H&M GROUP

MODERN SLAVERY STATEMENT

Financial year 2016/2017
H&M group

H&M group is one of the world's leading fashion and design companies and has eight independent fashion brands: H&M, COS, Weekday, Cheap Monday, Monki, H&M HOME, & Other Stories and ARKET, our latest addition to H&M group, launched in 2017. Each of these brands has its own unique identity but they are united by a passion for fashion and a drive to dress customers in a sustainable way.

We want to make fashion and design 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.

H&M group brings together more than 171,000 colleagues working for the eight 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 2017, we welcomed approximately 10,000 new employees and we have 4,739 stores in 69 markets and provide online services in 43 markets. For more information about H&M group, its organisational structure and group relationships, see About us and Annual Report.
A value chain approach

When we talk about our value chain, we mean the full range of activities it takes for us to bring our products to market – from the design idea and choice of material, through processing and manufacturing, distribution and sales, and consumption including disposal and recycling. In other words, our whole supply chain and our own operations.

Forced labour has been 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 are most prominent upstream of the supply chain, and are often linked to specific raw materials and processes. But there is also a potential risk connected to internal operations in connection with staff outsourcing. We do recognize that the risk of modern slavery exists, in various ways, in all countries and sectors and across value chains, and therefore it is relevant for any company to understand and address this risk in its supply chain as well as its own operations. See our Sustainability Report 2017 for more information about the risks and impacts identified throughout the value chain, and how we address these, as well as full disclosure on our salient human rights issues and related strategies and actions (see the chapters Vision and strategy and How we report).

As per ILO Convention 29, forced labour is defined as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily” and in addition to being a serious violation of fundamental human rights, exacting forced labour from people is a criminal offence under domestic law. Both adults and children can be victims of forced labour. It can be exacted from them by state authorities, private enterprises or individuals, and can occur in all types of economic activities and in every country.

Migration around the world has increased and is ongoing, and this group are consequently more vulnerable and exposed to various risks, including a higher risk of exploitation. According to the International Organisation For Migration (IOM), “the increase in international migrants has been evident over time – both numerically and proportionally – and at a greater rate than had been anticipated by some.”

The ILO forced labour definition encompasses “traditional practices of forced labour, such as vestiges of slavery or slave-like practices, and various forms of debt bondage, as well as new forms of forced labour that have emerged in recent decades, such as human trafficking” also called “modern-slavery” to shed light on working and living conditions contrary to human dignity.

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1. The human rights at risk of the most severe negative impact through the company’s activities and business relationships. UN Guiding Principles on Business and Human Rights Reporting Framework
2. C029 - ILO Convention concerning Forced or Compulsory Labour
4. ILO What is forced labour, modern slavery and human trafficking?
Modern slavery is a comprehensive term used in the Modern Slavery Act 2015 and covers slavery, servitude, forced and compulsory labour, and human trafficking. 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 crimes are prevalent and occur in all parts of the world and economies, and affect all sectors and industries, and are unfortunately observed in all types of economic activities – and in every country.

We believe that a commitment to respecting human rights and ensuring human rights due diligence must be systematic and ongoing, and needs to be a fundamental part of any business – just to begin with. As stated in the UN Guiding Principles on Business and Human Rights, we believe our responsibility extends throughout the value chain and hence the risks identified need to be prevented and mitigated, and their actual impact remediated. The risks to, and impact on, human rights are often complex, and consequently not always easy to manage effectively in isolation. Potential risks and impacts might also be identified upstream in the supply chain, where the leverage to influence and address the issue in a substantial way is very limited for a single actor. For these reasons, we place a strong emphasis on collaboration to increase our leverage and hence generate a bigger impact and greater change. For many of the identified risks and impacts, we work closely with our industry peers, business partners, global and local stakeholder organisations, and external human rights experts to more effectively address the issues, and thus improve our capacity to respect and uphold human rights principles in the value chain. More information on our partnerships and collaborations can be found in our Sustainability Report 2017.

