

The **H&M** *Way*



The H&M way

– living by our values and guidelines every day



H&M is built on solid foundations. Our business concept “Fashion and quality at the best price” is as clear as our values, which are based on a fundamental respect for each individual and include a firm belief in our people. Other shared values are teamwork, simplicity, entrepreneurial spirit, cost consciousness, straightforwardness and openness, as well as striving for constant improvements. These values represent “the H&M spirit” and they are the very same values as those on which H&M was first founded by my grandfather Erling Persson in 1947.

Today we are a global company, with many thousands of H&M colleagues who serve millions of customers. We come from many different backgrounds and nationalities, but no matter who we are, we are united by the H&M spirit and the desire to give our customers the best possible fashion deal – the best combination of fashion, quality and price.

We are present in many markets around the world, expanding rapidly and recruiting new employees every day. At this time of strong expansion, our success is more than ever dependent on our people. We are judged on how we act and how we treat each other, our customers, our suppliers and other stakeholders as we do business and interact with the world around us every day.

In this context it is vital that no matter what our role is at H&M, we always live according to our values and guidelines and that we are all good H&M role models in everything we do. When we do business “the H&M way” we do so ethically, honestly and responsibly. We continually encourage our suppliers and other business partners to do the same.

Written in this document is what we at H&M already know by heart. But since we are all ambassadors for H&M, I would like to emphasise the importance of our values and guidelines as they are always the starting point for how we act. Living by them every day is fundamental to our business and to our long-term success.

Karl-Johan Persson
CEO H&M Hennes & Mauritz AB

What we DO

We deliver our business concept – fashion and quality at the best price – to everyone, and we do so in a sustainable way – today, tomorrow and in the future.



WHO we are

We are a value-driven, customer-focused, creative and responsible fashion company. For us, fashion, fun and action are essential. We are defined by “the H&M way”: our culture, values and guidelines which reflect the heart and soul of H&M.

“The H&M way” defines who we are, what we do and how we do it. It’s like a framework through which we can continuously manage our performance, work together and encourage new talents as they grow and develop.

The H&M story

– a never-ending passion for fashion

Ever since our founder Erling Persson opened the first Hennes store in 1947, the cornerstone of H&M has always been offering customers fashion and quality at the best price.

1947

The H&M story begins when Erling Persson opens the first Hennes store in Västerås, Sweden, selling women's clothing.

1960's

The first store outside Sweden opens in Norway. In 1968, the name is changed to Hennes & Mauritz when Erling Persson buys the hunting store Mauritz Widforss and a stock of men's clothing comes with the store. This was the start of sales of men's and children's clothing.

1970's

H&M is listed on the Stockholm Stock Exchange. The first store outside Scandinavia opens in London.

1980's–1990's

Global expansion takes off with new markets such as Germany, the Netherlands, Belgium, Austria, Luxembourg, Finland and France.

2000's

The first stores in the US and Spain open in 2000. In subsequent years H&M opens in more European markets and also in Asia.

2004

The first designer collaboration starts with Karl Lagerfeld. The collaboration is to be followed by many more.
Store number 1,000 opens in France, in Boulogne-sur-Mer near Lille.



2006

Major expansion of H&M's online sales.

2007–2008

New brands are added to the H&M Group. The H&M Conscious Foundation is founded in 2007 as a non-profit global foundation. COS is launched as a new brand in 2007. In 2008 H&M acquires the fashion company Fabric Scandinavien AB, and with it the brands Weekday, Monki and Cheap Monday.

2010

The first Conscious Collection, consisting of more sustainable materials, is launched. Store number 2,000 opens. The store is located in Osaka, Japan.

2011

The H&M Incentive Program for all employees starts.

2013

The new brand & Other Stories and H&M's online store in the US are launched. Store number 3,000 opens. The store is located in Chengdu, China.

THE FUTURE

Our exciting journey continues, as H&M evolves with new markets, new concepts, new innovations and an endless love of fashion.

OUR VALUES – *the H&M spirit*

Our values are at the very core of “the H&M way”. These values guide our actions in our daily work along with our policies and guidelines. Our values are called “the H&M spirit”.



