



THE H&M GROUP

MODERN SLAVERY STATEMENT

FINANCIAL YEAR 2015/2016

This statement has been published in accordance with the Modern Slavery Act 2015 and sets out the steps H & M Hennes & Mauritz AB and all companies included in the H & M group (hereby referred to as H&M) have taken during the financial year 2015/2016 to address modern slavery in its value chain – both its own business and its supply chain.

THE H&M GROUP

The H&M group is one of the world's leading fashion companies. With our brands – **H&M**, **COS**, **Monki**, & **Other Stories**, **Weekday** and **Cheap Monday** – we want to inspire fashion fans across the globe to dress their personal style. Each of our brands has its own unique identity and they are united by a passion for fashion and a drive to dress customers in a sustainable way.

H&M

COS

& Other Stories

MONKI



WEEKDAY

H&M
HOME

We want to make fashion sustainable and sustainability fashionable. We are dedicated to creating a better fashion future and we use our size and scale to drive development towards a more circular, fair and equal fashion industry.

The H&M group brings together more than **161,400 colleagues** working for six fashion brands across the world. We are dedicated to always creating the best offering for our customers and we all share a values-driven way of working, based on a fundamental respect for the individual. In 2016 we welcomed **13,400 new colleagues** and we have more than **4350 stores in 64 markets**. For further information about the group, its organisational structure and group relationships, view [About us](#) and [Annual Report](#).

OUR VALUE CHAIN

When we talk about our value chain, we mean the full range of activities it takes for us to bring our products to the market – from idea to processing and manufacturing, distribution and consumption to disposal or recycling, in other words - our supply chain as well as our own operations.



Forced labour is identified as a salient human rights issue and can potentially occur in different forms throughout the entire value chain. The risks of forced labour related to our industry is most prominent in the supply chain, often linked to specific raw materials and processes but also a potential risk connected to internal operations for example in connection to staff outsourcing.

For more information about the risks and impact along our value chain, and how we address these, see our [Sustainability Report 2016](#) on impacts along our value chain in chapter *vision and strategy*.

ADDRESSING MODERN SLAVERY

Modern slavery is a comprehensive term used in the Modern Slavery Act 2015 which covers slavery, servitude, forced and compulsory labour, and human trafficking¹. These are violations of human rights such as *the right to be free from slavery, servitude or forced labour* and *the right to freedom of movement* and other human rights, which are upheld by both international and national legislation. According to available data and research experts, these offences are prominent and occur in all parts of the world and economies, and affect all sectors and industries².

We believe that a commitment to human rights and dedicated work to respect these rights must be a fundamental part of any business. This means addressing risks and impacts throughout our value chain. The risks to and impacts on human rights are often complex and difficult to manage without a collaborative approach. Therefore we are working closely with our industry peers, business partners, external human rights experts and various global and local stakeholders to increase our capability to respect and uphold human rights principles. Further, improving industrial relations is a focus of ours as we believe it allows for improved conditions when workers and employees can exercise their rights, negotiate with their employers and participate in the development of the workplace.

OUR POLICIES AND COMMITMENTS

H&M publicly commits to respecting human rights and recognises its responsibility to respect human rights as stated in the [UN Guiding Principles on Business and Human Rights](#) (UNGPR) through its [Human Rights Policy](#). Our Human Rights Policy also covers modern slavery, as defined in the Modern Slavery Act 2015, as it is linked to human rights stated in the [Universal Declaration on Human Rights](#). Besides our Human Rights Policy, we also have specific mandatory requirements for all our business partners, which have to sign and implement our [Sustainability Commitment for Business Partners](#). This commitment clearly states that *“forced labour, bonded, prison or illegal labour is not accepted. If contracted labour is hired, the employer is responsible for payment of employment eligibility fees of contract and/or foreign workers, including recruitment fees. Employees shall not be required to lodge “deposits” or identity papers with their employer and shall be free to leave their employment after reasonable notice. The employee’s freedom of movement is not restricted. No part of the wages is withheld”*.

H&M employees are continuously trained in our policies, including those related to human rights, and our company values. More information can be found in the [H&M Way](#) and [Policies Overview](#). Below follows a description of how we work to implement and follow up our Human Rights Policy and our Sustainability Commitment for Business Partners.

