STANDARDS & POLICIES
# Standards & Policies

## Overview

### Standards & Policies

<table>
<thead>
<tr>
<th>TOPICS</th>
<th>AMBITIONS &amp; GOALS</th>
<th>ACTIONS 2016</th>
<th>ACHIEVEMENTS &amp; RESULTS 2016</th>
</tr>
</thead>
</table>
| **CODE OF ETHICS**              | To detect all violations of our Code of Ethics.                                  | - Rollout of new dilemma workshop.                                           | - 50% of concerned employees have taken the new e-learning training module.  
|                                 |                                                                                  | - Launch of new e-learning training module.                                  | - 100% of all commercial goods business partners signed the Code of Ethics.  
|                                 |                                                                                  |                                                                               | - Investigated and closed 39 incidents of potential non-compliance. These led to action in 26 cases.                                                                                                                                |
| **SUSTAINABILITY COMMITMENT**   | To move beyond compliance and promote sustainability performance at our business partners and further down in the supply chain. | - Launched and rolled out Sustainability Commitment to all of our business partners. | - 100% of all commercial business partners signed the Sustainability Commitment.  
|                                 |                                                                                  | - Extended rollout of the SIPP to our first tier business partners.           | - 100% of our first tier business partners have implemented the SIPP methodology.  
|                                 |                                                                                  | - Extended rollout of the SIPP to selected second tier business partners.     | - Second tier business partners accounting for 56% of our production volumes have implemented the SIPP methodology.                                                                                                           |
| **HUMAN RIGHTS POLICY**         | To continuously ensure human rights are an integral part of relevant processes.   | - Updated our HR due diligence process for existing production markets.        | - 100% of new retail markets (no new production markets) assessed for human rights and environmental risk and impact.                                                                                                               |
|                                 |                                                                                  | - Updated risk assessment for new and existing materials to further integrate human rights perspective. |                                                                                                                                                                                                                                                                                           |
|                                 |                                                                                  | - Conducted annual review of our salient issues. See more in How We Report chapter p. 113. |                                                                                                                                                                                                                                                                                           |
|                                 |                                                                                  | - Conduct regular country risk assessment for potential new retail and production markets. |                                                                                                                                                                                                                                                                                           |
| **ANIMAL WELFARE AND MATERIAL ETHICS** | To source animal-based raw materials in a way that meets tough requirements and that is fully traceable. | - Provided regular training to our internal and external stakeholders on our animal welfare policies. |                                                                                                                                                                                                                                                                                           |
|                                 |                                                                                  | - Appointed a full-time manager that will promote, train and ensure compliance of our wool standards internally and with business partners throughout our value chain. |                                                                                                                                                                                                                                                                                           |
|                                 |                                                                                  | - Introduced the standard to our supply chain, establishing relationships further down our supply chain including the farm level to make sure our supply chain is ready for RWS-certified wool. |                                                                                                                                                                                                                                                                                           |
| **CHEMICAL RESTRICTIONS**       | To guide and support our facilities to phase out restricted chemicals used in production (i.e. zero discharge of hazardous chemicals) by 2020. | - Conducted nearly 44,500 chemical tests together with our business partners to ensure compliance with our Restricted Substances List (RSL). |                                                                                                                                                                                                                                                                                           |
| **SECURITY POLICY**             | The H&M group must be a place where customers and staff feel safe.               | - Measured our status by completing store audits in all stores/brands worldwide. | - Completed 8,930 safety and security store audits worldwide, reaching a compliance level of 85%.  
|                                 | To achieve a yearly compliance status of 85% for safety and security standards in our stores. | - Developed a new, more comprehensive scoring system to calculate safety and security standards – still focusing on safety, loss prevention and information security. | - Every store had at least one store audit.  
|                                 |                                                                                  |                                                                               |                                                                                                                                                                                                                     |

*STANDARDS & POLICIES*
Standards & Policies

Introduction

Our vision for a sustainable fashion industry guides everything we do. This vision is underpinned by our sustainability strategy, which defines the steps we need to take as an organisation to achieve our goals. Our sustainability standards and policies are an essential component because they communicate our operational framework and make sure we work in a sustainable way.

