



H&M

H&M IN WORDS AND PICTURES 2011

Skirt
€9.95



Silk dress
€129

—
Spring 2012
MARNI AT H&M



Blouse
€ 24.95



Spring 2012
WOMEN

FASHION AND QUALITY AT THE BEST PRICE

H&M is a design-driven, innovative, responsible fashion company. Guided by strong values, H&M is growing with quality, sustainability and high profitability all over the world.

H&M's business concept

is to offer fashion and quality at the best price.

A global trademark

H&M maintains a strong position in more than 40 markets, and ever since opening the first store in 1947, H&M has pursued its quest for constant improvement. By demonstrating flexibility and listening to the customers, H&M is able to adapt quickly to rapidly changing environments and trends. A competitive combination of quality and fashion at the best price allows H&M to offer customers the best value for money in every market.

Design with sustainability

The collections are created in-house at H&M's headquarters. Designers work with pattern makers and buyers to produce a broad spectrum of styles to suit every age group and passion for fashion. H&M is not just looking for the perfect design, but also works actively to develop a more sustainable chain of design, manufacturing and product handling for both people and the environment.

Efficiency at every step

The best price is achieved by avoiding middlemen, buying the right product from the right market, efficient distribution and cost-consciousness at every step of the process.

Focus, cooperation and flexibility

H&M owns no factories, choosing instead to develop long-term partnerships with independent suppliers, primarily in Asia and Europe. Nor does H&M own any store facilities, but rents premises for maximum flexibility. In a constantly changing retail industry, time-limited leases ensure that H&M can always establish its stores in the best possible location for business.

Growth target

H&M's growth target is to increase the number of stores by 10–15 percent annually while increasing sales in comparable units. Growth is entirely self-financed and expected to proceed with quality, sustainability and continued high profitability.

Financial position

H&M acts in the long term. A strong financial standing without dependency on loans ensures readiness and freedom to act when presented with new business opportunities.

H&M in words and pictures 2011

5 – Fashion and quality at the best price
Business concept, goal and strategy

8 – CEO letter 2011

Karl-Johan Persson about H&M's strong customer offering

10 – H&M 2011 in brief

More stores, new markets and many exciting collections

14 – Our collections

Fashion for all age groups and all styles from H&M, COS, Monki, Cheap Monday, Weekday and H&M Home

22 – Meet the design teams

*Customers who are aware want conscious fashion
– this is how the collections are created*

28 – Our responsibility

*More sustainable development for
people and the environment*

36 – Expansion the world over

*Expansion and shopping experiences around the globe
– from the Arctic Circle to the fashion capitals of the world*

46 – Working at H&M

A dynamic workplace with a world of opportunities

51 – Markets and figures

H&M's expansion continues

56 – H&M's history

*From the first womenswear store
– to a leading global fashion company*

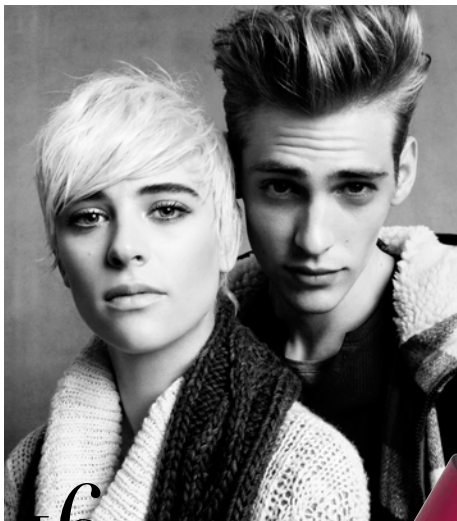
58 – Contact details

10

40

19

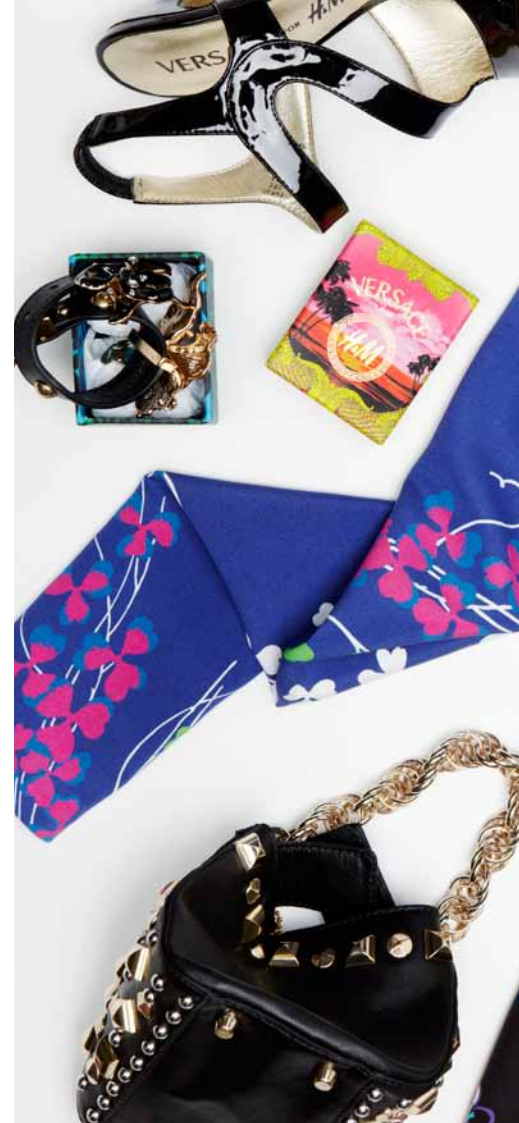
48



16



18





24



25

“Customers appreciate
our strong offering, with
a wide and varied range
of inspiring fashion
for everyone”

– Karl-Johan Persson, CEO

8

46



45



14

56



H&M STANDS STRONG

H&M is a leading global fashion company that is growing, with new customers and employees the world over. In 2011, a very demanding year for fashion retail, we strengthened our customer offering and our position even further.

H&M stands strong in a challenging market. We continued to take market share in 2011, a very tough year for fashion retail. Economic uncertainty in many countries had a negative effect on demand, resulting in fiercer competition for consumer spending that in turn led to multiple price activities and markdowns. The fact that H&M strengthened its position even further proves that customers appreciate our strong offering, with a wide and varied range of inspiring fashion for everyone.

It was not only the sales markets that were challenging last year. The situation in the sourcing markets was also demanding, as high cost inflation increased sourcing costs for 2011 considerably for the fashion retail industry. Cotton prices, which had already doubled in 2010, continued their steep ascent and reached historically high levels in 2011. Cotton is the single most important raw material used in our garments.

Despite increased sourcing costs, we chose a strategy of further strengthening our customer offering and our market position relative to competitors. These investments have varied over time and have involved everything from even better prices to even higher quality and more sustainable fashion. We are convinced that this will gradually become more evident to customers and strengthen H&M's already strong market position even further.

WE INCREASED SALES by 8 percent in local currencies. It is gratifying that sales were strong in large markets such as the US, China, Russia and the UK.

Sales developed well also for COS, Monki, Weekday and Cheap Monday. COS in particular had a very good year with a performance that exceeded our high expectations, both regarding sales and profits. With its stylish timeless garments and up-to-the-minute designs, all



Karl-Johan Persson.

“We have many inspiring collections to offer our customers around the world and we are looking forward to an exciting year full of new opportunities”

in exclusive materials and at attractive prices, COS is greatly appreciated by fashion-savvy customers in many countries. Today COS has close to 50 stores in nine countries as well as online sales in 18 markets, and contributes to the strong profitability of the Group.

Our designers and buyers created many well-received collections for 2011; not least our Conscious Collection, made solely of environmentally smarter materials. The year's great designer collaboration, “Versace for H&M”, was also highly appreciated.

We aim to meet and exceed our customers' expectations at all times. H&M must always offer the best combination of fashion, quality and price in every market.

Last year we also increased investments within marketing, IT and online sales, again with the aim of further strengthening H&M's market position long-term and securing future expansion.

While these investments led to cost increases, cost control in the company remains good. In comparable stores costs decreased from the year before. Our profitability remained high with an operating margin of 18.5 percent. Challenging market conditions, high sourcing cost inflation, our long-term investments and, in addition, strongly negative currency translation effects had a negative impact on results. Profit after tax was SEK 15.8 billion compared to 18.7 billion the year before.

There are more than 94,000 people working at H&M today. As we expand globally it is vital that we continue to attract new skilled and creative employees. In order to facilitate future recruitment and to reward and encourage long-term commitment we recently introduced an incentive programme for all employees, the H&M Incentive Program.

Today H&M has around 2,500 stores and a growing online store. We expand by 10–15 percent new stores per year and in 2011 we opened 266 stores net, 16 more than originally planned. China, the US, the UK and Germany were the largest expansion markets. H&M stores opened also in five new countries: Romania, Croatia, Singapore, Morocco and Jordan. Everywhere the reception has been overwhelmingly positive.

Monki and Cheap Monday opened in the UK, COS opened its first store in Sweden and

during the autumn both COS and Monki successfully launched e-commerce in 18 European countries.

H&M now has a presence on four continents. Expansion is long-term and takes place in parallel in all our markets as well as into new countries, and includes all our brands. Our financial position is strong and our expansion is entirely self-funded.

In 2012 we plan around 275 new stores net. China, the US and the UK are planned to be the largest expansion markets and there is great potential in other existing markets as well. H&M stores will open in five new markets this year: Bulgaria, Latvia, Malaysia, Thailand and Mexico. We are very much looking forward to opening our first H&M store in Latin America this autumn, at the best location in the Centro Santa Fé mall in Mexico City.

COS stores will open in four new markets in 2012: Hong Kong, Italy, Finland and Kuwait. Expansion is being stepped up for the other brands too.

This autumn we will open H&M Shop Online in the US, the world's largest retail market.

OUR BUSINESS CONCEPT is to offer fashion and quality at the best price. To us, quality means more than just ensuring that our garments meet our stringent requirements of function and safety. We also want our customers to feel confident that everything they buy from H&M is designed, manufactured and handled with consideration for people and the environment.

We dedicate large resources and work actively to contribute long-term to better conditions for many people in our sourcing markets, particularly in Asia. The level of social and environmental responsibility that we take, places H&M's sustainability work at the forefront of the fashion industry globally. As a global retailer we buy and sell products in a large number of countries and in this way we also contribute to the creation of over a million jobs for people around the world.

H&M is a design-driven, innovative and responsible fashion company. We are guided by strong values that run through the entire company. Our values are based on a belief in people and their own ability to take responsibility and use their initiative. Together, our values sum up the spirit of H&M, with teamwork, an entrepreneurial spirit and constant improvement also guiding us in how we work together. The spirit of H&M has existed ever since H&M started in 1947 and is one of the keys to our successful development.

I WOULD LIKE TO THANK all employees for your strong commitment and valuable contribution during the year. We have a very attractive customer offering and we have made a good start to our financial year 2012, with strong sales in both December and January. Our first spring collections have been well received, as has our collaboration “David Beckham Bodywear”, while “Marni at H&M” is attracting a great deal of attention ahead of its launch.

Although many indicators suggest that macro-economic conditions will remain tough in a number of markets in 2012, we are convinced that H&M will remain strong again this year. We have many inspiring collections to offer our customers around the world and we are looking forward to an exciting year full of new opportunities. ■



Karl-Johan Persson, CEO
H & M Hennes & Mauritz AB
Stockholm, 2012

H&M 2011 IN BRIEF

H&M's designers created many highly successful collections in 2011, and around the globe customers were welcomed to fantastic store openings. H&M expanded with all its brands and opened in five new markets.



CONSCIOUS* COLLECTION *IS SUSTAINABLE* FASHION

Sustainability is a given starting point for every aspect of H&M's work. In 2011 H&M began offering new collections for each season under the Conscious Collection label, with garments fashioned solely of sustainable materials such as organic cotton and hemp, Tencel® (manufactured from cellulose certified by the Forest Stewardship Council, FSC), and recycled wool and polyester.

The high fashion content and wide range of garments to choose from let customers create individual, trendy looks that last.

As spring 2011 approached, the Conscious Collection dazzled in various shades of white. The womenswear was both high-fashion and romantic, with lavish lace, broderie anglaise, ruffles and draped fabric. Menswear was relaxed with simple lines, but well-tailored. The label also offered children's clothing in white tones.

The autumn's first Conscious Collection for women was infused with Nordic folklore, with patterns, silhouettes and details inspired by Swedish artist Anders Zorn's works, the light of his native landscape, and his beautiful home in the province of Dalarna.

The Christmas and New Year season in 2011 ushered in the Conscious Party collection, where Japanese-influenced floral patterns adorned kimono-style garments.

