



OUR COLLEAGUES

H&M's strong corporate culture, the H&M spirit, has developed for over 60 years, since the days of its founder, Erling Persson. The H&M spirit is based on a number of values that describe in simple terms how we want to work, including, among other things, the belief in people and teamwork.

Our business operates on the principle of respect for all individuals and this should be applied to everything we do. We provide our colleagues with the opportunity to grow and develop within H&M, providing training wherever possible. We want our employees to feel that H&M is a place where their personality is valued and they can expand their horizons.

Our newly developed sustainability strategy, which aims to share responsibility for sustainability among all H&M departments rather than within a single CSR department, fits well with our employee principles. Once the new strategy is rolled out in 2009 it will influence the work lives of an increasing number of our people and it is our aim that all of our employees will work towards the strategy of shared responsibility.

OUR APPROACH

Our colleagues are a major factor in our success, profitability and growth. By 30 November 2008 we employed 72,497 people (53,430 full time equivalent).

PEOPLE MAKE OUR BUSINESS

Being a company that strives to be responsible and at the forefront of sustainability enables us to attract and retain engaged employees who are able to support the growth of H&M. We have set ourselves a business target to increase our number of stores by 10-15% per year with continued high profitability. To meet this goal it is essential our colleagues develop and grow with the company and that we attract enough good quality talent to support our growth. In 2008 we increased our employee headcount by 6,401 full time equivalent employees and this growth in our workforce needs to be sustained. We are targeting a growth of 6,000-7,000 employees in 2009.

CAREER PATHWAYS

We do not have standardised career plans, but prefer to respond to individual needs and interests so that we are able to find a good fit between the individual and the position. Store experience can offer our employees a way into the other business units of the company. When we do recruit from outside H&M, it is common that employees receive in-store training.

OUR COLLEAGUES

CONTINUED



GLOBAL POLICIES, LOCAL IMPLEMENTATION

Our HR teams manage most employee issues at a local level in accordance with local employment regulations and standards. In 2008 we began developing global employee policies to create minimum standards that apply wherever we work. The aim is not to replace the local approach but to provide a baseline standard that exists even if a country of operation does not have specific legislated employment standards. In 2008 we developed a global discrimination and equality policy and a global diversity policy. These policies will be launched at H&M in 2009.

We are working on a globally applicable grievance procedure for employees during 2009 and will investigate options for collecting data because grievance issues, as with other employee issues, are dealt with locally and not reported centrally.

Key statistics on our workforce are detailed below:

FULL TIME AND PART TIME EMPLOYEES 2008

PART TIME EMPLOYEES 52.7%
FULL TIME EMPLOYEES 47.3%

EMPLOYEE CONTRACT TYPE 2008

PERMANENT CONTRACTS 82.1%
TEMPORARY CONTRACTS 17.9%

DATA AVAILABLE FOR THE TOTAL NUMBER OF 69,265 EMPLOYEES (= 96% OF TOTAL WORKFORCE BY 30 NOVEMBER 2008). NO DATA AVAILABLE FOR PRODUCTION OFFICES. NOT INCLUDING FRANCHISE OPERATIONS.

EMPLOYEE BREAKDOWN BY REGION AND JOB CATEGORY

EMPLOYEES PER JOB CATEGORY (%)

SALES ASSISTANT 69%
WAREHOUSE EMPLOYEE 7%
FLOOR MANAGER 6%
VISUAL MERCHANDISER 6%
STORE MANAGER 3%
COUNTRY OFFICE EMPLOYEES 3%
PRODUCTION OFFICES 2%
BUYING OFFICE 2%
HEAD OFFICE 1%
OTHER 1%

EMPLOYEES PER REGION (%)

EUROPE (EXCEPT SWEDEN): 76%
NORTH AMERICA: 12%
SWEDEN: 9%
PRODUCTION OFFICES: 2%
ASIA: 1%

DATA AVAILABLE FOR THE TOTAL NUMBER OF 70,303 EMPLOYEES (= 97% OF TOTAL WORKFORCE BY 30 NOVEMBER 2008). NOT INCLUDING FRANCHISE OPERATIONS.

