



## CORPORATE SOCIAL RESPONSIBILITY 2007

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## OUR BUSINESS



H&M's business concept is to offer our customers fashion and quality at the best price. At H&M, quality is about more than making sure that products meet or exceed our customers' expectations – it also means that these products should be manufactured under good conditions and with limited impact on the environment. Taking responsibility for how our operations affect people and the environment is key for H&M's continued profitability and growth. We are committed to integrating social and environmental concerns into our business operations and supporting the communities where we work.

Our 2007 report covers our activities in our business operations, our supply chain, in relation to our products, our employees and the communities around us. This section of our 2007 report provides an overview of our business and its impacts, and how we go about integrating Corporate Social Responsibility (CSR) into our business.

### GLOBAL BRAND, GLOBAL IMPACT AND REACH

H&M was established in Sweden in 1947 and today sells clothes, accessories, footwear and cosmetics in more than 1,500 stores in 28 countries and via mail order and the internet in Scandinavia, the Netherlands, Germany and Austria.

Given our global presence, we have the responsibility to societies around the world and the communities where we operate to integrate social and environmental concerns into all our business operations to reduce negative impacts and maximise positive ones.

We do not own or operate any factories producing our goods, but instead work with approximately 800 suppliers, mainly in Asia and Europe.

Business highlights of 2007:

- Opened in several new markets: Greece, Slovakia, China, plus a franchise in Qatar. Opened 193 stores and closed 16.
- Expanded internet and catalogue sales.
- Expanded footwear collection.
- Continued successful sales of our organic cotton range.
- Collaborated with Madonna on one of our spring women's collections.
- Kylie Minogue was the face of one of our beachwear collections – with 10 per cent of revenues going directly to WaterAid, an organisation that helps to provide the world's poorest with clean water.
- High profile design collaboration with Roberto Cavalli.

- Launched a new store chain COS with 11 stores.
- H&M's 60th anniversary – established the Anniversary Foundation with a donation of SEK 60 million. The foundation will support projects aimed at improving the quality of life for people in the countries where our products are made.

### FROM COTTON TO CUSTOMER

Our vision is for H&M's business to be run in an economically, socially and environmentally sustainable way. To do this we look at the complete cycle of our operations, from how our suppliers produce the products we sell to the customer's experience of using them. We focus on areas where we can make the most difference and that are within our sphere of influence, and partner with others to help address those where our direct influence is less.

#### RAW MATERIALS

We do not purchase the raw materials like cotton for our products but we are concerned about their environmental and social impacts. We collaborate with other organisations to help address those issues.

#### FABRIC MANUFACTURE

We generally do not have a direct business relationship with fabric and material manufacturers but we do work with our suppliers and their suppliers on important issues such as cleaner fabric production.

#### CLOTHING MANUFACTURE

We work with 800 suppliers who produce our garments and as a buyer we are in a position to influence working conditions and environmental management at those suppliers' operations.

#### TRANSPORTATION

Transport of H&M's goods accounts for a substantial part of the total carbon dioxide emissions generated by our activities and we are committed to reducing them.

#### SALES

We offer our customers fashion and quality at the best price. To us, quality is about meeting or exceeding our customers' expectations of our products and of H&M as a company.

#### USE

Our responsibility to our customers includes ensuring products are safe to use as well as ensuring they are satisfied with the quality. We eliminate harmful substances from products and carry out quality tests at every stage of the manufacturing process.



## OUR BUSINESS continued



### MESSAGE FROM OUR CEO AND CSR MANAGER

2007 was a successful and intense year for H&M with new markets, new stores, new customer offerings and a new store chain. Corporate social responsibility (CSR) is an integrated part of how we run our business so it was a dynamic year in this area too. Here H&M's CEO, Rolf Eriksen, and CSR Manager, Ingrid Schullström, discuss H&M's priorities and some of the highlights of 2007. Please continue to read through the rest of the report to learn more about our achievements this year.

### OUR APPROACH

Ingrid Schullström: Over the years we have evolved our approach to CSR, taking into account the need for a continual programme of improvements. Our approach to our supply chain, clearly a crucial part of our CSR efforts, is an example of that evolving approach. Since we started to focus more on CSR in 1997 our main objective has been to improve working and environmental conditions in the supply chain. We have approached this mainly through our Code of Conduct and our audit programme. In recent years the focus has shifted from just monitoring and short-term follow-up, to monitoring as the starting point for long-term remediation efforts. Sustainable improvements are what we are striving for. Our focus on the environment has also increased, both in the supply chain and in H&M's own activities – climate change and water are two main areas we are focusing on. We are continuing our work on the restriction of hazardous chemicals in the supply chain, an issue we have concentrated on for more than 10 years now. This year we have also developed an improved sustainability vision and policy.

### FOCUS AREAS

Rolf Eriksen: We focus our efforts and make a priority of the areas where we as a company have the biggest impact and where we also feel that we can make a difference. But we know that even though we can achieve a lot as a large company there are limits to our influence. That is why we cooperate with stakeholders and organisations to assist in areas we cannot change directly. We continue to support the UN's Global Compact, where we can join forces with thousands of other companies worldwide to implement its 10 principles.

Ingrid: And specifically, our main focus remains improving working conditions in our supply chain. Although child labour is very uncommon in the garment export sector, preventing it in our suppliers' factories remains at the top of our agenda. Our auditors leave no stone unturned to find not only child labour but also other serious violations of our Code of Conduct. Furthermore we have proactively focused on improving the dialogue between management

and employees in the factories, and also making sure there are functioning grievance systems.

### GLOBAL REACH – GLOBAL RESPONSIBILITY

Rolf: As a global company, we have global opportunities but alongside those are global risks. It is important that we apply the same values to all our operations, and throughout our global supply chain. Being a Scandinavian company we want to bring our sense of social responsibility which we take for granted in our society, to all H&M operations, independent of where they are located.

Ingrid: As Rolf says, we have to be aware of the risks associated with activities in different countries. We are members of Amnesty Business Group in Sweden, and with them we can have a close dialogue about risks of violations of human rights in various parts of the world. It is also important to cooperate with other multinationals in the same sector, and we are members of Business for Social Responsibility and participate in the Fair Labor Association. We have to accept that any responsibility issue arising from any corner of the world may affect us. For example, in 2007 an issue arose around labour conditions in cotton cultivation in central Asia, and since 2005 we have been involved in discussions about how mulesing of merino sheep in Australia can be phased out. H&M has no presence in these regions, but being an international company with a global supply chain means that there are no geographical boundaries when it comes to what our stakeholders expect us to be responsible for. However, we always have to evaluate what issues are within our sphere of influence and set our priorities in areas where we genuinely have an opportunity to make a difference.

### INTEGRATION OF CSR

Rolf: A significant test of how committed a business is to CSR issues is how well integrated they are into the values and the day-to-day business activities of employees. At H&M we believe that this is a crucial element of our successful programme. It begins with the values we all share and we expect all H&M employees to act responsibly and live up to our principles and policies.

Ingrid: And on a day-to-day basis it is amazing to see how much employee interest there is. Employees are proud to work for a company that takes responsibility, and particularly during recruitment we can see how important it is for young talents today to work for a responsible company. As we have worked on our CSR for a long time, we have managed to implement our policies into our daily routines, especially in the field of sourcing. For example, the computer systems that we



## OUR BUSINESS continued



use for sourcing are built so that CSR policies cannot be neglected. Although there is still scope for improvement, we have really managed well in embedding the principles of CSR into our business model. We continuously strive to internally align our practices within sourcing, production and logistics to better reach our CSR targets.

### HIGHLIGHTS FOR 2007

Ingrid: I am very pleased that we have implemented our IT tool for monitoring compliance with our Code of Conduct. With this tool, we will be better equipped to analyse audit results from the factories in our supply chain and focus on key areas where special efforts are needed.

I am convinced that we will achieve better results because of it. Simply put, working conditions will improve faster in the factories producing for H&M.

We have also focused on working with our suppliers to improve working conditions, rather than just a monitoring approach – what we call supplier ownership – and the sustainable improvements that approach can bring are starting to be seen. Bangladesh is the country where we have so far seen the best results, and I think we can conclude that the methodology works even if we have a long way to go in many countries. Another achievement is the reduction of CO<sub>2</sub> emissions, by 21 per cent. We have managed to actually reduce the emissions from our activities and also invested in renewable energy, which altogether has led to a better than expected result for this year.

Rolf: I am very happy to see that our collections made of organic cotton have sold very well in 2007. It shows me that our customers are also interested in supporting our CSR efforts. We have an ambitious plan for increasing the volumes of garments made of organic cotton in the coming years. As cotton is an important raw material for H&M I also see our participation in the Better Cotton Initiative (BCI) as a strategic investment for the future.

### OPPORTUNITIES FOR THE FUTURE

Rolf: We all need to share the responsibilities within our industry to create a level playing field. Both our industry and society have everything to gain. The challenge is of course to make that happen. The opportunity is that there is competitive advantage for our business. Plus of course I don't think anyone has failed to notice the focus on environmental issues, particularly climate change, during the past year. This is both a challenge and an opportunity for us now and in the future.

Ingrid: I agree, climate change is a good example where CSR can offer both challenges and opportunities. It is without a doubt a challenge for any company to reduce their carbon footprint – even more so if you include the supply chain. On the other hand there are opportunities for financial gains. Our effort to reduce energy consumption, for example, has undoubtedly led to financial savings. And in the long term, it is of course in our own interest to combat climate change, as the effects could have a negative impact on our business. We recognise that CSR is much more than our supply chain and with over 1,500 stores and close to 70,000 employees we have to address our impact in more areas.

We can also see an increasing demand for companies to take responsibility for how raw materials or fibres have been produced. Given that there can be seven to eight steps between us and the grower of cotton, for example the traders, spinners and weavers, we have little scope to directly influence conditions that far back in the extended supply chain. However we do recognise the importance of the issue and address it through the BCI and by supporting UNICEF's work in cotton producing areas in India. We feel that they can achieve results where we as a buyer of the end product cannot.

Rolf: Overall, we know that CSR is not a passing trend. On the contrary, discussions about sustainability have moved into boardrooms, government agendas and international political summits. At H&M we have revised our vision and policy in this field to focus more on sustainability. In the coming year we are planning strategic discussions about what this means for us in the long term and how we can integrate CSR further as a responsibility for managers in all areas of operation. I am convinced that CSR can minimise our risk and create long-term value, both for society and our shareholders, and is important for our long-term success.

### CSR STRATEGY

During 2007 we have updated our vision and strategy. Our Sustainability vision, Sustainability policy and long-term CSR goals guide our work. In our day-to-day work we use requirement documents to manage the work we do such as the Code of Conduct for suppliers and the Code of Ethics for the business. You can read more about these throughout the report. We also set clear targets and objectives to monitor our progress, which can be found in the final section of the report.



## OUR BUSINESS continued



### SUSTAINABILITY VISION

H&M's business operations shall be run in a way which is economically, socially and environmentally sustainable.

### SUSTAINABILITY POLICY

H&M's business concept is to offer fashion and quality at the best price. Quality also means that the products have to be manufactured in a way that is environmentally and socially sustainable. Like all H&M's activity, our CSR work is based on a drive for continuous improvement.

We have a responsibility towards everyone who contributes to our success, including those who are not employees of H&M. That is why we work closely with our suppliers to develop a long-term, sustainable social and environmental standard in the factories that manufacture H&M's products.

We have to ensure that our employees' human rights are not violated, and the same applies to employees of our suppliers and other cooperation partners, and to our customers. We apply the precautionary principle in our environmental work and have adopted a preventative approach with the substitution of hazardous chemicals.

We strive to use resources as efficiently as possible and to minimise waste. By adopting new technologies and methods, we can work preventatively to minimise our environmental footprint through improved production processes and our choice of materials. We must continuously review the company's goals and strategies to reduce our climate impact. Our decisions are based on careful consideration, where shorter or longer-term environmental benefits are weighed up in order to ensure that we choose solutions that are sustainable in the long term.

We want to be a good global citizen and act responsibly in our business relations. We take a clear stand against all forms of corruption. We engage in dialogue with all our various stakeholders to build trust in our operations within the environment which we rely on for our long-term success.

### OBJECTIVES

- Respect for human rights is an integral part of H&M's operations. Everyone employed by our suppliers and their subcontractors are, at a minimum, guaranteed their rights stipulated by relevant laws covering labour rights, health and safety in the workplace, as well as by the ILO's core conventions.
- Respect for the environment is an integral part of H&M's and our supply chain's business practices. Through responsible acting and innovative thinking we contribute

to sustainable use of raw materials and energy, pollution prevention and a low-carbon (emitting) society.

### CSR MANAGEMENT

H&M's global CSR team comprises 62 people. The CSR department in Stockholm is led by the CSR Manager who reports directly to our CEO. The whole department consists of nine people. Auditors and quality controllers in production offices around the world report to them as well as their local offices.

### CSR ORGANISATION

- CSR manager
- CSR department at head office – environmental coordinators, Code of Conduct coordinators, IT coordinator (9 people, including CSR manager)
- Production offices (Europe, Far East, South Asia) – regional Code of Conduct coordinators, Code of Conduct managers and auditors (53 people)
- Countries of operation – environmental representatives (not part of formal CSR organisation) (26 people)

### STAKEHOLDER ENGAGEMENT

An important part of our CSR strategy is engaging with stakeholders. We do this on a regular basis and aim to discuss issues with our stakeholders openly. We meet with industry groups and NGOs, hold investor and analyst meetings and have conducted stakeholder feedback on our CSR communications. Our approach is to take a pragmatic and realistic view. We do not believe in making empty claims for change when often the issues we face do not have quick fixes. Instead we take a considered approach and focus on issues where we can make the most difference, or work in partnership with others on issues that are outside our direct influence. You can read about some of our key stakeholder relationships with industry bodies and NGOs in the relevant sections of this report.

### MATERIALITY

To consider our material issues we continually assess the topics under discussion with our stakeholders. We took part in the formulation of the GRI sector supplement for the apparel and footwear sector which gave us insight into stakeholder expectations. In the past we have conducted a stakeholder survey on CSR communications which gave us information on how our stakeholders perceive us. The main feedback we've received regarding our CSR reporting has been that we have not demonstrated the extent to which our suppliers and their subcontractors comply with our Code of Conduct, and what progress is being made. We now have an IT tool to help us aggregate



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certain data, and in this report, we communicate progress in connection with audits and follow-up visits. Read more about this in Our supply chain and Our performance section.

### 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's company-wide anti-corruption policy, the Code of Ethics, has been in existence since 2003. The code substantiates our belief that business relations should be strictly professional, and that there is no need for business partners to provide any kind of gifts or other advantages to H&M employees. In the same way, H&M employees should not require 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 two versions of the code, 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.

There is a confidential whistleblowing procedure to report potential breaches of the code. These reports are reviewed by a limited number of people appointed by the company and escalated to the Security Manager if considered material. Breaches of the code are investigated and if a breach has occurred in the case of suppliers, business may be terminated. In the case of employees, employment may be terminated.

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.

### IMPLEMENTATION

Suppliers and employees are all made aware of the code and given information to assist their understanding. Employees are informed of the company's approach during the recruitment process, receive a short training course on joining the company and after working for H&M for about three months they take part in a more extensive workshop to discuss the code. 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.

### FOCUS FOR 2007

During the year, we have focused on implementing the Code of Ethics in our production markets. To support this, all production office employees and all suppliers have received Code of Ethics training. In 2008, we will also focus on our sales organisation.

### OUR KEY CHALLENGES

Here is a brief overview of our key challenges and the information shown in this report.

### OUR SUPPLY CHAIN

We have a responsibility to everyone who contributes to our success including our suppliers' employees. We do not own any factories but work with around 800 suppliers who produce our goods. We aim to contribute towards improving working conditions, promoting workers' rights and minimising environmental impacts using an auditing and engagement process with our suppliers. To read more about our supply chain activities, go to page 07.