** Conscious is the name for all of H&M's work to offer more sustainable fashion, today and tomorrow.*

WELCOME TO STOCKHOLM, COS!

With a keen sense of style and design, exclusive materials and attractive prices, trendsetting COS has taken Stockholm by storm. Located on a prominent corner of Biblioteksgatan, the city's most elegant shopping scene, COS has been a favourite of fashionistas since it opened on 20 May 2011.

COS offers pure fashion in the form of timeless and up-to-the-minute, well-designed garments for both men and women. Customers can also choose the perfect shoes, belts and jewellery for their looks, and the brand offers a small collection of children's clothes as well.

Following its 2007 premiere in London's Regent Street, COS now comprises approximately 50 stores in nine European markets. The brand also offers online shopping in 18 European countries at cosstores.com. In 2012 COS will open its first stores in Hong Kong, Italy, Finland and, via franchise in Kuwait.



CONTEMPORARY CLOGS

Modern and playful, yet sustainable. Swedish Hasbeens' clogs have achieved cult status, and were very popular with customers when the shoes were launched in spring 2011

in 150 H&M stores around the world. The design

collaboration resulted in three exclusive clog designs – a cross between seventies hip and contemporary fashion.

Swedish Hasbeens uses traditional hand craftsmanship and natural materials to create clogs that both wear well and remain consistently in style.

With their trademark wedge heels, straps and peep-toes, Swedish Has-

beens became a favourite accessory to wear with

H&M's own spring and summer collections.



H&M NUMBER ONE IN ORGANIC COTTON

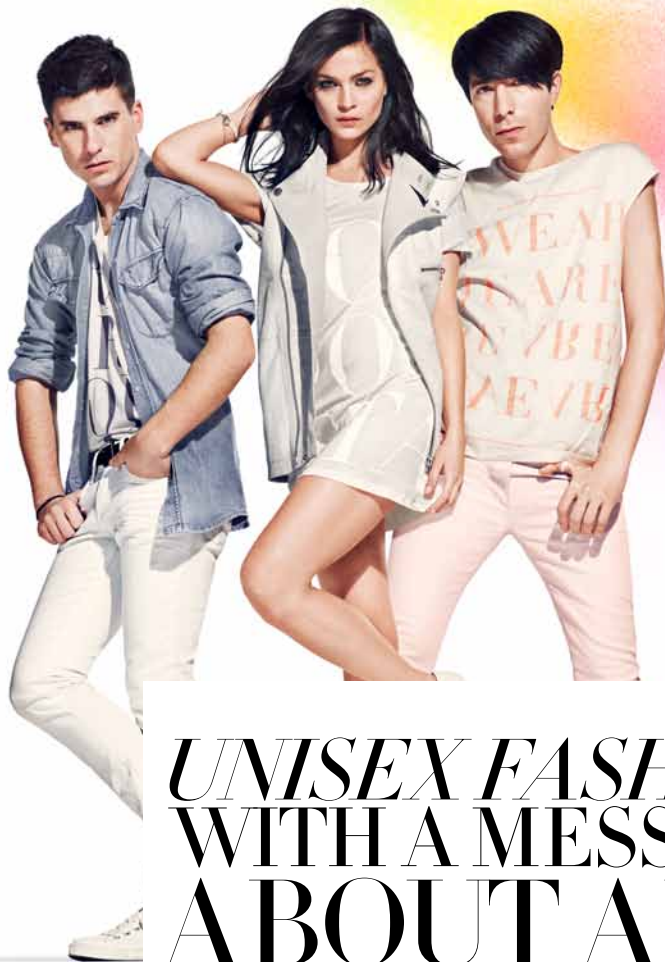
H&M works intensively with sustainability issues. The goal is to constantly improve conditions for the people and environments affected by H&M's business. An essential part of the environmental work involves the use of greener materials. H&M is now, according to the Textile Exchange, the world's largest consumer of organic cotton with an increase of 77 percent in 2010 compared to 2009.

One of H&M's goals for increased sustainability is that by the year 2020, all of H&M's cotton must come from more sustainable sources. Organic cotton is one part of this journey. Another key part is the Better Cotton Initiative (BCI), which works to improve production of non-organically grown cotton. The project is operated by H&M and other corporate stakeholders, as well as global organisations like WWF. In addition to promoting efficient water use and reduced use of chemicals, BCI also addresses social and economic aspects for cotton growers.

CROATIA – EXCITING NEW MARKET

The first H&M store in Croatia opened in April 2011. Hundreds of fashion fans queued for the grand opening. At the three-floor store in one of the most stylish areas of Zagreb, customers are able to experience H&M and shop for the latest fashions for women, men, teenagers and children. This store opening was quickly followed by others in Croatia, and by the end of 2011 H&M had six stores, from the capital of Zagreb in the north to the coastal cities of Zadar and Split in the south.





UNISEX FASHION WITH A MESSAGE ABOUT AIDS

The Fashion Against AIDS (FAA) fashion collection is designed to raise money in order to increase HIV and AIDS awareness and promote safe sex. FAA has become a very important initiative, and in 2011 the year's collection contained a cool twist: sporty, unisex garments for both young men and women alike. The design and details were reflected in T-shirts, lumber jackets and parkas. Fashion Against AIDS garments are sold in H&M's Divided department, and 25 percent of the retail price is donated to HIV and AIDS projects for youth around the world. Since 2008, H&M's customers have contributed over SEK 45 million to Designers Against AIDS, the United Nations Population Fund (UNFPA), MTV's Staying Alive Foundation, and YouthAIDS.

THE FIRST YEAR IN ROMANIA WITH 11 NEW STORES

One continuous grand opening party – that's the only way to describe H&M's first year in Romania. Around the country customers enthusiastically welcomed H&M, from the first store opening in Bucharest's AFI Palace Controceni shopping centre in March 2011 to openings in Timisoara, Brasov and Cluj-Napoca later in the year. Less than a year after H&M's premiere here, Romania boasts 11 H&M stores, all offering a broad combination of high fashion and timeless classics.

Romania's southern neighbour Bulgaria also has a keen interest in fashion and quality at the best price. Demand for H&M stores in the area has been immense, and in spring 2012 the customers' wish was granted. In March, H&M opens a two-floor store in one of the hottest areas of The Mall in Sofia, and three more stores will open throughout the country this spring.

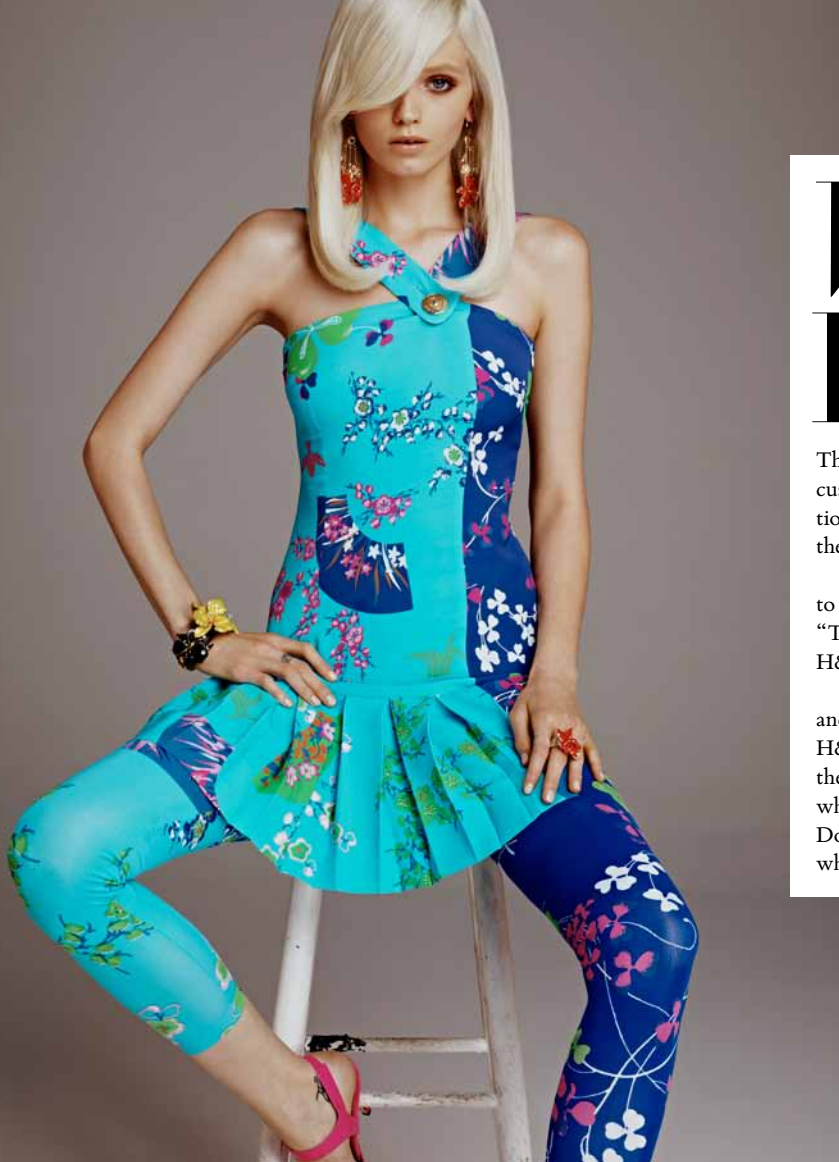


EAGERLY AWAITED H&M OPENING IN SINGAPORE

Fashion and quality at the best price are indeed worth the wait, even if it means queuing all night. H&M's arrival was eagerly awaited when H&M opened its first store in South East Asia, on 3 September 2011 in Singapore's super-trendy Orchard Road. Despite the rainy weather, long queues of customers waited patiently under an impromptu roof of H&M umbrellas. The first customers through the door had camped all night in sleeping bags outside the store.

The three-storey, full-concept store offers garments, shoes and accessories for men, women, teenagers and children. Asia is a significant region in H&M's expansion; the fantastic reception in Singapore follows hot on the heels of highly successful openings in China, Japan and South Korea. Next on the list are Malaysia and, via franchise, Thailand, both in 2012. Indonesia will become a new franchise market in 2013.





VERSACE FOR H&M

The major autumn design collaboration for 2011, Versace for H&M, offered customers a delicious mix of luxury, glamour and pure fashion. The collection was designed by creative director Donatella Versace, who reinterpreted the best of patterns and prints from Versace's archive for H&M.

"It is so exciting to collaborate with H&M and have this opportunity to reach their many customers," said Donatella Versace prior to the launch. "The collection will be quintessential Versace, and perfect for fans of both H&M and Versace the world over."

Iconic garments and accessories for women and men, with leather, prints and intense colour, all fashioned in exclusive materials and at fantastic H&M prices. The collection also offered selected home interior items in the Italian design house's trademark style, and was a hit with customers when it launched in 300 H&M stores and online on 17 November 2011. Donatella Versace also created a smaller H&M collection for early spring, which began online sales on 19 January 2012 – another first rate success.



MONKI AND CHEAP MONDAY IN LONDON

Monki and Cheap Monday attract customers in new markets. Monki offers individualistic fashion for young women, while Cheap Monday is famous for denim with attitude and street-savvy collections for men and women.

Just like H&M, Monki and Cheap Monday each opened stores at Selfridges in London in autumn 2011. Cheap Monday also opened at Selfridges in Manchester and Birmingham. All were very well received.

Cheap Monday is also sold via selected retailers in more than 35 countries, as well as in its own store in Copenhagen.

Monki has stores in eight markets and is available online at monki.com in 18 European countries. In 2011, Monki opened a new flagship store in Sweden, in one of Stockholm's best shopping locations – Hamngatan. The collections, the stores and monki.com all offer an inspiring fashion experience characterised by playfulness, creativity and colourful design.



JORDAN & MOROCCO

Towards the end of 2011, Jordan and Morocco both received H&M stores, in the brand new Taj Mall in the Jordanian capital of Amman and in the spectacular Morocco Mall by the Atlantic in Casablanca. Customers were thrilled with the new stores and H&M is also positive as regards opportunities for expansion in these markets. The stores are operated by H&M's franchise partner Alshaya.

OUR COLLECTIONS

H&M's innovative designers create a broad and diverse selection, which allows H&M to offer fashion for everyone.

Fresh trends, timeless classics and favourites for every occasion. H&M's designers create a large selection – for women, men, teenagers and children – ranging from dazzling, fashion-intensive party collections to the quintessential basics required in every wardrobe.

Customers can choose from an astounding variety of garments and can mix and match according to their taste. They can experiment with the latest trends, create their own individual mode of expression or refresh their wardrobes with up-to-the minute basics. Shoes, accessories and cosmetics help to create a complete look.