Our policies and commitments

H&M group 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 (UNGP) through its Human Rights Policy. Our Human Rights Policy also covers modern slavery, as defined in the Modern Slavery Act 2015, since it is linked to human rights stated in the Universal Declaration of Human Rights. In addition to our Human Rights Policy, we have specific, mandatory requirements for all our business partners, which are required 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”. Our Sustainability Commitment also states that child labour is not accepted. To underline the importance of this requirement, we have a specific Child Labour Policy stating our requirements and expectations, should child labour be found. All business partners are continuously trained in and kept informed about our commitments and policies and their content.

H&M group employees are continuously trained in our policies, including those related to human rights, and our company values. Specific e-learning courses on sustainability-related themes are also available to our employees via a web-based platform. More about training, our culture and values can be found on our website and in The H&M Way. In addition, training courses are customized for different roles and functions. In-depth training in the UN Guiding Principles on Business and Human Rights, human rights due diligence, and the implementation of our Human Rights Policy is customized for key roles and functions within the group. More about internal training related to human rights and modern slavery conducted in 2017 can be found below.

9. UN Guiding Principles on Business and Human Rights 10. Universal Declaration on Human Rights

Our sustainability standards and policies*

* A list of our policies can be found at sustainability.hm.com
Our policies and commitments guide our approach to managing human rights and our aim is to ensure that human rights due diligence is carried out systematically and consistently as an integral part of all relevant processes. Ensuring this is of great importance in fulfilling our obligations to respect human rights in practice and act with accountability.

For H&M group, human rights due diligence is an ongoing process of identifying, addressing – meaning prevention, mitigation and/or remediation – and accounting for how we respect human rights in practice. Our processes, including risk management processes, business partner due diligence, stakeholder engagement and grievance handling, and specific internal training in our approach to human rights, all contain a clear component that deals with identifying and assessing risks to human rights and defining actions to address these. Together, these elements serve as the basis for our human rights management, illustrated below.
We work to ensure a human rights perspective in all relevant processes. Certain processes are critical for our human rights due diligence and hence integrate human rights comprehensively:

IDENTIFYING OUR SALIENT HUMAN RIGHTS ISSUES
This is the process of identifying the human rights at risk of the most severe negative impacts connected to our operations and supply chain. In 2015, H&M group implemented a comprehensive process involving both internal and external stakeholders in order to identify our salient human rights issues and since then (in 2016 and 2017) we have conducted annual reviews to determine their enduring relevance. This process supplements our materiality analysis in the area of human rights with an understanding of risks to people.

ANNUAL SUSTAINABILITY RISK ASSESSMENT CONDUCTED BY ALL BUSINESS FUNCTIONS
All business functions assess their sustainability risks, including risks to human rights, annually in order to ensure the existence and adequacy of prevention and mitigation plans. Sustainability risks are then aggregated and fed into the corporate risk process.

DUE DILIGENCE ON POTENTIAL BUSINESS PARTNERS
In line with H&M group’s Purchase Policy and 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. Questions are customized to integrate relevant risks associated with the sector and type of purchase.

COUNTRY SUSTAINABILITY RISK ASSESSMENT
All potential new retail and production markets are thoroughly assessed before deciding to set up operations. The sustainability risk assessment includes both an environmental and a social perspective. Stakeholders (global, and local when possible) are consulted and involved in reviewing the findings, providing additional input, and help to guide us in actions to address critical issues. Similar in-depth assessments have also been conducted for our existing production markets considered to be high risk from a sustainability perspective. Furthermore, the sustainability risks related to our production countries are reviewed annually.

SUPPLY CHAIN MANAGEMENT AND MONITORING OF BUSINESS PARTNERS
We focus on building strong long-term relationships that are based on trust and transparency. All our business partners need to comply with our Sustainability Commitment and Code of Ethics, and in exceptional cases do we agree to not have these documents signed. Production units for products of H&M group must meet our minimum requirements, which are ascertained via an assessment prior to production.

