

CORPORATE GOVERNANCE REPORT 2005

H & M HENNES & MAURITZ AB

H&M complies with the Swedish Code of Corporate Governance and has therefore made adjustments according to the Code's requirements with respect to the provision of information.

H&M's Corporate Governance Structure



Annual General Meeting

H&M complied with the Code with respect to the 2005 Annual General Meeting in all respects except the distance participation rule. Shareholders were not given the option to participate in the Annual General Meeting from another location since this was not deemed necessary based on the ownership structure. At the end of the financial year, 30 November 2005, 18 per cent of the shares were foreign-owned, representing 8.75 per cent of the votes.

In preparation for the 2005 Annual General Meeting the Nomination Committee prepared a proposal for a chairman for the meeting. Sven Unger was proposed as the Chairman for the Meeting and was approved by the AGM on 26 April 2005.

Election Committee

As per a resolution at the Annual General Meeting on 26 April 2005, an election committee (previously nomination committee) has been formed. In accordance with the resolution, the process was as follows: The primary shareholder and the five largest shareholders thereafter at the end of August 2005 appointed the members of the Election Committee.

The Election Committee consists of:

<i>Shareholder</i>	<i>Representative</i>
Stefan Persson and family	Stefan Persson
Lottie Tham	Lottie Tham
Robur Fonder	Mats Lagerqvist
Alecta	Tomas Nicolin
AMF Pensionsförsäkrings AB	Magnus Wärn
Nordeas fonder	Peter Rudman

This Election Committee will remain in place until the end of August 2006. If the 2006 AGM adopts the current directive, the next election committee will consist of the principal owner and the five largest shareholders at the end of August 2006.

The Election Committee has appointed Stefan Persson as its Chairman. This is deemed a natural choice taking into consideration H&M's ownership structure.

Evaluation of the work of the Board of Directors

At the Election Committee meetings, Chairman Stefan Persson reported on the work of the Board of Directors. The work of the Board of Directors has functioned well during the course of the year.

No fees for the Election Committee

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

COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE DURING THE YEAR

Name	Year elected	Independent	Fees* (SEK)	Board meetings	Auditing Committee	Shareholding	Shares held by related parties
Stefan Persson, Chairman	1979	No	1,700,000	6		186,274,400	97,200,000**
Fred Andersson	1990	No	300,000	6		800	-
Werner Hofer	1996	Yes	350,000	5	2	4,000	-
Sussi Kvarn	1998	Yes	300,000	6		2,200	850
Bo Lundquist	1995	Yes	350,000	6	1	20,000	-
Stig Nordfelt	1987	No	400,000	6	2	4,000	-
Melker Schörling	1998	Yes	300,000	4		114,000	-
Rolf Eriksen, deputy	2000	No		6		36,100	-
Jan Jacobsen, deputy	1985	No	200,000	6		125,000	-
Vivian Enochsson, employee representative	1977	No		6		600	-
Marianne Norin-Broman, employee representative	1995	No		6		70	70
Eva Nilsson, deputy empl. representative	2003	No		6		20	-
Agneta Ramberg, deputy empl. representative	1997	No		6		-	-
Total number of meetings				6	2		

* Fees as resolved at the Annual General Meeting on 26 April 2005. The fees relate to the period until the next AGM is held and will be paid out in 2006.

** Shares owned through Stefan Persson Placering AB.

FACTS ON THE BOARD MEMBERS

Stefan Persson. Chairman of the Board. Born 1947.
PRIMARY OCCUPATION Working Chairman of the Board of H&M.

BOARD ASSIGNMENTS Chairman of the Board of H&M, member of the Association of Stockholm School of Economics and board assignments in family-owned companies.

EDUCATION Stockholm University & Lund University, 1969–1973.

WORK EXPERIENCE

1976–1982 Country Manager for H&M in the UK and responsible for H&M's expansion abroad.

1982–1998 Managing Director and Chief Executive Officer of H&M.

1998– Chairman of the Board of H&M.

Fred Andersson. Board member. Born 1946.

PRIMARY OCCUPATION CEO of Nicator Group AB.

BOARD ASSIGNMENTS Member of the boards of Consilium AB, Viamare Invest AB, Myresjöhus AB, Bonnier Industrier, Hammarplast Industrier, Climate Well.

EDUCATION Economics, Finnish Institute of Exports.

WORK EXPERIENCE

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

1984 Managing Director of Ikea of Sweden, Ikea's product range and buying company.

1989 CEO of Scandic Hotels.

1993 Managing Director, Volvo Personbilar Sverige.

1998 founded Fred Andersson Coromandel companies, which he owns and runs.

2002 CEO and partner in the Nicator Group.

Werner Hofer. Board member and member of the Auditing Committee. Born 1935.

