


## HENNES & MAURITZ AB (H&M)

<b>MEETING DATE</b>	Wed, 10 May 2017 15:00 pm	<b>TYPE</b>	AGM	<b>ISSUE DATE</b>	Sat, 29 Apr 2017
<b>MEETING LOCATION</b>	Erling Persson Hall at Aula Medica, Karolinska Institutet, Nobels väg 6 in Solna				
<b>CURRENT INDICES</b>	FTSE EuroFirst				
<b>SECTOR</b>	Apparel Retailers				

	<b>PROPOSALS</b>	<b>ADVICE</b>
1	<b>Opening of the Meeting</b> Non-voting agenda item	Non-Voting
2	<b>Election of the Chairman of the meeting: Lawyer Sven Unger</b> Non-voting agenda item.	Non-Voting
3	<b>Address by CEO Karl-Johan Persson</b> Non-voting agenda item	Non-Voting
4	<b>Preparation and Approval of the Voting List</b> Non-voting agenda item.	Non-Voting
5	<b>Approve agenda of meeting</b> Non-voting agenda item	Non-Voting
6	<b>Election of Persons to Scrutinise the Minutes and to Supervise the Counting of Vote</b> Non-voting agenda item	Non-Voting
7	<b>Examination of whether the meeting has been duly convened</b> Non-voting agenda item.	Non-Voting
8.A	<b>Presentation of the Annual Report</b> Non-voting agenda item	Non-Voting
8.B	<b>Statement by the Company's Auditor and the Chairman of the Auditing Committee</b> Non-voting agenda item	Non-Voting
8.C	<b>Opening Statement by the Chairman of the Board on the Work of the Board</b> Non-voting agenda item	Non-Voting
8.D	<b>Statement by the Chairman of the Nomination Committee on the Work of the Nomination Committee</b> Non-voting agenda item	Non-Voting
9.A	<b>Approve Financial Statements</b> Disclosure is adequate. The financial statements were made available sufficiently before the meeting and have been audited and certified. No serious governance concerns have been identified.	For
9.B	<b>Approve the Dividend</b> The Board proposes a dividend of SEK 9.75 per share. The dividend is covered by earnings. Acceptable proposal.	For
9.C	<b>Discharge the Board and CEO</b> Standard proposal. No serious governance concerns have been identified.	For
10	<b>Set the Number of Board Directors</b> The Company proposes to set the number of directors to be elected to the Board to seven directors. Acceptable proposal, in line with market practice.	For
11	<b>Approve Fees Payable to the Board of Directors and the Auditor</b> It is proposed to increase the fees payable to directors by less than 10%. It is also proposed that the auditor's fees be paid based on approved invoices. Triodos supports this resolution.	For

12	<p><b>Elect the Board members</b></p> <p>It is proposed to renew the Board with a bundled election. There is sufficient independent representation.</p>	<b>For</b>
13	<p><b>Appoint the Auditors</b></p> <p>EY proposed. Non-audit fees represented 48.46% of audit fees during the year under review and 55.69% on a three-year aggregate basis. This level of non-audit fees raises major concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.</p> <p>Triodos opposes this resolution.</p>	<b>Oppose</b>
14	<p><b>Approve the Principles of the Nomination Committee</b></p> <p>The Nomination Committee will consist of at least four members appointed by the largest shareholders of the company who have wished to appoint a member. The Chairman of the Board will also be a member of the Committee. As it is not explicitly stated that the Chairman of the Board may not be the Chair of the Committee, and the Chairman is actually the current Chair of the Committee, the current guidelines may result in a composition of the Committee not in line with local corporate governance recommendations.</p> <p>Triodos opposes this resolution.</p>	<b>Oppose</b>
15	<p><b>Approve Remuneration Policy</b></p> <p>It is proposed to approve the remuneration policy with a binding vote. The Company amends the previous guidelines by decreasing the holding period of reinvested shares from the bonus (also decreased from 100% to 50% of the variable remuneration). Variable remuneration appears to be consistently capped, and the payout is in line with best practice. However, the Company has not disclosed quantified targets or performance criteria for its variable remuneration component, which may lead to overpayment against underperformance. In addition, there are no claw back clauses in place over the entirety of the variable remuneration component, which makes it unlikely for shareholders to reclaim that variable remuneration unfairly paid out.</p> <p>Triodos opposes this resolution.</p>	<b>Oppose</b>
16.1	<p><b>Shareholder Resolution: Adopt a zero vision with regard to anorexia within the industry</b></p> <p>The Company has a comprehensive sustainability section in the annual report, where nevertheless anorexia and such issues related to the image perceived of their customers are not reported on. It is considered that companies that have the power to set trends in terms of image and fashion, by dealing with the image perceived by their customers, should take a clear position regarding anorexia and communicate it accordingly in their visual campaigns.</p>	<b>For</b>
16.2	<p><b>Shareholder Resolution: Instruct the Board of Directors to appoint a working party to realise this zero vision as far as possible</b></p> <p>This is considered to be an implementation item necessary for the realisation of the previous proposal at a corporate level.</p> <p>Triodos supports this resolution.</p>	<b>For</b>
16.3	<p><b>Shareholder Resolution: The result is to be reported to the AGM each year in writing</b></p> <p>It is considered that shareholders should hear annually regarding these initiatives, especially when coming from a shareholder proposal.</p>	<b>For</b>
16.4	<p><b>Shareholder Resolution: Adopt a vision of equality at all levels within the Company between men and women</b></p> <p>Proposed by Thorwald Arvidsson. It is proposed that the Company adopts a vision of absolute equality between men and women. The Corporate Governance Code of Sweden recommends that companies should aim at equality of gender representation on the Board or explain otherwise. The Company currently has a diversity policy for the board that is in line with the corporate governance recommendations for this market. As a consequence, this proposal appears redundant.</p> <p>Triodos opposes this resolution.</p>	<b>Oppose</b>