To ensure that our minimum requirements are met, including but not limited to the absence of child and forced labour, and to ensure that we monitor the implementation of these requirements in our Sustainability Commitment for Business Partners, it is crucial for us to know where the production/manufacturing of our products takes place. Consequently, unauthorised subcontracting to units not audited and approved by H&M group is strictly forbidden. Should it occur, it would seriously damage our credibility and have commercial consequences. To ensure that our production takes place in audited and approved units, we keep track of 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.

Currently, our audit and monitoring programme covers 100% of first tier manufacturing units, including processing units, as well as second tier component suppliers of fabric and yarn corresponding to approximately 60% of our total production volume. Continuous follow-up of our business partners’ implementation of the Sustainability Commitment is an important risk management and assessment measure. Since 2013, we have published our supplier list. For all our suppliers of commercial goods, we apply our Sustainability Impact Partnership Programme (SIPP), which monitors performance on a broad range of social and environmental issues, and measures management systems within sustainability areas using the Higg Index. This is an approach that is aimed beyond standard compliance and captures sustainability performance in relation to relevant social and environmental aspects, as well as driving ownership. We are also committed to
rewarding good business partner performance. Our other business partners, for non-commercial goods and services, are also subject to regular monitoring of compliance with the requirements in the Sustainability Commitment, and these include our warehouse and logistics solutions partners and store construction contractors/sites. This is driven by each business function.

HUMAN RIGHTS DUE DILIGENCE PROCESS IN PRODUCTION MARKETS
This is the annual process of identifying human rights risks and impacts related to our production markets, and prioritizing according to the severity and likelihood. The process includes perspectives on the materials used in our products, the type of manufacturing that takes place in the market, supplier performance data from SIPP, and issues raised by stakeholders as well as an assessment of the broader context in the country. This process is key in informing our goal setting process and consequently, prioritized issues are either addressed in local goals or through other actions.

MATERIALS RISK ASSESSMENT
In 2016, we strengthened the risk assessment we conduct on the materials used in our products to more comprehensively integrate an assessment of associated risks to human rights. This assessment is conducted on all new materials and its aim is to also re-assess all existing materials – according to priority. The results of these assessments guide us in determining potential preventative, mitigation and remediation measures to ensure responsible sourcing of materials. The materials with specific sourcing requirements are outlined in our Animal Welfare and Material Ethics Policy. This policy was reviewed in 2017 and will be re-launched in 2018. Our long-term aim 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 2017 in the chapter entitled 100% Circular & Renewable.

INCIDENT MANAGEMENT
For situations and cases with a human rights impact – which go beyond what is covered by and dealt with in our Sustainability Commitment – we apply a systematic approach to analysing our responsibilities under the UNGPs and determining appropriate remediation measures. This specific analysis of human rights impacts is integrated into our existing routine for handling cases and incidents.

Various internal policies are in place to prevent violations and guide our actions. Our Global Grievance Policy aims to ensure that all employees within H&M group have a channel for putting forward grievances and access to an efficient procedure for the handling of violations of our social policies. In 2017, key internal social policies related to human rights were reviewed, updated and re-launched with supplementary guidelines for their implementation. The next steps involve reviewing and updating the monitoring processes and measures.

CONTINUOUS TRAINING OF BUSINESS PARTNERS AND EMPLOYEES
See OUR POLICIES AND COMMITMENTS

STAKEHOLDER ENGAGEMENT
Often, improving issues in the value chain requires a collaborative approach because on their own, individual stakeholders lack sufficient leverage to generate substantial and sustainable improvements. We therefore seek to join forces with stakeholders such as our peers, suppliers and business partners, NGOs, trade unions, expert organizations and many others to collaboratively address and improve the sustainability of our industry. Additionally, we continuously invite stakeholders to inform us and provide feedback on our efforts in order to further improve our strategies and programmes. Read more about our partnerships and collaborations in our Sustainability Report 2017 in the chapter entitled How we report and in Stakeholder Engagement.