### OUR ENVIRONMENT

We aim to address the environmental impacts of our products and our business. This involves influencing the processes of manufacturing through to sales and the impacts of our company operations from our buildings and travel. To read more about our environmental management activities go to page 15.

### OUR PRODUCTS

We offer our customers fashion and quality at the best price and must be responsive to customers' needs. To us quality is about meeting or exceeding our customers' expectations for our products and our business. Our product responsibility to our customers includes the safety of our products and also responsible marketing. To read more about our product responsibilities go to page 21.

### OUR COLLEAGUES AND COMMUNITIES

Our strong corporate culture, the H&M spirit, is based on our values, and the business operates on the principle of respect for all individuals. H&M's employees are a major factor in the success and growth of our business. We are also aware of the impact that our growth and the presence of our business has on the communities around us. To read more about our colleagues and how we work with our communities go to page 25.

### HOW WE REPORT

We report our activities and progress on our CSR programmes on a yearly basis. This report covers all H&M operations around the world from January to December 2007. Fiscal information is reported according to our



## OUR BUSINESS continued



annual reporting cycle of 1 December 2006 to 30 November 2007. The information relating to our supply chain monitoring is accurate to 25 February 2008, due to the functionality of our IT data gathering. Our last CSR report was published on 19 March 2007.

### GLOBAL REPORTING INITIATIVE (GRI)

We use the GRI guidelines to inform our reporting. We also take into consideration the pilot Apparel and Footwear Sector Supplement to the GRI guidelines (which are not yet finalised). A GRI reference table can be found in the performance section of this report. We have included the indicators from the pilot of the Apparel and Footwear Sector Supplement. As these indicators are in pilot stage we have not included them in our self-assessment rating.

### ASSURANCE

We do not currently assure our report. While we recognise that some stakeholders appreciate assurance we believe our resources are presently best placed in furthering our corporate social responsibility work. We are committed to open and honest disclosure and this report is part of that process. We do not rule out the possibility of modifying our approach to assurance in the future. Since 2006, however, we have worked with the Fair Labor Association (FLA) to independently monitor our supply chain activities.

For further information please contact:

H & M HENNES & MAURITZ AB  
COMMUNICATION & PRESS DEPARTMENT

Karolina Dubowicz  
karolina.dubowicz@hm.com

Katarina Kempe  
katarina.kempe@hm.com



## OUR SUPPLY CHAIN

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As a business we have a responsibility towards everyone who contributes to our success. This also includes the employees of our suppliers. H&M does not own any of the factories that manufacture our products. We work with around 800 suppliers, mainly in Asia (producing around two-thirds of our goods) and Europe. In total about 2,500 factories are involved in the manufacture of our goods. As a large company and buyer we are in a position to contribute towards improving working conditions and promoting workers' rights in our suppliers' factories.



## OUR SUPPLY CHAIN



Here you can see the key people involved and the roles they play in managing our supply chain.

### BUYER

Our buying office is based in Stockholm, Sweden where our buyers together with our designers and pattern makers create and plan our collections.

### MERCHANDISER

Our merchandisers in H&M's 19 production offices in Asia and Europe are the link between H&M's buying office and our suppliers. They identify suppliers and place orders to meet demand.

### AUDITOR

Auditors are based in production offices alongside merchandisers and monitor suppliers' compliance with our Code of Conduct. Auditors conduct the H&M full audit programme (FAP). Part of that includes follow-up visits where the auditor returns to the factory to discuss implementation of new procedures and assess the suppliers' progress.

### SUPPLIER

We purchase our products from around 800 suppliers and work with them to improve working conditions in the factories. Our goal is for suppliers to take responsibility for the conditions in their factories and the implementation of improvements.

### FACTORY EMPLOYEE

As a company we have the opportunity, and responsibility, to improve the working conditions in our suppliers' factories. We promote the rights of the employees and our aim is for them to be aware of and able to claim their rights at work.

The other pages in this section explain in more detail our approach to purchasing and our suppliers, and introduce the progress of our auditing programme in 2007. Detailed figures reporting results of the audit process can be found in the Performance section.

## OUR APPROACH TO PURCHASING AND SUPPLIERS

In order to offer the latest fashions H&M has its own buying department that creates and plans the H&M collections. Design decisions are made in our head office in Stockholm. Our 19 production offices around the world, where our merchandisers are based, are then responsible for sourcing suppliers and allocating the production of our products. Working alongside them is our global auditing team. They are responsible for monitoring new and existing suppliers' ability to comply with our Code of Conduct, the basis for our auditing programme.

We began work more than 10 years ago to raise the standard of working conditions in the factories where our products are made. One challenge we face today is how to make changes that will have a lasting impact on these factories. We therefore aim to raise factory owner awareness of the benefits of improving conditions. Our long-term aim is for working conditions at our suppliers' factories not to be dependent on us. Instead, we encourage workers themselves to be more aware of their own rights, and be able to influence their own situation.

Fashion today works in short seasons or cycles. Without responsible buying practices this can result in time and financial pressures on suppliers that can prevent them from safeguarding their employees' rights. So we must address product development and buying practices in different ways. Our approach is to conduct an internal pre-order product development plan before confirming the contract with the supplier. We confirm the detail of the product before placing the order with the supplier, to prevent the supplier having to contend with changes. We have close cooperation with our suppliers so we can use our knowledge of a supplier's history, their production capacity and performance, and the Code of Conduct status of the production unit in the planning process.

All members of the merchandising team are aware of the Code of Conduct status for each production unit. Once contracted the supplier is then responsible for the manufacture time and can more accurately price the work and control his own production plan based on our requirements.

We believe that pre-order product development planning is a part of successful communication with our supply chain. We raise awareness and provide information to our suppliers about our requirements in order to achieve a common understanding. The integration of our commercial buying practices, such as capacity management and quotations, with our Code of Conduct work is a key part of successful responsible buying practices to manage the key challenges in our industry: speed of growth, the speed of fashion and the information needs of all the people involved in creating our products.

## CODE OF CONDUCT

H&M's Code of Conduct was drawn up in 1997 and is based on the UN Convention on the Rights of the Child and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. It also stipulates that local legislation must be observed.



## OUR SUPPLY CHAIN continued



The Code of Conduct applies both to our suppliers with whom we have a direct business relationship and their subcontractors (who may be hired by our suppliers to perform a specific task of the overall project). It has eight sections, covering legal requirements, child labour, safety, workers' rights, factory conditions, housing conditions, environment, and inspections and compliance. Compliance with the Code of Conduct is assessed by our Full Audit Programme (FAP). Read more about auditing and compliance below.

Our suppliers purchase materials such as fabric, buttons and zips from other suppliers known as second tier suppliers. We do not have direct business relationships with second tier suppliers so we are not able to set Code of Conduct requirements. However in some instances we do look to work with second tier suppliers on a voluntary basis, for example with those involved in fabric production. Read more about cleaner fabric production on page 17.

To become an H&M supplier, it is not necessary to meet all the demands in our Code of Conduct in advance. But suppliers do have to meet the standards according to the 'Temporary' grade specified below. This includes compliance with the ILO's core conventions, minimum wage for all employees and fundamental safety at the factory. If a supplier is judged not to have the necessary preconditions, they will not be considered. All new suppliers have to be approved by H&M's CSR department. We are currently reviewing the Code of Conduct to expand the scope to include, for example, suppliers of shop fittings.

We use an evaluation grading system to rate our suppliers and monitor their progress towards full compliance with our Code of Conduct. The ratings are satisfactory, insufficient, temporary, rejected, permanently rejected. Suppliers can move up and down the rating system, depending on their actions, unless they are permanently rejected.

**Satisfactory:** the production unit fulfils all Code of Conduct requirements and the production of H&M goods is approved and promoted.

**Insufficient:** the production unit fulfils the 'Temporary' grading requirements plus some additional requirements, but it needs to make further improvements to reach full compliance. The production of goods is approved.

**Temporary:** the production unit fulfils requirements regarding basic worker rights, minimum wage, basic safety and basic housing conditions. It is temporarily approved to

produce H&M goods for six months. In this time the supplier must make the improvements necessary to reach the insufficient or satisfactory grades.

**Rejected:** a supplier is rejected for any of the following: denies workers' basic rights, factory premises are unsafe, the Code of Conduct has not been signed, H&M is denied access to factory premises, management refuses to cooperate, a supplier has failed to reach the next grade within an agreed time scale. The supplier is suspended but can resume business with H&M if the necessary improvements are carried out and verified.

**Permanently rejected:** a supplier repeatedly employs child labour, falsifies documents or uses undeclared production units. No production of H&M goods will ever be allowed.

### AUDITING AND COMPLIANCE

The Full Audit Programme (FAP) is the system we have in place for monitoring compliance with our Code of Conduct.

A thorough FAP audit is carried out when either H&M's merchandising team source and begin to work with a new supplier or when an existing supplier takes on a new subcontractor. The purpose of this is to get a good understanding of the conditions at the factory. This audit usually includes over 70 questions. There are a number of clarifications in the audit used to verify those 70 questions so in total there are more than 300 items of clarification. Each audit can take up to six working days to complete.

The process itself involves an inspection of the site and examination of company files and records, such as timesheets and employment contracts. Interviews with employees and employers are also conducted. Following this the results of the audit are discussed with the supplier and a time frame agreed in which to rectify any issues. The supplier must determine and draft their action plan to an agreed time frame and specify who is responsible for the changes. This action plan includes both short and long-term goals and forms the basis of the supplier's improvement strategy. H&M's auditors will then follow up on the implementation of the measures outlined.

Follow-up visits form part of the improvement process and provide the H&M auditor with the opportunity to discuss the situation in more depth with the supplier. The focus of the follow-up is on the suppliers' own efforts, solutions and progress. The most important part of this process is to ensure that the supplier understands the value of making the changes and finding solutions. Ideally they should themselves be motivated to tackle the issues



## OUR SUPPLY CHAIN continued



that are highlighted following the audit and improve the conditions in their factories. By encouraging the supplier to take ownership of activities on their premises, H&M aims to generate understanding of why the required improvements are important and necessary to the continuation of the business relationship. This approach often results in greater trust and a better business relationship between suppliers and H&M. However it is an ongoing challenge to reach this status of cooperation with suppliers and is part of our continuous improvement approach.

The CSR team who conduct the audit programme are located across the countries where our products are manufactured and comprise the following:

### CSR staff worldwide:

Headquarters	9
Far East	22
Asia	16
Europe and other countries	15

### Regions

Far East: Cambodia, China, Indonesia, South Korea, Thailand, Vietnam

Asia: Bangladesh, India, Pakistan, Sri Lanka

Europe and other countries: Bulgaria, Egypt, Italy, Latvia, Lithuania, Morocco, Poland, Portugal, Romania, Tunisia, Turkey, Ukraine

### HOME WORKING

In some countries home workers may be employed for specific parts of the production process. Home working often takes place in villages situated a long distance from the factories so we must adapt our methods for monitoring workplace standards. Much of the work is needlework carried out by women. Their work is not always regulated by the labour laws in their country, nor do they have a formal contract of employment. We therefore require H&M suppliers to inform us when home working is being used and that the agent, who organises home workers on behalf of the supplier, keeps and makes available records of payment, delivery date and contact information.

In 2007 we continued to update and standardise our tools for follow-up of home working to improve our follow-up processes and enable better conditions for workers. Our follow-up activities are focused on ensuring the statutory minimum wage, and insisting that no child labour is used.

### INDEPENDENT MONITORING

In 2006 H&M was accepted as a participating company in the Fair Labor Association (FLA). This organisation

functions to improve labour conditions in factories around the world. Working in cooperation with the FLA plays an important role in our audit process. The FLA conducts independent external monitoring visits to our suppliers' factories in China and inspects H&M's system for monitoring compliance with the Code of Conduct. Independent auditing gives H&M the opportunity to show our stakeholders how our audit system works. Results are published on the FLA's website at [www.fairlabor.org](http://www.fairlabor.org)

In 2007 the FLA conducted 24 independent external monitoring visits at H&M's suppliers' factories in China.

Currently H&M is in the process of becoming an FLA accredited company, which will mean our system for monitoring and remediation is in line with the FLA's standard. Our cooperation with the FLA will then shift focus from monitoring activities to capacity-building activities with our suppliers. In going through this process the FLA will visit H&M's head office in early 2008 to review all our procedures and see how they are aligned with the FLA's benchmarks. The next step is for the FLA to accompany H&M on two audits and an internal training session to assess our working methods.

### FLA 3.0

FLA 3.0 is the organisation's new approach to creating sustainable improvements in supply chain working conditions with a move from policing to coaching. H&M is taking part in FLA 3.0 and it directly complements our focus on working with suppliers for them to take more ownership of the conditions in their factories. Suppliers are more likely to address problems and achieve real progress if they understand the issues, their causes and what benefits improved practices will bring.

When working with 3.0, the factory focuses on a few areas already known to be a problem in that particular region. This way, the factory is not likely to feel overwhelmed, but can really focus on addressing the issue and its underlying causes. Currently, suppliers focus on establishing or improving grievance systems. An important feature of FLA 3.0 is to measure improvement over time. The factory does an online assessment at the outset of the improvement process, and again after the issue has been dealt with. FLA 3.0 also takes the workers' perceptions into account with surveys given to a representative sample of the workforce measuring the 'before and after' situation. The spirit and methods of FLA 3.0 are very much in line with H&M's Full Audit Programme.

In 2007, some of H&M's staff attended the FLA's three-day foundation course, in which 3.0 is explained in detail. The aim of the course is to help companies explain to suppliers



## OUR SUPPLY CHAIN continued



the purpose of 3.0 and the benefits of participating. H&M then held a workshop in Guangzhou and one in Shanghai with selected suppliers in order to present 3.0. One of H&M's suppliers in China has now chosen to take part in FLA 3.0.

### AUDIT FINDINGS AND PROGRESS IN 2007

In 2007 we made a total of 1,983 Code of Conduct compliance visits to our suppliers. These were conducted throughout the countries where our suppliers operate. By region: 592 were made in the Far East, 657 were made in Asia and 734 visits were made in Europe and other countries.

The visits to our suppliers are made up of FAP audits as well as follow-up visits to discuss action plans and progress. Of the 1,983 visits, 948 were FAP audits. We make some visits unannounced to ensure we are seeing a true reflection of working conditions. We are always looking to increase the number of unannounced visits we conduct. In the Far East 19 per cent of visits were unannounced, in Asia 10.8 per cent of visits were unannounced and in Europe 13.5 per cent of visits were unannounced.

Follow-up visits accounted for 1,035 of the 1,983 visits and by region that equates to 292 in the Far East, 425 in Asia and 318 in Europe and other countries. The main purpose of follow-up visits is to assess how non-compliance issues identified during FAP audits are being addressed by suppliers.

We monitor and report the number of violations against our Code of Conduct and the developments suppliers make to address those situations. The full detail of this information can be found in the Performance section. This is the first year we have been able to provide figures for improvements made by suppliers. As our supplier list changes from year to year, it is not possible to make direct comparisons with previous years' data. However we are now able to monitor improvements made by suppliers and will continue to report on that information in the future.

Our auditors also conduct targeted factory visits such as visits at night and during weekends or holidays. The purpose of these visits is to see if production is running, to compare with time records and detect any unreported overtime. Another example is visits to factories on the day wages are paid, in order to check whether the wages register corresponds with the amounts that the workers have been paid. If any employee training, evacuation drills, or other activities aimed at improving safety or workers' awareness is scheduled, we may also visit the factory to observe.

During 2007, 282 factories were graded 'rejected' due to Code of Conduct violations and as a result were suspended from working with H&M. Out of these factories 168 remained rejected at the end of the year. However, if these factories make the necessary improvements and achieve the grade 'temporary' or higher, we will be able to place orders with them. No factory was permanently rejected during 2007.