Our sustainability standards and policies help us avoid, mitigate or remediate negative impacts and enhance positive impact. This is particularly important in countries where laws and regulations fall short of our own standards and requirements. Whenever relevant and available, we refer and comply to international standards and widely-recognised initiatives related to the topic, such as ILO Conventions or the UN Guiding Principles on Business and Human Rights.

When we do business ‘the H&M way’ we do so ethically, honestly and responsibly, and we continually encourage our suppliers and other business partners to do the same.

Another important part of our management is the SIPP (our Supplier Impact Partnership Programme), which we use to manage our supplier relationships and enable them to aspire to greater sustainability performance.

As well as guidance, these standards and policies also help us address material risks and opportunities in a consistent way. It is with our standards and policies that we are setting the bar and defining what kind of company we want to be.

For more information on our material issues and how we defined them, see p. 110. We have grouped the key sustainability standards and policies most material for this report into the areas below, see more on p. 112.

HOW WE DEVELOP OUR STANDARDS AND POLICIES

We have a set process in place for developing our standards and policies. First, we identify a need, risk or opportunity, which is done either via an internal or external source. We then develop a standard in response with the help and input of experts and relevant stakeholders from inside and outside our business. Next, we create an implementation plan for the new standard, as outlined in the section below. All of our standards are regularly reviewed and updated.

Occasionally, we work with partners to develop external standards, such as our collaboration with the Textile Exchange on the Responsible Wool Standard.
Standards & Policies

How we work with our standards and policies

We are continuously working to integrate new learning and develop our standards and policies. This helps us work in a sustainable way, reduces our negative impact and where possible, enhances our positive impact.

Whenever we implement a standard or policy, we create a tailored strategy for making sure it has been done so correctly and effectively. Our follow-up methods therefore vary per policy or standard. When we discover non-compliance, we take action; our response depends on the issue and severity of the breach.

The content of the sustainability standards and policies, except for the social policies described in this chapter, are owned by the Global Sustainability team who also coordinate different policies and oversee their implementation. The Global HR team is responsible for the social policies and oversees implementation and follow-up. It is the responsibility of relevant local business functions to follow up and take any required action. There is also a dedicated person for each standard/policy that is responsible for the implementation and updating the standard/policy whenever needed.

Another system that helps ensure our standards and policies are upheld is our grievance reporting mechanism. Internally, we have an open-door principle that encourages employees to talk to managers to solve issues. We ensure every employee has access to a formal grievance procedure. Any grievances that cannot be solved locally are escalated to the senior management of the H&M group or raised through the global grievance email address.

We also have a whistleblowing system for anyone to report serious cases of corruption suspicions or violations of our business ethics.

We believe it is important to be accountable and transparent, so we report any findings through the right channels and to relevant stakeholders. All relevant information is shared through our sustainability report, which also includes our human rights reporting.
Standards & Policies

Our sustainability standards and policies overview

THE H&M GROUP
CODE OF ETHICS
OPERATIONS
- Tax Policy
- Advertising Policy
- Global Security Policy
- Privacy Policy
- Whistleblowing Policy
GLOBAL SOCIAL POLICIES (HR)
- Global Compensation and Benefits Policy
- Global Grievance Policy
- Global HIV/AIDS Policy
- Global Diversity, Inclusiveness and Equality Policy
- Global Non-Discrimination and Harassment Policy
- Global Health & Safety Policy
- Global Labour Relations Policy

BUSINESS PARTNERS
CODE OF ETHICS
SUSTAINABILITY COMMITMENT
CHILD LABOUR POLICY
MANUFACTURING RESTRICTED SUBSTANCES LIST (MRSLS)
SANDBLASTING POLICY

HUMAN RIGHTS POLICY

MATERIALS/PRODUCTS
ANIMAL WELFARE AND MATERIAL ETHICS POLICY
RESTRICTED SUBSTANCES LIST (RSL)
PVC POLICY
COTTON BAN FOR UZBEKISTAN/TURKMENISTAN BAN/SYRIA

We can group our main sustainability standards and policies into three categories: our own internal operations, our supply chain, and our products and material use. Our business activities connect with human rights in internal operations and across our value chain, either through business partners or in connection to the material and/or processes used to make our products. Below, we describe our main and most significant sustainability policies and standards. More can be found at sustainability.hm.com.
Standards & Policies

Our Human Rights Policy

Our approach

Respect for human rights is a fundamental part of any successful business. Our business activities and decisions can impact people and their human rights both directly and indirectly, as well as positively and negatively.