RATIO OF SALARY BETWEEN WOMEN AND MEN

STORE MANAGERS: 0.938
VISUAL MERCHANDISER: 0.938
FLOOR MANAGERS: 0.968
SALES ASSISTANTS: 0.997
WAREHOUSE EMPLOYEES: 0.900
COUNTRY OFFICE EMPLOYEES: 0.769*
OTHERS: 0.958

DATA AVAILABLE FOR THE TOTAL NUMBER OF 66,625 EMPLOYEES (= 92% OF TOTAL AVERAGE WORKFORCE BY 30 NOVEMBER 2008). NO DATA AVAILABLE FOR JAPAN (305), PART TIME EMPLOYEES IN CHINA (44) AND PRODUCTION OFFICES. NOT INCLUDING FRANCHISE OPERATIONS. DATA IS NOT GATHERED FOR H&M HEAD OFFICE AND BUYING OFFICE DUE TO NON-COMPARABLE EMPLOYMENT CATEGORIES. THE RATIO IS CALCULATED AS A WEIGHTED RATIO DUE TO DIFFERENT CURRENCY RATES AND PAYMENT INTERVALS.

* THIS CATEGORY INCLUDES A LARGE NUMBER OF DIFFERENT TASKS, WHICH ARE HARD TO COMPARE, SUCH AS OUR SALES COUNTRY MANAGER AND CONTROLLERS, MERCHANDISERS, ADVERTISING, PR, ACCOUNTING, ADMINISTRATION ETC. THIS ESTIMATION IS SUPPORTED BY THE FACT THAT WE SEE THE BIGGEST DIFFERENCES IN OUR LARGEST MARKETS WITH A HUGE VARIETY OF DIFFERENT TASKS IN OUR COUNTRY OFFICES.

THIS MIGHT BE A REASON FOR AN UNEQUAL FIGURE IN THIS PARTICULAR CATEGORY. HOWEVER, WE WILL LOOK INTO THIS DURING 2009 TO VERIFY.

EQUALITY AND DIVERSITY

As a global fashion retailer, H&M makes high fashion collections accessible to everyone. Similarly, we aim to make working at H&M equally as accessible.

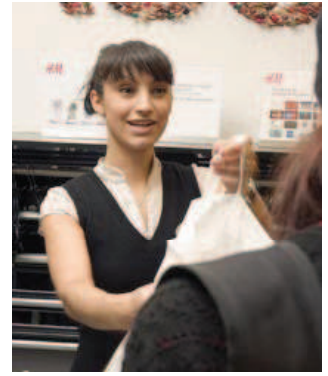
As part of our work in 2008 in establishing a set of common globally applicable policies, we developed a global discrimination and equality policy. We are committed to providing equal opportunities to all our employees and potential employees wherever we operate all over the world.

Our priority is to seek highly motivated, hardworking, outgoing team players who look for personal growth and possess an entrepreneurial spirit. We feel that a diverse team of employees who possess these attributes is essential to our success.

Our new policy, based on the ILO convention (C111 Discrimination), is set up to ensure we provide a level playing field for all our employees.

OUR COLLEAGUES

CONTINUED



OUR DISCRIMINATION AND EQUALITY POLICY STATES:

At H&M all employees are of equal value. Nobody shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, growth, development or training. For the purpose of this policy the term discrimination includes any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction, social origin, sexual orientation or age.

All employees and customers of H&M are entitled to be treated with respect; therefore, discriminatory, biased, offensive or abusive treatment, harassment or retaliation by managers or employees is never tolerated.

Further basis for employment protection may be added due to national or local legislation.

[December 2008]

DIVERSITY POLICY

In addition to our global discrimination and equality policy we have also developed a global diversity policy.