In addition, the high fashion content of H&M's garments and accessories allow them to be combined and worn in different ways throughout multiple seasons, thereby prolonging their lifetimes and contributing to increased

sustainability. Indeed, sustainability plays a vital role in every department. H&M is the world's largest consumer of organic cotton and works actively to ensure that everything the customer finds in the store is manufactured under good working conditions and with the least possible impact on the environment. Each season, under its Conscious Collection label, H&M also launches new, trendy garments made of environmentally sound materials.

H&M's offering is complemented by H&M Home's fashion interior textiles, as well as COS, Monki, Weekday and Cheap Monday – independent brands that express their own sense of fashion. COS sells well-tailored garments in chic designs. Monki focuses on playful, colourful fashions for young women, while Weekday offers a decidedly urban style. Cheap Monday's denim and young fashion feature a combination of streetwise attitude and a catwalk vibe. ■

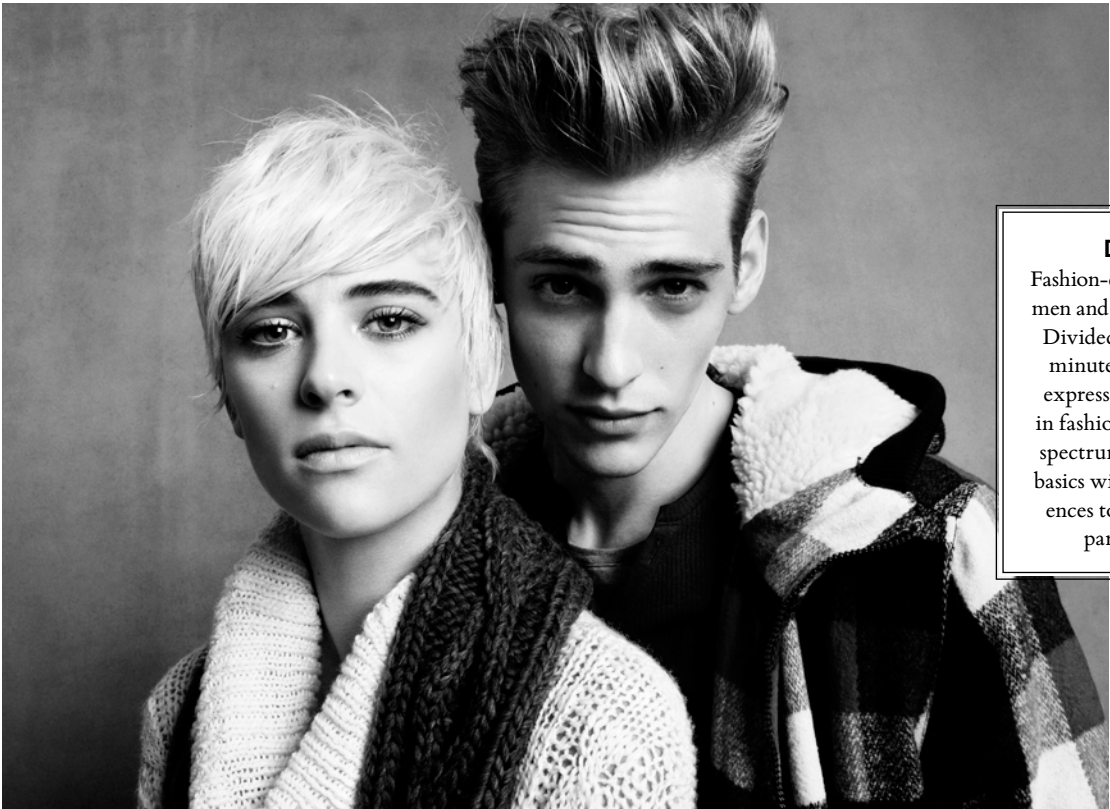


WOMEN

From the latest trends to updated fashion classics, from casual daywear to amazing party dresses, via relaxed leisure separates and contemporary maternity wear. H&M's fashion for women comprises a phenomenal range of fashion for all – always with a focus on quality, sustainability and the best price.



MEN
Smart suits and shirts loaded with style for work and festive occasions, easy everyday favourites and everything in between. Men looking to create contemporary, flexible wardrobes always find what they need at H&M – whether it's the latest rage, classic tailored cuts or the most comfortable leisure wear.



DIVIDED
Fashion-conscious young men and women flock to Divided for up-to-the minute clothing that expresses the ultimate in fashion, covering the spectrum from relaxed basics with sporty influences to eye-catching party outfits.



KIDS

The H&M Kids department offers everything from supercool trousers to pretty dresses, in sizes from baby up to 14 years. H&M children's clothing is fashionable, comfortable and always carefully tested to ensure it meets strict requirements for quality, safety and sustainability. Kids' fashions are soft on the skin, yet designed to withstand lively play and rigorous washing.



&DENIM

Denim is always part of the H&M fashion picture. Both denim trends and ever-popular classics are available in a variety of colours, designs and washes, along with updated shirts, jackets, dresses, skirts and shorts – all in denim.

UNDERWEAR

Great outfits begin closest to the skin. H&M always has soft cotton underwear basics on offer, as well as the hottest trends and glamorous lingerie in the season's most sought-after colours and fabrics.

ACCESSORIES

H&M offers fashion for all – women, men, teenagers and children – from head to toe. Customers can complete their fashion look with perfectly matched accessories, from scarves, belts, hats and jewellery to footwear and bags.

COSMETICS

Make-up and skincare are often essential in expressing one's personal style, and H&M provides everything customers need to create their take on the season's new looks. Cosmetics sold by H&M are never tested on animals, and all suppliers must guarantee that the contents, packaging and labelling meet demanding quality and safety requirements for both the EU and the US.



H&M HOME

H&M Home provides fashion for every room in the house. Towels, bed linen, curtains and other home textiles in trendy colours and prints are sold online in all markets where H&M has distance selling, at the same attractive prices that H&M offers in its other ranges. In addition, the customers can shop in H&M Home stores located in Stockholm, Norrköping, Helsinki, Copenhagen, Oslo, London, Amsterdam and Frankfurt.





MTWTFSS WEEKDAY

Weekday sells its own brands MTWTFSS Weekday, Cheap Monday, Weekday Vintage and Weekday STOREMADE, but also conducts design collaborations with independent fashion labels such as Carin Wester, Bless and Bruno Pieters. Weekday's stores offer urban fashion for men and women — always at the best price.



Cheap Monday's collections combine influences from street fashion and subcultures with a catwalk vibe. Hip men and women come here to find jeans and clothing with high fashion content at prices accessible to all.



MONKI

Monki is synonymous with personal creativity and expression. Here young women can find clothes, accessories and a novel store concept that is its own world. The stores and monki.com offer collections and an inspiring fashion experience characterised by playfulness and colourful graphic design.



COS

Modern, urban and chic. COS succeeds in offering a combination of timelessness and distinctive trends, for both women and men. The stores and cosstores.com provide everything necessary to create an updated wardrobe – quality clothing for both work and party, and carefully selected accessories – all with a keen sense of fashion, down to the last detail. COS also offers great clothes for children.





“The most
sustainable
thing we can
do is to create
great and in-
spiring fashion”
– Ann-Sofie Johansson

CONSCIOUS FASHION

Quality, sustainability, the latest trends and great design. Customers who are aware want conscious fashion. At H&M more than 100 designers are working to meet these customer requirements.

The most sustainable thing we can do is to create great and inspiring fashion that our customers want to buy – clothes that they use again and again, maintain and care for, through several seasons.

That's how Ann-Sofie Johansson, H&M's Head of Design, explains the vital relationship between good design and economic, social and environmental sustainability.

H&M offers an enormous range of garments, accessories and cosmetics for women, men, teenagers, children and babies. Ann-Sofie and the design team cooperate closely with the buying department and production offices to ensure that H&M can always offer fashion and quality at the best price.

Today's fashion customers are highly conscious in their choices. They are knowledgeable and demand the best design, quality and sustainability.

"With such savvy customers, we have to be extremely attentive and flexible," explains Ann-Sofie. "Many of them say they have to 'love' a product if they are going to buy it. People who come to an H&M store must be able to find everything: the latest fashion, reliable classics and their personal favourites."

SINCE THE CLOTHES we wear have evolved into exactly that – wildly different modes of personal expression and identity – fashion on offer today has become increasingly varied. The research conducted in the White Room at H&M's design department reflects this diversity.

"There's so much fashion!" says Ann-Sofie. "We look at market research reports and fashion fairs, of course, but we also draw inspiration from the cinema and art exhibitions.

We travel, too. Every impression from the world around us is distilled into the season's trends. We work on multiple design paths and trends in parallel."

In other words, H&M doesn't develop just one trend; the fashion themes of the season run parallel to each other and intertwine. Take the example of 2011, in which a retro style and a tailored look won customers' hearts. This combination is actually an agglomeration of four decades: 60's pop, 70's glamour, an 80's blast of colour and the typically simple 90's – with a modern twist, of course.

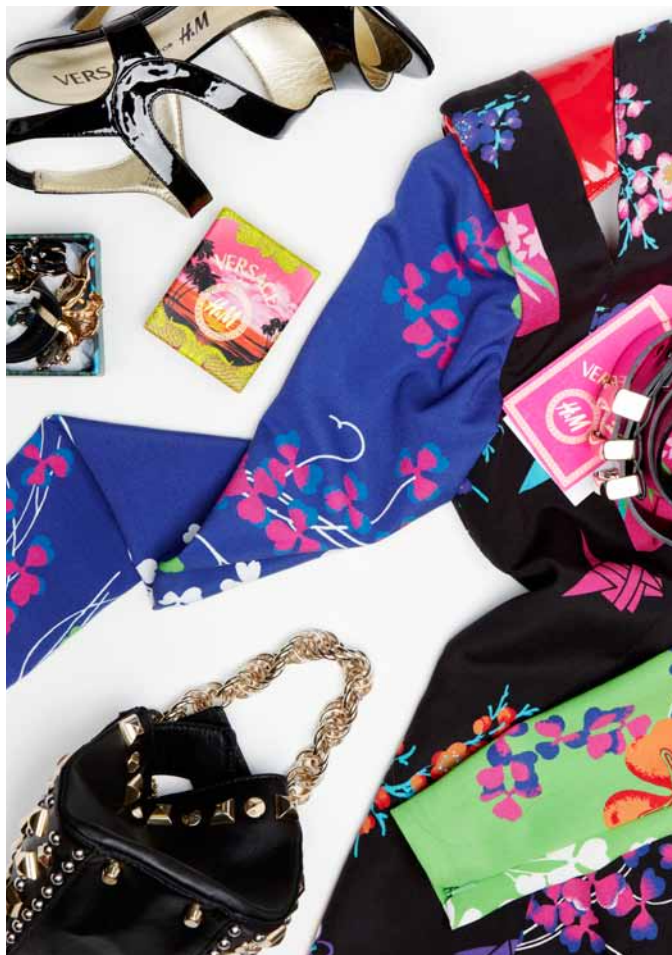
Customers inspire H&M as well:

"Phenomena like streetstyle blogs have taken fashion outside and put it in the hands of our customers," says Ann-Sofie. "Our customers prefer to create their own style instead of being dictated by fashion. It's essential that our different departments offer garments that can be combined in many different ways and that continue to work through multiple seasons. Classics like blazers, pencil skirts, shirts and trench coats are very popular right now, but these are also garments that are easy to update and that survive the test of time and fashion."

2011 offered the exciting new Versace guest collection, sold from 17 November in 300 stores around the world and online at hm.com. The clothes exude a glamorous luxe feeling, with characteristic Versace garments in intense colours, sharp tailoring and iconic accessories, and there were even home interior items on offer.

The womenswear was close-fitting with a focus on dresses, while the menswear was all about sophisticated tailoring.

"This collection truly captured the essence of Versace," H&M's Creative Advisor Margareta van den Bosch says of the collaboration, which captivated and delighted customers.



Petter Klusell, Ann-Sofie Johansson,
Erica Christofferson and Eleonora Ryggell.

A GENERAL, MORE LONG-TERM TREND is clear: H&M's customers are demanding more sustainability. All customers must be confident that everything they buy at H&M is produced with respect for people and the environment. This places new and challenging requirements on the manufacturing process and on the life cycle of the garments themselves. Conscious is the collective name for H&M's efforts to develop a more sustainable future in the fashion industry.

For H&M's design and buying teams, Conscious is all about close cooperation with the production offices and suppliers from around the globe, but also about research into the latest technologies and ideas. The knowledge gained creates new, sustainable design solutions with reduced environmental impact. In 2011, many H&M employees attended an internal sustainability training programme, which focused for example on more sustainable materials.

"In the White Room we work intensively with new developments in materials and study how we can best use the results of this research.