In 2007, 451 potential new factories were also audited. Out of these, 111 were graded 'rejected' after the first audit. Some of these factories were considered to have potential for improvement, and they were therefore given a second chance in connection with a follow-up audit. The total number of potential new factories that were finally approved for H&M production in 2007 was 385.

### SECOND STAGE MONITORING

Our FAP was initiated in 2005 and we are now beginning the process of making second stage audits. Bangladesh is one of the countries that have begun their second FAP cycle. Eight FAP audits were carried out in Bangladesh in 2007 and we are beginning to see some trends emerging. We will focus on these issues during follow-up visits to the second FAP cycle.

### Trends identified

All the audited factories have identified grievance policies and registers are kept but communication with workers needs to be more regular and frequent. We have seen increasing numbers of genuine complaints registered. Factories have also recruited welfare officers involved in the grievance system. Welfare officers are also part of the education system and education for the workers is becoming common. However it can still improve. Workers Welfare Committees are also more common, which help to improve communication between the management and factory workers. However these need to become more formalised and unfortunately in most cases the management select members. We have identified that all the factories have improved all types of leave. Maternity leave cases are more common and significant numbers are using the sick and casual leave to which they are entitled.

These trends are encouraging but there have also been serious violations identified. Cases of abuse have been found even though grievance systems are in place. It is not easy for workers to obtain sick leave even though the numbers have improved. In addition, pay structures for overtime in the heavy knit, knitting and dyeing sectors is not paid consistently.



## OUR SUPPLY CHAIN continued



### CAPACITY BUILDING

We work with suppliers to increase their ability to improve working conditions, and to assist workers to claim their rights for themselves. The following pages provide a summary of some of the activities in 2007.

#### ASIA

##### **Awareness of workers' rights in Tirupur – India**

Media exposure has raised awareness of human rights violations and mismanaged workers' rights issues in Tirupur. Tirupur is located in an isolated area where brands have less monitoring control which has led to exploitation of workers. H&M takes human rights violations very seriously and is working in cooperation with a local NGO, Sowkyam Foundation, to take action with our suppliers in the area.

The Workers Capacity Building project is committed to achieving and maintaining workers' well-being, minimising and eventually preventing Code of Conduct violations. The focus is on basic human rights, to raise awareness on issues related to working hours, wages and benefits, equal opportunity, health and occupational safety.

The project has now passed its planning stage and will be rolled out to all of H&M's suppliers in Tirupur. Training will be provided for workers and factory management.

##### **Rights Awareness raising pilot for garment workers – Bangladesh**

As a part of our Full Audit Programme (FAP), H&M identified the need for suppliers to educate their workers. In Bangladesh many suppliers have programmes in place for new recruits as well as for their existing workforce, but the content of these programmes was not of sufficient quality. However, one project that stood out from the rest was raising workers' awareness through short film productions. We have replicated this by collaborating with a local film production company and a local NGO, Phulki, to produce short films on workers' legal rights. These are focused on abuse, leave, employment contracts, grievance systems and working hours.

The films, currently being finalised, show day-to-day scenarios to raise awareness of how workers can and should deal with situations that arise. We plan to show the films amongst our suppliers and distribute them as an educational tool for the workers. They can also be shared with other buyers. There are also plans to develop a brochure and poster for the distribution of the films, and a handbook for welfare officers and other factory representatives who will be responsible for showing them.

##### **Chemical Training Project, Advit Foundation – India**

During the past three years H&M's Code of Conduct team in New Delhi identified the need to educate our suppliers on chemical issues. During our FAP audits it was found that there was little progress by suppliers on issues related to chemical handling, labelling, educating workers on hazards associated with the use of chemicals and the correct and adequate use of personal protective equipment (PPE). Management of sludge generated from waste water treatment plants and disposal of used chemical containers have also been included in this training pilot.

The programme, in cooperation with the NGO Advit, was completed in August 2007 and has been shown to have increased the awareness levels amongst trained workers.

Following its success, H&M will extend the activities to include more suppliers in the country to improve both safe use of chemicals and use of PPE.

##### **Middle Management Training, SEDF – Bangladesh**

Part of H&M's FAP includes the Management Action Plan (MAP). Its purpose is to identify any weaknesses in the suppliers' management systems. The FAP and MAP process revealed that if H&M requires suppliers to resolve violations in a way that is sustainable, then there needs to be a strong HR system in place.

We are therefore progressing a project in cooperation with another brand and SEDF, the South Asia Enterprise Development Facility of the International Finance Corporation (IFC). The purpose of this project is to raise awareness among factories' top and mid-level management as well as staff and compliance departments on core CSR issues. The target group will then be able to implement company CSR policies and be sensitive to workers' rights and how to resolve them.

The training will focus on issues such as sexual harassment, verbal abuse, physical abuse, forced labour/forced overtime, discrimination, wages, overtime compensation and statutory leave. The structure and process of this project has been finalised and the project will be carried out during 2008.

##### **Gokaldas Exports training pilot project – India**

As a buyer H&M is in a position to contribute to improving working conditions and promoting workers' rights in our suppliers' factories. Gokaldas Exports (GEX) is a supplier to a large number of international brands and retailers and ranks among the better garment producers in India with regards to labour standards. However despite significant investments in HR and compliance over the past few



## OUR SUPPLY CHAIN continued



years the factories' legally required Worker Committees for Safety, Health & Environment, Grievance, Sexual Harassment and the Canteen appear to be more symbolic rather than active and workers' awareness of their existence is very limited.

So in 2007 H&M, along with other sector companies, initiated a pilot project, in cooperation with the Fair Wear Foundation (FWF) and GEX, to train the members of Gokaldas's Worker Committees so that they are able to become more active and to improve worker-management communication. This involved seven training modules and between 19 and 23 workers attended each module.

Initial analysis on the impact of this training has shown: improved awareness and communication in the factory, the committee members have been trained on their roles and responsibilities, middle management are opening up the committee meeting to other interested workers and in general the work environment has improved. Although the final evaluation report is yet to be completed, so far there has been evidence of good progress. Regular inductions at all levels and ownership and support of the training by the management is required if the stability of the factory systems is to be achieved.

### **EUROPE** **Code of Conduct training for Turkish suppliers and H&M employees – Turkey**

As a key production market to H&M, Turkey is a market which requires high flexibility, speed and short lead production times. It has been identified that Turkey needs to actively work on capacity building in order to avoid losing approved suppliers and subcontractors due to the breach of Code of Conduct requirements. H&M's aim is to create a long-term business relationship with suppliers and to make our pre-order product development planning more efficient. The starting point is to educate both our suppliers and internal production teams to empower them with the knowledge to ensure changes have a lasting impact.

In 2007 a training project was started for suppliers and employees to communicate our requirements and how the suppliers can actively work to implement and fulfil them in all their production units. The training is divided into two parts – one theoretical and one practical part.

As part of the project we created educational materials for suppliers and employees and provided theoretical Code of Conduct training at H&M offices. At the start of 2007 we also began practical training with seven suppliers, which will continue in 2008.

As with all types of training we did come up against challenges, such as time limitation and unreceptive management. However in order to create a long-term business relationship with our suppliers we will continue to actively educate them to ensure compliance with our Code of Conduct. Training of internal H&M colleagues has also proven useful and will be progressed.

### **Training of suppliers for controlling home working systems – Turkey**

Some of H&M's suppliers need to use home workers in special production processes like hand embroidery, beading and jewellery. None of our suppliers have a direct connection with home workers as they use agents to arrange employment. Work is not always regulated by labour law and there is not normally a formal contract of employment. As a result of this H&M provides training to suppliers so that they can establish their own control systems to ensure the home working system is compliant with our Code of Conduct requirements.

In 2007 the local H&M Code of Conduct team in Turkey initiated a project with the purpose of providing training for suppliers who use home working in their production. They have created materials for home worker education and conducted internal training for production teams on home work policy. External training for suppliers has also been carried out.

The project will carry on in 2008 and we will continue to update and standardise the tools we use for following up home workers. Next year, we will also continue our work to help suppliers understand our Code of Conduct requirements and to establish their own control systems. H&M also aims to ensure suppliers do not use home work as a way to cut costs by outsourcing simple operations. Suppliers can engage home workers in certain production processes only when approved by H&M.

### **JOINT INITIATIVES**

H&M is committed to tackling the issues that we face in our supply chain. However it is not our policy to make unsubstantiated claims about complicated issues. Rather, we take a considered approach. The challenges we face in our supply and production countries are complex and often difficult to address as an individual company. This is why we cooperate with other organisations and stakeholders to address the problems and to achieve genuine results.

### **MFA FORUM BANGLADESH**

H&M participates in the MFA Forum Bangladesh. The textile industry in Bangladesh faces a number of challenges that we believe should be dealt with at national



## OUR SUPPLY CHAIN continued



and industry level rather than at company level. Consequently, a number of stakeholders have come together to improve working conditions and productivity in the Bangladeshi garment industry. In addition to around 10 buyers, other participants include representatives of the Bangladeshi government, the local industry organisations BGMEA and BKMEA, the World Bank, the global trade union organisation ITGLWF and a number of other organisations.

[www.mfa-forum.net](http://www.mfa-forum.net)

### **BETTER FACTORIES CAMBODIA**

H&M has been supporting the Better Factories Cambodia (BFC) programme since 2005. This initiative, which is run by the International Labour Organisation (ILO), aims to improve working conditions for those employed in Cambodia's garment factories. Its work includes training and independent monitoring.

The controls carried out by BFC do not replace H&M's own monitoring, but BFC's assessments do provide verification of the results of our audits. The information provided by BFC facilitates H&M's initial selection when looking to cooperate with new suppliers in Cambodia.

[www.betterfactories.org](http://www.betterfactories.org)

### **BUSINESS FOR SOCIAL RESPONSIBILITY (BSR)**

H&M is a member of BSR and takes part in various working groups facilitated by this organisation. One particular programme is related to waste water and is described further in Our environment on page 15.

[www.bsr.org](http://www.bsr.org)



## OUR ENVIRONMENT CORPORATE SOCIAL RESPONSIBILITY 2007

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Part of our vision to run our business operations in a sustainable way is managing our impacts on the environment. H&M aims to address the environmental impacts of our products during the design, production, delivery and sale stages, as well as the impacts of our company operations from our buildings and travel. Part of that approach is to take action to reduce our carbon dioxide emissions and to consider short- and long-term environmental impacts to ensure that we choose solutions that are sustainable. In addition to developing a more sustainable business, this approach can open up both new business opportunities and potential cost savings. As a global company we unquestionably have an impact on the environment and a clear understanding and programme of activities is essential to H&M's growth and profitability.



## OUR ENVIRONMENT



### ENVIRONMENTAL MANAGEMENT

We manage environmental impacts in three areas: in the supply chain, both at our first tier supplier locations and, in some cases, further down our supply chain (for example with the manufacture of fabric), from the transportation of our goods and from our store, warehouse and office operations.

Our sustainability policy guides us and we set targets to monitor our progress. Our environmental management process is embedded into the business operations framework. Our supply chain Code of Conduct includes the environmental requirements we place on suppliers regarding chemical handling and chemical storage, waste water treatment and waste management.

Our objective demonstrates our areas of focus:

- Respect for the environment is an integral part of H&M's and our supply chain's business practices. Through responsible acting and innovative thinking we contribute to sustainable use of raw materials and energy, pollution prevention and a low-carbon emitting society.

### OUR IMPACTS IN THE SUPPLY CHAIN

A significant proportion of our impact on the environment occurs in our supply chain. The Code of Conduct includes our environmental requirements for suppliers regarding chemical handling and chemical storage, waste water treatment and waste management. We also require our suppliers to comply with our Chemical Restrictions. We do not place requirements on suppliers further down the supply chain with whom we do not have a direct business relationship, but instead work with them on a voluntary basis. This section gives an overview of the key impacts we address: the use of chemicals in production processes, waste water in production processes and cleaner fabric production.

### CHEMICALS

Producing clothes can require intensive use of chemicals. We work actively to limit the use of harmful chemicals in all our products – for the sake of the environment, the employees within our supply chain and for our customers' safety. Key stages we focus on include chemical use in the cotton growing process, in the dyeing of fabrics and in the treatment of garments.

Certain chemicals are not permitted to be used at all in production processes or to be present in a finished garment, while others are allowed only in limited quantities. All of these limit values and bans are gathered together in H&M's Chemical Restrictions list, a list of

restrictions that all suppliers must sign up to. The list has been updated eight times since 1995, most recently in 2007, and now contains around 250 substances.

When deciding which chemicals to include in the restrictions list our decisions are based on the following:

- Legislation: we take into account all relevant legislation and we are also in contact with the relevant authorities in various countries (eg the Swedish Chemicals Agency).
- Stakeholder materiality: we keep track of consumer tests, NGO activities and the media in order to remain informed of issues stakeholders consider material.
- Chemical analysis:
  - we test different materials to see if the chemical poses a risk,
  - we contact laboratories to see how the chemical can be analysed, and
  - we contact chemical companies to see how common the chemical is in textile manufacture and if there are safer alternatives.

If there is no legislated limit value (in our sales countries or elsewhere), we consider recommendations from various organisations such as authorities, eco-labelling organisations or chemical analysis laboratories and set a limit value. If we decide to update our Chemical Restrictions list we inform our suppliers well in advance so they can take the necessary measures before the restriction comes into effect.

To help our suppliers implement our Chemical Restrictions H&M offers various kinds of training. This ranges from basic updates on H&M's requirements to seminars focusing on particular items.

H&M is a member of AFIRM (Apparel and Footwear Restricted Substances List Management Group), an international association of leading companies within the textile and footwear industries. The group's collective goal is to reduce the use of chemicals and to find chemicals that are environmentally sound and safe.

### REACH

H&M has been active in removing chemicals and hazardous substances from our products for over 10 years. We are therefore well placed to meet our responsibilities under the new EU chemical legislation, REACH, which came into force in June 2007. REACH stands for Registration, Evaluation and Authorisation and Restriction of Chemicals. The main objective of this legislation is to reduce the use of harmful chemicals.



## OUR ENVIRONMENT continued



### WASTE WATER

H&M requires suppliers who carry out wet processes, such as washing and dyeing, to treat their waste water for safe discharge. With effect from 2006 we set up a requirement for the quality of water discharged using guidelines developed by a Business for Social Responsibility (BSR) working group of seven companies (of which H&M is one). We now monitor waste water quality by asking suppliers to submit test results.

Our approach has been to focus on three key waste water and pollution indicators to be used in the monitoring process:

- Biological oxygen demand (BOD) allows us to measure organic pollution in water. Micro-organisms in the water use oxygen to break down the organic matter, so the higher the BOD, the more the water is polluted.
- Chemical oxygen demand (COD) also allows us to measure the amount of pollution in water as oxygen is used in chemical reactions caused by the addition of waste. The higher the COD, the more pollution is present.
- Total suspended solids. This indicator measures the amount of solid particles of pollution suspended in waste water. Suspended solids in water are often associated with toxic contaminants which bind to the particles.

Heavy metals can also be an indicator and pollutant in waste water. Heavy metal restrictions are dealt with as a requirement in our Chemical Restrictions list so we focus on the three key indicators listed above.

In 2007 we requested water test information from our suppliers with wet processes. Suppliers can either use laboratories which are recommended by H&M or use the same testing standards as those used by our recommended laboratories. We assessed the results against BSR guidelines. Suppliers with values over the limit prescribed have been requested to draft action plans. In 2008 we will collect and evaluate those action plans.

We have identified situations where results seem to be lower than is realistic and in these cases we have begun conducting unannounced visits to discuss the following:

- how the facility's waste water treatment plant works,
- how chemicals are being dosed, and
- how sludge is handled.

At the same time we also check to see what the discharged water and sludge look like, and take water samples if necessary.

### PROGRESS 2007

- 62 per cent of suppliers with wet processes reported biological organic demand results within the lowest threshold (less than or equal to 30 mg/l).
- 84 per cent of suppliers with wet processes reported chemical organic demand results within the lowest threshold (less than or equal to 200 mg/l).
- 60 per cent of suppliers with wet processes reported total suspended solids results within the lowest threshold (less than or equal to 30 mg/l).