We believe in people

We are one team

Constant improvement

Straightforward and open-minded

Entrepreneurial spirit

Keep it simple

Cost-conscious

...in all we do, sustainability is a natural part

These values ensure a workplace in which the decision paths are short, where everyone works together at a fast pace, and where everyone can rely on each other's knowledge and abilities. Individually, these values may seem obvious. But together, they form a culture that we think is unique and different from many other companies. Our values, “the H&M spirit”, should be regarded as a support, something to strengthen us and use in our everyday work.

How we WORK TOGETHER

We believe that our common values create energy and commitment. By providing a fun, creative and dynamic work place where teamwork is essential, we all grow together. Everyone working at H&M is an ambassador for our company – everything we do and say, internally and externally, matters.



AN INCLUSIVE WORKPLACE

Our people are our success. We are committed to maintaining an inclusive workplace. It's one where human rights are recognised, and where we treat each other with integrity, respect, humbleness and dignity. We promote diversity and equality and do not tolerate any kind of discrimination or harassment. H&M is committed to following all applicable labour and employment laws wherever we operate.

WE WORK IN TEAMS AND LEAD BY EXAMPLE

Teamwork is essential at H&M and is part of our culture. We are always driven by our values and we lead by example. Our leaders should always be role models and set a good example in everything they do. At H&M leadership is about inspiration, delegation, feedback and motivation.

YOU GROW, WE GROW

By providing a fun, creative and dynamic workplace, we all grow together. Great opportunities are provided through internal recruitment and work rotation. Everyone is a talent and makes a difference at H&M.

HEALTH AND SAFETY AT WORK

We want to maintain pleasant and sustainable working environments throughout our operations. This includes ensuring that you as an employee have a safe workplace. H&M takes preventative measures to ensure the long-term safety and good health of our employees. We encourage our employees to report accidents or unsafe working conditions to their manager.

USE OUR OPEN DOOR POLICY

H&M creates workplaces in which open and honest communications among all colleagues are valued and respected. One of our core values is “being straightforward”. Our Open Door Policy grants all colleagues the opportunity to openly discuss any work-related issue directly with their managers.

EMPLOYEE RELATIONS

We believe in being a good employer in every sense, and working in fair partnership. We respect the rights of our employees to establish or join organisations of their own choosing. We believe in constructive employee relations with our employees and with any employee association or trade union that represents them.

WE STRIVE FOR SUSTAINABILITY IN EVERYTHING WE DO

Sustainability makes business sense and is an integral part of everything we do. It’s a shared responsibility of everyone working at H&M, where everyone’s efforts make a difference.

WE ARE ETHICAL AND DO NOT TOLERATE ANY FORM OF CORRUPTION

We have a good ethical compass and zero tolerance of all forms of bribery and corruption, which we express clearly in our anti-corruption programme and in our Code of Ethics.

WE RESPECT PRIVACY, INCLUDING SAFEGUARDING CONFIDENTIAL INFORMATION AND COMPANY ASSETS

Information about H&M is an important asset and provides a competitive advantage. It’s therefore vital that we safeguard any confidential information about the company. This includes everything from contracts to pricing information, from expansion to marketing plans, from financial information to personal information. It means safeguarding both employee and customer data, and respecting everyone’s privacy.

Teamwork is essential for us and a natural part of our culture ”



How we handle EXTERNAL RELATIONS

– H&M's business guidelines*

Every day we interact with the world around us in different situations. Working at H&M means that we all represent the H&M brand every day and we do so by putting our values and guidelines into practice. By following “the H&M way” with our customers, suppliers, business partners and other stakeholders, we ensure that our communication with our stakeholders is characterised by openness, objectivity, accessibility and sensitivity.

Towards our customers

WE ARE COMMITTED TO ALWAYS DELIVERING FASHION AND QUALITY AT THE BEST PRICE

Our customer is always our focus, from the design process to the shopping experience. Understanding and meeting our customers' needs is at the core of everything we do. We offer fashion with high attention to quality to everyone. We want our customers to feel confident they are getting the best possible deal when shopping at H&M.