These activities and decisions can include everything from the data integrity of customers and how we treat our employees to the raw materials in our products and working conditions in factories.

We have operations and suppliers in countries where serious human rights breaches may occur so we need to be proactive in our protection of them. We want our policies and standards to go beyond our formal, legal responsibilities for human rights to help ensure respect for human rights across our operations and value chain, leading to positive change for the communities and people we touch.

Our approach to human rights is based on the UN Guiding Principles on Business and Human Rights (UNGP) and the recognition that while states have a duty to protect human rights, companies have a responsibility to respect the same. Our Human Rights Policy applies to all entities within the H&M group.
Standards & Policies

Human rights due diligence

Our aim is to ensure that our human rights due diligence is conducted in a systematic and consistent manner and to continuously ensure that human rights is an integral part of relevant processes. This is an important part of our Human Rights Policy and meeting our responsibility to respect human rights in practice, as well as to ensure we act with accountability.

For the H&M group, human rights due diligence is the ongoing process to identify, address (which means to prevent, mitigate and/or remediate human rights risks and impacts connected to our business) and account for how we respect human rights in practice. We integrate multiple processes for our assessment of risks to human rights, for example, risk management and business partner due diligence. Other key components of our human rights management include stakeholder engagement, grievance handling, internal training and external reporting.

Key processes and activities integral to our human rights management include:

- Our process for identifying and reviewing our salient human rights issues.
- Our annual sustainability risk assessment, conducted by all business functions.
- Business partner due diligence prior to entering a new contract.
- Country sustainability risk assessment for both production and retail markets.*
- Supply chain management/business partner follow-up through SIPP material/process/product risk assessment.
- Incident-handling routines with integrated analysis according to the UNGPs.
- Our in-depth training on UNGPs and our Human Rights Policy.

* 100% of new retail markets opened in 2016 were assessed.
In 2016, we updated our material risk assessment process to further ensure that the risk of human rights abuses connected to new and existing materials is identified and addressed. We also further systematised a method to identify and prioritise which human rights issues to address locally in our production markets. The intention is to ensure that local issues that are not currently part of our long-term goals and focus areas are still adequately addressed. This updated process will be put into practice in 2017.
Embedding respect for human rights

Embedding respect for human rights throughout our business activities is about continuously working to put our Human Rights Policy into practice. Our aim is to ensure that a human rights perspective is a natural, integral part of how we operate and make decisions across all business functions. Internal training is a key step in the process of increasing awareness and competence.

We run ongoing in-depth training on human rights, our responsibilities as per the UNGPs, human rights due diligence and handling of cases, situations and incidents with a human rights impact. We prioritise training for key positions and roles, for example, sustainability managers in our production markets and country managers, as well as key business functions such as sustainability department, HR and legal.

Identifying and addressing human rights breaches: Our incident management process

When we identify a case of human rights impact, we respond with our incident management routine. For situations with a human rights impact (that goes beyond what is dealt with through our Sustainability Commitment), we apply a systematic approach to analyse our responsibility according to the UNGPs and apply appropriate measures.* We make sure to integrate what we learn from analysing each situation into our practices going forward.

* See How We Report p. 114 for our salient issues overview and our modern slavery statement here.
Standards & Policies

Stakeholder interview with Shift

Shift is a non-profit organisation that facilitates dialogue, builds capacity and develops new approaches with companies, governments, civil society organisations and international institutions to enable them to implement the UN Guiding Principles.

How are human rights connected to the UN’s Sustainable Development Goals (SDGs)?

Human rights are about the basic dignity and equality of all human beings. They are at the heart of what sustainable development means for people. We cannot achieve the SDGs without respect for human rights.

Why should human rights be at the center of a business strategy to contribute to sustainable development and SDGs?

A company’s single greatest opportunity to contribute to the ‘people part’ of sustainable development lies in advancing respect for the human rights of workers and communities affected by their business.

What are some of the tangible outcomes from the companies that have reported according to the UNGP Reporting Framework since its launch in 2015?

These companies are providing meaningful explanations of how they understand human rights challenges as well as how they are tackling them and making improvements. The reporting process also helps them improve their management processes and stakeholder dialogue.