### CLEANER FABRIC PRODUCTION

Over the past two years H&M has encouraged fabric mills with dyeing processes to contribute to cleaner fabric production. H&M has no direct relationship with the mills that supply our own suppliers with fabric. So our approach is slightly different than in our direct supply chain where our auditing programme starts with our Code of Conduct.

H&M auditors visit the mills to assess the potential for improvement and to demonstrate the possible actions that can be taken. Fabric mills are selected for the programme according to two criteria: there is a significant business relationship between the fabric mills and H&M's suppliers and there is scope for improvement at the mill. It is voluntary for the mills to implement measures and H&M offers practical tools for them to use. The programme consists of around 40 easy-to-implement measures so that effects can be seen quickly and the mills are motivated to make changes. Many are directly linked to cost savings and profitability improvements for the mill, making clear the important environmental and financial gains.

### PROGRESS IN 2007

The take-up for this voluntary programme in 2007 was:

- India: Five individual fabric mills and one vertically integrated supplier.
- China: Six individual fabric mills and four vertically integrated suppliers.
- Bangladesh: Six vertically integrated suppliers.

In Asia one mill, an early adopter of the programme, installed a system to separate and reuse caustic soda. The investment in the system paid for itself within two years and the mill now has a closed loop system for caustic soda with no basic waste that would need further chemical treatment.

In Bangladesh a supplier who entered into a cleaner production agreement with H&M in 2006 has implemented 11 of the cleaner production programme measures in



## OUR ENVIRONMENT continued



2007. By using alternative dyes and chemicals it has been able to decrease the use of water, salt and the number of times the fabric needs to be washed. The supplier has also exchanged the factory's 2,200 light bulbs for low-energy bulbs, and taken measures to capture and reuse heat from pipes, machines, heaters and water to significantly reduce energy use and save on costs.

### TRANSPORTING GOODS

Transport of H&M's goods accounts for a substantial part of carbon dioxide emissions generated by our activities.

The size and geographical spread of our business requires numerous means of transport in various parts of the world. As our business grows, our transportation needs will also increase. The challenge for H&M is to meet our transportation needs with the smallest possible use of natural resources and as low emissions as possible.

Achieving transport with less impact on the environment at H&M entails working with environmentally aware transport companies, switching to rail and/or sea transport solutions where possible and optimising transport for increased efficiency with reduced fuel consumption, increased use of renewable fuels and cleaner energy solutions.

On an annual basis we survey our road transport providers to assess and monitor their environmental management systems and how their operations further our green travel objectives. In 2007 our requirements for our transport service providers were:

- road transport performed for H&M must be carried out with vehicles meeting the requirements of Euro 2 or US 94 (EU and US standards for regulating vehicle emissions),
- all vehicles purchased must meet the requirements of Euro 4 or US 04 (EU and US standards for regulating vehicle emissions),
- at least 75 per cent of drivers must have received theoretical and practical training in fuel-efficient driving, and
- the transport service provider must have a policy banning idling in excess of one minute.

We are reviewing our transport policy in 2008 to ensure we continue to improve.

### OUR STORES AND OPERATIONS

Solid waste is a significant issue in our stores and at our distribution centres. Stores are provided with guidance on how to handle waste including hazardous materials

(eg fluorescent tube lights, batteries, electronic equipment, glues and other chemicals). Stores follow the reduce, reuse, recycle process for waste such as cardboard, paper and plastic.

Stores are also given guidance on how to sort hangers for recycling. In 2007 we recycled 84 per cent of hangers purchased and others are reused in stores.

Sales countries handle solid waste in a variety of ways, according to the facilities of the country. Some stores use the waste handling facilities of the shopping centre or landlord, others have separate waste handling contracts or return waste to H&M's distribution centres. While these systems are effective at handling waste, the different systems can create data gathering challenges for us.

Shop fittings and re-fits create significant impacts and we have a target in place to increase the requirement on our suppliers in this area to make environmental improvements.

As part of our approach to climate change and the reduction of carbon emissions, we have energy saving initiatives in stores.

### OUR CARBON FOOTPRINT

In 2007 we formulated our approach to climate change. We have considered the impact of our production and buying processes, transport and sales. We will use these objectives and the information we gather to manage our carbon footprint and tackle climate change in the long term.

#### H&M'S APPROACH TO CLIMATE CHANGE

##### Production process

In our production processes we will identify a method for measuring carbon dioxide emissions from the manufacturing of our goods.

##### Buying process

We will include climate change in the environmental training for buying office staff and continue to focus on transport and travel. Part of this will be to continue to look for new ways of adapting our order placement routines to decrease the effect on the climate. We are also investigating alternatives to plastic carrier bags.

##### Transport and travel

In order to reduce our carbon dioxide emissions we will place environmental requirements on shipping transport providers and continuously monitor, and restrict, the use



## OUR ENVIRONMENT continued



of air transport. We will also focus more on transport solutions that include rail and work with strategic partners to test the use of renewable fuels for heavy road vehicles.

We will evaluate the climate effects of planned changes to the logistics system, to ensure that they do not cause increased carbon dioxide emissions. We will develop a tool for mapping the environmental effects from transport over various distances.

We will offer video, audio and web conferencing services as alternatives to travel and revise our travel policy to include environmental considerations.

### Sales

In our stores and sales operations we will instigate energy-efficiency requirements for installations that depend on electricity, install energy-efficient escalators, install timers for shop window lighting and install presence sensors to control lighting. We will identify and share good practice concerning energy-efficient solutions.

We will purchase electricity from renewable sources and make it easier for customers to make informed choices with regard to products' energy performance.

In accordance with the Retail Declaration on Energy Efficiency and Renewable Energy, within the framework of the ERRT (European Retail Round Table), H&M commits to:

- 20 per cent reduction of store energy use per square metre, and
- 20 per cent or more of the stores' energy use to come from renewable energy sources.

### CO<sub>2</sub> EMISSIONS

We monitor and measure energy use and carbon dioxide (CO<sub>2</sub>) emissions across our business. We gather information from our transport providers to calculate the CO<sub>2</sub> emissions caused by transporting H&M goods. We also track the energy used in our stores, warehouses and offices, as well as our business travel.

Our target is to reduce CO<sub>2</sub> emissions between 2005 and 2009 by 10 per cent relative to the size of our company in terms of sales, using 2004 as our baseline data year. Between 2004 and 2005 our emissions rose but we have made continuous improvements to reduce them and in 2007 we exceeded the target for 2009.

### CO<sub>2</sub> emissions relative to sales (SEKm incl VAT)



### PROGRESS IN 2007

The total actual carbon dioxide emissions for 2007 were 237,117 tonnes, a decrease of 21 per cent compared to 2006.

Two significant areas where reductions were achieved were in the use of renewable energy and the reduction in use of air transport for our products. Also, our turnover increased by 15 per cent though our electricity use increased by 9 per cent, indicating improvements in energy efficiency.

### Air freight

We have reduced the emissions from transport by air or a combination of sea and air by 20 per cent.

### Renewable energy

We made savings of 0.93 tonnes per SEKm turnover by using renewable energy.

Find more details about our CO<sub>2</sub> emissions in the Performance section.

### EUROPEAN RETAIL ROUND TABLE ON ENERGY

In 2007 we joined an initiative along with other retailers to put together practical and targeted commitments towards meeting the European 2020 energy targets.

Joining this initiative means we will aim to:

- reduce energy consumption per square metre of commercial premises by a minimum of 20 per cent by 2020 compared to base year reference levels,
- work towards exceeding the European Commission's target of sourcing 20 per cent renewable energy by 2020,
- identify and share examples of best practice in delivering energy-efficient solutions in the retail supply chain,



## OUR ENVIRONMENT continued



- investigate further ways of providing energy efficiency information for products we sell and urge manufacturers to do the same, eg labelling, web site information and/or campaigns on specific issues, and
- share knowledge about the most effective ways of communicating information on energy consumption and energy-saving behaviour to consumers.

We will report on our progress on each of these aims year on year.

### COTTON

Cotton is the most common fibre used by H&M and we actively contribute to reducing the environmental impact of cotton growing. Our strategy is made up of two parts: we promote organic cotton growing by contributing to increased demand, and we seek to improve conventional cotton growing.

#### CONVENTIONAL COTTON

According to WWF research cotton needs an average of 8,500 litres of water to grow 1 kilo of cotton lint, equivalent to one pair of jeans. Practical ways to improve cotton farming while improving the social and economic benefits for cotton farmers and their communities do exist. H&M works with the Better Cotton Initiative (BCI), which WWF helped to found with leading retailers, with the aim of promoting the widespread use of improved farm practices where more cotton can be grown while reducing water and chemical use.

#### ORGANIC COTTON

Our objective is to gradually use more organically grown cotton, grown without the use of harmful chemical pesticides and synthetic fertilisers. Our commitment to organic cotton started in 2004 with small quantities of organic cotton in some of our children's clothing and babywear. Since March 2007 our customers have been able to buy fashionable clothes from a collection for women, men, teenagers and children made from 100 per cent organically grown cotton.

In 2007 the total volume of organic cotton used during the year was around 1,300 tonnes which represents approximately 1 per cent of our total use of cotton (approximately 100,000 tonnes per year). This has increased from approximately 30 tonnes in 2006. This usage comes from a combination of producing organic cotton garments and blending more organic cotton into other selected garments. In 2007 we blended about 80 tonnes of organic cotton into selected garments. These

garments contained 50 per cent organic cotton and 50 per cent conventional cotton. The organic cotton used in all our garments is certified by Control Union.

We have set a target to increase our use of organic cotton by 50 per cent in 2008.

#### TRANSITIONAL COTTON

Through demanding more organic cotton we help provide an incentive for more growers to concentrate on organic cultivation. However, the transition from conventional cotton farming to organic takes time and can be challenging to the farmers in many ways. Crop yields are typically lower during the change over, which puts farmers at financial risk. In order to support the farmers in this phase we have decided to begin using cotton grown during the changeover, known as transitional cotton.

We have set a target to use 50 tonnes of transitional cotton during 2008.

Under the EU 2092/2091 standard in Europe and the National Organic Production (NOP) standard in the US the transition from conventional to organic farming can take two or three years respectively. However, the land and the cotton produced is under the supervision of the accrediting bodies so adherence to organic standards starts immediately. Through our support of the Organic Exchange (H&M has been a member since 2003) we want to raise awareness and understanding and encourage more use of transitional cotton.



## OUR PRODUCTS

### CORPORATE SOCIAL RESPONSIBILITY 2007

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H&M's business concept is to offer our customers fashion and quality at the best price. To us, quality is about meeting or exceeding our customers' expectations of our products and of H&M as a company. Part of our concept is the belief that affordable doesn't mean disposable. We therefore continuously work to improve the quality and design of our products.

H&M must be responsive to our customers' demands. Customers are becoming more aware of environmental and social issues and question where the products they buy come from and how they are made. We work towards improving the factory conditions in our supply chain and strive to limit the negative impact we have on the environment.



## OUR PRODUCTS



### PRODUCT RESPONSIBILITY

Our responsibility to our customers includes our activities and initiatives in place to ensure customers are safe and also satisfied with the use of our products. Our focus areas are: improving the quality of our products, improving their safety and restricting the use of chemicals in products.

### QUALITY ASSURANCE

In order to ensure our products maintain our quality standards, H&M works very closely with our suppliers. H&M have lengthy tests and quality controls in place as part of our company's buying operations and quality assurance is carried out at all stages in the buying process. This process includes testing sample garments, laundry tests and colour fastness. H&M tests chlorine bleaching, pilling, and durability on details such as zips and press-studs. Production offices have quality controllers who examine the suppliers' products and ensure that they meet our quality requirements.

### CHILDREN'S SAFETY

H&M has been a driving force for the safety of children's wear for quite some time. We adhere to a rigid framework of rules in all the countries in which we have presence. We also take a risk analysis approach throughout the different stages of our products and ensure quality and safety tests are carried out.

Our safety requirements for children's wear include:

- testing of all sewn-on buttons, press-studs, cords, decoration etc, to ensure their durability following normal washing and use,
- to minimise the risk of accidental trapping, no drawstrings with loose ends are permitted around the neck or hood area and all hoods on outerwear are detachable,
- due to children's sensitive skin, no children's garments may be treated with flame retardants, and
- before packing, all garments go through checking processes such as passing through a needle detection machine.

H&M's strict chemical restrictions and controls ensure that children's clothing is gentle on sensitive skin and does not need to be washed before being worn for the first time.

To raise awareness of product safety amongst our employees and suppliers, H&M's staff and suppliers receive relevant training. When designing children's clothes, we try to avoid adding too many details and decorations to prevent the garments from being a safety risk.

### H&M'S PRODUCT POLICY

- H&M does not sell real fur.
- H&M only sells leather from cattle, buffalo, sheep, goats and pigs that are raised for meat production.
- H&M does not buy leather from India due to the cruel animal transportation that takes place.
- H&M does not buy silk from India due to poor working conditions in the Indian silk industry.
- H&M does not accept mulesing, the practice carried out on merino sheep in Australia in order to prevent fly-strike, and has therefore decided to direct its buying towards suppliers that can guarantee mulesing-free merino wool.
- H&M products contain no materials made from endangered species.
- Down and feathers come exclusively from birds raised for meat production. H&M also requires a certificate stating that the down and feathers have been washed and sterilised as necessary.
- For wooden products originating from countries with tropical rainforest, H&M requires certification from the FSC (Forest Stewardship Council).
- H&M's children's clothes must be comfortable and practical. H&M endeavours not to sell children's wear that could be perceived as provocative.
- Prints on tops and other garments must not be offensive, racist, sexist, political or religious.
- All garments are marked with their country of origin.



## OUR PRODUCTS continued



### CHEMICAL RESTRICTIONS

H&M has been working to phase out and limit the use of harmful chemicals from our goods for more than 10 years. We have voluntarily developed a Chemical Restrictions list concerning the use of chemicals. H&M ensure all of our suppliers sign up to this list. Our chemicals requirements are based on very high standards and often go further than the law in the operating country demands. During 2007 we increased our requirements in this area. We also performed around 40,000 chemical tests.

In June 2007 REACH, the new European chemical legislation, came into force in the EU. The key objective of this legislation is to reduce the use of and exposure to harmful chemicals. Our aim is for no SVHCs (substances of very high concern) to be used in the manufacture of H&M's products, and therefore we should not need to register any products. However, all chemicals used in cosmetics are registered.

### KEY INITIATIVES

Our aim is for our customers to be happy with both our products and H&M as a company. So if an issue is important to our customers then it is important to H&M too. Here are some of the key initiatives H&M is currently working on to address such issues.

### ORGANIC COTTON

As a fashion company, the look of our garments will always be a high priority as we try to meet customer demands and needs. It is also important that the quality concept we associate with our products incorporates their social and environmental impact.

In more recent years there has been growing demand for environmentally responsible and ethically sound products. We are pleased to be able to offer our customers quality and fashionable clothing made from organically grown cotton. This new collection was launched in all H&M markets from March 2007.

### FLOWER ECO-LABEL

H&M sells babywear bearing the EU's eco-label, the Flower. Use of the Flower on these products represents the restrictions we place on use of harmful substances and how we aim to reduce water pollution throughout the production stages of the products. The label represents the quality criteria we work to and represents the garment's ability to keep its shape, colour and form. As with all other H&M garments, babywear bearing the Flower label complies with our own chemical restrictions.

The Flower-labelled garments have been well received by our customers. In 2007 we sold more than 900,000 pieces. We plan to continue with the use of the eco-label. Our target is to sell 1.5 million Flower-labelled garments in 2008.

To find out more about the Flower eco-label please go to [www.eco-label.com](http://www.eco-label.com)

### MULESING

H&M does not agree with any animal mistreatment and we also recognise our customers' expectations. We therefore take a stance on this issue and distance ourselves from mulesing, the surgical procedure performed on merino sheep in Australia, in order to prevent fly-strike.