¹ [Guidance on section 54\(9\) of the Modern Slavery act 2015](#)

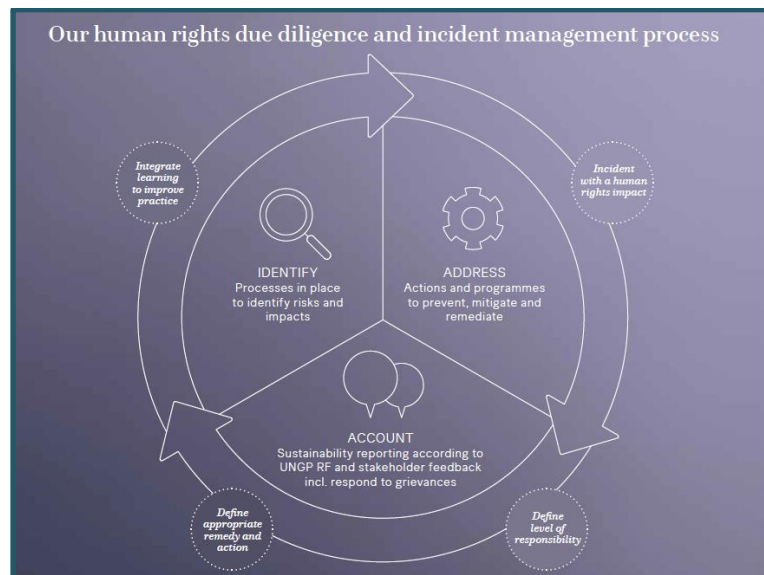
² www.walkfree.org

OUR HUMAN RIGHTS MANAGEMENT APPROACH

Our policies and commitments guide our approach to managing human rights and our aim is to ensure that due diligence is conducted in a systematic and consistent manner. This is of great importance for fulfilling our responsibility to respect human rights in practice and act with accountability.

To H&M, human rights due diligence is an ongoing process to **identify**, **address** (prevent, mitigate and/or remediate) and **account** for how we respect human rights in practice. Various processes – including risk management processes, business partner due diligence, stakeholder engagement and grievance handling, as well as specific internal training on our approach to human rights – contain a clear component of assessing risks to human rights, and together these serve as the basis for our human rights management.

*Our ambition:
Continuously ensure
human rights is an
integral part of
relevant processes*



Below, find the key processes for both our own operations and our supply chain that comprehensively integrate human rights:

- **Identifying our salient human rights issues.** See below for our method of defining our salient human rights issues and the process undertaken in 2015. The salient human right issues will be reviewed annually and the full process will be conducted at approximately three-year intervals, or more frequently if deemed relevant. A review of the salient human rights issues was conducted in the end of 2016.
- **Annual sustainability risk assessment conducted by all business functions.** All business functions assess their sustainability risks, including human rights risks, annually. The purpose is to ensure the existence and adequacy of prevention and mitigation plans. The sustainability risks are aggregated and fed into the corporate risk process.
- **Potential business partner due diligence.** In line with H&M's due diligence guidelines, the legal, financial, social – including human rights – and environmental aspects of a

purchase (of a product or service) are duly assessed before entering into a business relationship. Our business functions assess the relevant social and environmental risks associated with their sector and type of purchase.

- **Country sustainability risk assessment** (including human rights and environmental issues). All new retail and production markets are thoroughly assessed before deciding to move in with H&M operations. Stakeholders (global and, when possible, local) are consulted and review our findings, give additional input and help guide us in actions to address critical issues. In addition to our global goal to assess all markets before entry, we have conducted country sustainability risk assessments for our existing production markets which are considered to be high risk from a sustainability perspective. Further, the sustainability risks related to our production countries are reviewed annually.
- **Supply chain management/business partner follow-up**. We focus on building strong long-term relationships that are based on trust and transparency. All business partners need to comply with our Sustainability Commitment and Code of Ethics and only in exceptional cases do we agree to not have these documents signed. Production units for H&M products must meet our minimum requirements, which are ascertained through an audit prior to production. As of today our audit scope and monitoring programme covers 100% of first tier manufacturing and processing units as well as second tier component suppliers of fabric and yarn amounting to approximately 60% of production volume. Continuous follow-up of business partners' implementation of the Sustainability Commitment is an important risk assessment tool. Since 2013 we have published our [Supplier List](#). For all our suppliers of commercial goods (and of selected non-commercial goods such as interior, visual and marketing products) we apply our Sustainability Impact Partnership Programme (SIPP), which monitors performance on a broad range of social and environmental issues and also measures management systems within sustainability areas through the Higg Index³. This is an approach that aims beyond standard compliance and captures sustainability performance for relevant social and environmental aspects, as well as driving ownership. We are also committed to rewarding good business partner performance. Other business partners, for non-commercial goods and services, are also subject to regular follow-up of the requirements of the Sustainability Commitment, including warehouse and logistics solutions partners and store construction contractors/sites – driven by the respective business function.
- **Material/process/product risk assessment**. We have updated our risk assessment of materials used in our products to strengthen the human rights and environmental perspective. The results of the assessment are intended to guide us in potential preventative, mitigation and remediation measures to ensure responsible sourcing of materials.
- **Case handling routine/process**. For situations and cases with a human rights impact – that goes beyond what is covered by and dealt with through our Sustainability Commitment – we apply a systematic approach to analysing our responsibility according to the UNGPs and apply appropriate remediation measures. This analysis is integrated into our existing routine for handling cases and incidents.