ACTING ON IDENTIFIED RISKS AND IMPACTS
Together with partners or on our own, we engage in programmes, projects, initiatives and activities to address identified risks and impacts. In some cases, it is about prevention and mitigation, and in other cases about remedial measures and work towards systemic change. Read more about our sustainability work in our Sustainability Report 2017.
Below are some examples of modern slavery, forced labour and child labour risks identified in the value chain, ongoing efforts to address these, and relevant updates for the financial year 2016/2017:

### Addressing risks and impact

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<tr>
<th>VALUE CHAIN STEP</th>
<th>RISKS AND IMPACTS</th>
<th>ONGOING EFFORTS</th>
<th>UPDATE 2017</th>
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<tbody>
<tr>
<td><strong>Raw materials</strong></td>
<td>The risk of forced labour and child labour connected to specific raw materials and sectors, for example agriculture, in specific countries</td>
<td>- Ban on cotton from Uzbekistan, Turkmenistan and Syria.</td>
<td>- Continued engagement in the Better Cotton Initiative and we were actively engaged in the revision of their standards.</td>
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<td>- Engagement in the Better Cotton Initiative (BCI).</td>
<td>- Started the implementation of our mica strategy and joined the Responsible Mica Initiative (RMI) and took initial steps to be able to map the origin of the mica in our products, and engaged suppliers in awareness training about the issues connected with mica production in India and prepared for information gathering.</td>
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<td>- Goal of full traceability for cotton by 2020.</td>
<td>- Started to develop a priority roadmap for materials to assess. Initiated a re-assessment of cotton, recycled PET and assessed new materials accordingly.</td>
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<td>- Full traceability of our Conscious collection materials (see our Animal Welfare and Material Ethics Policy for more information on the status of and goals for traceability for other materials).</td>
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<td>- Assessment of mica used in cosmetic products to enable us to outline a strategy to address child labour and forced labour in mica production in India.</td>
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<td>- Improved the material-process-product risk assessments for both new and existing raw materials.</td>
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<td>Fabric and yarn processing</td>
<td>The risk of exploitative labour practices in various countries and sectors, for example the risk of forced labour in spinning mills in Southern India, particularly Tamil Nadu</td>
<td>- Since 2013, we have been involved in an ETI initiative addressing exploitative labour practices in Tamil Nadu, India - especially targeting the Sumangali Scheme.</td>
<td>- Our engagement for almost 5 years in the ETI and the Tamil Nadu Multi-Stakeholder Initiative’s (TNNMS) programme continued. The programme has 3 components: 1) a worker peer group programme (WPPGP) in which training related to health and safety and workers’ rights and responsibilities are conducted for mill workers and management; 2) a community outreach programme aimed at educating and raising awareness within communities in which recruitment takes place; 3) a policy and legislative reform effort to tackle policy gaps at industry level. Additionaly, we are exploring the possibility, as a pilot, to enrol some spinning mills in the area in our wage management system programme (WMS) in 2018.</td>
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<td>- 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 spinning mills in South India, particularly in Tamil Nadu.</td>
<td>- Our involvement in the Amsterdam Coalition (AMCO) continued, and during the year we were involved in shaping the work plan for the Initiative.</td>
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<td>- Our monitoring programme covers our most important second tier suppliers (fabric and yarn suppliers), who are involved in making about 60% of the production volume for H&amp;M group. See supplier list.</td>
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<td>- Ongoing, We work to ensure we know where production takes place and enforce the prohibition of the use of undeclared production units through our Sustainability Commitment for Business Partners.</td>
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<td>- All factories producing for us need to pass our audit on minimum requirements prior to being allowed to produce – then the production unit is enrolled in our monitoring programme.</td>
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<td>- Our monitoring programme – the Sustainable Impact Partnership Programme (SIPP) currently covers 100% of first tier suppliers and the second tier suppliers (fabric and yarn suppliers, all involved in making about 60% of the product volume for H&amp;M group. See supplier list and supplier compliance for more information. All new suppliers are trained in the context of our Sustainability Commitment as part of the onboarding process, and then continuously as an integral aspect of monitoring and capacity building.</td>
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<td>- Ongoing. We engage in the Action Collaboration Transformation (ACT) initiative in which brands, purchasing practices is one important workstream for enabling the aim of the initiative, which is to improve wages in the industry by establishing industry collective bargaining.</td>
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<td>- Discrimination and exploitative practices against all workers is explicitly prohibited by our Sustainability Commitment.</td>
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<td>- Specifically, regarding Syrian refugees, we share and stand behind the Ethical Trading Initiative’s (ETI) position on the rights of Syrian refugee workers in Turkey’s garment sector.</td>
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<td>- Expectation and requirement on suppliers to support refugees in obtaining a valid work permit, should a refugee be found working without a valid one.</td>
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<td>- Continued collaboration with NGOs such as ASAM, which has expertise in work permit procedures, and other types of remediation needed for refugees or when interviewing refugee workers in their mother tongue.</td>
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### Addressing risks and impact (continued)