All employees at H&M contribute to the Company's success. The diversity of the workforce in terms of, for example, age, gender and ethnicity is an asset to the company. We therefore strive for diversity at all job levels and at all H&M's work places.

[December 2008]

At H&M the majority of our colleagues are women and they are well represented in management positions. The percentages of women holding positions of responsibility are:

SHARE OF FEMALE EMPLOYEES PER EMPLOYMENT CATEGORY

BOARD OF DIRECTORS: 35%

GROUP MANAGEMENT LEVEL: 33%

SALES COUNTRY MANAGERS: 44%

PRODUCTION OFFICE MANAGERS: 45%

BUYING DIVISION HEADS: 57%

BUYING SECTION HEADS: 83%

AREA MANAGERS: 67%

STORE MANAGERS: 77%

TOTAL SHARE OF FEMALE EMPLOYEES IN MANAGEMENT POSITIONS: 76%

TOTAL SHARE OF FEMALE EMPLOYEES AMONG TOTAL WORKFORCE: 79%

NOT INCLUDING FRANCHISE OPERATIONS.

TRAINING AND DEVELOPMENT

H&M constantly works on developing the skills of our colleagues. We have a Head of Training and Staff Development responsible for a training team that delivers the majority of global trainings and initiatives across the business.

In some cases managers in stores carry out training and some specialist training is done by external organisations. Yearly performance reviews for all employees are a common practice. They help our employees develop themselves, which in turn helps the Company to develop.

INDUCTION TRAINING

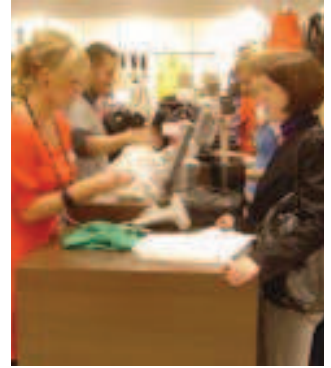
An employee's training experience starts when joining H&M and undertaking our mandatory induction training. This training consists of different subjects, such as an introduction to H&M, garment handling and care, security, customer service, textiles and CSR. For induction training, we have identified three key ways of delivering training successfully: offsite in a classroom environment, in small groups in-store, and one-to-one in-store. There is no set pattern and the format of the training is dependent on the individual circumstances of the store or employees being trained.

E-TRAINING

In the UK, Spain and Sweden an e-training pilot started in 2008 to assess the success of this delivery method for parts of our induction training. The pilot is targeted at store staff with access to computers and more than 2,000 employees piloted the training last year. The training provides the flexibility for employees to complete four hours' training over a two-week period. One benefit of the system is that our training managers can assess user data to see how long different training tasks can take. This allows us to improve the usability of the system over time. The pilot will continue in 2009.

OUR COLLEAGUES

CONTINUED



ONGOING TRAINING AND DEVELOPMENT

Training and development continues throughout an H&M employee's career and is supported by an annual performance review that identifies possibilities for further progression and associated training and development needs.

Our training structure is based around mandatory and non-mandatory training that is relevant to all H&M operations globally. Also, there are several different national and local training courses that aim to meet employees, and country-specific needs.

In addition to the global induction training modules that every employee needs to complete, there are additional induction training modules for certain tasks, such as for store managers, floor managers and visual merchandisers. These trainings cover certain knowledge, such as what it means to be good retailers, staff development, garment presentation, controlling and others. Allied to these there are 11 non-mandatory global training modules, four of which are directed at store managers. Below these global training modules H&M offers around 50 different training courses on national level that are tailored to each country's specific needs.

Staff at our production offices have different training needs and our courses are structured to suit them. In 2008, leadership training was provided for managers within our buying offices by an external consultant. A few sales managers were also involved to identify whether this type of training would also be useful for them. This will also continue in 2009.

TRAINING DELIVERED IN 2008

The average number of training days per employee in 2008 was approximately ten days for new sales staff, one day for existing sales staff and five days for existing management positions.