³ Together with several of our peers, academia, NGOs and many others in the Sustainable Apparel Coalition (SAC), we are building a common tool for measuring the sustainability of apparel and footwear. [Sustainable Apparel Coalition](#), [HIGG Index](#).

MODERN SLAVERY & FORCED LABOUR, IDENTIFIED AS SALIENT HUMAN RIGHTS ISSUES

The UN Guiding Principles Reporting Framework (UNGPRF) was launched in 2015, and suggests that a company's disclosure of its work to address human rights is based upon reporting of its work targeting its salient human rights issues – the human rights at risk of the most severe negative impacts through the company's operations and supply chain. As an early adopter of this framework, H&M conducted a thorough process to identify our salient human rights issues. This supplements our materiality analysis in the area of human rights with an understanding of risks to *people*.

Forced labour has been identified as a salient human rights issue and takes different forms throughout the value chain. For more details on our salient human rights issues, see our [Sustainability Report 2016](#) chapters *100% Fair & Equal, Standards & Policies* and *How we report*. Forced labour is defined as per ILO Convention 29 as “all work or services which are exacted from any person under the menace of any penalty and for which said person has not offered him/her voluntarily”⁴.

To ensure our minimum requirements are met, including but not limited to the absence of child and forced labour, and to enable us to monitor the implementation of the requirements of our Sustainability Commitment for Business Partners, it is crucial for us to know where the production/manufacture of our products takes place. Consequently, unauthorised subcontracting to units not audited and approved by H&M is strictly forbidden; should it occur, it seriously damages our trust and business relationship and has business consequences. To ensure that our production takes place in audited and approved units, we make sure we know where each order is manufactured and, for example, the associated fabric and/or yarn mills. The latter is possible through our coverage of second tier suppliers.

Our long-term ambition is to have full traceability for all our products throughout the value chain and to have clear goals for specific materials used in our products. Read more in our [Sustainability Report 2016](#) chapter *100% Circular & Renewable*. Supply chains are complex, however, and achieving full traceability takes time. This means we continuously need to identify all actual and potential risks to human rights in our value chain, including those of modern slavery and forced labour, and work pro-actively to prevent and mitigate these risks. Often, improving issues in the value chain requires a collaborative approach because on their own, the different actors with a stake in the issue lack the leverage to create substantial and sustainable improvements. We therefore seek to join forces with our stakeholders such as our peers, suppliers and business partners, with NGOs, trade unions and many others to improve the sustainability of our industry. Read more on our partnerships and collaborations in our [Sustainability Report 2016](#) in chapter *How we report*.

⁴ [C029 - ILO Convention concerning Forced or Compulsory Labour](#)

TARGETED ACTIONS

Below, some examples of modern slavery and forced labour risks that have been identified in our value chain, and how we are addressing these, are listed.

Risks of forced labour and child labour related to raw materials



- Goal for full traceability of cotton in 2020
- Full traceability of our conscious materials
- See our Animal Welfare and Material Ethics Policy for more information on the status and goals for traceability of other materials
- Ban on cotton from Uzbekistan, Turkmenistan and Syria
- Conducted an assessment of mica used in cosmetic products to enable us to outline our approach to mica and the potential but likely risk of child and forced labour associated with mica production in India
- Material/process/product risk assessments for both new and existing raw materials

Risk of exploitative labour practices at spinning mills in Tamil Nadu, India



- Since 2013 we have been involved in an ETI initiative* addressing exploitative labour practices in Tamil Nadu, India – especially targeting the Sumangali Scheme. [Tamil Nadu Update Ethical Trading Initiative](#)
- Since 2016 we have been involved in the Amsterdam Coalition, an initiative between major global brands and retailers which is supported by the OECD and which aims to contribute to the prevention and mitigation of harmful impacts on workers in the spinning mill industry in South India, particularly in Tamil Nadu
- Our monitoring programme covers the most important second tier suppliers (fabric and yarn suppliers-to-our-suppliers) who are involved in making about 60% of the production volume for the H&M group. [Supplier List](#)

Potential risk of prison labour in China

Excessive overtime is an industry issues – risk of involuntary overtime

Syrian refugees exposed to exploitative labour practices due to undocumented status