H&M decided to direct its buying towards suppliers that can guarantee mulesing-free merino wool. We thereby hope to contribute to a quicker phase-out of mulesing, in favour of more humane methods of preventing fly-strike.

Since 2005, there has been an agreement between the National Retail Federation (NRF), of which H&M is a member, and the Australian wool industry (Australian Wool Innovation) which means that mulesing will be replaced by more humane methods by 2010. H&M think that the phase-out of the practice is proceeding too slowly; therefore in 2008 we will concentrate our buying efforts on products that use mulesing-free merino wool.

Within the foreseeable future we will no longer sell clothing made with merino wool from mulesed sheep. H&M is currently focused on finding breeders and markets where mulesing is not performed and is incorporating this requirement into contracts with suppliers.

More about mulesing: [www.wool.com.au](http://www.wool.com.au) and [www.peta.org](http://www.peta.org).

### ETHICAL CONSUMERISM

In 2007 H&M's product, environmental, human rights and supply chain policies were analysed in a survey. Assessed in a group of 35 fashion companies, H&M's social and environmental practices received the best score with 73 of a maximum 100 points. The survey itself was conducted collectively by a number of consumer publications in Europe.

Published in August, it brought attention to H&M and our work in CSR. Companies' sustainability initiatives were reviewed, showing not only the positive but also the negative. We sincerely believe that a business should be held accountable and be able to withstand criticism. Many consumers are concerned with issues raised in these surveys and at H&M we try to respond to our customers' needs and concerns.



## OUR PRODUCTS continued



### COMMUNICATION

Our communications aim to build the brand in the long term and the way in which we communicate on a worldwide basis can have an influence on our credibility. H&M's internal and external communications are formulated with the objective of conveying a clear message and being accessible. It is also essential for our business concept of fashion and quality at the best price to be clearly communicated. The main medium for our advertising is the store. Other channels include the internet, TV and cinema commercials, billboards, newspapers and catalogues.

We acknowledge that our stakeholders, both outside and within H&M, want to know how we behave as a responsible business. We currently have internal communications in place to raise CSR awareness amongst our employees and are looking to not only improve on them, but further extend them to our customers also.

During the past year, we have taken steps to improve H&M's communication of CSR initiatives with customers, produced a brochure about our environmental work and a short film about our efforts to contribute to better factory conditions and the environment in the supply chain. We

also issued a CSR edition of our employee publication 'Wallpaper' which was distributed to all stores and other H&M workplaces.

### RESPONSIBLE MARKETING

We promote our products through various campaigns which are produced in Sweden. Our marketing is influential and therefore it's essential for us to convey a positive and healthy image to our customers. H&M have a policy whereby we actively engage with our customers. In order to remain open and honest with our customers we carry out customer surveys in all of our markets, and we are happy to find that the vast majority of our customers appreciate our marketing.

We use a mix of different looks and styles for our variety of concepts for women, children, men and teenagers. The models portrayed in our advertisements should be healthy and we deliberately distance ourselves from drug and alcohol abuse. Our models are chosen in cooperation with internationally recognised modelling agencies and our own representatives. H&M have also opted to follow the ICC's (International Chamber of Commerce) basic rules for advertisements and have an advertising policy which we abide by.

### ADVERTISING POLICY

- H&M communicates its business concept – fashion and quality at the best price – through various advertising campaigns each year throughout Europe, North America, Asia and in the Middle East. The campaigns are designed to be clear and simple and aim to inform our customers of what is new at H&M and to show who we are and what we stand for. We show the latest fashion and the price of the goods.
- Advertising is produced centrally in Sweden by H&M's marketing department in cooperation with various creative professionals. The advertisements are largely identical in all H&M's markets, but the media mix is adapted to local requirements and conditions.
- Our marketing has a major impact. It is therefore essential for us to convey a positive and healthy image. H&M's advertising images do not aim to communicate a specific ideal. We use different characters and a mix of different looks and styles to advertise our various concepts for women, men, teenagers, and children.
- The people we show in our advertising must be healthy and wholesome. H&M deliberately distances itself from drug and alcohol abuse. The models are chosen in cooperation between internationally recognised agencies and our own representatives. The reason why we use professional models is that they are used to being in front of the camera and can give a true impression of our clothes. By working with professional models, photographers and stylists we can communicate our fashion and quality in a clear and inspirational way.
- We have special guidelines for the advertising of our children's concepts. Our target group is parents, not children. This means that we place advertisements in media that is not aimed directly at children. Children who take part in our campaigns, should take part of their own free will. Whenever children are involved in a photo shoot there is always a representative of H&M present to ensure professionalism and the safety of the children. We market clothes for both boys and girls of different ages. By using children from different cultures we highlight the diversity of society.



## OUR COLLEAGUES & COMMUNITIES CORPORATE SOCIAL RESPONSIBILITY 2007

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H&M's strong corporate culture, the H&M spirit, has existed 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. These values are based on our business concept, and include, among other things, common sense and own initiative.

Our approach to charity is to prioritise projects that strengthen social development in locations where we do business. As the majority of our customers, employees and the people working in the textile industry are women and we don't accept child labour, the projects we support are typically focused on women, children and education.



## OUR COLLEAGUES & COMMUNITIES continued

### FAMILY

H&M have a responsibility to the communities within which we operate. The cyclone that hit Bangladesh in November 2007, caused huge devastation. H&M donated 100,000 USD to UNICEF to help the victims that were without food and shelter.

### OFFICE COLLEAGUES

Our business operates on the principle of respect for all individuals. This principle is applied to everything we do – we provide our colleagues with the opportunity to grow and develop within H&M.

### STORE COLLEAGUES

To encourage individual development among our colleagues we provide training and also encourage on-the-job learning. When H&M opens stores in new markets, job rotation gives our colleagues from established H&M countries the opportunity to share their knowledge and experience and support colleagues on the new site for a period before opening.

### CHILDREN/EDUCATION

We prioritise projects that strengthen social development in locations where we do business. Since 1999 H&M has run a training centre in one of our purchasing markets where underprivileged youths are educated to become sewing machine operators.

### FACTORY WORKERS

H&M does not own any factories, but works with around 800 suppliers, predominantly in Asia and Europe. As a company, and buyer, we can effectively contribute towards improving working conditions for employees at factory level.

## OUR APPROACH TO OUR COLLEAGUES

Our colleagues are a major factor in our success, profitability and growth. In 2007 we employed approximately 68,000 people, made up of 47,029 full-time positions, 80 per cent of whom are female.

Our business is expanding year on year and to continue and maintain successful growth it is essential our colleagues develop and grow along with the company. We therefore strive to continue to be an attractive employer where individuals embrace the spirit of H&M and are key to the success of the business. This is in evidence across the globe in the different countries in which we operate.

Our business operates on the principle of respect for all individuals. This principle is applied to everything we do and includes fair pay, reasonable working hours, freedom of association, equal access to benefits and providing our colleagues with the opportunity to grow and develop within the company.

Since 2006, our CSR Manager, Ingrid Schullström, has taken responsibility for management of our employee relations. Previously, policies have been on a local level but during the past year we have explored a strategic approach with common policies across the business. This process relies in part on our open and constructive dialogues with trade unions. We have an agreement with Union Network International (UNI) and have also carried out work with the European Works Council (EWC).

### H&M AND UNI

H&M's agreement with UNI declares that both regard the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work to be the cornerstone for their cooperation. We have a contact point at the Swedish trade union Handels, the Commercial Workers' Union. Handels is a member organisation of UNI. The purpose of our agreement and cooperation with trade unions is to work proactively together and involve unions at an early stage.

### H&M AND THE EUROPEAN WORKS COUNCIL

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.

In 2007, a project was initiated to create high-quality working conditions at the cash tills in H&M stores in all markets. In some markets the tills are designed to deliver good working conditions, but at others they need to improve. This is an example of how we cooperate with the EWC to handle issues that affect several H&M markets.

### DIVERSITY

Due to the growth of our business and responsibility to our colleagues we are formulating our global policies on diversity and equality. We aim to be a responsible employer in all countries even where the laws and regulations do not match our own requirements.



## OUR COLLEAGUES & COMMUNITIES continued

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:

Board members	50%
Group level managers	33%
Sales country managers	44%
Production office managers	64%
Buying division managers	75%
Buying section managers	84%
Area managers	70%
Store managers	86%

### TRAINING AND DEVELOPMENT

H&M constantly works on skills development for all our colleagues. Training and development continues throughout the year and is supported by performance reviews identifying training needs and enabling career progression. We have our own training team and train them to deliver the majority of courses and information across the business. In some cases managers in stores carry out training and some specialist training is done by external organisations. Generally training is managed and monitored by H&M operations and stores in the various countries where we operate, rather than centrally by our head office. H&M's business has been expanding rapidly and our training strategy currently focuses on making sure all our colleagues have received our core training, as well as continuing specific training courses for more senior level management colleagues.

Some training courses, such as the induction, are mandatory for all staff but others are tailored to the specific needs of their role. All store staff receive a two week course made up of classroom training and shop floor training. Depending on the country and the specific needs of that store, training includes customer service, textiles, stock and cosmetic training. As store staff progress to floor manager roles, they take part in more training to cover management tasks. Staff at our production offices have different training needs and our courses are structured to suit them. For managers above the store management level we have begun to introduce 360° evaluations to identify areas for progression. We plan to continue this and increase the number carried out.

We also encourage on-the-job learning. 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 stores in new markets job rotation may also involve colleagues from established H&M countries

supporting a store manager and store colleagues on site for the period before opening. For example, in 2007, during the opening of H&M's first stores in Hong Kong and Shanghai, new employees were supported by more than 100 colleagues from eight different H&M countries for three months before opening. The aim was to create a two-way transfer of H&M's knowledge and culture between existing stores and new markets. The majority of colleagues in managerial positions are recruited from within H&M and job rotation allows new talent to show their potential for management and senior roles.

CSR is a significant part of training at H&M. It is included in all staff's induction training and in training for 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 queries.

### COMMUNITY INITIATIVES AND CHARITABLE GIVING

#### CORPORATE INITIATIVES

##### UNICEF

Some of the challenges we face are complex and not always something that we can tackle on our own. So in 2004 H&M entered into a three-year partnership with UNICEF, the United Nations Children's Fund. UNICEF is the world's largest provider of vaccines for developing countries, supports child health and nutrition, good water and sanitation, quality basic education for all boys and girls, and the protection of children from violence, exploitation, and AIDS. UNICEF is funded entirely by the voluntary contributions of individuals, foundations, governments and businesses like H&M. Our partnership with UNICEF has been a successful example of how we can cooperate with others to achieve genuine results. In 2007 H&M therefore decided to renew our partnership with UNICEF for another three-year period.

H&M is contributing 1,500,000 USD over three years to support several UNICEF projects. One example is our HIV/AIDS Prevention and Care Programme which aims to prevent the spread of HIV/AIDS among youth in Cambodia, one of the countries where H&M's clothes are produced.

H&M makes a clear stand against all use of child labour and is working closely with UNICEF to address this issue. For some time, H&M's cooperation with UNICEF has focused on the situation of children in the cotton-producing areas of India. During 2007 UNICEF began a study commissioned by H&M, with the aim of charting the social consequences of cotton growing. The study will continue in 2008 and will form a basis for future initiatives in this area.



## OUR COLLEAGUES & COMMUNITIES continued

The partnership with UNICEF also means that H&M is engaged in local projects in a number of markets, some of which are aimed at raising money for a variety of purposes. H&M's stores and sales staff play an important role in these projects.

### Cyclone in Bangladesh

H&M have a significant relationship with the communities of Bangladesh, one of our largest purchasing markets. Following the cyclone that hit Bangladesh in November 2007, H&M donated 100,000 USD to UNICEF in support of their work to help the victims without food and shelter. The devastating cyclone Sidr killed over 3,200 people and affected 8.5 million as it hit 30 out of 64 districts. Almost half of the affected population were children. UNICEF reached an estimated 72,000 children and 109,000 families with life-saving supplies.

### WaterAid

In 2007 we donated £582,184 to WaterAid which is more than ever before. This support has helped WaterAid continue its work to overcome poverty by enabling the world's poorest people gain access to safe water, sanitation and hygiene education. H&M's donation will contribute to helping around 229,000 people gain access to clean water and 129,000 people gain access to effective sanitation facilities in Tanzania, Mozambique, Madagascar and Bangladesh.

The money donated came from sales of the Kylie Minogue collection and of a specially designed bikini. Ten per cent of the bikini sales helped support projects in Bangladesh and 10 per cent of the 'H&M loves Kylie' collection sales helped support projects in Tanzania, Mozambique and Madagascar.

### Sewing training centre

Since 1999 H&M has run a training centre in Bangladesh where underprivileged youths of 17 years of age are educated to become sewing machine operators. H&M set up this initiative to support the efforts of UNICEF, ILO and BGMEA (Bangladesh Garment Manufacturer and Exporters' Association) in the mid-1990s to eradicate child labour in the garment sector in Bangladesh.

The training centre has now run courses for more than 750 students and is known amongst H&M suppliers and others in the garment sector in Bangladesh for producing skilled, well-trained sewing machine operators. Training lasts four months and is conducted by experienced instructors. At the end of the four-month period at the centre students are placed as trainees at selected H&M suppliers. Once they have completed their training they are guaranteed work at a supplier factory.

Since autumn 2005 the Training Centre has also run a specific training project for heavy knit operators, in order to encourage more boys to join the training courses and progress to become trainees.

### OUR SALES COUNTRIES

H&M sales countries take part in charitable activities supporting the communities in the countries where H&M operates or has presence. Below are examples of some of the activities carried out during 2007.

### Breast Cancer Awareness

In order to raise breast cancer awareness amongst H&M staff and customers a number of H&M's sales countries have carried out activities in cooperation with national organisations.

In the US, H&M worked in collaboration with the American Cancer Society for their Making Strides Against Breast Cancer walk and fundraising campaign. The campaign aimed to raise funds for breast cancer research and to promote education and awareness programmes. Our staff, together with H&M US, donated a total of 65,000 USD to the campaign. In addition, 660 H&M staff participated in the walks that were held across the US.

In May 2007, in the UK, H&M raised £3,000 through the sale of pin badges in stores and the placement of donation boxes. This has not only raised money but also received positive feedback from customers and raised awareness of the issue among customers and employees.

### Donations to UNICEF

In addition to our global partnership, H&M's sales countries regularly donate to UNICEF. In Sweden for example, UNICEF had a web-based Christmas campaign in 2007 which H&M took part in. H&M committed to giving 1 SEK per click and contributed SEK 100,000.

### Make a Wish Foundation

We work in collaboration with the 'Make a Wish Foundation' in the Netherlands, called Doe Een Wens Stichting. The foundation's purpose is to try to fulfil the wishes of children that have life threatening diseases. In 2007 we were approached for 10 visits in 10 different stores and donated 3,025 items of clothing. H&M organises a day of pampering for the child where we give them three new outfits.

### DONATIONS OF GARMENTS

Clothes that do not comply with H&M's quality requirements are not passed on to the stores. Instead, we donate the clothes to various aid organisations in the countries where we operate. However, we never give away



## OUR COLLEAGUES & COMMUNITIES continued

clothes that do not meet our safety requirements and chemicals restrictions. During 2007, H&M sales countries donated around 450,000 garments for goodwill. In addition, we also donate money from sample sales. Below are some examples of sales countries where we have made clothes donations.

### **Windfall clothing service**

In Canada, H&M has set up an initiative to provide clothes to help people in need in the Greater Toronto area. In 2007 10,456 items were donated, totalling C\$269,000.

### **Street Christmas Fair**

In 2007 H&M Sweden donated clothes such as ski pants, underwear and gloves to the Street Christmas Fair for the Homeless. The items in total were worth approximately SEK 300,000.