What else can the H&M group do to increase our positive impact on human rights?

The key to wide-scale positive impact is two-fold: collaborating with others to address systemic human rights problems and scrutinising the company’s own business model and purchasing practices. The H&M group should continue to do both.

Are companies missing out on opportunities when they are mainly focusing on reducing the negative impacts?

When a company takes serious steps to tackle negative impacts in its supply chain it isn’t just ‘doing no harm’. It is realizing an opportunity to empower people, lift them out of poverty or abuse and enable them to enjoy real development while reducing business risk at the same time.
Our Code of Ethics

Corruption is a challenge in many of the markets where we operate. We have a strong anti-corruption programme in place, apply a zero-tolerance policy and take a proactive approach towards preventing corruption.

At the H&M group, we make it a rule to always act with integrity. To make our expectations clear to our employees* and business partners, we have a Code of Ethics for each, which often goes beyond the strictest regulations and legislation in our markets.

We set an expectation of mutual trust and transparency in all of our business relationships. Our Code of Ethics underpins this, as does building awareness, providing education and maintaining a no-gift policy. We accept no gifts of any form from any business partners, regardless of value. This keeps everyone objective when doing business on behalf of the H&M group. We have an open-door policy for reporting any violations of the Code of Ethics.

In 2016, we investigated and closed 39 incidents** of potential non-compliance (2015:33, 2014:30, 2013:36). These investigations led to action in 26 cases (2015:25, 2014:18, 2013:18) of which 11 were terminations and 15 were warnings. This included both colleagues and business partners. We currently have 11 open cases that are still under investigation. Investigations were conducted based on direct reports from our business partners and employees who made use of our open-door policy, complaint procedure and whistleblowing instruments. Most of the cases concerned corruption, requests for money and personal favours as well as conflicts of interest and theft. There were no public legal cases regarding corruption brought against the company or any employees in 2016.**

"By taking a firm line on refusing to accept any kind of contribution or bribery, we aim to encourage others in our markets to share our values."
For employees

Our Code of Ethics (CoE) is the same around the world and is translated into all languages in the H&M group. It secures our position and makes it clear what we expect from employees when doing business on our behalf. It is mandatory for our Board of Directors and senior executives, as well as all employees in contact with business partners, in-house consultants and staff from employment agencies (and similar) to sign our CoE. To maintain this process in a systematic way, signing the Code of Ethics is routine procedure when entering new employment contracts. The Code includes guidance on advantage (i.e. taking bribes or gifts), conflicts of interest, confidential information and company assets.

We also make it mandatory for employees who sign the CoE to undergo either classroom or online training on the Code of Ethics. The training provides a deeper understanding of the Code, including how it relates to daily work and how it helps employees know how to act when representing the H&M group in a business context. To further extend this training, in 2016 we launched both a new e-learning module and a three-hour Dilemma Workshop. The latter involves hands-on practical examples of ethical dilemmas that managers, HR and purchasing staff could encounter. So far, we have trained about 25 ‘master trainers’, who will now train and support other trainers throughout our operations. Thus far, 50% of concerned employees have taken the new e-learning course.

We follow up on reported incidents thoroughly. If a violation is reported, the security department will start an investigation. Anyone who deliberately violates the Code of Ethics will receive a warning and can, in serious cases, lose their employment.

As above, we have a whistleblowing procedure in place whereby potential breaches can be reported confidentially, anonymously and without any risk of reprisal.

For business partners

All of our business partners sign our Code of Ethics. Partners include any business that supplies us with goods and/or services, acts on behalf of our business or has a collaboration with us. Partners include suppliers, vendors, consultants, landlords, agents, service providers and organisations. To date, 100% of our commercial goods suppliers, our biggest group of business partners, have signed our Code and received dedicated training.