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<td><strong>Product manufacturing</strong> continued from previous page</td>
<td>– In production markets, we work to ensure that migrant workers are entitled to the same social benefits as local employees. In Turkey, we engage in continuous dialogue with our suppliers about our approach to Syrian refugees and how to act responsibly. We are also addressing the issue of the refugee’s situation collaboratively through multi-stakeholder efforts. Our work and progress in this matter is comprehensively reported through our public responses given to the Business &amp; Human Rights Resource Centre (BHRRC).</td>
<td>– Focus during 2017 on strengthening our suppliers’ migrant workers’ management systems to ensure the rights of refugees and other migrants are protected.</td>
<td>– Co-signed a letter to the Turkish government calling for easier access to the labour market for Syrian refugees – April 2017.</td>
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<td>– During 2017 on strengthening our suppliers’ migrant workers’ management systems to ensure the rights of refugees and other migrants are protected.</td>
<td>– On 4 occasions, we organised awareness raising sessions and workshops with external partners such as the ILO, IHKIB, UNCHR, Universal Works and other brands on issues related to the employment of Syrian refugees.</td>
<td>– Held a joint awareness raising workshop with Istanbul Apparel Exporters’ Association (IHKIB) and the International Labour Organisation (ILO) for all relevant suppliers in Turkey.</td>
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<td>– Co-signed a letter to the Turkish government calling for easier access to the labour market for Syrian refugees – April 2017.</td>
<td>– In addition to providing various training courses and capacity building activities for suppliers in all our production markets, our Vietnam sustainability team was trained by the International Organisation on Migration (IOM) in forced labour related issues. It was a train-the-trainer course and consequently, in 2018, the team will conduct the training for our tier 1 and tier 2 suppliers.</td>
<td>– Sessions to build knowledge and capacity were held with business functions such as construction, facility management, accounting and finance, and marketing to discuss and identify risks related to their purchases. The intention is to ensure the due diligence conducted prior to entering a business relationship is fully customised and reflects the potential risks from the legal, financial, environmental and human rights perspectives. This work will continue going forward and will include all business functions doing any kind of procurement.</td>
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<td>– Co-signed a letter to the Turkish government calling for easier access to the labour market for Syrian refugees – April 2017.</td>
<td>– Appointed a project manager to align existing initiatives, and to further develop and implement a monitoring system for business partners of non-commercial goods and services.</td>
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<td>– Co-signed a letter to the Turkish government calling for easier access to the labour market for Syrian refugees – April 2017.</td>
<td>– Continued the dialogue with franchise partners on sustainability related issues and initiated a process to collaboratively assess franchise markets from a more in-depth environmental and human rights perspective, and to identify actions to address gaps and risks.</td>
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<td>– Co-signed a letter to the Turkish government calling for easier access to the labour market for Syrian refugees – April 2017.</td>
<td>– Initiated internships for refugees in some markets. Finding ways to support social integration to help mitigate the risk of possible exploitation.</td>
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<td><strong>Sales</strong></td>
<td>Our policies and guidelines are applied to any employee working directly in our stores and consequently also applies to all outsourced staff. The potential risk of forced labour and human trafficking in sectors encountered by our operations, for example in construction or logistics. These risks arise mainly in connection with staff outsourcing and when migrants and other groups who are at greater risk of being exploited are present.</td>
<td>– The due diligence conducted on potential business partners for H&amp;M group, prior to entering a business relationship, includes questions to evaluate the risks of forced labour and human trafficking along with other relevant social, environmental, legal and financial aspects.</td>
<td>– Sessions to build knowledge and capacity were held with business functions such as construction, facility management, accounting and finance, and marketing to discuss and identify risks related to their purchases. The intention is to ensure the due diligence conducted prior to entering a business relationship is fully customised and reflects the potential risks from the legal, financial, environmental and human rights perspectives. This work will continue going forward and will include all business functions doing any kind of procurement.</td>
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<td>– The due diligence conducted on potential business partners for H&amp;M group, prior to entering a business relationship, includes questions to evaluate the risks of forced labour and human trafficking along with other relevant social, environmental, legal and financial aspects.</td>
<td>– All partners producing our commercial products are continuously monitored with regards to their sustainability performance through SIPP. Follow-ups are conducted on partners within logistics, construction and recruitment but using other methods.</td>
<td>– Appointed a project manager to align existing initiatives, and to further develop and implement a monitoring system for business partners of non-commercial goods and services.</td>
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<td>– The due diligence conducted on potential business partners for H&amp;M group, prior to entering a business relationship, includes questions to evaluate the risks of forced labour and human trafficking along with other relevant social, environmental, legal and financial aspects.</td>
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Additionally, in the financial year 2016/2017, we took the following actions:

- We continued our engagement in the Mekong Club, an organisation that works to “fight the business of modern slavery” by engaging, inspiring and supporting the private sector to take the lead in this fight. During 2017, the Mekong Club has been developing educational films about modern slavery and our aim is to integrate these films into internal training courses going forward, to increase the awareness and understanding of forced labour and human trafficking.

- Further internal training on human rights management and modern slavery was conducted. A full day’s training was held for production Sustainability Managers, and the Global Social Teams based in Stockholm and in Hong Kong. The training was conducted in collaboration with Shift. Training in awareness of modern slavery was also conducted for Sustainability Managers and Human Resource Managers in H&M group’s brands.

- The Human Rights Due Diligence Process for our production markets was conducted, in its updated and strengthened form, in 2017. A process, method and tools for monitoring are now implemented in the production organisation and will continue to be an annual process. All the major production markets have established heat maps of human rights related issues based on severity and likelihood and consequently this perspective is fed into the goal process.

- The Global Human Resources department continuously updates our internal policies, and this was done in 2017 on several polices. Targeted guidelines were also produced to provide increased awareness and support to local HR Managers on certain subjects. Going forward, the Global Human Resources department will conduct a follow-up of the local implementation of these updated policies.

Going forward, we will continue to engage throughout the value chain to ensure we meet our responsibility to respect human rights. We will continue to work systematically, and to ensure that human rights due diligence is conducted in all relevant parts of our organisation and is an integral part of all relevant processes. This implies continued development and roll-out of relevant internal training courses for key roles and functions; ensuring the human rights perspective in relevant processes; systematic monitoring of actions taken and goals set; ensuring the provision of information needed for required external disclosure; and continued engagement with various stakeholders.

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

Stockholm 30th January 2018

Stefan Persson
Stina Bergfors
Anders Dahlvig
Lena Patriksson Keller
Christian Sievert
Erica Wiking Häger
Niklas Zennström
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