Before, for example, lace wasn't available in organic cotton – now it is. That means we can also update our designs," says Ann-Sofie.

"In 2010, H&M became the world's largest consumer of organic cotton, and we now offer organic cotton garments in all our departments," says Catarina Midby, Trend Coordinator at H&M. "By the year 2020, all cotton H&M uses must come from more sustainable sources. Nevertheless, consideration for environmental issues can't eclipse the fashion. H&M offers sustainability and fashion, not one or the other."

SINCE 2010, H&M has presented a new, special collection for each season with garments and accessories with a high fashion content produced in more sustainable materials. The tradition began with the Garden Collection, which arrived in stores in spring 2010, and this was followed by the first Conscious Collection in spring 2011. The Conscious Collection of autumn 2011 offered a romantic yet trendy collection inspired by Swedish artist Anders Zorn

"Our customers prefer to create their own style. It's essential that our different departments offer garments that can be combined in many different ways and that continue to work through multiple seasons"

— Ann-Sofie Johansson



“H&M offers sustainability and fashion, not one or the other”

– Catarina Midby



and the beautiful scenery around his home in Sweden's Dalarna province. Lace, ruffles and embroidery from Zorn's 19th century were present in force, but incorporated into modern designs. The entire collection was made of sustainable materials like recycled polyester, Tencel®, organic cotton and organic hemp.

Customers clearly appreciate H&M's sustainability efforts and the media have expressed a keen interest.

“Thanks to all the attention we've had, H&M can contribute to increased dialogue and awareness regarding sustainability,” says Catarina. “We also communicate sustainability in our stores. Our employees in the buying department and in every store have received training in sustainable materials and have also received a handbook about sustainability. We've put stickers on the mirrors in the fitting rooms that inform customers how they can contribute to greater sustainability, for example by using lower washing temperatures. We also present sustainability ideas and information on our website, [hm.com](https://www.hm.com).”

“Style, function and quality were the watchwords when H&M relaunched the popular Modern Classic collection in 2011”



H&M'S MEN'SWEAR CUSTOMERS continue to seek elegant, well-dressed yet relaxed fashion. Style, function and quality were the watchwords when H&M relaunched the popular Modern Classic collection in 2011. Garment designs, material choices and the ever-important details were all updated in a combination of traditional tailoring craftsmanship and modern innovation.

H&M's customers are found all over the world, in every age group. The design teams mirror this: they are a blend of nationalities and young talent, all enthusiastically gathering new ideas and tendencies, and experienced colleagues who can share what they've learned over the years. H&M's astonishing range of garments means there's room for a multitude of designs and expression. As for 2012, Ann-Sofie believes in continued progress towards sustainability and an increasingly conscious H&M, as well as increasing awareness among its customers. The road to success is indeed diversity:

“Our varied backgrounds and experiences mean that we interact with many different kinds of customers and draw on many different kinds of inspiration. We all share a love of fashion and expect a lot from what we buy – so we are also typical H&M customers, in a way.” ■

FASHION COLLABORATIONS SPRING 2012

MARNI AT H&M

Italian Marni is one of the fashion world's best-loved labels, renowned for its quirky, original prints and innovative designs. Founder and creative director Consuelo Castiglioni created the spring collection Marni at H&M, and Academy Award®-winning filmmaker Sofia Coppola directed the campaign for the collection, which arrived online and in 260 H&M stores throughout the world on 8 March 2012. Customers could choose from men's and women's fashions and accessories – all, of course, in Marni's one-of-a-kind style.

DAVID BECKHAM BODYWEAR

Just in time for Valentine's Day 2012, H&M's highly anticipated bodywear collaboration with sports superstar and style icon David Beckham arrived in-store. Beckham – who has millions of fans all over the world – developed David Beckham Bodywear, a range of quality underwear sold exclusively at H&M. Since 2 February 2012 the new Beckham gear has been available in approximately 1,800 H&M stores and online, and H&M will follow up the collection with new Bodywear launches prior to each season.





TRENDS 2012

The design teams tell us about the upcoming seasons at H&M.

COLOUR

Last year's colour explosion continues, with trends like multicoloured patterns and colour blocking. Blue and citrus hues (yellow, orange and lime) are contrasted with neutrals and various shades of white. In menswear, brown neutrals like cinnamon and tobacco are prevalent, along with warm red and orange tones.

PATTERNS

Always popular! In autumn 2012, black returns as a fashion staple, for example in black and white graphic patterns inspired by 60's Op art.

THE NEW FEELING

It's all still elegant and sophisticated, but simple lines will be combined with a host of intricate details. We'll also see a marriage of sports and fashion in dressy garments that borrow their tailoring from sports clothing.

MATERIAL

In addition to cotton, more elaborate fabrics like metallics, lace and broderie anglaise will be in evidence in womenswear. Men will be wearing washed, soft cotton and even chiffon and other sheer fabrics, as well as sustainable materials like Tencel®.

GARMENTS

Separates will reign supreme. After the recent domination of dresses in fashion, women will be wearing more trousers, skirts, jumpers and blouses.

H&M TAKES A RESPONSIBLE LEAD

H&M invests considerable resources and effort in creating more sustainable development for the people and environments affected by H&M's activities. Cooperation with other companies and organisations is a vital means of achieving lasting improvements.

H&M is one of the world's leading fashion companies, and with leadership comes great responsibility. H&M's sustainability efforts are rooted in a dedication to social and environmental responsibility that places H&M at the forefront of the global fashion industry.

As a worldwide retail company, H&M buys and sells products in a large number of countries. International trade plays a crucial role in the development of countries, since it provides economic growth and helps to lift individuals and nations out of poverty. H&M contributes to the creation of more than a million jobs for people around the world, primarily in Asia. The company's size and status can be effectively used to influence social development in these countries in a positive way, and the work contributes long-term to better conditions for many.

H&M also strives to reduce the environmental impact of the entire product life cycle.

"H&M's business concept is to offer fashion and quality at the best price," says Helena Helmersson, Head of Sustainability at H&M since 2010. "For us, quality means more than just ensuring that our garments meet our stringent requirements for function and safety. We want our customers to feel confident that everything they buy from us is designed, manufactured and handled with consideration for people and the environment."

H&M DOES NOT OWN ANY FACTORIES, but instead buys products from suppliers, primarily in Asia and Europe. Active efforts to increase sustainability in the supply chain started as early as 1997. H&M works in close cooperation with its suppliers in their efforts to live up to the Code of Conduct and adhere to the rigorous restrictions regarding chemical use that all suppliers must comply with in order to work with H&M.

To bring about lasting improvements, H&M strives to build long-term business partnerships with suppliers, and therefore wishes to remain a customer even when problems arise – as long as suppliers show a willingness to improve and provide a concrete action plan that is followed up.

"We want to stay and create genuine improvement. Our approach has allowed our suppliers to be more open with us, and has also increased our ability to help them improve the workplace and understand the benefits of being an attractive employer."

With regard to environmental work, H&M has made notable progress – for example, in energy and water conservation – in the supply chain, further up the value chain and within H&M's own activities. H&M is already the world's largest consumer of organic cotton and is now putting efforts into creating more sustainable design. The entire product range must be responsibly produced. In addition, H&M

“We want our customers
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tured and handled with
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and the environment”

– Helena Helmersson





CONSCIOUS
H&M COLLECT

has developed basic garments and collections manufactured entirely in more sustainable, environmentally smart materials. Read more on pages 23–27 and 32 about how H&M creates fashion for environmentally aware customers.

“We are indeed proud of our sustainability work,” adds Helena. “We’ve seen progress in a number of areas, but there’s still a lot to do. To meet these challenges, and remain a leader despite the progress of our competitors in the area of sustainability, every department at H&M must take responsibility. That’s why we no longer give environmental and social responsibility issues special treatment – we manage them everywhere in our business.”

From design, buying and logistics to marketing, store fitting and sales – all departments must create their own goals for achieving increased sustainability, and they must perform and follow up their own activities to reach these goals.

“One of the strengths of our sustainability work is its breadth. To ensure that everyone moves in the same direction in the work, we have formulated seven clear and ambitious commitments. All our efforts, which we call H&M Conscious Actions, are divided into these seven commitments.”

The sustainability department is responsible for ensuring that H&M has a clear, shared vision and direction for sustainability work, and for evaluating the effects of various activities. The department is also responsible for ensuring that H&M remains at the forefront of the industry when it comes to sustainability. Approximately 100 specialists work with these tasks, developing solutions for increased sustainability in the entire value chain. The majority, approximately 80 people, work in close cooperation with H&M’s suppliers to ensure that good conditions exist throughout the manufacturing process. The rest provide support and expert advice to their H&M colleagues in the other departments.

INCREASED SUSTAINABILITY also gives customers extra value when they shop at H&M, so it’s a very important part of the total customer offering. H&M must always have the best customer offering in every market. This also entails attractive prices. H&M can offer the best price by avoiding middlemen, buying the right product from the right market, being cost-conscious at every stage and having efficient distribution.

“We also devote considerable resources to improving conditions in the manufacturing chain. We invest in strengthening workers’ rights and influence, and we work hard to promote dialogue between workers and employers at the suppliers.”

As is the case with many of the challenges in the supply chain, wages are a structural issue affecting the entire industry. This is why H&M often cooperates with other stakeholders to promote improvement.

“One of our collaborations is with the Fair Wage Network, which monitors wage levels in the garment industry on a global level. Together with other companies and organisations, we also attempt to influence decision makers in various issues.”

FOR EXAMPLE, H&M WORKED WITH other large clothing companies to convince the Bangladeshi government to increase minimum wages for the country’s textile workers. Read more on page 35 about H&M’s increased efforts to support long-term social development in Bangladesh.

“Bangladesh is an important buying market for us, but it’s also one of the poorest countries in the world. As a buyer in the textile industry, we create work for hundreds of thousands of people there, and this way we contribute to economic growth. That gives us leverage we use to tackle structural problems.”

Sustainability work is also vital in order for H&M’s own business to grow with sound profitability long term.

“We are dependent on stable markets in which people are treated with respect and natural resources are used in a responsible manner,” says Helena. “With our dedication, and together with other stakeholders, we can contribute to positive development.” ■

“We want to stay and create genuine improvement. Our approach has allowed our suppliers to be more open with us, and has also increased our ability to help them improve the workplace”

– Helena Helmersson

H&M’s complete sustainability report is available at hm.com and follows the Global Reporting Initiative (GRI) guidelines. At hm.com you can also find H&M’s complete sustainability policy and product policy as well as the Code of Conduct, chemical restrictions list and Code of Ethics.



Helena Helmersson with Henrik Lampa and Dov Brachfeld at the sustainability department.

H&M CONSCIOUS*

All H&M's activities should be conducted in an economically, socially and environmentally sustainable manner. To achieve this vision, H&M has developed seven clear commitments to action; every department at H&M works according to these commitments.

* Conscious is the name for all of H&M's work to offer more sustainable fashion, today and tomorrow.

The commitments embrace a number of activities called H&M's Conscious* Actions. "Conscious" symbolises the work to offer more sustainable fashion, both today and in the future. The work is described in detail in the sustainability report H&M Conscious* Actions Report, which can be found on hm.com. A brief description of the seven commitments and some of H&M's sustainability activities is provided below.

1 *Provide fashion for conscious customers*

H&M's business concept is to offer fashion and quality at the best price. One way to increase customers' value for money is to create more sustainable fashion. Another is to encourage customers' conscious choices.

H&M's designers create increasing numbers of new garments made of environmentally smarter materials. The clothes contain organic materials made from organically grown fibres produced without chemical pesticides or fertilisers, recycled materials and Tencel®, which is made of cellulose certified by the Forest Stewardship Council (FSC).

By the year 2020, all of the cotton H&M uses must come from more sustainable sources. Organic cotton is part of the solution, as well as cotton grown under the Better Cotton Initiative (BCI), and recycled cotton. H&M is now, according to the Textile Exchange, the world's largest consumer of organic cotton, having increased its organic cotton consumption by 77 percent during 2010. The ambition for the future is a gradual increase in organic cotton use. To create more sustainability in conventional cotton growing, H&M and others like the World Wide Fund for Nature are active members of the BCI, a strategic initiative in which fashion companies, organisations and cotton growers cooperate to achieve better cotton production, in terms of both the environment and social development.

H&M cooperates on other levels as well. In the Sustainable Apparel Coalition, clothing companies are working together to develop a sustainability index for measuring the environmental and social impact of their products.

To inspire customers to make more conscious choices and contribute to increased sustainability, H&M's designers create several special collections each year.