We provide training on the Code of Ethics for all new commercial suppliers. This training focuses on our zero tolerance of bribery and corruption, gifts and hospitality as well our position on confidential information and compliance.
Standards & Policies

Our Sustainability Commitment

We launched our Sustainability Commitment (SC) on 1 February 2016. It replaced our Code of Conduct, which had been in place since 1997. With the SC, we want to take our work to support our business partners and their sustainability work to the next level. We want to move beyond compliance and promote sustainability performance at our suppliers and further down the supply chain. The SC is shared by all brands within the H&M group and everyone who has a business relationship with us must sign it if they want to start or continue working with us.*

Over the years, the scope of sustainability issues has grown and with that, so has our sustainability work. The Sustainability Commitment clearly communicates all of the areas we are committed to work on to make our supply chain more sustainable. It also expresses how the H&M group wants to work together with all of our business partners to advance sustainability when it comes to healthy workplaces, healthy ecosystems and animal welfare. We want to grow with business partners who share our values and are willing to work transparently with us to improve their social and environmental performance.

Compliance with the law is fundamental for all businesses, but with our Sustainability Commitment we are saying ‘it doesn’t stop there’. To be successful in the future, we must continuously push beyond compliance to more aspirational improvements. That is why our SC has two levels of performance: fundamental and aspirational.

The fundamental level is the basic compliance level that we expect all business partners to meet. The aspirational level demonstrates where we want to go in the long term through constant improvements and shows that compliance with legal requirements is only the first step in creating a sustainable business. In our performance evaluation, we will reward business partners that commit to and meet their aspirations.

The three major focus areas of our Sustainability Commitment are:

- Healthy workplaces
- Healthy ecosystems
- Animal welfare

Our Sustainability Commitment is complemented by the SIPP, our Supplier Impact Partnership Programme. The SIPP supports suppliers in improving their sustainability performance and helps us monitor and measure suppliers’ compliance against the fundamental and aspirational levels and assess the level of implementation of our Sustainability Commitment.

*We require all commercial business partners, both new and existing, to sign and comply with the SC. As of 1 February 2016, all new non-commercial and service business partners are required to sign the SC. Our existing long-term non-commercial business and service partners are required to sign the SC when they renew their contracts.
Standards & Policies

Supporting our business partners

The SIPP is our Sustainable Impact Partnership Programme. We started using it in 2015 to support our business partners to become more environmentally and socially sustainable. The SIPP represents a shift from a relationship that is focused on compliance to one that is about dialogue, collaboration and progress towards shared long-term goals. By working together, we can drive positive impact in the value chain.

We use the SIPP to assess the sustainability performance of our business partners and to identify ways to support them. The programme brings together our leadership principles of transparency, innovation and reward. It is designed to reward the extra mile, drive business partner ownership of sustainability, encourage performance beyond compliance and show how sustainability can drive business performance.

EMPOWERING BUSINESS PARTNERS

We want our business partners to take ownership of their sustainability performance because we believe it is the best way to achieve long-lasting and sustainable change. The SIPP empowers our business partners to do this.

We use the SIPP to follow up on our business partners’ implementation of both levels of our Sustainability Commitment – compliance and aspiration.* We share the expectations and guidance that will help our business partners aspire beyond meeting the requirements of local laws and international conventions.

When they ‘take ownership’, business partners set their own goals, priorities and focus areas. They provide us with self-assessment data and then act on the results. We work with them to identify areas where the H&M group can best provide support through, for example, capacity building and training.

Our business partners self-report through the SIPP and we validate the results and give them back to the partner. This component of SIPP is closely linked with SAC’s Higg facility modules. We were one of the first brands to incorporate the Higg facility modules** (both environmental and social) into our supply chain. The main advantage of this is that all brands can use them, so business partners only need to complete one assessment rather than several brand-specific ones. This makes factory assessments fairer and more comparable, regardless of the brand.

HOW WE WORK WITH THE SIPP

We use the SIPP to ensure a ‘minimum requirement assessment’, which we physically carry out before starting a relationship with a business partner, and then repeat when a facility is visited as part of our programme (see Becoming a H&M group business partner on p. 103).

A facility is approved after it meets the minimum requirement assessment. Its sustainability performance is then self-assessed annually. Its overall performance is then assessed annually. Its overall performance is then self-assessed annually. Its overall

*Our Sustainability Commitment replaced our Code of Conduct in 2016 and is signed by all of our commercial business partners. **The Higg facility module is part of the Higg Index suite of self-assessment tools which also includes brands and product modules. The facility module is used by manufacturers to measure social and environmental performance in their facilities. ***‘Fundamental requirements’ and ‘minimum requirements’ are similar, but not the same – the former expects a slightly higher level or performance than the latter. We will use the term ‘minimum requirements’ to be consistent throughout the rest of this report.