### **Helping Hands**

H&M has an agreement with Helping Hands, an independent voluntary aid organisation. Helping Hands collects returned garments from some of our Swedish stores and leftover samples from our head office and send them to people in need in other countries. In August 2007 aid was distributed to more than 1,000 families from 33 different villages and to over 900 children in eight different institutions and orphanages in Lebanon. H&M also prepared a delivery of winter clothes to an orphanage in Hungary.



## MONITORING STATISTICS 2007

We are two years into the first FAP (Full Audit Programme) cycle and therefore a large proportion of the factory visits are Follow-up audits (FUP). On average, we make three such Follow-up audits between two FAP audits and we normally make the next FAP audit after two years. This table only shows the number of FAP audits and Follow-up audits (FUP) made per country and region, the results to these are shown in the Audit Findings and Progress table. Depending on the country of production, risk level, volume of production for H&M, type of production etc, the time and detail level for audits can somewhat vary.

The comparatively large number of FAP audits in Turkey is caused by the frequent use of subcontractors. Each supplier can use a relatively large number of subcontractors for H&M production and we audit all of them.

Potential New Units are factories H&M's suppliers are considering to start using for production. We always audit such units before we approve them. In these cases the Follow-up indicates that there were some serious violations that had to be addressed before H&M would approve the factory for production. Some new factories may still have been rejected after the Follow-up if they failed to make the requested improvements.

	ALL VISITS			EXISTING UNITS			POTENTIAL NEW UNITS		
	FAP	FUP	Total	FAP	FUP	Total	FAP	FUP	Total
<b>Far East</b>									
Cambodia	10	35	45	5	34	39	5	1	6
China	224	221	445	96	208	304	128	13	141
Indonesia	23	21	44	13	20	33	10	1	11
South Korea	42	9	51	25	9	34	17	0	17
Thailand	0	1	1	0	1	1	0	0	0
Vietnam	1	5	6	1	5	6	0	0	0
<b>TOTAL</b>	<b>300</b>	<b>292</b>	<b>592</b>	<b>140</b>	<b>277</b>	<b>417</b>	<b>160</b>	<b>15</b>	<b>175</b>



## MONITORING STATISTICS 2007 continued

Asia	ALL VISITS			EXISTING UNITS			POTENTIAL NEW UNITS		
	FAP	FUP	Total	FAP	FUP	Total	FAP	FUP	Total
Bangladesh	105	241	346	76	239	315	29	2	31
India	115	167	282	61	159	220	54	8	62
Pakistan	12	17	29	3	16	19	9	1	10
<b>TOTAL</b>	232	425	657	140	414	554	92	11	103



## MONITORING STATISTICS 2007 *continued*

	ALL VISITS			EXISTING UNITS			POTENTIAL NEW UNITS		
	FAP	FUP	Total	FAP	FUP	Total	FAP	FUP	Total
<b>Europe and other markets</b>									
Bulgaria	58	31	89	42	29	71	16	2	18
Latvia	0	3	3	0	3	3	0	0	0
Lithuania	1	9	10	1	9	10	0	0	0
Poland	5	5	10	2	3	5	3	2	5
Romania	48	26	74	36	22	58	12	4	16
Turkey	299	233	532	135	214	349	164	19	183
Ukraine	2	7	9	1	6	7	1	1	2
Egypt	2	2	4	0	2	2	2	0	2
Morocco	0	2	2	0	2	2	0	0	0
Tunisia	1	0	1	0	0	0	1	0	1
<b>Total</b>	<b>416</b>	<b>318</b>	<b>734</b>	<b>217</b>	<b>290</b>	<b>507</b>	<b>199</b>	<b>28</b>	<b>227</b>
<b>Grand Total</b>	<b>948</b>	<b>1,035</b>	<b>1,983</b>	<b>497</b>	<b>981</b>	<b>1,478</b>	<b>451</b>	<b>54</b>	<b>505</b>



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings

For the first time we have managed to collect statistics that show the improvements made between audits. We think this table is quite unique even though it currently covers a limited number of factories. This table shows the results for all factories

where we have made one initial Full Audit Programme (FAP) audit and at least two Follow-up audits (FUP).

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
1. Does the supplier follow the law in all their activities?	2	1	1	1	0	1	37	0	37
2. Are all workers above or the same age as the minimum age required by the national law, and H&M's Code of Conduct?	2	1	1	1	0	1	0	0	0
3. Are workers below 18 working under legal conditions?	9	2	7	8	0	8	30	22	8
4. Are all workers performing their work voluntary at all times?	3	2	1	12	0	12	1	0	1
5. Do foreign and migrant workers have equal employment terms as local workers?	0	0	0	0	0	0	0	0	0
6. Do foreign and migrant workers have a residential permit/working permit?	2	0	2	0	0	0	0	0	0
7a. Are all workers protected from any forms of abusive behaviour in the factory?	2	1	1	28	3	25	0	0	0
7b. Are all workers protected from any form of physical abuse or sexual harassment?	0	0	0	3	0	3	0	0	0



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
8. Are workers in the factory free to join or form a union?	0	0	0	3	0	3	0	0	0
9. Do the workers have the right to bargain collectively?	1	0	1	3	0	3	0	0	0
10. Is there a grievance system in place in the factory?	48	16	32	95	6	89	30	25	5
11. Is there any system for dialogue between workers and management in place in the factory?	66	22	44	87	6	81	41	27	14
12. Are all workers, despite for example gender, ethnic, religious or geographical background, treated equally?	2	0	2	0	0	0	0	0	0
13. Do all workers have an employment contract?	21	8	13	78	4	74	30	20	10
14. Are the regular working hours within the legal limit? (excluding OT)	5	3	2	7	0	7	11	9	2
15. Are monthly overtime hours within the legal limit?	62	23	39	89	3	86	36	30	6
16. Does the basic salary for every employee amount to at least the legal minimum wage for normal working hours (including pcs rate workers)?	13	4	9	11	11	0	14	3	11
17. Is overtime compensated according to the law?	11	4	7	25	4	21	29	17	12
18. Are correct wages paid regularly and on time?	13	2	11	49	3	46	9	7	2



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
19. Does the factory pay social security?	9	6	3	8	1	7	23	16	7
20. Is Sick Leave granted according to the law?	25	2	23	21	2	19	2	3	1
21. Is Sick Leave compensated by the factory according to the law?	38	9	29	25	3	22	1	1	0
22. Is Annual Leave granted and paid for according to law?	29	5	24	26	0	26	14	11	3
23. Are all additional types of leave, stipulated by law, granted to all workers?	22	0	22	30	1	29	6	3	3
24. Is maternity leave given and paid for according to law?	14	5	9	10	0	10	0	1	-1
25. Are pregnant women guaranteed their employment during and after pregnancy?	0	0	0	3	0	3	0	0	0
26. Does the factory fulfil the legal requirement concerning day care?	7	1	6	51	1	50	2	2	0
27. Are all Basic Safety Requirements met?	4	0	4	21	2	19	20	0	20
28. Are all additional Safety Requirements met?	10	2	8	19	0	19	29	4	25
29. Are the workers aware of and trained in fire fighting and evacuation?	7	4	3	28	0	28	32	16	16



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
30. Are hazardous machines equipped with necessary protection?	6	3	3	14	0	14	18	2	16
31. Is Personal Protection Equipment provided and used, where necessary?	23	6	17	42	0	42	23	6	17
32. Is the building considered as safe?	0	0	0	1	0	1	1	0	1
33. Is adequate First Aid equipment available on all floors?	4	1	3	21	1	20	16	2	14
34. Are any workers trained in First Aid?	36	4	32	17	0	17	30	10	20
35. In case of injury or illness, can medical care for the workers be provided with short notice?	6	1	5	14	0	12	2	2	0
36. Can the workers drink water without health risks?	0	1	-1	22	0	22	9	3	6
37. Does the factory provide a canteen/dining area available for the workers?	7	2	5	22	0	22	1	0	1
38. Is the factory clean and free from dirt and dust?	3	1	2	14	0	14	1	1	0
39. Is the temperature in the factory tolerable to work in?	6	1	5	11	0	11	2	1	1
40. Is the ventilation in the factory adequate?	8	1	7	29	0	29	10	4	6



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
41. Is the light in the factory sufficient for intended work?	0	0	0	2	0	2	1	0	1
42. Is there a sufficient number of toilets?	4	0	4	13	0	13	3	1	2
43. Are toilets clean and maintained?	8	4	4	29	0	29	4	1	3
44. Do the workers have unlimited access to the toilets?	7	2	5	16	1	15	0	0	0
60. Is the factory complying with all relevant environmental laws?	3	0	3	14	0	14	2	0	2
61. Does the factory have the legally required environmental permits/licences?	6	3	3	29	0	29	16	7	9
62. Are the chemical containers properly labelled?	31	10	21	49	4	45	14	9	5
63. Does the factory have complete Safety Data Sheets for all chemical products?	36	7	29	54	3	51	31	11	20
64. Have the workers regularly handling chemicals been trained in safe chemical handling?	27	6	21	56	3	53	31	17	14
65. Is the information in the Safety Data Sheets implemented?	26	4	22	55	2	53	28	13	15
66. Is the outgoing waste water treated?	0	0	0	26	0	26	1	1	0



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
67. Are there clear signs that the waste water treatment system is in use?	0	0	0	10	0	10	0	0	0
68. Does the waste water treatment system meet requirements in local legislation?	1	0	1	9	0	9	1	1	0
69. Is sludge from the waste water treatment disposed of in a legal or otherwise responsible manner?	2	1	1	14	0	14	0	0	0
70. Is the hazardous waste disposed of in a legal manner?	28	6	22	39	1	38	37	19	18
80. Is the dormitory separated from the factory building?	1	0	1	1	0	1	n/a	n/a	n/a
81. Do the workers have access to and from the dormitory at any time?	1	0	1	0	0	0	n/a	n/a	n/a
82. Does everyone living in the dormitory have an individual bed?	0	0	0	0	0	0	n/a	n/a	n/a
83. Are workers granted some personal privacy?	18	0	18	4	0	4	n/a	n/a	n/a
84. Does the dormitory meet required basic safety?	3	1	2	2	0	2	n/a	n/a	n/a
85. Are there a sufficient number of clean toilets?	3	1	2	0	0	0	n/a	n/a	n/a
86. Are facilities for private hygiene provided?	1	0	1	1	0	1	n/a	n/a	n/a



## AUDIT FINDINGS AND PROGRESS 2007

### Audit Findings continued

QUESTIONS	FAR EAST			ASIA			EUROPE AND OTHER COUNTRIES		
	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations	Number of violations from FAP	Number of violations from FUP	Reduction in violations
87. Is the dormitory clean and hygienic?	2	0	2	2	0	2	n/a	n/a	n/a
88. If there is a staffed kitchen in the dormitory, is it clean and hygienic?	0	0	0	0	0	0	n/a	n/a	n/a
89. Is the temperature in the dormitory tolerable?	0	0	0	1	0	1	n/a	n/a	n/a

As can be seen, in most cases, real progress has been made. For example, we see great progress in question 10 and 11 about better dialogue and communication systems. Although these are not Code requirements we find them essential for sustainable improvements and it is therefore encouraging to see the positive development. Our challenge is now to make sure that all changes are sustainable over time.

A few comments to the figures:

Question 1. Due to a problem with the methodology, in Turkey the reduction of violations is higher than the real situation. Our audit team in Turkey will correct this for next year.

Question 2. It seems as if there is still a case of child labour in the Far East after two Follow-up audits. This case has been resolved but was kept open until everything was settled and the factory made compensation to the child for wages until the legal working age was reached.

Question 14. In Romania a practice has developed of doing repair work and completing the day's target after normal working hours, without extra compensation. This has more or less become included in normal working hours, up to one hour per

day. This is a habit that is very hard to break, and it does result in a violation on normal working hours. We are however constantly working with our suppliers to remediate this violation.

Question 15. As seen in the chapter about most common violations, overtime over the legal limit is the number one violation and it is extremely difficult to control and remediate. We are happy that some progress can be seen, but we have to make sure it is sustainable and not only short term. Successful ways to address this systematic problem still need to be developed.

Question 19. In Turkey, and especially among subcontractors, non-payment of social security (SSK) is a very common violation. We spend enormous efforts on this topic and still we regularly continue to find workers who have not been registered. As this is also connected to the employment contracts, we do get numerous violations also on question 13 in Turkey.

In general though, we feel that the changes are encouraging, and we can also see from the small number of second FAP audits that we have made so far, that in the last two years substantial progress has been made. We have seen the best progress in Bangladesh. In China, unfortunately, we still suffer from the suppliers' habit of falsifying documentation, and genuine progress is therefore harder to measure.



## AUDIT FINDINGS AND PROGRESS 2007

### 10 most common violations

Most common violations vary somewhat from country to country and from region to region. However, to some extent we can see clear patterns. The previous table provides more detail, but as not all FAP audits are included (only the ones where we have already made two Follow-up audits) we list here the top 10 violations globally, based on all 948 FAP audits made during 2007.

Questions 1, 10 and 11 have been excluded from calculating the most common violations. Question 1 is too general (does the supplier follow all laws?) to be interesting. Questions 10 and 11 about dialogue systems and communication, although important, do not reflect violations as they are not based on Code requirements.

As can be seen, overtime hours and compensation and chemical handling are the two top themes.

As mentioned, there are local variations. In Asia and Europe the most common violation is question 15 while in Far East it is question 70 (followed by 15). Questions 21 and 23 about various leaves are also among the top ten in two regions.

QUESTION	TOTAL NO OF VIOLATIONS
15. Are monthly overtime hours within the legal limit?	479
70. Is the hazardous waste disposed of in a legal manner?	442
63. Does the factory have complete Safety Data Sheets for all chemical products?	377
64. Have the workers regularly handling chemicals been trained in safe chemical handling?	341
65. Is the information in the Safety Data Sheets implemented?	320
62. Are the chemical containers properly labelled?	294
31. Is Personal Protection Equipment provided and used, where necessary?	287
17. Is overtime compensated according to the law?	286
13. Do all workers have an employment contract?	269
29. Are the workers aware of and trained in fire fighting and evacuation?	256



## CO<sub>2</sub> EMISSIONS

### CO<sub>2</sub> efficiency targets

The table below shows that our activities in 2007 caused 2.57 tonnes of carbon dioxide emissions per million SEK of sales. This is a significant improvement compared with last year's figure (3.75 tonnes CO<sub>2</sub>/SEKm) and means that our target to reduce the emissions by 10 per cent relative to sales by 2009 was exceeded.

The target is to reduce carbon dioxide emissions between 2005 and 2009 by 10 per cent relative to the size of the company in terms of sales, the baseline data year being 2004.

YEAR (BASE 2004)	2004	2005	2006	2007	2008	2009
Targeted CO <sub>2</sub> /Turnover (Base 3.84)						3.45
Actual outcome	3.84	4.15	3.75	2.57		



## CO<sub>2</sub> EMISSIONS *continued*

Carbon dioxide emissions from the transport of goods, business travel and the energy used in our stores, warehouses and offices were reduced by 21 per cent in absolute terms in 2007. Viewed in relation to the company's growth (+15 per cent), the reduction is 31 per cent.

Two significant areas where reductions were achieved were in electricity consumption (-51 per cent) and in air transports (-20 per cent). This development is explained in part by a considerable reduction in use of air transport of our goods, and savings from renewable energy along with improvements in energy efficiency.

Carbon dioxide emissions from business travel increased by 28 per cent, while company owned cars produced seven per cent more emissions compared with the previous year. Increased use of video and teleconferencing will hopefully bring this figure down in the coming year.

The total actual carbon dioxide emissions for 2007 were 237,117 tonnes, compared to 300,405 tonnes in 2006.