GOALS FOR 2009

During 2009 we will continue to focus on ensuring that every new employee receives our induction training. At the same time we are working on improving the effectiveness of our trainings. We strive to make relevant training tools more accessible for the right target groups and will focus on managers, including floor and store managers.

To support this we are currently looking into standardising all globally mandatory training so that all employees, regardless of location, receive the same information. This process started in 2008 and will be completed in 2009.

LEARNING BY DOING

H&M encourages on-the-job learning and job rotation presents a good opportunity for our colleagues to develop. In-store job rotation may mean that a person's duties vary from customer service, the cash desk and fitting rooms, to display and follow-up of advertising and campaigns.

When H&M opens new stores in existing sales countries or in new markets, job rotation is a common practice. This can take the form of colleagues from established H&M countries supporting a new store for the period before opening. Also, individuals or groups of colleagues from new countries or stores receive training in an established market. In addition to providing support, knowledge transfer from established H&M stores to newly opening ones is an important element.

CSR TRAINING

CSR forms a significant part of training at H&M. It is included in all employees' induction training, including store staff. Whenever needed we also provide information on current CSR topics to our staff so that they are up-to-date and able to respond to customer enquiries.

OUR COLLEAGUES

CONTINUED



EMPLOYEE SURVEY

In terms of responding to customer queries, the importance of CSR training for all employees was underlined by our annual survey to assess employees' CSR knowledge. The 2008 survey, which was answered by 2,349 employees across 24 countries, showed that almost half our staff have received questions from customers on how our garments are produced and three out of ten have received questions about our environmental work.

The survey also showed that staff knowledge about our CSR programme had improved since the 2007 survey. For example, 90% (up from 73%) of staff correctly identified our Code of Conduct as requirements we set for production to safeguard those who manufacture our products and the environment.

In 2008, over 32,000 employees viewed our CSR film, which gives an insight into our CSR work in the supply chain. The film has also been viewed 28,683 times on our website at www.hm.com.

EMPLOYEE COMMUNICATION

In addition to formal training, we also regularly use employee communication channels such as the H&M intranet and our employee newsletter, Wallpaper, to provide information to our people on our approach to CSR issues. In 2008 we published a special CSR edition of Wallpaper, which focused solely on CSR in H&M.

Find out about our auditor training in our supply chain section on page 19.

LABOUR RELATIONS AND DIALOGUE

H&M's employees have the right to freedom of association and collective bargaining. Across our operations approximately 67.5% of H&M employees are covered by collective bargaining agreements.

We strive for good relations with all our employees and the employee associations and trade unions that represent them. Since 2006, our CSR Manager, Ingrid Schullström, has also been head of our employee relations department in addition to her responsibility as CSR Manager. In 2008 the department was extended and now consists of two full time employees as well as the managing position.

WORKING WITH EMPLOYEE REPRESENTATIVES

H&M's success and profitability in a competitive industry is dependent on flexibility. If a potential redundancy situation arises, we address this situation in a responsible manner and aim to communicate with unions as early as possible in the process. We have a global framework agreement with Union Network International (UNI) and have also carried out work with the European Works Council (EWC).

Employees are represented at Board level, with two of the 13 Board members being employee representatives and two employee representative deputies. Besides this there are different forms of representation in various countries, depending on local labour laws.

H&M AND UNION NETWORK INTERNATIONAL (UNI)

Our Global Framework Agreement with UNI declares that both parties regard the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to be the cornerstone for our cooperation. Our main contact point for this agreement is the Swedish Commercial Workers union, Handels, which is a member of UNI.

H&M AND THE EUROPEAN WORKS COUNCIL (EWC)

H&M first signed an agreement with the EWC in 1997 and this was amended in 2007. H&M and UNI-Europa are signing parties to the agreement. Sweden, Germany, Norway, Finland, Denmark, Belgium, Austria and the Netherlands all have EWC representatives. Meetings are held with all representatives on an annual basis and with EWC's select committee twice a year.