PRIMARY OCCUPATION Lawyer at Happ Luther & Partner in Hamburg.

BOARD ASSIGNMENTS Chairman of the boards of Puma AG, Electrolux Deutschland GmbH, AEG Hausgeräte GmbH and D + H Mechatronic AG. Member of the boards of MITTAL STEEL Hamburg GmbH, MITTAL STEEL Ruhrort GmbH, MITTAL STEEL Germany GmbH, MITTAL STEEL Europe S.A.

EDUCATION 1958 First legal state examination at Oberlandesgericht (approx. Regional Court of Appeals) in Celle.

1959–1962 Educated at courts in Hannover, Lübeck and Schleswig.

1962 Second legal state examination at Hanseatisches Oberlandesgericht (approx. Local Superior Court) in Hamburg, April.

1962 Appointed as graduate civil servant at the Department of the Interior in Kiel.

1964 Legally qualified lawyer, Hamburg.

WORK EXPERIENCE

Partner in the law firm Happ Luther & Partner since 1 January 1966. Works mainly with international tax law, corporate law, business law and looking after the interests of family companies as a member of the boards of foundations, trusts and companies.

Sussi Kvart. Board member. Born 1956.

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

BOARD ASSIGNMENTS Member of the board of Kvinvest AB and of the board of Healthcare Provision, Stockholm County Council.

EDUCATION Bachelor of Laws, Lund University 1980.

WORK EXPERIENCE

1983–1989 Lagerlöf (now Linklaters) law firm, as lawyer from 1986.

1989–1991 Riksdagen (Swedish parliament), parliamentary office of the Swedish Liberal Party, political expert.

1991–1993 Swedish Cabinet Office, political expert.

1993–1999 Telefonaktiebolaget LM Ericsson, company solicitor.

1997–2001 Member of the Aktiebolagskommittén (Swedish Companies Act Committee).

2000–2001 Telefonaktiebolaget LM Ericsson, Corporate Marketing and Strategic Business Development. Working as a solicitor and with business development.

2002– Sussi Kvart AB.

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

PRIMARY OCCUPATION Board assignments.

BOARD ASSIGNMENTS Chairman of the boards of Djurgården Fotboll, ACSC AB, DFAB, Teknikmagasinet Holding Nordic AB and the board of Stockholm University College of Physical Education and Sports (GIH). Member of the boards of an additional two unlisted companies.

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

WORK EXPERIENCE

Senior positions in the public sector and in Swedish listed companies, including:

1984–1990 Vice President of Trelleborg.

1991–1998 Managing Director and Chief Executive Officer, at Esselte.

1994–1998 Involved in various important trade & industry organisations, including Chairman of the Federation of Swedish Commerce and Trade.

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

PRIMARY OCCUPATION Consulting with a focus on board procedures, and Managing Director of Pilen AB and SFK Svensk Förvaltningskonsult AB.

BOARD ASSIGNMENTS Member of the boards of IBS AB and CGU Life AB.

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

WORK EXPERIENCE

1964–1981 Authorised Public Accountant, Reveko AB, Stockholm, from 1971 Senior Partner and joint owner.

1982–1985 Managing Director, Tornet AB, Stockholm.

1986– Managing Director, Pilen AB, Stockholm.

Melker Schörling. Board member. Born 1947.

PRIMARY OCCUPATION Chairman of Securitas AB and Hexagon AB.

OTHER BOARD ASSIGNMENTS Vice Chairman of Assa Abloy AB and Aarhus Karlshamn AB.

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

WORK EXPERIENCE

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

Rolf Eriksen. Deputy member. Born 1944.

OCCUPATION Managing Director and CEO of H&M.

EDUCATION Five-year course in decoration and scene-painting in Copenhagen, Denmark, completed in 1964.

WORK EXPERIENCE

1966–1985 Marketing Manager for the Danish department store ANVA. Rolf Eriksen came to H&M in 1986 as Country Manager for H&M Denmark. For a four-year period in the 1990s he was also Country Manager for H&M Sweden. In March 2000 he became Managing Director and CEO of H & M Hennes & Mauritz AB.

Jan Jacobsen. Deputy member. Born 1951.

PRIMARY OCCUPATION Consultant.

BOARD ASSIGNMENTS Chairman of the Swedish Basketball Federation, member of the boards of RAM ONE AB, Case Investment AB and Teknikmagasinet Holding Nordic AB.

EDUCATION M.Sc. Business and Economics from the School of Business, Economics and Law, Gothenburg University 1973/74.

WORK EXPERIENCE

Jan Jacobsen has worked for H&M for 30 years, ten of which in various positions within finance, buying and store operations, and 20 years as Chief Financial Officer for the Group.