- |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |        |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 16.5  | <p><b>Shareholder Resolution: Appointment of a working party to realise this vision in the longer term and to carefully monitor developments in the areas of both equality and ethnicity</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to enable the creation of a working group to monitor company diversity. The Company is compliant with the recommendations of the Corporate Governance Code and has a diversity policy. As such, the added value of the proposal is unclear.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                                                                                                                                       | Oppose |
| 16.6  | <p><b>Shareholder Resolution: Annually submit a written report to the AGM</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to annually submit a report on Company diversity in writing to the Annual General Meeting, as a suggestion by including the report in the printed version of the Annual Report. The Company has already a separate report on diversity, which is included in the Annual Report. As such, the added value of this proposal is unclear.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                                                                                                                                                            | Oppose |
| 16.7  | <p><b>Shareholder Resolution: Shareholder's association in the Company</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to enable the creation of a shareholders association. The Board does support this proposal. The establishment of an association would enhance shareholder rights for minority investors. However, there is a Nomination Committee in place and there is a lack of disclosure regarding the goals of the association. The proposal appears thus to be potentially redundant.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                                                                                                                         | Oppose |
| 16.8  | <p><b>Shareholder Resolution: Members of the Board shall not be permitted to invoice their Board fees via a legal entity, Swedish or foreign</b></p> <p>Shareholder proposal from Thorwald Arvidsson that board members should not be allowed to invoice their Board fees via a legal entity. There is a lack of disclosure regarding the scope and the goals of this proposal.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                                                                                                                                                                                                                                                                    | Oppose |
| 16.9  | <p><b>Shareholder Resolution: Instruct the Board to draw attention, by contacting the relevant authority, to the need for a change in the rules in the area concerned</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to instruct the Board of Directors to write to the competent authority (the Government of Sweden or the Swedish Tax Agency) in order to draw the attention to the need for amendments for the rules governing the invoicing of Directors to the Board via a legal entity. Writing to the government is lobbying practice and there is a risk of potential governance issues.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                         | Oppose |
| 16.10 | <p><b>Shareholder Resolution: Matters associated with ethics, gender and ethnicity</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to instruct the Nomination Committee to pay extra attention to questions concerning ethics, gender and ethnicity. The Company has discussed diversity (at all levels) in the annual report, and is compliant with recommendations by the corporate governance code. In addition, the Company has an ethics policy, and an ethics hotline is available to report wrongdoings, where internal communication may be made impossible.</p> <p>Triodos opposes this resolution.</p>                                                                                                                                                                       | Oppose |
| 16.11 | <p><b>Shareholder Resolution: Introduce a national so-called "politician quarantine"</b></p> <p>Shareholder proposal from Thorwald Arvidsson. It is proposed to amend the Articles so that former members of the Swedish Government may not be appointed Board members until two years have passed since the person concerned left the Government. Other full-time politicians paid by the state may not be appointed Board members until one year has passed since the person concerned submitted his or her assignment, unless exceptional circumstances dictate otherwise. Appropriate cool-off period are considered to be a positive governance practice, in order to reduce potential "revolving doors" that may act as distortion of fair market practice.</p> <p>Triodos supports this resolution.</p> | For    |