THE CUSTOMER IS OUR FRIEND

Every time we interact with a customer either in our stores or online we play an important role in their experience of H&M. It's natural for us to always be friendly and courteous to our customers. If a customer asks us for any assistance, no matter what we are doing, we always try to give the best service.



WE PROVIDE CONSCIOUS FASHION WHERE QUALITY ASSURANCE IS KEY

We strive to provide products that are designed, produced and transported with respect for human rights and the least possible negative impact on the environment. Our products should be durable, user-friendly, well-made, well-cut, safe and free from harmful chemicals. Our customers are knowledgeable and demand both the best design and quality from our products, and also an increased awareness of sustainability, from materials used to the carbon footprint of transporting the products to the stores. We always aim to be at the forefront of sustainability. Sustainability is an important part of what we offer our customers.

SHARING OUR CONSCIOUS MESSAGE

We believe it's important to increasingly communicate with our customers about all the conscious actions that we take. In all we do sustainability is a natural part and we all play a part in communicating our conscious message to our customers.

OUR MARKETING IS AN INVITATION CARD TO OUR STORES

We use a mix of ever-evolving external media to reach our customers. The most important of these are our stores – especially the windows – and our online stores. H&M's marketing has a major impact and it's essential for us to convey a positive image and that the models portray our fashion in a good and healthy manner. H&M's advertising images do not aim to communicate any specific ideal, but rather a range of styles, attitudes and ethnic backgrounds. The campaigns are designed to be clear and simple, and aim to inform our customers of what's new at H&M. All our marketing is part of the shopping experience, aiming to guide and inspire customers to find the right fashion products both in our stores and online. H&M's marketing activities comply with the ICC** advertising guidelines.

*Guidelines are applicable everywhere in the Group, but may need to be adapted to local/national laws and regulations. **International Chamber of Commerce.

Towards our suppliers and other business partners

H&M does not own any factories, but instead buys products from suppliers, primarily in Asia and Europe. We work in close cooperation with our suppliers to ensure their compliance with H&M's Code of Conduct, Code of Ethics and rigorous chemical restrictions.

WE BELIEVE IN LONG-TERM COOPERATION WITH OUR SUPPLIERS

We believe that well-managed business relationships have the potential to turn into successful strategic alliances, based on shared risks and shared rewards. We believe such alliances can eventually result in a great sustainable business performance.

TOGETHER WE STRIVE FOR SUSTAINABILITY

H&M takes pride in running all its business operations in a way that is economically, socially and environmentally sustainable. We expect all our suppliers and business partners to do the same, and we work to promote sustainable operations among our partners throughout the supply chain.

WE RESPECT HUMAN RIGHTS IN ALL OUR OPERATIONS

We are committed to respecting human rights in our operations, our supply chain and in the communities where we operate. We seek to avoid any negative human rights impact and we use our influence to promote the fulfilment of human rights.



WE DO NOT TOLERATE CORRUPTION AND WE ALWAYS ACT WITH INTEGRITY

Honesty, integrity, fair play and transparency are essential to how we act towards all our suppliers, stakeholders and partners. We do not tolerate corruption in any form and our employees and suppliers/business partners must commit to a strong anti-corruption code, our Code of Ethics. We are determined to ensure that the objectives of the Code of Ethics are fulfilled. This applies to all H&M's business dealings and transactions in all the countries in which we and our suppliers/business partners operate. H&M informs, instructs and trains employees as well as suppliers/business partners to secure their compliance with the Code of Ethics.

WE ALSO HAVE A STRICT NO GIFT POLICY

We do not accept any kind of advantage, which includes gifts of any size and value. Our policy is

thus clear, easy to comply with and leaves no room for subjective judgments.

WE FOLLOW THE LAW AT ALL TIMES

We comply with all applicable legal requirements and relevant international conventions and work to ensure that all our actions are sustainable and ethical.

WE MUST AVOID CONFLICTS OF INTEREST

Conflict of interest may arise when an individual's personal interests compete or conflict with the interests of H&M. Therefore our employees should avoid any actual or conceivable situation that could put integrity at risk. It's very important that we strive to have an open climate and act transparently and that all our colleagues have the confidence to inform someone about any kind of conflict of interest.