OUR COLLEAGUES

CONTINUED

CODE OF ETHICS

An important part of our commitment to be a responsible business is the insistence on operating ethically at all times. H&M does not accept any form of bribery and we take exception to all types of corruption. H&M's company-wide anti-corruption policy, the Code of Ethics, has been in existence since 2003 and aims to tackle these issues.

The code substantiates our belief that business relations should be strictly professional, and that it is not allowed for business partners to provide any kind of gifts or other advantages to H&M employees. In the same way, H&M employees must not require or accept any personal advantages from any business partner. The H&M Code of Ethics applies to all business partners and all H&M employees that come into contact with business partners.

Due to the nature of our business and our relationships with suppliers we have had two versions of the code since 2005, one for suppliers and one for employees. They include a ban on offering, giving, soliciting and accepting advantages and a section on confidential information. The employee version also includes provisions regarding company records and accounts, entertainment, loans and gambling as well as conflicts of interest.

REVISED CODE LAUNCHED

In January 2008 we launched the third version of our Code of Ethics. This version was launched to further strengthen our belief that business relations should be strictly professional. The revisions included clarification of elements of the code to help avoid any misinterpretation of borderline cases.

In addition, tolerances were sharpened where necessary and this included a policy to no longer accept any kind of benefit. This zero-tolerance policy even extends to small gifts of low value.

WHISTLEBLOWING

There is a confidential whistleblowing procedure to report potential breaches of the code. A dedicated email address exists for suppliers to report concerns about possible breaches of the code. From 2009 we will be sharing this email address with all parts of our organisation. To maximise confidentiality, only the Global Security Manager personally can review these reports.

Breaches of the code are investigated and if a supplier has breached the code, then the business relationship may be terminated. In the case of employees, employment may also be terminated.

BREACHES OF THE CODE

On a global level in 2008 ten employee breaches of the Code of Ethics were identified that led to employee termination. We also terminated two supplier relationships as a result of corrupt practices that were in breach of the supplier Code of Ethics.

In 2009 we will implement a global system, which will make it easier for us to monitor all cases reported at a local level and their outcomes.

AWARENESS AND TRAINING

Suppliers and employees are all made aware of the code and given information to assist their understanding. All suppliers receive information on the code and sign the Code of Ethics compliance agreement before they can be accepted as suppliers to H&M.

All employees working in our production organisations, sales organisations and Head Office (those having a regular contact with external business partners) are informed of the Company's approach during the recruitment process. Before joining the Company they receive a short presentation on the code and sign a confirmation that they understand its contents. Additional workshops are available and can be conducted wherever useful.

Usually these workshops are held within the first six months after joining H&M.

The aim of the training is to build our employees' confidence in the code and to encourage them to be open about it with our suppliers and business partners. Feeling comfortable about the code means employees will find it easier to raise the subject of the code with them and discuss the importance of ethical business practices to H&M.

By 2008, around 98% of our employees from our production offices had received Code of Ethics training. During 2008 we conducted training for 82% of the employees in our Head Office, buying office and sales country offices. We focused on all those employees in regular contact with external business partners.

OUR COLLEAGUES

CONTINUED

INTERNAL RESPONSIBILITY

Our Code of Ethics is managed by different departments in different parts of the Company. In production and buying offices human resources are responsible, or the office manager if there is no specific human resources staff member. In the event of possible code breaches the case is referred to the security manager.

In our sales organisation local security departments are responsible for managing the code and investigating Code of Ethics issues.

IMPLEMENTING THE CODE MORE WIDELY IN 2008

Moving on from our focus of implementing the Code of Ethics in our production markets in 2007, we focused on implementation within all levels of the company in 2008. In addition to our sales countries this included central departments, such as IT, marketing, interior, store planning and construction. A major focus was also on implementing and communicating the updated version globally among all employees.

POLITICAL CONTRIBUTIONS AND LOBBYING

H&M does not provide direct financial contributions to individual politicians or political parties. H&M does, however, reserve the right by way of lobbying to attempt to influence political decisions that may have an impact on the Company's business.