<b>16.12</b>	<b>Shareholder Resolution: Instruct the Board to draw up a proposal for representation of the small and medium sized shareholders on both the Company's Board of Directors and the nomination committee</b> Shareholder proposal from Thorwald Arvidsson. It is proposed to assign the Board to prepare a proposal to be referred to the next Annual General Meeting regarding representation on the Board and the Nomination Committee for the small and medium-sized shareholders. The Nomination Committee is a common feature among Swedish companies and comprises the biggest shareholders, along with one representative from the Board. The Company already has a Nomination Committee, which already complies with recommendations from the local corporate governance code. The proposal appears to add little value to the Nomination Committee. Triodos opposes this resolution.	<b>Oppose</b>
<b>16.13</b>	<b>Shareholder Resolution: Instruct the Board to draw attention to, by contacting the government, to the desirability of a change in the law such that the possibility of graduated voting rights in Swedish Limited Companies is abolished</b> Shareholder proposal from Thorwald Arvidsson. It is proposed to instruct the Board to advocate for the abolishment of voting power differences before the Swedish Government. It is believed that companies should abide by the one-share, one-vote principle. However, writing to the government is lobbying practice and there is a risk of potential governance issues. Triodos opposes this resolution.	<b>Oppose</b>
<b>17.1</b>	<b>Shareholder Resolution: Equitable Voting Rights</b> Shareholder proposal from Thorwald Arvidsson. It is proposed that all shares will carry one vote. It is considered best practice to follow the one-share one-vote principle. Triodos supports this resolution.	<b>For</b>
<b>17.2</b>	<b>Amend Articles Re: Former Politicians on the Board of Directors</b> Shareholder proposal from Thorwald Arvidsson. It is proposed to amend the Articles so that former members of the Swedish Government may not be appointed Board members until two years have passed since the person concerned left the Government. Other full-time politicians paid by the state may not be appointed Board members until one year has passed since the person concerned submitted his or her assignment, unless exceptional circumstances dictate otherwise. Appropriate cool-off period are considered to be a positive governance practice, in order to reduce potential "revolving doors" that may act as distortion of fair market practice. Triodos supports this resolution.	<b>For</b>
<b>18</b>	<b>Closing of the Meeting</b> Non-voting agenda item	<b>Non-Voting</b>

## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 9.A - Approve Financial Statements

In November 2014, the Directive 2014/95/EU was published and Member States will have until end of 2016 to transpose the Directive into national legislation and companies will start reporting as of their financial year 2017. The Directive has legislative relevance for all the European Economic Area and as such should be implemented also by members of the European Free Trade Association. Under the Directive, companies should provide disclosure of non-financial information (policy and practice) in the annual report or on a separate report, made available at the latest 6 months after the date of the balance sheet. The European Commission has been tasked with publishing non-binding reporting guidelines by December 2016. Although the provisions contained in the Directive are not yet binding, they are considered to set the bar of best practice. PIRC maintains that corporations should not passively abide by minimum standards set in regulation, but actively exceed minimum thresholds and seek best practice. PIRC will accurately monitor the presence and the quality of non-financial information.

### Proposal 11 - Approve Fees Payable to the Board of Directors and the Auditor

The nomination committee proposes that the board fees for each member elected by the general meeting are distributed as follows (previous year's figures in parentheses): chairman of the board SEK 1,675,000 (1,625,000); members SEK 600,000 (575,000); members of the auditing committee an extra SEK 150,000 (125,000); and the chairman of the

auditing committee an extra SEK 200,000 (175,000). If the meeting approves the nomination committee's proposal for the composition of the board, and if the number of members of the auditing committee remains as before, the total fees will be SEK 5,775,000.

**Proposal 14 - Approve the Principles of the Nomination Committee**

According to the recommendations of the Corporate Governance Code, the Nomination Committee is to have at least three members, one of whom is to be appointed committee chair. The majority of the members of the Nomination Committee are to be independent of the Company and its executive management. At least one member of the Nomination Committee is to be independent of the Company's largest shareholder in terms of votes or any group of shareholders who act in concert in the governance of the Company. Neither the chief executive officer nor other members of the executive management are to be members of the Nomination Committee. Neither the Chairman of the board nor any other member of the Board may chair the Nomination Committee. If more than one member of the board is on the Nomination Committee, no more than one of these may be dependent of a major shareholder in the Company.

**For Private Circulation only**

©Copyright 2017 PIRC Ltd

Researcher:  
Email: [pircresearch@pirc.co.uk](mailto:pircresearch@pirc.co.uk)

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.

# PIRC



Pensions & Investment Research Consultants Limited  
8th Floor, Suite 8.02, Exchange Tower  
2 Harbour Exchange Square  
E14 9GE

Tel: 020 7247 2323  
Fax: 020 7247 2457  
<http://www.pirc.co.uk>

**Regulated by the Financial Conduct Authority**