CO <sub>2</sub> EMISSIONS BY SOURCE	ENVIRONMENTAL DATA 2007			ENVIRONMENTAL DATA 2006			ENVIRONMENTAL DATA 2005	
	Share	Tonnes	Change from last year	Share	Tonnes	Change from last year	Share	Tonnes
Buildings total (DC's and Electricity)	28%	66,763	-48%	43%	128,075	-1%	43%	129,246
<i>Distribution Centres (DC's)</i>	3%	7,601	7%	3%	7,125	-39%	4%	11,599
<i>Electricity (entire company)</i>	25%	59,162	-51%	40%	120,949	3%	39%	117,647
Transports (road, sea, rail)	41%	96,163	6%	30%	90,682	9%	28%	83,149
Transports (air incl. air from sea/air)	21%	50,142	-20%	21%	62,426	-12%	24%	71,131
Business travel	9%	21,335	28%	5%	16,691	33%	4%	12,537
Fuels for company owned cars	1%	2,714	7%	1%	2,531	8%	1%	2,346
<b>Total</b>	<b>100%</b>	<b>237,117</b>	<b>-21%</b>	<b>100%</b>	<b>300,405</b>	<b>1%</b>	<b>100%</b>	<b>298,409</b>



## TARGET FOLLOW-UP 2007

### Environmental Targets

Outcome: Completed ● In progress ○ Not completed ○ Postponed ⊘

OBJECTIVE	TARGET	OUTCOME	COMMENTS	RESPONSIBLE
<b>Environmental awareness</b>	To encourage the use of telephone and video conferencing as an alternative to business travel.	●	Employees have been given information about telephone and video conferencing possibilities. They have also been informed that meetings by telephone or video help reduce H&M's negative environmental impact.	Peter Norberg, Patrik Lindered, Mikael Blommé
	To train suppliers in the systematic and safe handling of chemicals.	○		Henrik Lampa
<b>Respect for nature</b>	To reduce H&M's carbon dioxide emissions by 10 per cent relative to the size of the company measured in terms of sales.	○	The base year is 2004.	Mikael Blommé, Ingrid Schullström
	To use electricity from renewable energy sources in Germany and thereby help to reduce H&M's climate impact.	●	Achieved by procuring Guarantees of Origin, which guarantee that the electricity comes from renewable sources, in accordance with the EU Directive on the promotion of electricity produced from renewable energy sources in the internal electricity market (2001/77/EC).  Read more about Guarantees of Origin at <a href="http://www.aib-net.org">www.aib-net.org</a> .	Fredrik Nilsén, Mikael Blommé
	To assess and revise our environmental requirements for the purchase of shopfitting and décor materials as well as office supplies.	⊘	(See 2008 targets.)	Joachim Hellman, Mikael Blommé
<b>Sustainable use of resources</b>	To test out energy-efficient solutions in conjunction with the building of a new warehouse.	○	Construction phase delayed (See 2008 targets.)	Ivan Pedersen, Mikael Blommé



## TARGET FOLLOW-UP 2007

### Environmental Targets continued

Outcome: Completed ● In progress ◐ Not completed ○ Postponed ⊘

OBJECTIVE	TARGET	OUTCOME	COMMENTS	RESPONSIBLE
	To include environmental requirements in invitations to tender for the building of the warehouse and to establish which solutions are to be tested in conjunction with its building.	●		Ivan Pedersen, Mikael Blommé
<b>Healthy products</b>	To label at least one million baby garments with the Flower, the EU's eco-label.	●		Charlotte Tholsby
<b>Clean production chain</b>	To mix at least 100 tonnes of organic cotton into selected garments.	○	We blended 78 tonnes of organic cotton into selected garments. (These garments contained 50 per cent organic and 50 per cent conventional cotton, and did not bear any special label.)  The total volume of organic cotton used during the year was about 1,300 tonnes.	Henrik Lampa



## TARGET FOLLOW-UP 2007

### Social Targets

Outcome: Completed ● In progress ○ Not completed ○ Postponed ☒

OBJECTIVE	TARGET	OUTCOME	COMMENTS	RESPONSIBLE
<b>Full compliance with the Code of Conduct</b>	To train the persons responsible for the Code of Conduct at all H&M suppliers in Turkey in self-monitoring. The aim is to achieve greater compliance with local legislation and with H&M's Code of Conduct at an earlier stage.	○	Theoretical training has been provided to all of our suppliers on at least one occasion. Practical training has been provided to two suppliers. After the training the suppliers have employed or assigned more experienced Code of Conduct responsible persons and started to establish a Code of Conduct system. Although there are still many points to improve, most of the suppliers have improved themselves on pre-work and follow up after the training. Overall, system approach and prioritisation of Code of Conduct issues have been better understood by the suppliers.	Deeba Remheden
	In cooperation with SEDF and another international clothing company, to organise training in communications and workers' rights for middle managers at up to eight factories in Bangladesh.	○	The project will be rolled out during 2008.	Deeba Remheden
	To identify the most serious infringements of the Code of Conduct and analyse the causes of these.	○		Maritha Lorentzon, Lars-Åke Bergqvist
	To organise training for suppliers affected with a view to dealing with the most serious infringements of the Code of Conduct.	●	Ten internal workshops have been held for our suppliers, seven in Asia and three in Europe. Furthermore, 11 of our suppliers in China have attended training programmes provided by BSR-CTI – (Training the Trainer, Productivity and Overtime, and Labour Relations Management).	Deeba Remheden, Maritha Lorentzon, Lars-Åke Bergqvist



## TARGET FOLLOW-UP 2007

### Social Targets continued

Outcome: Completed ● In progress ○ Not completed ○ Postponed ⊘

OBJECTIVE	TARGET	OUTCOME	COMMENTS	RESPONSIBLE
	To quality-assure and develop the methods used for audits and follow-up visits.	●	Members of the CSR department have paid visits frequently to the production countries to educate the auditors. All teams have also received education in the new IT system. Exchange of knowledge between auditors from different production offices has also taken place.	Maritha Lorentzon
	To investigate the need to adapt our tools to special circumstances and develop the tools thereafter. Examples of special circumstances are production units that employ just a few people.	●	Development and implementation of LAP. Audit tools have also been developed to be applied to home workers as well.	Maritha Lorentzon
	To assess the possibility of carrying out factory audits and improvement measures jointly with other international clothing companies.	●	One clothing company was approached during 2007 but no particular results were reached. Possibilities for brands cooperation will be explored further during 2008.	Maritha Lorentzon, Lars-Åke Bergqvist
	To develop clearer guidelines for our suppliers. The aim is to create a better basis to enable the suppliers to understand H&M's CSR-related requirements and to take responsibility for meeting the requirements.	○	The guidelines are still under development and expected to be rolled out during summer 2008.	Maritha Lorentzon, Nanna Engqvist, Deeba Remheden
<b>Factory workers capable of demanding their rights</b>	To organise training for all works council members at three factories in India in cooperation with the Fair Wear Foundation and two other international clothing companies.	●	The training has been completed and it has been noted that the council members are now more active in bringing forth workers' grievances and actively suggest solutions to various problems in the factory.	Deeba Remheden



## TARGET FOLLOW-UP 2007

### Social Targets continued

Outcome: Completed ● In progress ○ Not completed ○ Postponed ⊘

OBJECTIVE	TARGET	OUTCOME	COMMENTS	RESPONSIBLE
	To assist two suppliers in Turkey with the formation of well-functioning works councils with a view to strengthen the dialogue between management and workers.	⊘	The project is postponed until the audit team in Turkey receives further staff support. The project will be re-activated during 2008.	Deeba Remheden
<b>Code of Conduct fully integrated into H&amp;M's business activities</b>	To further integrate H&M's CSR and buying work, with a view to giving greater consideration to the suppliers' compliance with the Code of Conduct when placing our orders.	○	<p>Developed tools to illustrate the compliance level to the purchasing department.</p> <p>This in turn is used in the business process in the sense that business is allocated to suppliers with higher compliance level.</p> <p>The compliance levels of the suppliers are integrated into the total evaluation of each supplier.</p> <p>The purchasing department is involved in the remediation and follow-up process, which is a strong message from H&amp;M to the suppliers.</p>	Maritha Lorentzon, Lars-Åke Bergqvist
	To complete and implement IT support for dealing with FAP-related information	●		Ingrid Schullström, Ann-Charlotte Berglind
<b>Knowledge of H&amp;M's CSR work among our stakeholders</b>	To improve the information on H&M's CSR work that is given, for example, to our customers and employees.	○		Katarina Kempe



## GLOBAL SOCIAL TARGETS 2008

### Our objective

Respect for human rights is an integral part of H&M's operations. Everyone employed by our suppliers and their subcontractors are, at a minimum, guaranteed their rights

stipulated by relevant laws covering labour rights, health and safety in the workplace, as well as by ILO's core conventions.

TARGET	TIMEFRAME	RESPONSIBLE
Update and revise Code so as to cover a broader area of H&M's activities, beyond the supply chain and commercial products.	2008	Ingrid Schullström
Refine and revise audit tool, FAP 2.0, with broader and deeper focus on workers' rights.	2008	Maritha Lorentzon
Initiate audits of fabric suppliers through education, scoping the areas for improvement, ETP, auditing.	2008	Nanna Engqvist, Henrik Lampa
Support to suppliers on taking ownership of compliance improvement and implementation by developing a supplier guidelines handbook.	2008	Nanna Engqvist, Deeba Remheden
Needs-based supplier training and education via identified service providers and projects.	2008	Deeba Remheden
Increase workers' rights awareness through the following projects: Short Film: Rights Awareness (BD) GEX committee members (IN) Workers Welfare Committee (TR) Sowkyam Foundation (IN) Chemical Training (IN) (CN) UNICEF HIV/AIDS Cambodia (KH)	2008	Deeba Remheden
Staff development and recruitment Develop education package on: – how we communicate with our suppliers – issues not directly linked to roll-out of FAP 2.0	2008	Lars-Åke Bergqvist



## GLOBAL SOCIAL TARGETS 2008 *continued*

TARGET	TIMEFRAME	RESPONSIBLE
Identify Brands collaborations and multi-stakeholder dialogue: <ul style="list-style-type: none"><li>– MFAF</li><li>– BFC</li><li>– FLA</li><li>– BSR</li><li>– Brand groups</li><li>– Global Compact</li><li>– ABG</li><li>– Evaluate possibilities for joint audits and remediation initiatives</li></ul>	2008	Maritha Lorentzon
Through networking identify the priorities from the workers' perspective. Coordinate and collect information from local networks.	2008	Deeba Remheden
Cooperate with UNICEF to take action on children's situation in the cotton growing industry in Tamil Nadu based on a research report conducted by UNICEF.	2008	Anna Gedda, Deeba Remheden



## GLOBAL ENVIRONMENTAL TARGETS 2008

### Our objective

Respect for the environment is an integral part of H&M's and our supply chain's business practices. Through responsible acting and innovative thinking we contribute

to sustainable use of raw materials and energy, pollution prevention and a low-carbon (emitting) society.

TARGET	TIMEFRAME	RESPONSIBLE
Release re-assessed and revised environmental requirements for the purchase of shop-fitting and décor materials as well as office supplies.	2008	Joachim Hellman, Mikael Blommé and Madelene Ericsson
Increase the number of Eco Flower garments for 2008 with 50 per cent to 1,500,000 pieces.	2008	Charlotte Tholsby, Madelene Ericsson
Test inclusion of transitional cotton into our garments with 50 tonnes of transitional cotton.	2008	Henrik Lampa
Identify a method for monitoring the water footprint of our supply chain.	2008	Henrik Lampa
Identify a method for monitoring the carbon footprint of our supply chain.	2008	Henrik Lampa, Mikael Blommé
Monitor the carbon footprint of our supply chain.	2009	Henrik Lampa, Mikael Blommé
Evaluate results from pre-study on how various technical aids can reduce the need to travel (while at the same time improve collaboration).	Q1, 2008	IT department and cross-functional steering group
Initiate pilot test with video conferencing equipment at selected frequent travel destinations.	Q2, 2008	IT department and cross-functional steering group
To reduce H&M's carbon dioxide emissions by 10 per cent relative to the size of the company measured in terms of sales.	31 December 2009	Ingrid Schullström, Mikael Blommé
Reduction of energy use in stores by 20 per cent per square metre.	2020	Ingrid Schullström, Mikael Blommé
At least 20 per cent of energy use in stores from renewable energy sources.	2020	Ingrid Schullström, Mikael Blommé



## GLOBAL ENVIRONMENTAL TARGETS 2008 continued

TARGET	TIMEFRAME	RESPONSIBLE
Facilitate the management of hazardous waste in stores.	Test period in 2008 in two stores in Sweden	Maria Lantz, Madelene Ericsson
To test out energy-efficient solutions in conjunction with the building of a new warehouse.	2010	Logistics department, Mikael Blommé
Communicate information material on environmentally adapted garment care.	Q2, 2008	Sanna Hallqvist, Madelene Ericsson



## GRI INDEX AND APPAREL & FOOTWEAR SECTOR SUPPLEMENT

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H&M compiled the 2007 Corporate Social Responsibility Report by taking into consideration the Global Reporting Initiative (GRI) guidelines.

With the GRI G3 guidelines issued in 2006, the GRI has formalised the old principle of reporting 'in accordance with' the GRI. There are now three levels of application which are dependent on the different levels of disclosure across Profile, Management Approach and Performance Indicators. H&M has achieved a level C of application.

A table displaying disclosure against the indicators from the Apparel & Footwear Sector Supplement is also shown here. The Apparel & Footwear Sector Supplement Working Group has assessed each performance indicator and has provided some recommendations on how they could be applied in an incremental manner. Although these indicators have not been finalised H&M have chosen to disclose against them.

The indicators are marked by the Working Group with three sets of "do-ability criteria" which are:

- 1: Feasible to report for most and would be at the entry point for new reporters.
- 2: Normative and would be at a medium do-ability level.
- 3: Likely to be included in reports by best reporters, but challenging in terms of data collection and would not be expected to be reported by new reporters.