The Conscious Collection is a recurring part of H&M's product offering that has been very well received by customers. Its garments consist entirely of sustainable materials and the fashion content is high. By requiring more sustainable materials in its garments, H&M can increase the demand for this type of product and help to drive innovation.

Since 2008, H&M has created its annual Fashion Against AIDS collection in collaboration with Designers Against AIDS.

"H&M's customers have contributed to improved access to clean water for more than 100,000 people"

Customers buying these garments have contributed more than SEK 45 million since the start to support HIV/AIDS awareness projects and the promotion of safe sex.

The WaterAid swimwear collection returns to H&M each summer. 25 percent of WaterAid sales go directly to the WaterAid organisation's water and sanitation improvement projects in Asia. H&M's customers have thereby contributed to improved access to clean water for over 100,000 people since the collaboration began in 2002.

In autumn 2011, H&M launched its All for Children collection. 25 percent of the collection's sales go to UNICEF's child development and education projects in Bangladesh.

Fashion Against AIDS.



2

Choose and reward responsible partners

H&M works continuously to secure good working conditions in the supply chain and supports its suppliers in their efforts to reduce the impact of their business on the environment.

H&M does not own factories; instead, it works with approximately 700 suppliers located primarily in Asia and Europe. H&M applies specific methods to select the best possible business partners and then helps them develop and



At a supplier in Shanghai.

grow together with H&M on a long-term basis. Suppliers are evaluated based on how well they live up to H&M's social and environmental requirements.

H&M has some 80 auditors who work closely with suppliers to ensure that these suppliers follow H&M's Code of Conduct and adhere to the chemical restrictions. Wages, worker health and safety are all important issues. H&M makes approximately 2,000 audits per year and devotes considerable resources to supplier support through training initiatives.

H&M conducts activities to empower workers and strengthen their rights, such as freedom of association and collective agreements. The wage issue is a structural challenge and achieving sustainable improvements requires the cooperation of many stakeholders. H&M is a member of the Fair Wage Network, in which clothing companies, manufacturers, volunteer organisations, worker representatives and researchers cooperate on wage issues in manufacturing. As a first step, the Fair Labor Association is performing an independent review of wages in 200 factories in China, India, Cambodia and Bangladesh which supply products to H&M. Wages are reviewed in relation to workers' living costs and their employers' profitability levels. For more information, visit fair-wage.com and fairlabor.org.

3

Be ethical

H&M has a solemn duty always to act with integrity and respect. The company is operated on the basis of strong values centred on a fundamental respect for every individual. H&M supports the UN's Global Compact, ten principles that define corporate responsibility in the areas of human rights, labour, environment and anti-corruption. H&M strives to be a good employer and must ensure that the rights of its employees are never violated. This same policy applies to employees of H&M's suppliers and other cooperative partners, and even customers in their contact with H&M. H&M rejects all forms of discrimination. H&M condemns all forms of corruption. Its Code of Ethics describes ways that employees can conduct their business with

the company and its suppliers and business partners to ensure ethical practices are being applied. These suppliers and partners also promise to adhere to a corresponding policy.

Be climate smart

4

H&M strives to be as energy efficient as it can and to use energy from renewable sources as much as possible. H&M also helps its suppliers to use energy more efficiently and inspires customers to reduce their own impact on the environment.

The stores account for almost 90 percent of H&M's electricity consumption. Consumption is being reduced thanks to actions such as using more efficient lighting. The goal is to reduce energy consumption per square metre in the stores by 20 percent by the year 2020 compared with 2007.

One of H&M's climate goals is to reduce carbon dioxide emissions by 5 percent per

"H&M works to improve textile workers' rights and influence"

year relative to sales, up to and including the year 2012. This goal was set in 2009 and was achieved in 2010 by combining conservation practices with offsetting schemes. Goods transport accounts for the majority of emissions. The challenge is to meet H&M's transport needs with the lowest possible emissions levels. H&M cooperates with environmentally aware transport companies, uses sea freight, combines air and rail freight methods, and optimises transports to reduce fuel consumption.

During a garment's life cycle, washing and other care account for 40 percent of the garment's total environmental impact. To help customers reduce these effects, H&M is planning to add climate-smart tips to the care instruction labels on garments.

5

Reduce, reuse, recycle

Through conservation, reuse and recycling, H&M strives to reduce the waste produced in the different parts of its business. For instance, garments shipped from the distribution centres to stores are packed in reusable boxes instead of throw-away cartons. Almost all the hangers in the store are reused, and go to recycling when they can't be returned to service. Shopping bags for standard H&M products are made of recycled plastic.

Much of the material used for construction can be recycled; guidelines are available to ensure the best possible management of this material.



A bag from the Waste collection made with scraps from the Lanvin collaboration.

6 *Use natural resources responsibly*

H&M's business depends on natural resources like cotton and water. To increase sustainability, H&M undertakes to use natural resources in a responsible manner.

Water is part of every garment's entire life cycle, from raw materials production to manufacturing and garment care. H&M has joined the UN's CEO Water Mandate and is committed to the improvement and open reporting of H&M's own and suppliers' efficiency in water use and water treatment.

H&M runs a water conservation project together with denim producers in Bangladesh. In 2010, the project resulted in savings of 50 million litres of water compared to previous usage levels. Approximately 300 million litres were conserved in 2011.

WaterAid and the Better Cotton Initiative are other important projects. Read more about them on page 32.

H&M's suppliers must follow strict chemical restrictions, which forbid the use of some substances and limit the use of others. H&M employs advanced techniques to test its products and to ensure that garments do not contain harmful chemicals. H&M carefully studies the development of new technologies and information in order to improve its testing procedures and works closely with other clothing companies to achieve the goal of eliminating harmful chemical waste in manufacturing by the year 2020.



Conscious Collection spring 2011.

H&M's shopping bags are made of recycled plastic to reduce use of petroleum products and lower carbon dioxide emissions. COS and certain campaigns make use of paper bags. H&M's goal is to use only paper certified by the FSC, which means the paper comes from sustainable sources. All cash desk receipt rolls are made of FSC certified paper.

7 *Strengthen communities*

H&M contributes to the creation of more than a million jobs for people around the world, primarily in the Asian countries from which H&M purchases many of its products. H&M works actively to generate a positive effect and influence on social development in these countries and to contribute to better conditions for many people.

H&M invested SEK 49.5 million in various social projects in 2011, mainly in India and Bangladesh, and the H&M Conscious Foundation provided another SEK 5.7 million. Read also on the opposite page about H&M's increased development efforts in Bangladesh. H&M gives money to disaster funds and donates large numbers of garments to aid organisations. In 2011, H&M donated a total of 2.3 million garments, including clothes to Japan after the natural disaster that struck the country early in the year.

H&M's customers are also eager to help. In 2011, customers contributed a total of SEK 27.8 million through the purchase of special collection items and direct donations to disaster funds and other social projects.

H&M does not tolerate child labour used by its suppliers. In the case of raw materials production, H&M has more difficulty dealing on its own with this issue. In 2009, therefore, and together with UNICEF, H&M started the All for Children project in India. Through a variety of activities and a USD 4.5 million contribution from H&M, a five-year cooperative effort has been put into place with the goal of giving children in cotton-producing areas the opportunity to attend school and improving their access to proper health care.

Much progress has been made since the start. To mobilise support for the children, 70 child protection committees have been created, covering a population of 250,000 people in 60 villages. So far 1,081 working children have been identified and placed in "bridge schools",



Deivam wants to give her children a good education.

"H&M works actively and long-term to create improved conditions for many people"

where they can gradually adapt to school life. All for Children has also improved conditions in existing schools. 172 teaching assistants have been employed locally in 111 schools, an initiative which has already been of benefit to 7,000 children.

UNICEF has also worked to improve water and sanitation facilities at the schools, and to increase students' awareness of good hygiene. Previously high absence levels have dropped, and 4,600 former child labourers have stayed in school and been given assistance with completing a higher level of education.

"I very much want to give my children a good education. I want them to be teachers when they grow up," says 29-year-old Deivam, whose three children Ramya, Ilayaraja and Ranjani attend the Pereri, G.T.R, Middle School. "This project has improved the school's teaching methods, and the food is better too – now the children get to eat eggs more often. The children come home from school and teach their parents what they have learned in school." ■
Learn more at hm.com/allforchildren

INTENSIFIED EFFORTS FOR BANGLADESH

H&M wants to contribute to lasting improvement for people working in the clothing industry in Bangladesh. Now efforts are being stepped up, with the goal of supporting social development in the long term.

Bangladesh is an important buying market for H&M but is also one of the world's poorest nations. Clothing manufacturing employs several million people and accounts for a large portion of Bangladeshi exports, so the development of the industry is vital to the country's future. As a long-term buyer, H&M wants to help strengthen workers' influence over their own situation and increase their skill levels while creating stability in the labour market. H&M is making this happen by expanding its efforts to improve sustainability.

SOCIAL DIALOGUE. The wage issue in the clothing manufacturing industry is a complex structural challenge and requires the cooperation of a number of different stakeholders. H&M and other major apparel retailers have previously encouraged the Bangladeshi government to improve minimum wages for the country's textile workers, and in 2010 an increase was granted; nevertheless, lasting improvements in working conditions necessitate a continuous, well-functioning dialogue. In summer 2011, H&M arranged a conference in Dhaka at which suppliers, labour organisations, government representatives, international trade unions and volunteer groups met to discuss ways to improve communication between workers and employers. As a next step, H&M has arranged for external experts to train five selected suppliers in the creation of workers' committees via democratic elections, and in how these committees negotiate with management, in order to enable workers to improve their working conditions. The system will undergo testing in 2012 and 2013, and is planned to be rolled out to additional suppliers thereafter.

Read more on page 33 regarding the Fair Wage Network's review of wage levels in the garment industry.

FIRE SAFETY. Safety in the workplace is another important issue, and H&M is cooperating with 18 other companies to increase fire prevention measures in factories. For several years, H&M has routinely used films to educate more than 440,000 workers regarding their rights. Now this education technique is being used to train suppliers and their workers in good fire prevention and safety. In cooperation with fire prevention authorities in Bangladesh, H&M has developed two training films. The industry organisations aim to show the films in all of their members' factories within two years.

SKILLS DEVELOPMENT. A skilled workforce is the key to sustainable development in the garment industry. Several years ago H&M began operating a vocational training school in Dhaka, and so far 1,212 people have been trained here. The centre also offers instructor training programmes for other companies and organisations looking to develop similar activities, and so far 90 people have participated in this training. Now, together with Bangladesh Garment Manufacturers and Exporters Association and the government's Bureau of Manpower, Employment and Training, H&M is launching a five-year project aimed at increasing and strengthening the capacity of five vocational training schools. The project aims to provide students with improved technical skills and relevant knowledge of their rights and responsibilities, which in turn will give them greater opportunities to exert a positive influence over their future and that of the industry in general.

STUDENT GRANTS. H&M also wants to promote access to higher education, and is offering financial support to Bangladeshi students in cooperation with the Grameen Foundation. In 2011, a total of 20 students received financial support; half of these students are completing textiles courses, while the others are studying subjects such as law, political science, finance



Training via films in Bangladesh.

and agriculture. H&M's ambition is to provide grants for 20 new students per year for five years, but since the initial capital is expected to remain intact and only the interest will be used, H&M hopes that the support programme will be able to continue in the longer term, for the benefit of future students.

HELPLINE. H&M wants to support women in Bangladesh who are exposed to violence and discrimination. The majority of the people working in the garment industry are women and in order to support them H&M, together with suppliers and TeleConsult Group, are starting a helpline. The helpline will be open to the public and staffed by women from the Acid Survivors Foundation. H&M will finance, evaluate and improve the helpline for two years.

HEALTH CARE. Another H&M initiative is to ensure improved health care for employees in the garment industry. In cooperation with suppliers and USAID's Smiling Sun project, H&M subsidises health care for workers and their families when they visit one of Smiling Sun's 320 clinics. Health is an important subject in H&M's training films, which contribute to increased health awareness. ■

A photograph of an H&M store on Orchard Road in Singapore. The building is a modern, curved structure with a large red H&M logo on the upper facade. A curved billboard above the entrance displays a fashion advertisement featuring models in brown and pink outfits. The ground floor has large glass windows showing the store's interior. A large crowd of people is gathered outside, many holding umbrellas, suggesting it might be raining or about to rain. The scene is captured from a low angle, looking up at the building.

EXPANSION THE WORLD OVER

H&M is a global fashion company with sales on four continents. Expansion is long-term and takes place in parallel in all H&M markets, into new countries and for all H&M brands, with new stores as well as online.