- Ongoing work to ensure we know where production takes place and enforcement of our prohibition of the use of undeclared units
- Our monitoring programme (SIPP) currently covers 100% of first tier suppliers and the second tier (fabric and yarn suppliers-to-our-suppliers) who are involved in making about 60% of the product volume for the H&M group. [Supplier List](#), [Supplier Compliance](#)
- Implementing the Fair Wage Method in supplying factories positively affects, and targets, overtime in the factories
- Process to ensure that overtime is voluntary
- Purchasing practices for planning and execution
- As well as ensuring that migrant workers have exactly the same entitlements as local employees, we keep in continuous dialogue with our suppliers in Turkey about our approach to Syrian refugees and how act responsibly as well as engaging in multi-stakeholder efforts to address the situation. [H&M responses Business & Human Rights Resource Centre](#). See also below: Steps taken in 2016

Staff outsourcing could imply a potential risk of forced labour and/or human trafficking



- Due diligence of potential business partners includes questions and research to detect risks of forced labour and human trafficking
- Besides conducting due diligence on business partners prior to entering into business, we regularly follow up partners within logistics, construction and recruitment

STEPS TAKEN IN 2016

As described above, human rights due diligence is conducted continuously by integrating a human rights perspective into relevant processes. Additionally, in the financial year 2015/2016 further steps were taken to improve our approach and work to address forced labour, modern slavery and human trafficking:

- Continued and increased our involvement in addressing the Sumangali Scheme in Tamil Nadu, India through the multi-stakeholder initiative run by the ETI.
- Continued to prohibit the use of cotton from Uzbekistan and Turkmenistan.
- Continued our involvement in the [Better Cotton Initiative](#).
- Introduced an H&M group goal on H&M's human rights management process and human rights due diligence. The goal aims to ensure the continuance of human rights due diligence and to ensure the issues identified are appropriately addressed.
- Formalised a global grievance channel to supplement local grievance mechanisms and systems already in place. This allows an added layer of communication, available to all our employees.
- Joined [The Mekong Club](#), an organisation that fights the business of modern slavery by engaging, inspiring and supporting the private sector to take the lead in this fight.
- Continued to address the particular risk of Syrian refugees being exposed to exploitative labour practices due to their undocumented status and kept in close dialogue with our active suppliers in Turkey on the employment of Syrian refugees. If regulations are duly complied with, we take a positive view of working with refugees under temporary protection. H&M collaborates with ASAM (the Association of Solidarity with Asylum Seekers and Migrants) in cases where Syrian refugees are found working without required permits and in cases where a child is involved; we work with CYDD (the Association for the Support of Contemporary Living). Together with the ETI and Fair Labor Association (FLA), we sent a letter to the Turkish Government to expedite the process related to the legal framework for Syrian refugees and met with the Chief Advisor to the Prime Minister of Turkey and representatives of other relevant governmental institutions in charge of the Syrian refugee crisis. New regulations were issued on 11 January 2016.
- Conducted internal training for sustainability staff at a global, production and business function (including selected retail markets) level. Representatives of our legal department and those responsible for public affairs, communication, traceability and transparency also took part in training held by the ETI Ethical Trading Initiative⁵ about the UK Modern Slavery Act and the risk of modern slavery along the value chain of business, as well as a gap analysis to identify improvement areas in regards to addressing modern slavery.
- Actions were initiated to address the areas for improvement detected in the above-mentioned gap analysis:

⁵ ETI Ethical Trading Initiative <http://www.ethicaltrade.org/>

- Updating our production market human rights due diligence process to establish the local priority of global salient human rights issues⁶, as well as to ensure other contextual/local human rights issues are identified and assessed. The updated process is based on a systematic approach, including relevant information from various levels (supplier, value chain upstream and country dimension) as well as stakeholder consultations/dialogue to verify the risks identified and get stakeholder input on suggested ways to address these.
- General update and strengthening of the social dimension in our due diligence of potential business partners (for both products and services) to better detect the risk of forced labour and human trafficking through business partners.

Going forward, we will continue to engage throughout our value chain to ensure that we meet our responsibility to respect human rights. Our continuous work will include, for example: further implementation, review and strengthening of our human rights due diligence process to identify, address (prevent, mitigate and/or remediate) and account for how we respect human rights, including those related to modern slavery; continued roll-out of our internal training on human rights to key roles and functions; engaging and raising further awareness within our own operations; and continuing to engage with various external stakeholders.

This statement has been approved and signed by the Board of Directors.

Stockholm 30 January 2017

Stefan Persson
Chairman of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Lena Patriksson Keller
Board member

Melker Schörling
Board member

Christian Sievert
Board member

Erica Wiking Häger
Board member

Niklas Zennström
Board member

Ingrid Godin
Board member

Margareta Welinder
Board member

Karl-Johan Persson
CEO

⁶ Salient human rights issues are defined as the human rights at risk of the most severe negative impacts through the company's operations and value chain. In 2015 H&M determined its salient human rights issues through a thorough process, involving key roles from various business functions as well as external experts, organisations, academia and global and local stakeholders. In the end of 2016, a review was conducted.