96% OF FACTORIES ASSESSED BEFORE 1st ORDER PLACEMENT

1,194 MINIMUM REQUIREMENT ASSESSMENTS PERFORMED AT FIRST TIER MANUFACTURING AND PROCESSING FACILITIES

459 DESKTOP VALIDATIONS

1,247 ONSITE VALIDATIONS

80% OF FACTORIES ASSESSED ACCORDING TO THE SIPP METHOD 2016*

*Above numbers are until 30 November 2016 (our sustainability reporting period), however our annual assessment period only ended on 31 December 2016.
performance and country risk assessments, amongst other indicators, will help us to determine the level of validation that is needed for each factory. For high-risk and new business partners, we perform an onsite check at least once a year. If the business partner is low risk (i.e. they achieved a high score on the audit), a ‘desktop validation’ is usually sufficient. This involves checking data and paperwork for anomalies and inconsistencies. We assess each business partner’s capacity to both manage their sustainability issues and track actual performance using environmental and social sustainability metrics.

We have rolled out the SIPP to all of our manufacturing and processing business partners. These units have performed self-assessments or joint assessments, and we have validated the results via desktop and/or onsite visits. For second tier suppliers, we have conducted joint assessments on the component units producing 56% of our production volume. These joint assessments are done with our business partners to educate and create ownership.

As described above, we use the Higg facility modules in our SIPP assessments. Although these modules are up and running, they are still in development. Therefore, for now, we include some of our own sustainability performance (KPI) questions in the assessment to provide a more comprehensive and balanced review.

**OUR SUSTAINABILITY INDEX**

One of the outputs of this assessment is our Sustainability Index (SI). Each factory is given an SI score between 0 and 100 (based on the Higg facility module and our own KPIs) and is then ranked according to their environmental and social sustainability performance.

Since we are currently updating this, we are unable to share aggregated SI scores in this year’s report. However, as we receive scores, we will communicate and further integrate them into our purchasing decisions.

**CAPACITY BUILDING THROUGH SIPP**

Our presence and purpose in our suppliers’ factories goes far beyond assessment. Through the SIPP, the H&M
group also provides capacity building, workshops, training and management systems analysis. Our suppliers are also in contact with other functions at our production offices such as our merchandising and quality departments.

Through these relationships, we encourage our suppliers to develop their own strategies and solutions to challenges, as well as providing incentives to shift impacts from negative to positive ones. This regular presence helps us build long-term mutually rewarding partnerships.

**HOW WE REWARD OUR BUSINESS PARTNERS**

We systematically reward suppliers with sustainability ambitions and good performance with long-term business commitments and growth opportunities. And we offer our best business partners strategic partnerships, which bring mutual benefits such as joint capacity planning up to five years in advance. We have over 3,000 of our colleagues in 21 production offices around the world maintaining close relations with our business partners. Their focus is on building strong, long-term business partner relationships that are characterised by trust and transparency.
Standards & Policies

Becoming a H&M group business partner

Check includes:
- assessment of country risks
- environmental risks
- social risks
- building safety
- legal checks
- quality of output
- capacity check
- minimum requirement assessment (incl. onsite check and validation)

All minimum requirements met?

Signing of Sustainability Commitment, Code of Ethics and others

Full-day sustainability training on our:
- policies
- requirements
- issues
- processes

Full self- or joint-assessment within an agreed timeline

Self- or joint-assessment within agreed timeline

Verification of self-assessment through onsite and/or desktop validation

Sustainability index score

Assess and monitor
- Follow up
- Monitor progress
- Continuous support

Driving change
- Create ownership
- Develop plan of action
- Provide support through capacity building programmes

End
Standards & Policies

Stakeholder interview with our business partner

How long have you been a H&M group partner?
We started processing some partially prepared products back in 2000, so we’ve been working with the H&M group for 16 years. Today, between 70% and 80% of our total output is specifically produced for the H&M group brands.

What value does social dialogue bring to your factory?
Social dialogue facilitates communication between workers and managers and the H&M group has helped us see the value of this. Social dialogue leads to increased profit margins, customer satisfaction and happier, more productive and loyal employees. Through communication, we are learning how to solve problems together.