According to the Code, no deputies are to be appointed for members elected by the Annual General Meeting. The Board has two deputies and seven elected members. The Board was set up in this way before the Code went into effect.

Board fees

The 2005 Annual General Meeting resolved to pay fees to the elected Board members for the period until the end of the next AGM in an amount totalling SEK 3,900,000 to be allocated as follows:

SEK 300,000 to members not employed by the company,
 SEK 50,000 extra to members in the Auditing Committee,
 SEK 100,000 extra to the Chairman of the Auditing Committee,

SEK 200,000 to deputies not employed by the company,
 and SEK 1,700,000 to the Chairman of the Board.

Auditors

The Annual General Meeting appoints auditors every four years. The 2005 AGM appointed Authorised Public Accountants Åsa Lundvall and Erik Åström and deputies Torsten Lyth and Anders Wiger from the Ernst & Young AB accounting firm.

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

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

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

AUDIT FEES

(SEK m)

	GROUP			PARENT COMPANY		
	04/05	03/04	02/03	04/05	03/04	02/03
Ernst & Young						
Audit assignments	10.3	8.0	7.4	1.9	1.5	1.4
Other assignments	5.1	5.8	5.5	0.4	0.3	0.1
Other auditors						
Audit assignments	2.2	2.1	2.5	-	-	-
Other assignments	2.1	1.7	1.2	-	-	-
Total	19.7	17.6	16.6	2.3	1.8	1.5

Board of Directors' work

The rules of procedure for the Board of Directors regulate such things as the distribution of work between the Board and the Managing Director, financial reporting, investments and financing policy. The rules also state that the Board shall hold five regular meetings per year in addition to the statutory meeting.

A written document defines the division of responsibility between the Board and the Managing Director. The Managing Director's responsibilities include issues relating to the establishment of new stores, buying, human resources, finance and accounts, as well as reporting to the Board on operating activities. The Managing Director is also responsible for relationships with the company's stakeholders, including finance markets and government agencies.

After the Annual General Meeting on 26 April 2005, the Board consists of the seven ordinary members elected at the AGM and two deputies. There are also two employee representatives with two deputies. The Board consists of eight men and five women. Over the past financial year, the Board held six meetings, one of which was the statutory Board meeting. At the statutory meeting Stefan Persson was re-elected as Chairman of the Board, and procedures for the Board, Auditing Committee and Election Committee were approved.

During the course of the year, the Board has continually kept abreast of the Group's financial development and position, has made decisions on investments for future financial years and on expansion into new markets, and has kept informed about organisational changes.

H&M has no remuneration committee as this area is considered to be the responsibility of the Board. The Board sets the Managing Director's salary on an annual basis according to the guidelines established by the Board. The employment terms for other senior executives are determined by the Managing Director and the Chairman of the Board. No severance pay is payable within H&M, except in the case of the Managing Director.

In connection with the Board's review of the proposed annual report for 2005, auditors Åsa Lundvall and Erik Åström gave an account of the year's audit work.

Financial reporting

H&M's financial reporting is carried out in compliance with the laws, statutes, agreements, regulations and recommendations that apply to companies listed on the Stockholm Stock Exchange. It falls to the Board of Directors to ensure the quality of financial reporting with

the help, for example, of the Auditing Committee (see text below). More information is available in the Report on Internal Control of Financial Reporting.

Auditing Committee

H&M's Auditing Committee is appointed annually by the Board of Directors. The Auditing Committee, of which Stig Nordfelt is the Chairman and Werner Hofer and Bo Lundquist are members, held two meetings during the year at which minutes were kept. The majority of the members of the Auditing Committee are independent.

The Committee addressed issues concerning the company's financial reporting and the scope and focus of auditing assignments, and also updated the established guidelines for services other than audits that the company may purchase from the accounting firm. Authorised Public Accountants Åsa Lundvall and Erik Åström attended both of the Auditing Committee's meetings and reported to the Committee on their auditing work.

Company management

H&M's Managing Director is responsible for the day-to-day operations. The Managing Director has appointed a team of senior executives with ongoing responsibility for the various parts of the business. This team consists of the Managing Director himself and ten other individuals, three of whom are women. The executive management team is responsible for the following areas: Finance, Buying, Production, Expansion, Accounts, Human Resources, Marketing, Communications, Investor Relations and Corporate Social Responsibility.

For more information about the Managing Director, Rolf Eriksen, please see the section on the Board of Directors.

For information about salaries and benefits for the executive management team, please see Note 4 in the Annual Report. The principles for remuneration are essentially the same as those applied the previous year. There are no outstanding share- or share price-related incentive programmes for the Board of Directors or the senior executives.

H&M's Corporate Governance Report for 2005 is not part of the formal Annual Report and has not been reviewed by the company's auditors.

Stockholm, February 2006

The Board of Directors