*H&M's first store in South East Asia
— Orchard Road in Singapore.*

It all started in 1947 as a womenswear shop in Västerås, Sweden. Today it is one of the highest-ranked brands in the world, offering fashion and quality at the best price for women, men, teenagers and children. H&M grows by 10–15 percent, in new stores, each year. In 2011 alone, the net addition of stores was 266, bringing the total to 2,472 stores in 43 countries. This expansion includes the COS, Monki, Weekday and Cheap Monday brands, as well as home interior textiles from H&M Home.

“We are growing in every country in which H&M operates and we see good opportunities for continued growth, both in existing and new markets,” says Fredrik Olsson, Head of Expansion.

In 2012, H&M plans about 275 new stores net and five new markets: Bulgaria, Latvia, Malaysia, Mexico, where Latin America’s first H&M store will open in the autumn, and Thailand, which will become a new franchise market. In 2013, H&M will open via franchise in Indonesia.

FROM THE TROPICS TO THE ARCTIC CIRCLE.

In September 2011, H&M opened its first store in densely populated South East Asia, just north of the Equator and in the heart of the region’s pulsating financial centre, Singapore. The three-floor, full-range store is located on trendy, exclusive Orchard Road, and has generated a customer response far beyond every expectation.

Singapore’s polar opposite is Kiruna. Located north of the Arctic Circle, this Swedish mining town consists largely of wilderness country; 22,000 residents thrive in its cold climate. The city’s newly refurbished shopping centre is now home to H&M’s northernmost store. For hours customers queued eagerly for the grand opening in August 2011, and the store’s enthusiastic reception shows that H&M continues to attract new customers – even in countries where its market share is already high.

“It’s clear to us that H&M works in all markets,” says Fredrik. “We sell a wide and varied range, with numerous concepts that truly offer fashion for all. This is a strength. It also gives us considerable flexibility to locate in premises of varying design, size and character.”

QUALITY EXPANSION. Regardless of whether it’s a glittering avenue in a major metropolis or a shopping centre in a small town, H&M’s establishment principle is the same: it is always the best business location that is decisive. H&M does not own its store premises, but instead rents premises from local and international property firms.

“The retail environment and streetscape of each store constantly evolve. We use leases to adapt to change and ensure that we locate in the best possible places for our business.”

H&M’s successes and positive development have resulted in a very strong financial standing. All expansion is self-financed, providing an unusual agility to take advantage of business opportunities. This holds true for all of H&M’s brands.

“Our financial strength gives us the ability to be flexible when we look at potential locations for establishment,” says Fredrik. “The most important aspect is that our expansion must always be accompanied by a focus on quality, sustainability and continued high profitability.”

STORES THAT INSPIRE. As new stores open the world over, H&M also works diligently to renovate and refurbish existing stores.

The efforts to create an inspiring shopping experience take place in every store, from complete renovation to smaller refurbishments and updates. Together with well-designed signage, styling and product presentation, the store interior helps to communicate the right feeling.

“Customers must feel that the focus is on the garments, that H&M has something for everyone and that we have a relaxed approach to fashion. Our campaigns must be highly visible,

and we want to create an inspiring shopping experience in which customers easily find what they are looking for,” says Sunny Phillips, Head of Visual Merchandising.

A FLAIR FOR FASHION WITH SUSTAINABILITY.

While it’s essential that store fittings are spot-on with the latest trends, they must also be long-lasting. H&M works on sustainability on a broad front, so selection of materials, lighting and energy consumption are crucial.

H&M places stringent requirements on suppliers of store fittings. For example, suppliers must adhere to restrictions regarding chemicals that are allowed, as well as the clear directives for choosing environmentally sustainable materials. H&M also works to ensure that packaging is reduced during transport and continually evaluates new technologies with a view to reducing energy consumption. H&M is testing LED lighting as a replacement for conventional light sources. Increased energy efficiency also contributes to lower costs in the stores.

SHOP ONLINE. It is not only H&M’s stores that offer an exciting and inspiring shopping experience; shopping at hm.com must be just as inviting, attractive and easy as in a store. H&M and H&M Home currently offer online and catalogue shopping in eight countries: Sweden, Norway, Denmark, Finland, Germany, the Netherlands, Austria and the UK.

From autumn 2012, customers in the world’s largest retail market – the US – will also be able to shop online at H&M and H&M Home.

Since September 2011, the brands COS and Monki offer online shopping in 18 European countries. Online shopping is a fantastic opportunity for the newer brands to reach many more customers and new countries. COS currently has stores in nine countries and Monki has stores in eight.

MUCH MORE THAN SHOPPING. H&M fashion attracts people the world over, even in those places where H&M does not have stores. Visitors to interactive and easily navigated hm.com can find styling tips, trend forecasts and information about H&M.

Via smartphone apps and social media, fashion-savvy customers communicate and interact with H&M wherever they may be. Today H&M is one of the leading fashion companies on Facebook, Twitter, YouTube and Google+.

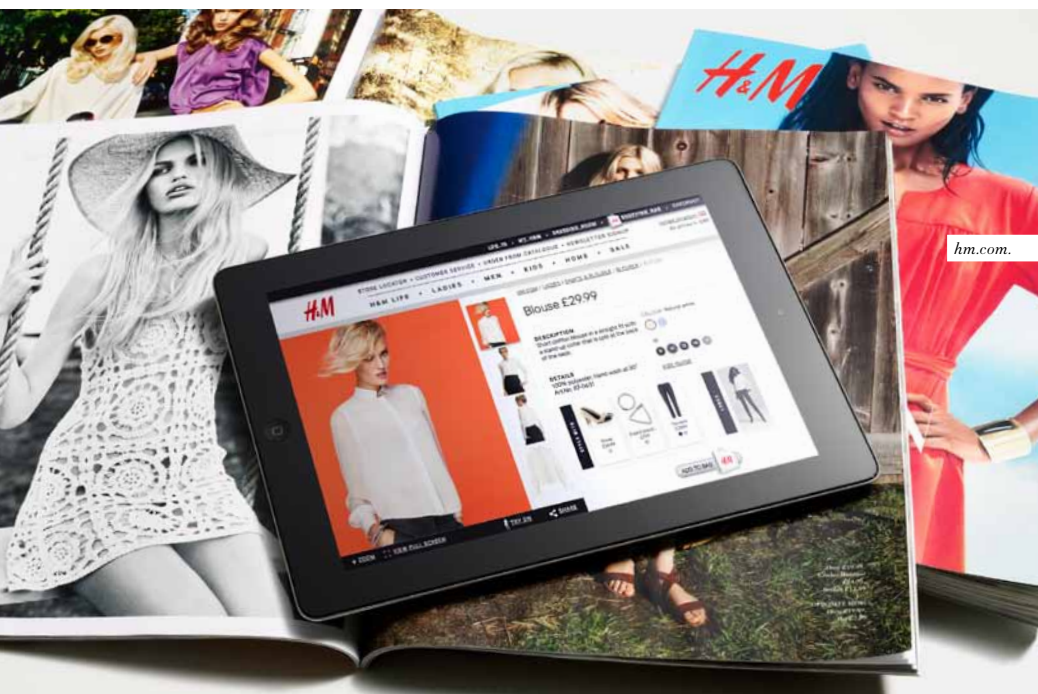
“This definitely contributes to increased awareness of our brand,” says Fredrik. “Before we launch in new countries, we look at social media and see clear evidence of tremendous customer demand and interest in the opening of the country’s first H&M store.” ■

“H&M works
in all markets.
We sell a wide
and varied range,
with numerous
concepts that
truly offer
fashion for all.
This is a strength”
– Fredrik Olsson



INSPIRING SHOPPING

Trendy, attractive and interactive. In about 2,500 stores and online, customers are offered inspiring shopping experiences.





“We are growing
in every country
in which H&M
operates and we
see good opportu-
nities for continued
growth, both in
existing and
new markets”
– Fredrik Olsson





COS Montmartre, Paris.



Monki, Stockholm.



COS Montmartre, Paris.



Monki, Stockholm.

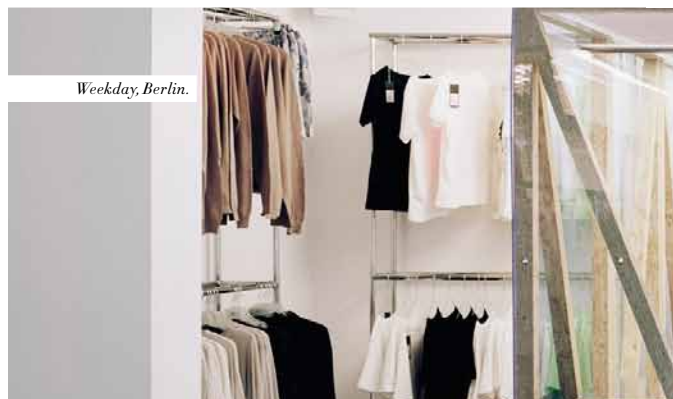


Cheap Monday, Copenhagen.

“All expansion is self-financed, providing an unusual agility to take advantage of business opportunities. This holds true for all of H&M’s brands”



Cheap Monday, Copenhagen.



Weekday, Berlin.



Weekday, Berlin.



OPENINGS AND LAUNCHES

2011 was full of exciting news, not least the great designer collaboration of the year, Versace for H&M, and the opening of South East Asia's very first H&M store.



Front row at the Versace for H&M show in New York.



Star Nicki Minaj on stage.



H&M opens at Selfridges in London.

“The most important aspect is that our expansion must always be accompanied by a focus on quality, sustainability and continued high profitability”
— Fredrik Olsson



Model in Versace for H&M.



Store opening in Singapore.

“I really want to check this place out! Everyone is so excited about H&M opening in Singapore and I’m so glad I was invited to the opening”

– Nad, customer in Singapore



Donatella Versace and Margaret van den Bosch.



Customers lining up for H&M's first store in Romania.



A legend on stage – Prince playing at the Versace for H&M show in New York.



Leigh Lezark, DJ and model, collaborated with H&M at the Selfridges opening in London.

“My philosophy on both beauty and fashion is to be yourself and find your own style, so for me the new H&M at Selfridges is an ideal shopping destination”

– Leigh Lezark,
DJ and model



First opening in South East Asia.



H&M customers in Singapore.



Before the show, November 2011.



Colourful show in New York.



Croatia.



Croatia's long-awaited first H&M store opens in Zagreb.

"I think it is so exciting for Versace to be made available to everyone. The collection is cool, colourful, young and very hip. I can't wait to see the show"

– Uma Thurman,
actress



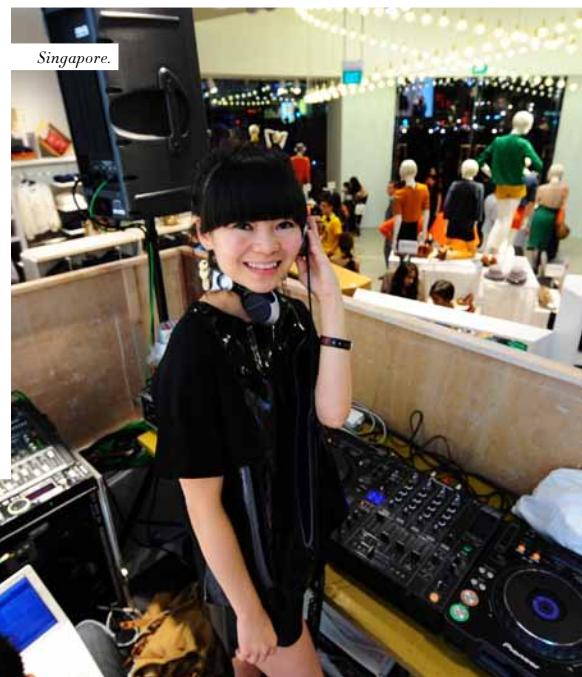
Uma Thurman in Versace.



Typical Versace patterns in the women's collection.



Singapore.



A DYNAMIC WORKPLACE

H&M is one of the world's leading fashion companies, with more than 94,000 dedicated employees and an outlook for continued long-term expansion. For those working at H&M, this means great opportunities for development – and unconventional, exciting career paths.

H&M is an innovative, responsible, design-driven company that always strives to be at the forefront of both fashion and sustainability. It is also a global brand with stores all over the world, online sales and solid long-term expansion. Such development demands many different roles. Each year the company recruits new talent, but also routinely increases its human resource pool through internal recruitment and job rotation. This creates a dynamic workplace full of opportunities for growth. All H&M employees can experience unique personal development – and they often make the journey in unexpected ways.

“You can grow with H&M, even change direction; it all depends on where your individual strengths lie. That’s what makes H&M different from other companies,” says Tim Galantowicz, area manager for the western US, with responsibility for 20 stores in Los Angeles and Las Vegas.