Towards our other stakeholders

H&M is committed to engaging closely and openly with our various stakeholders. This includes providing transparent information aiming to meet the needs of our diverse stakeholders.

DIALOGUE AND COLLABORATION WITH OUR STAKEHOLDERS

Throughout the year, H&M works to maintain regular dialogue with our stakeholder groups such as suppliers and their employees, the communities around us, NGOs (non-governmental organisations), IGOs (intergovernmental organisations), policy makers, industry peers and shareholders. We do this on a daily basis through regular meetings, dedicated surveys or our active participation in several multi-stakeholder initiatives. We actively seek collaboration with our stakeholders in order to improve H&M's performance as a business and corporate citizen.

LONG-TERM HIGH PROFITABILITY MAKES IT POSSIBLE TO FULFIL OUR RESPONSIBILITIES

Long-term high profitability is essential for H&M and also for our shareholders. A high level of solvency guarantees long-term stability and security for our employees. Profits and a strong financial position make it possible for us to fulfil our responsibilities.

CORRECT, NEUTRAL AND TRANSPARENT COMMUNICATION

H&M has been listed on the Stockholm Stock Exchange since 1974 and we have an open dialogue with the stock market and the media. Our communi-



cation is correct, neutral and transparent and abides by the stipulated laws and regulations. We comply with the information regulations laid down by NASDAQ OMX Stockholm. We release an annual Sustainability Report. We use the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines and the Apparel and Footwear Sector Supplement as well as the UN Global Compact principles as a basis for our sustainability reporting.

FAIR COMPETITION

H&M is dedicated to promoting fair competition and our business is operated in a climate of an open market.

INSIDER TRADING

Our employees that have insider information about H&M shall act in compliance with all applicable insider trading rules. H&M insider information is non-public information which is likely to have a significant effect on the trading price of the H&M share.

ALWAYS TAX COMPLIANT

H&M is tax compliant and our tax policy always reflects our business. H&M pays its taxes at the appropriate times. We provide, without delay, any relevant information requested by the appropriate tax authority to accurately establish the company's tax liabilities. H&M's internal transaction model is fully in line with the OECD Transfer Pricing guidelines.

POLITICS

H&M does not provide direct financial contributions to individual politicians or political parties.

H&M CONSCIOUS FOUNDATION – MAKING A POSITIVE DIFFERENCE

Besides H&M's work to drive sustainable change in the value chain, the H&M Conscious Foundation focuses on making a positive difference in people's and communities' everyday lives in countries where H&M operates. This is done in close cooperation with a variety of organisations both globally and locally.

HIP – H&M *Incentive Program*

– *for everyone at H&M*

We know that our employees are the key to our success. To show our appreciation, H&M has created HIP – the H&M Incentive Program – which since 2011 has recognised the daily commitment and long-term involvement of our employees. The programme was initiated with a substantial donation by the Stefan Persson family.

After our employees have spent five years with H&M, they begin to share the profit increase made by the H&M Group. The longer you are an employee, the more you will receive. It's that simple, and is the same for everyone in the H&M Group, in all countries, regardless of position, salary, or contract of employment.

Our employees will receive payouts from HIP when they turn 62. However, from the year 2021 our employees can choose to receive their first payout as soon as they have been with the H&M Group for ten years.

Detailed information about HIP including projections of estimated payouts can be found at [hm.com](https://www.hm.com) or H&M Inside.





*Supporting Codes and Policies
to this document include:*

Code of Ethics

Human Rights Policy

Discrimination and Equality Policy

Diversity Policy

Harassment Policy

Security Policy

Complaint Procedure

Drug and Alcohol Policy

Whistleblowing Policy

Code of Conduct

Sustainability Policy

Product Policy

Purchasing Policy

Finance Policy

Tax Policy

Communication Policy

Advertising Policy

As we constantly revise our policies and guidelines in order to keep them up to date, some of the above policies may change and change name over time.

Guidelines and policies are applicable everywhere in the Group, but may need to be adapted to local/national laws and regulations.