The following key has been used to show the extent of report coverage in both tables:

Full coverage ● No coverage ○ Not relevant 



## GRI INDEX

### 1. Strategy and Analysis

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Profile</b>				
1.1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy.	●	Our business / Message from our CEO and CSR Manager		
1.2	Description of key impacts, risks, and opportunities.	●	Our business / CSR strategy		

### 2. Organisational Profile

2.1	Name of the organisation	●	All through report	All through report	
2.2	Primary brands, products, and/or services.	●	Our business / Global brand, global impact and reach	H&M in words	
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	●	Our business	H&M in words	
2.4	Location of organisation's headquarters.	●	Our business / Global brand, global impact and reach	Notes to the financial statements	



## GRI INDEX

### 2. Organisational Profile continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	Our business / Global brand, global impact and reach  Our supply chain	H&M in words	
2.6	Nature of ownership and legal form.	●		Notes to the financial statements	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	Our business / Global brand, global impact and reach	H&M in words	
2.8	Scale of the reporting organisation, including: <ul style="list-style-type: none"> <li>• Number of employees;</li> <li>• Net sales (for private sector organisations) or net revenues (for public sector organisations);</li> <li>• Total capitalization broken down in terms of debt and equity (for private sector organisations); and</li> <li>• Quantity of products or services provided.</li> </ul>	●	Our colleagues & communities / Our approach to our colleagues  Our business / Global brand, global impact and reach	H&M in words H&M in figures	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	Our business / Global brand, global impact and reach	H&M in words	
2.10	Awards received in the reporting period.	●	Performance	H&M in words	



## GRI INDEX

### 3. Report Parameters

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
<b>Report Profile</b>					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	Our business / How we report		
3.2	Date of most recent previous report (if any).	●	Our business / How we report		
3.3	Reporting cycle (annual, biennial, etc.)	●	Our business / How we report		
3.4	Contact point for questions regarding the report or its contents.	●	Our business / How we report		
<b>Report Scope and Boundary</b>					
3.5	Process for defining report content <ul style="list-style-type: none"> <li>• Determining materiality;</li> <li>• Prioritizing topics within the report; and</li> <li>• Identifying stakeholders the organisation expects to use the report.</li> </ul>	●	Our business / CSR strategy – CSR management		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	How we report		
3.7	State any specific limitations on the scope or boundary of the report <sup>8</sup> .	●	How we report		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	○			



## GRI INDEX

### 3. Report Parameters continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	Our business / How we report Performance		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	Our business / How we report		
	<b>GRI Content Index</b>				
3.12	Table identifying the location of the Standard Disclosures in the report.	●	Performance		
	<b>Assurance</b>				
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	Our business / How we report		

### 4. Governance, Commitments, and Engagement

	<b>Governance</b>				
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	●		Corporate Governance report	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).	●		Corporate Governance report	



## GRI INDEX

### 4. Governance, Commitments, and Engagement continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●		Corporate Governance report	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●		Corporate Governance report	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	●		Corporate Governance report H&M in figures	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●		Corporate Governance report	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	●		Corporate Governance report	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Our business / CSR strategy, Code of Conduct		
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	Our business / Message from CEO and CSR Manager		



## GRI INDEX

### 4. Governance, Commitments, and Engagement continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Commitments to External Initiatives</b>				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	●	Our business / Our environment	H&M in Words	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	●	Our business / Message from CEO and CSR Manager		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation.	●	Throughout report	H&M in Words	
4.14	List of stakeholder groups engaged by the organisation.	●	Our business / CSR strategy  Our supply chain / Joint initiatives	H&M in Words	
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	Our business	H&M in Words	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	○			Partially covered in Our business
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	●	Our business  Our supply chain	H&M in Words	



## GRI INDEX

### 5. Management Approach and Performance Indicators

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
<b>Economic Performance Indicators</b>					
<b>Aspect: Economic Performance</b>					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●		H&M in figures	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	●	Our business		
EC3	Coverage of the organisation's defined benefit plan obligations.	○			
EC4	Significant financial assistance received from government.	⊘			
<b>Aspect: Market Presence</b>					
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. (Additional indicator)	○			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○			
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	○			
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts. (Additional indicator)	○			
	<b>Environmental Performance Indicators</b>				
	<b>Aspect: Materials</b>				
EN1	Materials used by weight or volume.	●	Our environment	H&M in Words	Refers to our use of organic cotton
EN2	Percentage of materials used that are recycled input materials.	○			
	<b>Aspect: Energy</b>				
EN3	Direct energy consumption by primary energy source.	●	Performance		
EN4	Indirect energy consumption by primary source.	●	Performance		
EN5	Energy saved due to conservation and efficiency improvements. (Additional indicator)	●	Performance		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. (Additional indicator)	●	Our environment Performance		



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Aspect: Water</b>				
EN8	Total water withdrawal by source.	○			
EN9	Water sources significantly affected by withdrawal of water. (Additional indicator)	○			
EN10	Percentage and total volume of water recycled and reused. (Additional indicator)	○			
	<b>Aspect: Biodiversity</b>				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○			
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○			
EN13	Habitats protected or restored. (Additional indicator)	○			
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional indicator)	○			
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Performance / CO <sub>2</sub> Emissions		
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	Performance / CO <sub>2</sub> Emissions		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	●	Performance / CO <sub>2</sub> Emissions		
EN19	Emissions of ozone-depleting substances by weight.	○			
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	○			
EN21	Total water discharge by quality and destination.	○			
EN22	Total weight of waste by type and disposal method.	○			
EN23	Total number and volume of significant spills.	○			
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional indicator)	○			
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
<b>Aspect: Products and Services</b>					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	Our environment	H&M in words	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○			
<b>Aspect : Compliance</b>					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	○			
<b>Aspect : Transport</b>					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce. (Additional indicator)	●	Our environment / Transporting goods Performance		
<b>Aspect : Overall</b>					
EN30	Total environmental protection expenditures and investments by type. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Labour Practices and Decent Work Performance Indicators</b>				
	<b>Aspect: Employment</b>				
LA1	Total workforce by employment type, employment contract, and region.	●	Our colleagues & communities / Our approach to our colleagues		
LA2	Total number and rate of employee turnover by age group, gender, and region.	○			
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional indicator)	○			
	<b>Aspect: Labour/Management Relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements.	○			
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	○			
	<b>Aspect: Occupational Health and Safety</b>				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.(Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.	○			
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	Our supply chain / Capacity building  Our colleagues & communities		
LA9	Health and safety topics covered in formal agreements with trade unions. (Additional indicator)	●	Our colleagues & communities / Our approach to our colleagues		
<b>Aspect: Training and Education</b>					
LA10	Average hours of training per year per employee by employee category.	○			Partially covered in Our colleagues & communities / Training and development
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional indicator)	●	Our colleagues & communities / Training and development		
LA12	Percentage of employees receiving regular performance and career development reviews. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
<b>Aspect: Diversity and Equal Opportunity</b>					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	○			Breakdown of board level only
LA14	Ratio of basic salary of men to women by employee category.	○			
<b>Human Rights Performance Indicators</b>					
DMA	Management Approach disclosures	●	Our supply chain / Our approach to purchasing and suppliers		
<b>Aspect: Investment and Procurement Practices</b>					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	Our supply chain		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	Our supply chain / Auditing and compliance Performance		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Aspect: Non-discrimination</b>				
HR4	Total number of incidents of discrimination and actions taken.	●	Performance		
	<b>Aspect: Freedom of Association and Collective Bargaining</b>	Core			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	Our supply chain Performance		
	<b>Aspect: Child Labour</b>				
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	●	Our supply chain / Code of Conduct Performance		
	<b>Aspect: Forced and Compulsory Labour</b>				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	●	Our supply chain / Code of Conduct Performance		
	<b>Aspect: Security Practices</b>				
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations. (Additional indicator)	⊘			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Aspect: Indigenous Rights</b>				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	Performance		
	<b>Society Performance Indicators</b>				
DMA	Management Approach disclosures	●	Our colleagues & communities		
	<b>Aspect: Community</b>				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	Our colleagues & communities / Community initiatives and charitable giving		
	<b>Aspect: Corruption</b>				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	○			
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	○			No actual figure but partially covered in Our business / Code of Ethics



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
SO4	Actions taken in response to incidents of corruption.	●	Our business / Code of Ethics		
	<b>Aspect : Public Policy</b>				
SO5	Public policy positions and participation in public policy development and lobbying.	●	Our business / Code of Ethics		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.(Additional indicator)	●	Our business / Code of Ethics		
	<b>Aspect: Anti-Competitive Behaviour</b>				
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes. (Additional indicator)	○			
	<b>Aspect: Compliance Core</b>				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
<b>Product Responsibility Performance Indicators</b>					
<b>Aspect: Customer Health and Safety</b>					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	○			No actual figure but partially covered in Our products / Product responsibility
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. (Additional indicator)	○			
<b>Aspect : Product and Service Labelling</b>		<b>Core</b>			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	○			
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. (Additional indicator)	○			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional indicator)	○			



## GRI INDEX

### 5. Management Approach and Performance Indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

INDICATOR	DESCRIPTION	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	ANNUAL REPORT REF. IF ANY	NOTES
	<b>Aspect : Marketing Communications</b>				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	Our products / Responsible marketing	H&M in words	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	○			
	<b>Aspect : Customer Privacy</b>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional indicator)	○			
	<b>Aspect: Compliance</b>				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	○			



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Strategy and Analysis

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
	<b>Commentary on 1.2</b> (Description of key impacts, risks and opportunities) Where applicable, this should include an assessment of supply chain performance.			Our business Our supply chain Performance	
Capacity Building	<b>Commentary for “Training and Education” in the Environment, Labour, Human Rights, Society, and Product Responsibility Disclosure on Management Approach sections:</b>		●	Our supply chain	

### Supply Chain Standards and Practices Section

Apparel and Footwear Sector Specific Disclosure on Management Approach

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Code of Conduct	<b>AF1.</b> Code of conduct content and coverage.	1	●	Our supply chain / Code of Conduct Performance	
Audit Process	<b>AF2.</b> Parties and personnel engaged in code of conduct compliance function.	1	●	Our business Our supply chain	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Supply Chain Standards and Practices Section continued

Apparel and Footwear Sector Specific Disclosure on Management Approach continued

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
	<b>AF3.</b> Compliance audit process.	1	●	Our supply chain / Auditing and compliance	
Grievance Procedures	<b>AF4.</b> Policy and procedures for receiving, investigating, and responding to grievances and complaints.	1 (own performance)/ 3 (own plus supplier performance)	●	Our colleagues & communities / Our supply chain / Auditing and compliance Capacity building	
Capacity Building	<b>AF5.</b> Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	3	●	Our supply chain	
Business Integration	<b>AF6.</b> Policies for supplier selection, management, and termination.	1	●	Our supply chain	
Code of Conduct	<b>AF7.</b> Number and location of workplaces covered by code of conduct.	1	●	Our supply chain / Performance	
Audit Process	<b>AF8.</b> Number of audits conducted and percentage of workplaces audited.	2	●	Our supply chain / Auditing and compliance  Performance	
Non-compliance findings	<b>AF9.</b> Incidents of non-compliance with legal requirements or collective bargaining agreements on wages.	1	●	Performance	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Supply Chain Standards and Practices Section continued

Apparel and Footwear Sector Specific Disclosure on Management Approach continued

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
	<b>AF10.</b> Incidents of non-compliance with overtime standards.	1	●	Performance	
	<b>AF11.</b> Incidents of non-compliance with standards on pregnancy and maternity rights.	1	●	Performance	
	<b>AF12.</b> Incidents of the use of child labour.	1	●	Performance	
	<b>AF13.</b> Incidents of noncompliance with standards on gender discrimination.	1	●	Performance	
	<b>AF14.</b> Incidents of non-compliance with code of conduct.	2	●	Performance	
	<b>AF15.</b> Analysis of data from code compliance audits.	2	●	Performance	
Remediation	<b>AF16.</b> Remediation practices to address non-compliance findings.	2	●	Our supply chain / Performance	
Business Integration	<b>AF17.</b> Actions to identify and mitigate business practices that affect code compliance.	3	●	Our supply chain / Our approach to purchasing and suppliers	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Environmental Section

Apparel and Footwear Sector Specific Disclosure on Management Approach

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Materials	<b>AF18.</b> Programs to replace organic-based adhesives and primers with water-based adhesives and primers.	2 Note: this disclosure applies primarily to non-manufacturing organisations	○		Partially covered in Our environment / Chemicals
	<b>AF19.</b> Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems.	2	●	Our environment	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Environmental Section continued

Full coverage ● No coverage ○ Not relevant ⊘

Apparel and Footwear Sector Specific environmental performance indicators and commentary on G3 indicators

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Materials	<b>Commentary on EN1</b> <b>Materials used by weight or volume:</b> – Include use of pumice, stones and sand under Compilation 2.1 on “Associated process materials” – Report on pumice, stones, and sand by weight under Compilation 2.3.	2	○		
	<b>AF20.</b> List of environmentally preferable materials used in apparel and footwear products.	2	○		
Energy	<b>AF21.</b> Amount of energy consumed and percentage of the energy that is from renewable sources.	1	●	Our environment Performance	
Emissions, Effluents, and Waste	<b>Commentary on EN21</b> <b>Total water discharge by quality and destination:</b> For Footwear: Report on total chromium discharges under Compilation 2.3 For Apparel: Report on the discharge of antimony, arsenic, cadmium, chromium, cobalt, copper, cyanide, lead, mercury, nickel, and zinc under Compilation 2.3. Follow the appropriate International Organisation for Standardization (ISO) analytical method or its equivalent.	1	○		Partially covered in Our environment / Waste water



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Environmental Section continued

Apparel and Footwear Sector Specific environmental performance indicators and commentary on G3 indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Emissions, Effluents, and Waste	<p><b>Commentary on EN22</b> Total weight of waste by type and disposal method: Report on pumice, stones and sand under Compilation 2.1</p>	1	○		
Products and Services	<p><b>Commentary on EN26</b> Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation: In addition to Compilation 2 2, report on specific programs to reduce environmental impact of products, including but not limited to manufacturing, product use, and packaging use at the design and conceptualization stages. Report also on the use of recycled materials and the recyclability of products and packaging. Report quantitatively where possible.</p>	2	●	Our environment	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Social Section

Full coverage ● No coverage ○ Not relevant ☒

Apparel and Footwear Sector Specific commentary on G3 labour disclosure on management approach Apparel and Footwear organisations should include the following when reporting against the relevant disclosure on management approach.

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Employment	Include the use of foreign migrant workers				

Apparel and Footwear Sector Specific labour disclosure on management approach

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Employment	<b>AF22.</b> Policy and practices regarding the use of employees with non-permanent and non-fulltime status.	2	○		
	<b>AF23.</b> Policy regarding the use of home working.	2	●	Our supply chain / Auditing and compliance	
	<b>AF24.</b> Policy on the use and selection of labour brokers, including adherence to relevant ILO Conventions.	2	●	Our supply chain / Code of Conduct	
Wages and hours	<b>AF25.</b> Policy and practices on wage deductions that are not mandated by law.	1	●	Our supply chain / Code of Conduct	
	<b>AF26.</b> Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime.	1	●	Our supply chain / Code of Conduct	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Social Section continued

Apparel and Footwear Sector Specific labour disclosure on management approach continued

Full coverage ● No coverage ○ Not relevant ∅

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Diversity and Equal Opportunity	<b>AF27.</b> Policy and actions to protect the pregnancy and maternity rights of women workers.	1	●	Our supply chain / Code of Conduct	

Apparel and Footwear Sector Specific labour performance indicators and commentary on G3 indicators

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Employment	<b>AF28.</b> Percentage of foreign migrant workers as a portion of total workforce, broken down by region.	1 Note: this indicator applies primarily to organisations that own or operate one or more manufacturing facilities	∅		
Labour/ Management Relations	<b>AF29.</b> Percentage of workplaces where there is one or more independent trade union(s), broken down by: Workplaces with a collective bargaining agreement – Workplaces without a collective bargaining agreement – Also provide information broken down by country.	3	○		



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Social Section continued

Apparel and Footwear Sector Specific labour performance indicators and commentary on G3 indicators continued

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
	<b>AF30.</b> Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	3	○		
Occupational Health and Safety	<b>Commentary on LA 7.</b> Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region: – Include health issues associated with reduced lung function due to dust in “Occupational disease rate” under Compilation 2.4. – Include risk assessments and preventative measures for accidents and injuries under Compilation 2.7.	1	○		
	<b>AF31.</b> Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders.	2	○		
Diversity and Equal Opportunity	<b>AF32.</b> Actions to address gender discrimination and to provide opportunities for the advancement of women workers.	2	●	Our supply chain / Capacity building	



## APPAREL & FOOTWEAR SECTOR SUPPLEMENT

### Social Section continued

Apparel and Footwear Sector Specific commentary on human rights disclosure on management approach

Full coverage ● No coverage ○ Not relevant ⊘

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Non-discrimination	The treatment of foreign migrant workers			Performance	
Abolition of Child Labour	Young workers as recognized by ILO Convention 182	2	●	Our business Our supply chain Performance	H&M's policy against child labour is based on ILO convention 138

Apparel and Footwear Sector Specific society performance indicators and commentary on G3 indicators

ASPECT	COMMENTARY	DO-ABILITY (1, 2, 3)	EXTENT OF REPORT COVERAGE	LOCATION (PAGE)	NOTES
Community Investment	<b>AF33.</b> Priorities in community investment strategy.	3	●	Our business Our colleagues & communities	
	<b>AF34.</b> Amount of investment in worker communities broken down by location.	3	○		
Public Policy	<b>Commentary on SO5.</b> Public policy positions and participation in public policy development and lobbying: Report public policy position on the inclusion of labour and environmental protections in trade agreements and the degree to which lobbying positions integrate considerations about the potential effects on workers, communities, and organisations in the supply chain under Compilation 2.3	3	○		Partially covered in Our business / Code of Ethics