Tim is originally from Germany. When he started working at H&M in Berlin in 1989 the company operated just under 240 stores in seven countries, compared with today’s around 2,500 stores in more than 40 countries. During his early years with H&M, Tim worked part-time in the men’s department. He alternated store work with an internal training programme and soon took responsibility for the entire department. He became more interested in the merchandising of H&M’s garments – that

is, the concept of having the right product in the right quantity in the right place at the right time, and at the right price.

“I wanted to become a merchandiser and got the chance. My manager encouraged me to take a position H&M had in the UK. My English was not tops at the time, but I learned.”

The merchandiser role at H&M took Tim to many different places in Europe, and then to Canada. In Toronto he worked for five years with all the different concepts. One day, he was asked to take responsibility for store operations in Vancouver, Edmonton and Calgary. Tim said yes. Four years ago he came to Los Angeles, where he works today.

“When I started at H&M, I could never have imagined that I would be given so many opportunities and get to see so many places in the world.”

IN ADDITION TO store employees and staff at area, country and production offices around the world, H&M has many employees in areas such as design, buying, sustainability, marketing, logistics, store fitting, human resources, IT and finance. No career path is planned in advance.



“You can grow with H&M,
even change direction; it all
depends on where your in-
dividual strengths lie. That’s
what makes H&M different
from other companies”

— Tim Galantowicz

Hollywood Boulevard, Los Angeles.



“If you really want to, you can do whatever you set your mind to. You become a mirror. New employees see themselves in you, and they see the ways in which they can grow and develop too”
— Ania Kalembe

“What is most important is to have the right attitude and to like fashion. The rest can be learned. We devote considerable effort to internal skills development, because if you’re allowed to grow and develop then you become stronger, more loyal and enjoy your work more. As a result, the organisation becomes strong and stable,” says Ania Kalembe, HR Manager for Poland, the Czech Republic, Slovakia, Hungary and Romania.

These markets currently employ several thousand people, in stores, area offices, and one of H&M’s largest distribution centres in Poznan, Poland.

Ania’s own background demonstrates that there are numerous development opportunities at H&M. She began work as a 23-year-old in the women’s department at H&M’s second store in Warsaw. The year was 2003; Poland was a new member of the H&M family, and the other countries in the region did not yet have H&M stores. Ania took on various roles in the store and participated in expansion into new cities, until her interest in working with people took her into human resources – initially with responsibility for northern Poland, and then on to managing HR for the other countries in the area.

“HR is a dream career for me. I’ve always liked helping people, and I’m driven by the energy present in the stores. I’ve never been an expert at figures or visual merchandising, but others in the team have been able to help me there. If you really want to, you can do whatever you set your mind to. You become a mirror. New employees see themselves in you, and they see ways in which they can grow and develop too,” says Ania.



EVERYTHING H&M DOES begins with the customer, so in-store experience is highly valued – regardless of the role an employee wants to take on. During 2011, H&M opened 266 new stores net, in both new and existing markets. For every single opening, customer response has been overwhelmingly positive.

The largest and most spectacular store is in Las Vegas’ famous shopping mecca, the Forum Shops.

“The Las Vegas store is absolutely fantastic, but the key to H&M’s success in this store and in all the other markets is our people – teams here and around the world who share their experience and best practices,” says Tim.

On the other side of the Pacific, Ken Machado Sugita works in Tokyo’s Harajuku area store, where he is responsible for the youth department. He also works with training and development of store employees throughout Japan and Asia. Ken has been at H&M since 2008, when H&M’s first Japanese store opened.

At the time, Ken’s job included managing the cash desk at the Ginza store in Tokyo. After only a few months, Ken wanted a new challenge and was given additional tasks. He then completed internal training and an internship in Hong Kong, after which he was given responsibility for an entire floor of a store. H&M expanded in the region, and more opportunities came his way. He helped with



“For me, the teamwork is the most gratifying part of the job. Everyone involved performs a specific function”
— Ken Machado Sugita

recruitment and training for expansion into new countries, and was involved when H&M arrived in South Korea in 2010 and premiered in Singapore in 2011.

“For me, the teamwork is the most gratifying part of the job,” says Ken. “There is so much to do when setting up stores in a new country, but everyone lends a hand. Everyone involved performs a specific function, and it’s important that new employees see this happening.”

TEAMWORK IS PRECISELY one of the most important aspects of the H&M culture. Since its start in 1947, H&M has adhered to strong and clear values that guide employees in their work together. These values sum up the H&M spirit

H&M OFFERS ITS EMPLOYEES THIS AND MUCH MORE

Great opportunities for development, with numerous and exciting career paths in one of the world’s leading fashion companies.

A stable employer that is expanding globally and that thinks long-term.

A creative, dynamic and open workplace.

Motivated and inspiring colleagues – all over the world.

Training and skills development through courses, workshops, internships and trainee programmes.

H&M Incentive Program – a reward and recognition programme for all employees.

Work for increased sustainability in fashion.

A culture that encourages and believes in people and their willingness and ability to develop.

MANY WORK OPPORTUNITIES

H&M creates work opportunities all over the world, and needs to recruit new employees. In 2011 the number of employees increased by around 7,000. At the same time, H&M encourages its current employees to develop their careers via internal recruitment and work rotation.

and are rooted in a firm belief in the people behind the results. Other common values are entrepreneurial spirit, cost-consciousness, simplicity, straightforwardness and constant improvements.

“The belief in people is important to me – the idea that we can take the initiative and put forward ideas,” says Ken.

It’s made him believe that he can accomplish new things.

“I like the fact that H&M is about sustainable values and in the future I would like to work with sustainability and ethical issues, because that is meaningful to me.” ■



Denim trousers
€19.95

Spring 2012
DIVIDED

H&M 2011 in figures

43 markets

2,472 stores

94,000 employees

sales including VAT SEK 129 billion

profit after tax SEK 15.8 billion

MARKET OVERVIEW

Sales including VAT per country and number of stores, financial year 1 December – 30 November.

MARKET	SALES 2011 INCLUDING VAT (SEK m)	SALES 2010 INCLUDING VAT (SEK m)	NO. OF STORES 30 NOV 2011	NEW STORES DURING THE YEAR	CLOSED STORES DURING THE YEAR	YEAR ESTABLISHED
Germany	29,721	30,628	394	23	6	1980
USA	9,691	8,916	233	26	1	2000
France	9,336	9,140	168	18	1	1998
UK	9,227	8,392	213	26	5	1976
Sweden	8,313	8,365	173	9	4	1947
Netherlands	6,995	7,387	118	7	1	1989
Switzerland	5,995	6,122	80	5		1978
Spain	5,828	6,109	132	11	1	2000
Norway	5,397	5,858	104	4	1	1964
Austria	4,793	5,255	66	1	1	1994
Italy	4,410	4,331	87	15		2003
Denmark	4,195	4,358	90	4	1	1967
China	3,598	2,527	82	35		2007
Belgium	3,157	3,345	66	6	4	1992
Canada	2,774	2,713	58	3		2004
Poland	2,747	2,668	89	13		2003
Finland	2,379	2,567	47	5	1	1997
Japan	1,549	1,794	15	5		2008
Russia	1,512	916	19	8		2009
Portugal	899	937	23	2		2003
Greece	764	646	22	6	2	2007
Czech Republic	722	707	24	2		2003
Ireland	514	517	15	3		2005
Slovenia	500	568	12	1		2004
Hungary	496	387	20	5		2005
South Korea	410	255	6	4		2010
Luxembourg	385	406	10			1996
Romania	331		11	11		2011
Turkey	309	28	8	7		2010
Croatia	264		6	6		2011
Slovakia	254	225	10	3		2007
Singapore	111		1	1		2011
Franchise ¹⁾	1,229 ²⁾	899 ²⁾	70	21	1	2006
Total	128,810	126,966	2,472	296	30	

1) United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman, Lebanon, Israel, Morocco and Jordan. 2) Excluding VAT.



Boxer briefs
€14.95

Spring 2012
BECKHAM

H&M IN 43 MARKETS

H&M IS A LEADING global fashion company offering inspiring fashion and quality at the best price. With more than 94,000 dedicated employees around the world H&M is a design-driven, innovative and responsible company guided by strong values.

H&M's growth target is to increase the number of stores by 10–15 percent per year while increasing sales in comparable units. Growth is entirely self-financed and expected to proceed with quality, sustainability and continued high profitability. Expansion is long-term and takes place in parallel in all H&M's markets, to new countries and with all brands: H&M, COS, Monki, Weekday and Cheap Monday as well as H&M Home.

During the financial year 2011 H&M opened 296 stores and closed 30, equalling a net addition

of 266 stores. At the end of the year H&M was present in 43 markets with 2,472 stores, of which 45 COS, 52 Monki, 19 Weekday and 4 Cheap Monday. 70 H&M stores are operated via franchise in the Middle East and North Africa. H&M opened in five new markets in 2011: Romania, Croatia and Singapore and via franchise in Morocco and Jordan. COS opened in Sweden. Monki and Cheap Monday opened in the UK. COS and Monki launched shop online in 18 European countries in the autumn.

EXPANSION CONTINUES in 2012 with H&M planning to open 275 new stores net. Five new markets will be added: Bulgaria, Latvia, Malaysia, Mexico, where Latin America's first H&M store will open this autumn, and Thailand, which will become a new franchise

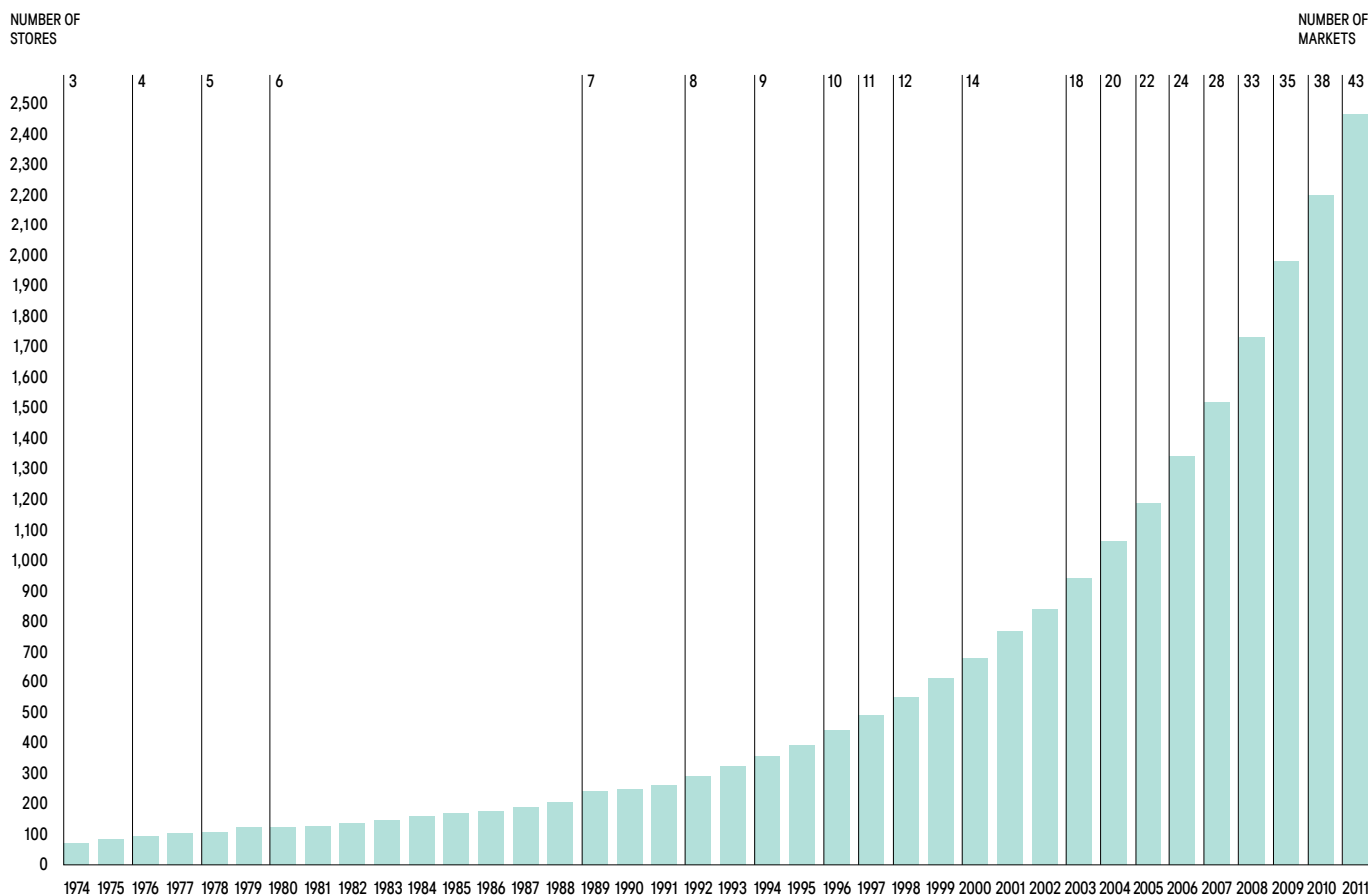
market. COS will open in Italy, Hong Kong, Finland and via franchise in Kuwait. In the autumn of 2012, H&M will launch shop online in the US, H&M's ninth online market.

