPANY		
	2008	2007	2006	2008	2007	2006
<b>Ernst &amp; Young</b>						
Audit assignments	14.5	12.8	11.3	2.2	2.4	2.4
Other assignments*	14.0	18.4	10.8	0.6	11.5	4.8
<b>Other auditors</b>						
Audit assignments	2.9	2.5	2.3	–	–	–
Other assignments	1.1	1.3	1.1	–	–	–
<b>Total</b>	<b>32.5</b>	<b>35.0</b>	<b>25.5</b>	<b>2.8</b>	<b>13.9</b>	<b>7.2</b>

\* Other assignments refers mainly to tax advice in connection with changes to internal pricing principles and refinement of the Group structure.

among others; the newly appointed CFO Jyrki Tervonen also attended the last Auditing Committee meeting of the financial year. The Committee's meetings are always minuted. The minutes are then distributed to the Board.

### INFORMATION ON AUDITORS

The Annual General Meeting appoints auditors every four years. The 2005 AGM appointed Authorised Public Accountants Åsa Lundvall and Erik Åström and deputies Torsten Lyth and Anders Wiger from the Ernst & Young AB accounting firm. The 2008 AGM resolved that, as previously, the auditors' fees should be paid based on the invoices submitted.

Åsa Lundvall, Authorised Public Accountant, has conducted auditing assignments for H&M for a number of years and has been a deputy auditor since the 2003 Annual General Meeting. At the 2005 AGM Åsa Lundvall was appointed as regular auditor for H&M.

Erik Åström, Authorised Public Accountant, conducts auditing assignments for a number of listed companies, such as Hakon Invest, Investment AB Kinnevik, Modern Times Group, Saab, Svenska Handelsbanken and Apoteket.

Ernst & Young AB is a member of a global network used for auditing assignments for most of the Group companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics, partly by the accounting firm's internal guidelines and partly by the Auditing Committee's guidelines regulating which assignments the accounting firm is permitted to conduct in addition to the audit.

### COMPANY MANAGEMENT

H&M's Managing Director is responsible for the day-to-day operations. The Managing Director has appointed a team of senior executives with ongoing responsibility for the various parts of the business.

This team consists of the Managing Director himself and twelve other individuals, four of whom are women. The executive management team is responsible for the following functions: Finance, Buying, Production, Sales, Expansion, Accounts, Human Resources, Marketing, Communications, Investor Relations, Security and Corporate Social Responsibility.

# CORPORATE GOVERNANCE REPORT

## INFORMATION ABOUT THE MANAGING DIRECTOR

Rolf Eriksen has long, sound experience of the retail sector, starting with five years' training in decoration and scene painting in Copenhagen, Denmark, which he completed in 1964. He then worked as a marketing manager for the next 20 years for the Danish department store ANVA in Copenhagen.

Rolf Eriksen joined H&M in 1986 as Country Manager for H&M Denmark. For a four-year period in the 1990s he was also Country Manager for H&M Sweden. In March 2000 he became Managing Director and CEO of H & M Hennes & Mauritz AB. Since September 2008 Rolf Eriksen has been a member of the board of Bang & Olufsen A/S.

Rolf Eriksen's shareholding in H&M as at 30 November 2008 was 42,300.

## GUIDELINES FOR REMUNERATION PAID TO SENIOR EXECUTIVES

In accordance with the Swedish Annual Accounts Act, the 2008 AGM adopted guidelines for remuneration paid to senior executives at H&M. To view the full guidelines refer to the Administration Report on page 7 of H&M in figures 2008 including the annual accounts and the consolidated accounts.

H&M deviates from the Code in having no Remuneration Committee, since the Board of Directors may be regarded as carrying out these tasks. The Board decides the remuneration to the Managing Director in accordance with the guidelines established at the 2008 AGM. The terms of employment of other senior executives are decided by the Managing Director and Chairman of the Board. No severance pay agreements exist within H&M other than for the Managing Director.

## INTERNAL CONTROL

This section has been prepared in accordance with the Swedish Code of Corporate Governance, i.e. it is a description of how internal control over financial reporting is organised.

The Board of Directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment.