How has the H&M group supported you in achieving this?
The H&M group provided lots of training for our workers to help them understand their responsibilities and their rights, and how social dialogue can help them. The H&M group also arranged for third-party consultants to visit our factory and give onsite guidance. As a result, our workers have successfully elected worker representatives and know how to approach them with problems. In the long run, our factory will become more productive, which will increase our profits and drive down costs.

How do you think this will help you in the future?
The H&M group is helping us understand the importance of sustainability and how social dialogue is a part of this. We have a growing understanding of sustainability issues and this approach is starting to spread throughout our factory. Although we make mistakes, we know the H&M group will help us understand how to correct them ourselves, so that we can continue to be partners for a long time.

Name Lu Yue Hua
Title General Manager
Organisation Suzhou Wanli Knitting Co., Ltd, a supplier to the H&M group
Standards & Policies

Animal welfare and material ethics

We believe that animals are entitled to humane treatment and to having their basic needs met. Our Animal Welfare Policy outlines our responsibility to source animal-based raw materials in a way that meets tough requirements and is fully traceable. All of our suppliers must meet high standards of animal husbandry and fulfil our animal welfare requirements.

Our Sustainability Commitment requires all relevant suppliers to follow our animal welfare and material ethics requirements. Any product that involves animal-based materials and merchandise must follow a checklist of strict routines and instructions to ensure that the policy is being followed. We regularly train any merchandisers that work with suppliers when it comes to compliance and traceability documentation. For example, we have introduced the new wool standard to our supply chain and established relationships further down our supply chain including the farm level to make sure our supply chain is ready for responsible wool standard certification.

We also train our suppliers in our animal welfare and material ethics policy – both as part of the onboarding process, and through refresher courses. We conduct random bi-monthly checks to ensure that compliance and traceability documentation is being collected and verified for each order.

“We believe that animals are entitled to humane treatment and to having their basic needs met.”
Chemical restrictions

Our chemical restrictions are, as a minimum, always based on the highest legal standard in any of our sales countries, as well as on information from authorities, NGOs and scientific reports. Our Restricted Substances List is one of the most comprehensive in the apparel industry.

We have separate restriction lists for our various product groups. These include packaging, apparel, cosmetic products, candles, aerosols and toys. Our Manufacturing Restricted Substances List (MRSL) focuses on chemical use in factories. The Restricted Substances List (RSL) is focused on chemicals found in finished products. We have conducted nearly 44,500 chemical tests together with our business partners to ensure compliance with our RSL.

In line with our ambition to implement a clean factory approach (i.e. zero discharge of hazardous chemicals) in our supply chain by 2020, we will guide and support our facilities in phasing out restricted chemicals used in production by setting up specific timelines.

When suppliers sign our Sustainability Commitment, they are also committing to comply with our chemical restrictions, including our MRSL and RSL. This means it is the supplier’s responsibility to assure compliance with our restrictions and we expect our suppliers to implement it into their supply chain and with subcontractors.

Read more on p. 48 and online here. For more details on other sustainability policies and/or standards visit our website at sustainability.hm.com.
Social policies

We are present in many markets around the world. We are expanding rapidly and recruiting new employees every day. Our success depends on our people.

Our social policies, such as our Global Policy on Diversity, Inclusiveness and Equality and our Global Non-Discrimination and Harassment Policy, are founded on our respect for human rights and on UN and ILO conventions, amongst others. They set the minimum expectations for the H&M group and complement our company values. These policies contain clear directions that help managers and employees to meet daily business needs, understand how to work and act towards business partners and create fair and equal working conditions in safe and healthy workplaces.

Our global policies set the minimum standard regardless of local legislation where we operate. Whatever gives the greatest protection for all colleagues is always the guiding principle.

Global Security Policy

The H&M group must be a place where customers and colleagues feel safe and our goal is to achieve a yearly compliance status of at least 85% compliance annually with safety and security in our stores.

The 2017 goal for the global store audit, which consists of safety, loss prevention and information security, is 85% compliance. In 2016, we completed 8,930 store audits and the global store audit result was 85%. The safety area result of the global store audit was 87% compliance across all stores and brands. We have identified employee training as the area with most opportunity to improve our compliance rates. Training our employees includes how to work safely, prevent losses and comply with local legal safety training demands and we are working with HR to improve this further in 2017.