TOTAL GROUP SALES increased by 8 percent in local currencies in the financial year 2011, while sales in comparable units decreased by 1 percent. Translated into SEK, sales were SEK 129 billion including VAT, an increase of 1 percent. Profit after tax was SEK 15.8 billion (18.7).

Over the past five years, sales including VAT have increased by 61 percent and profit after tax by 47 percent.

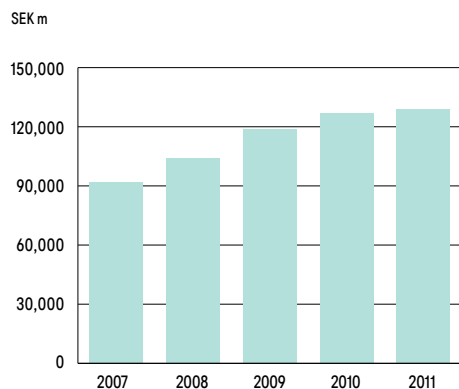
Founded in 1947 and headquartered in Stockholm, Sweden, H&M is listed on NASDAQ OMX Stockholm.

EXPANSION 1974* – 2011

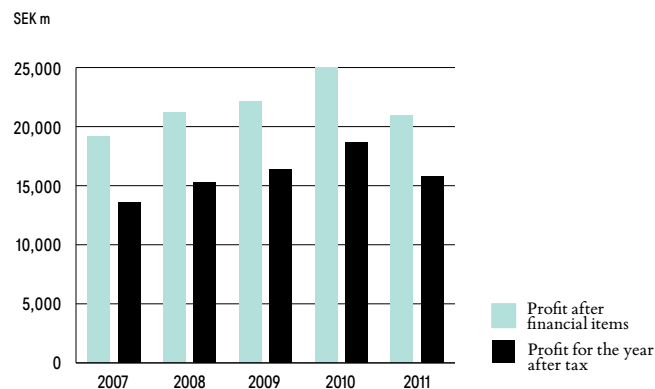


* Since IPO 1974.

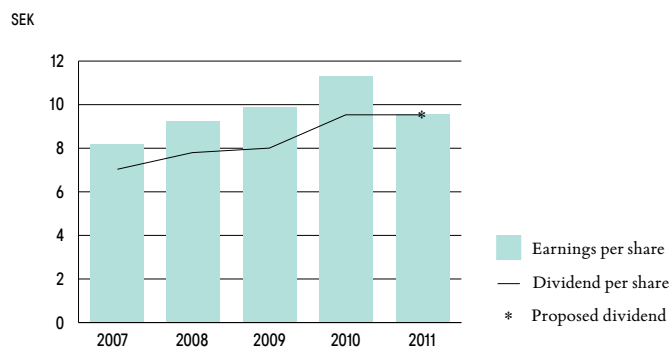
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS AND PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE AND DIVIDEND PER SHARE **



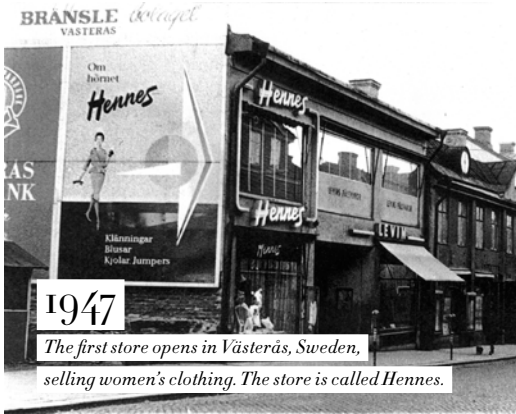
** Number of shares adjusted to a 2:1 split on 1 June 2010.

KEY RATIOS	2011	2010	2009	2008	2007
Sales including VAT, SEK m	128,810	126,966	118,697	104,041	92,123
Sales excluding VAT, SEK m	109,999	108,483	101,393	88,532	78,346
Operating margin, %	18.5	22.7	21.3	22.7	23.5
Profit after financial items, SEK m	20,942	25,008	22,103	21,190	19,170
Profit for the year, SEK m	15,821	18,681	16,384	15,294	13,588
Earnings per share, SEK (before and after dilution)*	9.56	11.29	9.90	9.24	8.21
Return on equity, %	35.8	44.1	42.2	44.3	45.4
Return on capital employed, %	47.1	58.7	56.7	61.1	63.7
Share of risk-bearing capital, %	74.9	76.2	78.5	75.7	78.5
Equity/assets ratio, %	73.3	74.6	74.7	72.1	76.9
Total number of stores	2,472	2,206	1,988	1,738	1,522
Average number of employees	64,874	59,440	53,476	53,430	47,029

* Number of shares adjusted to a 2:1 split on 1 June 2010.

H&M's HISTORY

In 1947 Hennes women's clothing store opened in Västerås, Sweden. Today, H & M Hennes & Mauritz AB offers clothes for the whole family under the brand names of H&M, COS, Monki, Weekday and Cheap Monday, along with interior textiles for the home in H&M Home.



1947

The first store opens in Västerås, Sweden, selling women's clothing. The store is called Hennes.

1952

Hennes opens in Stockholm.



1964

The first store outside Sweden opens in Norway.



1977

Impuls stores are launched. Sales of cosmetics begin.



2004

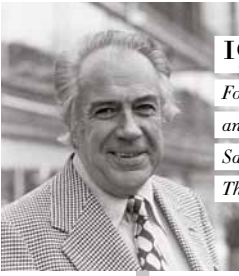
H&M initiates designer collaborations starting with Karl Lagerfeld. Collaborations in subsequent years include those with Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo, Sonia Rykiel, Lanvin, Versace, Marni and David Beckham.



2009

The first H&M stores open in Russia. Beijing gets its first H&M store and Lebanon becomes a new franchise market. H&M Home is launched. Weekday and Monki open in Germany.





1968

Founder Erling Persson buys the hunting and fishing equipment store Mauritz Widforss. Sales of men's and children's clothing begin. The name is changed to Hennes & Mauritz.



1974

H&M is listed on the Stockholm Stock Exchange.



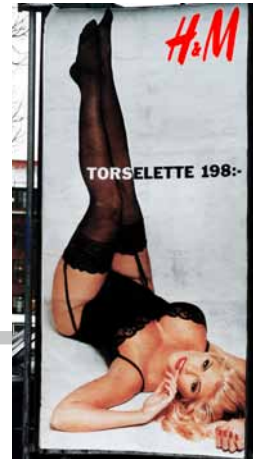
1976

The first store outside Scandinavia opens in London in the UK.



1980s

Stores open in Germany and the Netherlands. H&M acquires the mail order company Rowells.



2000

The first US store opens on Fifth Avenue in New York. In the same year stores open in Spain. In subsequent years, H&M opens in more European markets.



1990s

Progress continues in Europe with the opening of the first store in France in 1998. Adverts in newspapers and magazines are complemented by billboards using famous models. In 1998 e-commerce begins.

2006

A major expansion of online and catalogue sales begins with the Netherlands as the first market outside Scandinavia. The first stores in the Middle East open via a franchise arrangement.



2007

The first Asian stores open in Hong Kong and Shanghai. In the same year, the new store concept COS is launched. The expansion of online and catalogue sales continues to include Germany and Austria.



2008

H&M opens its first store in Tokyo, Japan. It acquires fashion firm FaBric Scandinavien AB with Weekday, Monki and Cheap Monday.



2011

H&M opens in Romania, Croatia and Singapore as well as via franchise in Morocco and Jordan. COS opens in Sweden, and Monki and Cheap Monday in the UK. An incentive programme for all employees – the H&M Incentive Program – starts. COS and Monki launch e-commerce in 18 countries.



2010

The first H&M stores open in South Korea and Turkey. Israel becomes a new franchise market. E-commerce starts in the UK. H&M Home stores open outside Sweden. Monki takes the step into Asia with a store in Hong Kong.



2012

H&M plans to open in Bulgaria, Latvia, Malaysia, Mexico and via franchise in Thailand. COS to open in Hong Kong, Italy, Finland and via franchise in Kuwait. H&M to introduce e-commerce in the US.



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For information about H&M and addresses
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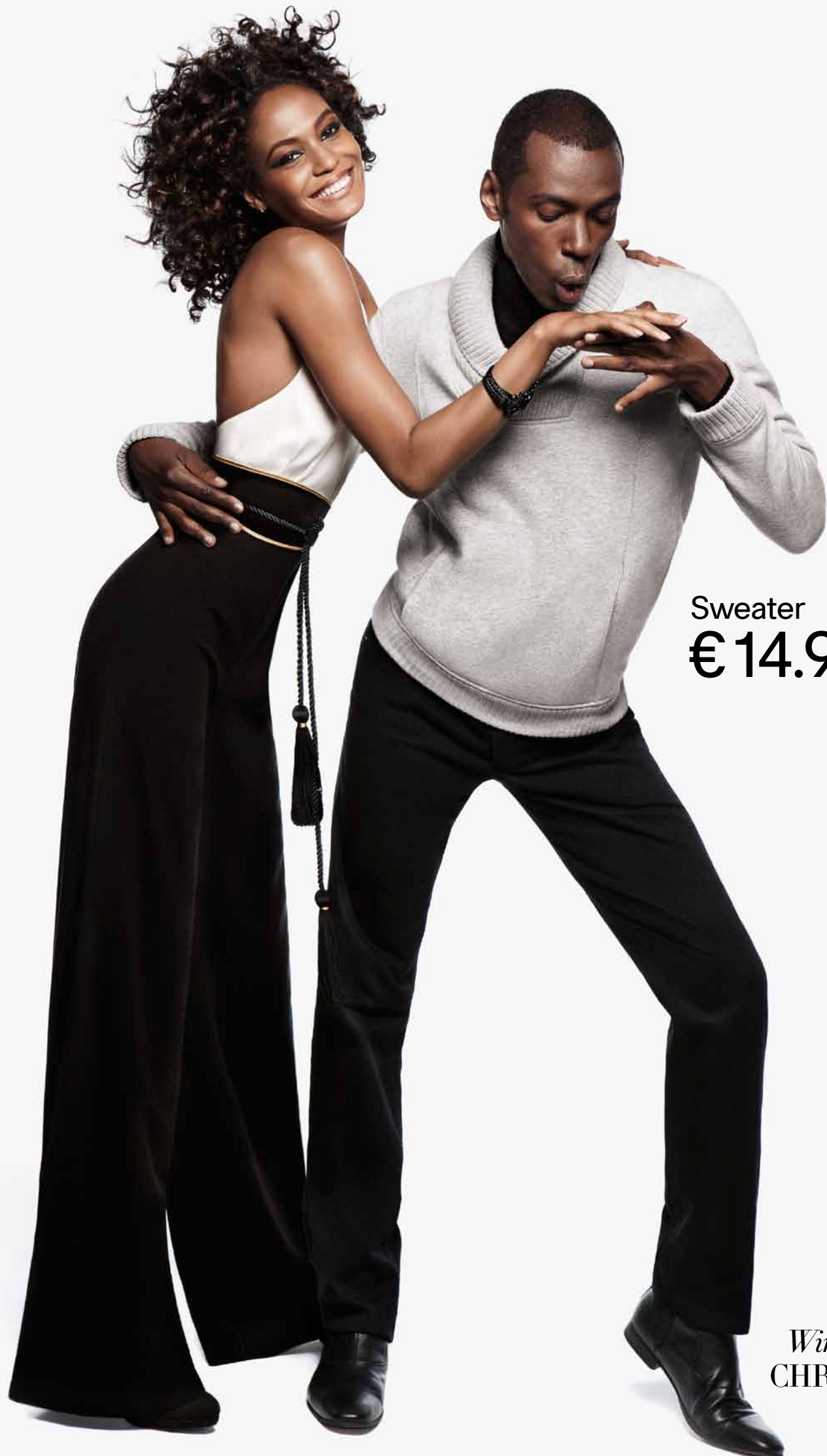
CONTACTS

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The Annual Report is available to
read and download at www.hm.com

COVER

PHOTOGRAPHY Terry Richardson
MODEL Edita Vilkeviciute
GARMENT Skirt in organic cotton, H&M Conscious Collection



Sweater
€14.95

Winter 2011
CHRISTMAS