## COSO

H&M uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee Of Sponsoring Organizations of the Treadway Commission, is made up of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

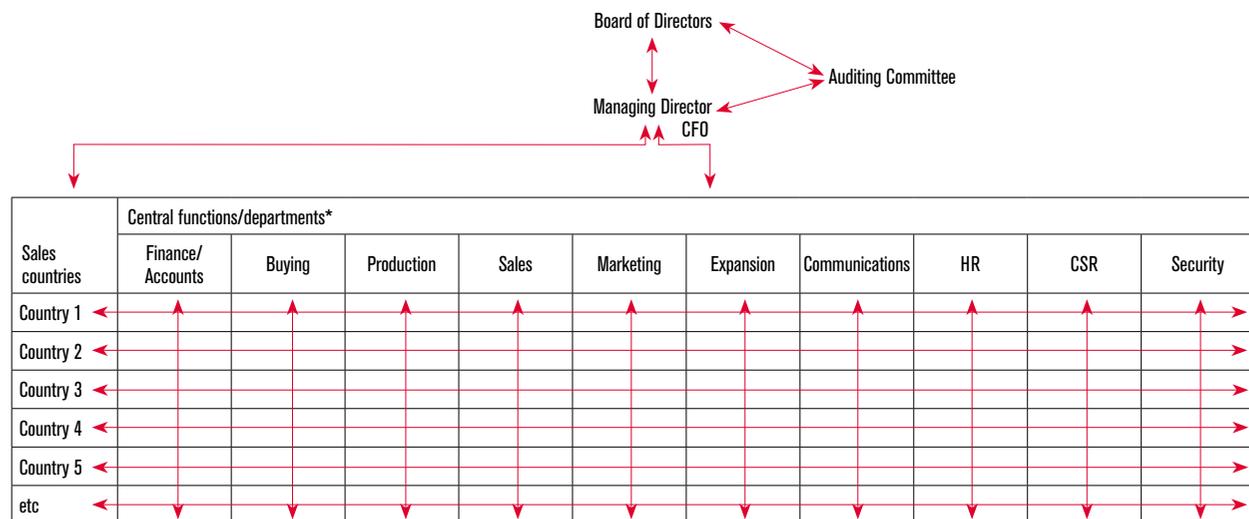
## CONTROL ENVIRONMENT

The control environment forms the basis of internal control, because it includes the culture that the Board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide colleagues with good guidance. Within H&M there exists above all a Code of Ethics, a policy that permeates the entire company since it describes the way in which our colleagues should act in relation to the company and in business transactions with suppliers.

## H&M'S INTERNAL CONTROL STRUCTURE IS BASED ON:

- The division of work between the Board of Directors, the Auditing Committee and the Managing Director, which is clearly described in the Board's formal work plan. The executive management team and the Auditing Committee report regularly to the Board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Policies, guidelines and manuals; of these, the Code of Ethics, the financial policy, the information policy, the communications policy and the store instructions are examples of important overall policies.
- Awareness among colleagues of the maintenance of good control over financial reporting.
- Reporting.



\* Executive management team

H&M has a matrix organisation, which means that those on the executive management team with responsibility for a function are responsible for the results of work within their function in each country (the vertical arrows). The country managers are responsible for profitability in their country and thereby have overall responsibility for all the functions within their business (the horizontal arrows). The country organisation is in turn divided into regions, with a number of stores in each region.

All the companies within the H&M Group have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which favours internal control and facilitates comparisons between the different companies.

There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the Group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective department in the country offices. Each central department regularly reviews its guidelines and manuals to see which need updating and whether new guidelines need to be developed.

### RISK ASSESSMENT

H&M carries out regular risk analysis to review the risks of errors within its financial reporting. Operational risks are also charted on an ongoing basis. Among other things, during the year the company carried out a thorough update of the risk analysis in order to obtain an overall picture of the main risks within each function as well as the systems and methods that are in place to minimise any impact of a risk. Where financial reporting is concerned, H&M has identified certain areas with a higher intrinsic risk of errors, including stock-in-trade shrinkage, cash-desk manipulation and misappropriation of merchandise. Another risk area is the valuation of stock-in-trade, including assessments relating to dead stock.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

### CONTROL ACTIVITIES, INFORMATION AND COMMUNICATION

Policies and guidelines are of particular importance for accurate accounting, reporting and provision of information, and also define the control activities to be carried out.

H&M's policies and guidelines relating to the financial process are updated on an ongoing basis. This takes place primarily within the central function concerned and is communicated to the countries via e-mail and the intranet as well as at meetings.

The aim of the control activities is to discover, prevent and correct inaccuracies and non-compliance. Control activities include such things as account reconciliation, analytical follow-up, comparisons between income statement and balance sheet items and controls in IT systems.

In 2008 the company's general IT controls were reviewed by an external party. These controls were mainly assessed with the assistance of those responsible for the system and system areas in certain business processes.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all information obligations are met and that the information provided is accurate and complete

### MONITORING

As part of the company's 2008 internal control work, the central departments followed up the assessment carried out in 2007 of the respective functions in the sales countries using the COSO model. During the year the action plans drawn up in 2007 to strengthen internal control further were reviewed.

Within the stores, annual controls are performed by internal shop controllers with the aim of finding out the strengths and weaknesses of the stores and how any deficiencies can be corrected. Follow-up and feedback in respect of any problems found during the assessment of internal control form a central part of internal control work.

The Board of Directors and the Auditing Committee continuously evaluate the information provided by the executive management team, including in respect of internal control. The Auditing Committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made during the assessment by the central departments and internal shop controllers as well as by external auditors. The work on internal control during the year has further increased awareness of internal control within the Group.

### INTERNAL AUDIT

In the company's opinion, the assessment and monitoring of internal control carried out in the sales countries by all the central departments – such as Accounts, Communications, Security, Logistics and Production – as well as the work carried out by internal shop controllers largely corresponds to the work performed in other companies by an internal audit function. H&M's Board has therefore not found it necessary to establish a specific internal audit function. The issue of a specific internal audit function will be reviewed again in 2009.

Stockholm, January 2009

The Board of Directors

More information on H&M's corporate governance work can be found in the section on Corporate Governance under Investor Relations at [www.hm.com](http://www.hm.com)

# THE H&M SHARE

## KEY RATIOS PER SHARE

	2008	2007	2006	2005	2004
Shareholders' equity per share, SEK	44.65	38.78	33.57	31.33	26.84
Earnings per share, SEK	18.48	16.42	13.05	11.17	8.79
Change from previous year, %	+13	+26	+17	+27	+14
Dividend per share, SEK	15.50*	14.00	11.50	9.50	8.00
Market price on 30 november, SEK	298.00	399.00	319.00	253.00	216.00
P/E ratio	16	24	24	23	25

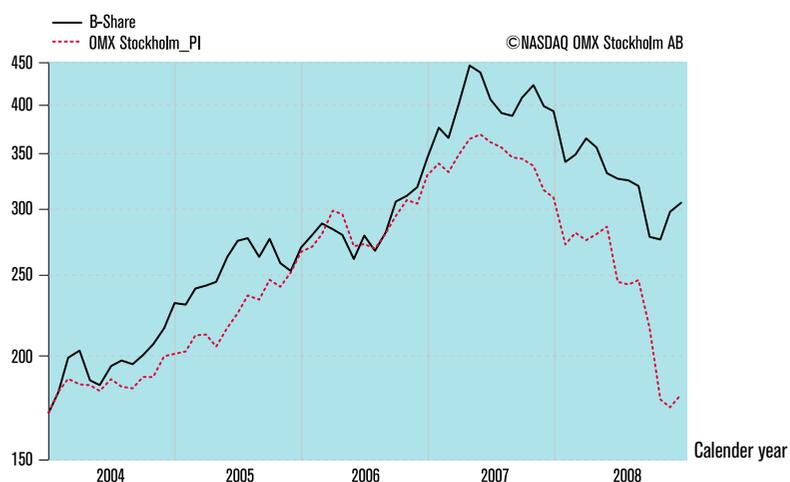
\* Proposed by the Board of Directors

## DISTRIBUTION OF SHARES, 30 NOVEMBER 2008

Shareholdings	Number of shareholders	%	Number of shares	%	Average shares per shareholder
1-1,000	170,242	92.8	32,374,847	3.9	190
1,001-5,000	10,040	5.5	22,236,694	2.7	2,215
5,001-10,000	1,376	0.8	10,139,624	1.2	7,369
10,001-50,000	1,175	0.6	24,982,912	3.0	21,262
50,001-100,000	197	0.1	14,036,037	1.7	71,249
100,001-	406	0.2	723,765,886	87.5	1,782,675
<b>Total</b>	<b>183,436</b>	<b>100</b>	<b>827,536,000</b>	<b>100</b>	<b>4,511</b>

## MAJOR SHAREHOLDERS, 30 NOVEMBER 2008

	No. of shares	% of voting rights	% of total shares
Stefan Persson and family	304,872,400	69.3	36.8
Lottie Tham and family	44,040,200	2.6	5.3
Alecta Pensionsförsäkring	28,584,000	1.7	3.5
Swedbank Robur Fonder	24,076,818	1.4	2.9
JP Morgan Chase Bank	21,767,526	1.3	2.6
Clearstream Banking	15,021,182	0.9	1.8
AMF Pensionsförsäkrings AB	13,350,000	0.8	1.6
SSB CL Omnibus	10,740,883	0.6	1.3
Fjärde AP-Fonden	10,722,384	0.6	1.3
BNY GCM Client ACC	10,387,000	0.6	1.3



# ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Monday, 4 May at 3 p.m. Shareholders who are registered in the share register print-out as of Monday, 27 April 2009 and who give notice of their intention to attend the AGM no later than Monday, 27 April 2009 at 12 noon, will be entitled to participate in the AGM.

## NOMINEE SHARES

Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own name in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, well in advance of 27 April 2009.

## NOTICE

Shareholders must provide notice of their intention to participate in the Annual General Meeting by post, fax, telephone or via H&M's website to:

H & M Hennes & Mauritz AB  
Head Office/Carola  
SE-106 38 Stockholm  
Telephone: +46 (0)8 796 55 00  
Fax: +46 (0)8 796 55 44  
[www.hm.com/arsstamma](http://www.hm.com/arsstamma)

*Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.*

## DIVIDEND

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2008 of SEK 15.50 per share. The Board of Directors has proposed 7 May 2009 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 12 May 2009. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 4 May 2009.



SKIRT € 49.90

# FINANCIAL INFORMATION

H & M Hennes & Mauritz AB will provide the following information:

26 March 2009	Three Month Report
4 May 2009	Annual General Meeting 2009 at 3 p.m. at Victoriahallen, Stockholm International Fairs, Stockholm
25 June 2009	Half Year Report
24 September 2009	Nine Month Report
28 January 2010	Full Year Report
25 March 2010	Three Month Report
29 April 2010 at 3 p.m.	Annual General Meeting 2010

As previously, we plan to publish sales figures for each month on the 15th of the subsequent month. If the 15th falls on a weekend, the sales figures will be published on the following weekday. However, H&M plans to publish the sales figures for February, May, August and December in each of the subsequent interim reports.

*This information is available at [www.hm.com](http://www.hm.com)*

# CONTACT DETAILS

## HEAD OFFICE

H & M Hennes & Mauritz AB  
Mäster Samuelsgatan 46A  
SE-106 38 Stockholm  
Tel.: +46 (0)8 796 55 00

*For information on H&M and the addresses of the country offices, see [www.hm.com](http://www.hm.com)*

## CONTACTS HEAD OFFICE

MANAGING DIRECTOR AND CEO ROLF ERIKSEN  
FINANCE JYRKI TERVONEN  
ACCOUNTS ANDERS JONASSON  
SALES JONAS GULDSTRAND  
BUYING ANNA ATTEMARK/MADELEINE PERSSON  
DESIGN ANN-SOFIE JOHANSSON  
PRODUCTION KARL GUNNAR FAGERLIN  
CORPORATE SOCIAL RESPONSIBILITY INGRID SCHULLSTRÖM  
EXPANSION, BUSINESS DEVELOPMENT,  
BRAND AND NEW BUSINESS KARL-JOHAN PERSSON  
MARKETING PER SJÖDELL  
COMMUNICATIONS KRISTINA STENVINKEL  
INVESTOR RELATIONS NILS VINGE  
HUMAN RESOURCES PÅR DARJ  
IT KJELL-OLOF NILSSON  
LOGISTICS DANNY FELTMANN  
SECURITY ANGELIKA GIESE

## DISTRIBUTION POLICY

H&M's Annual Report 2008 is in two parts: Part I H&M in words and pictures 2008 and Part II H&M in figures 2008 including the Annual Accounts and Consolidated Accounts. H&M sends the printed version of Part I and Part II of H&M 2008 to those shareholders who have expressly requested that the printed version be posted to them. Part I and Part II are available at [www.hm.com](http://www.hm.com)