

Written evidence submitted by H&M Group (FL0016)

Dear Mr Jones and Ms Ghani,

We hereby enclose our written responses to your letter dated 16th October 2020.

We look forward to discussing our responses with the Committee at the hearing on 5th November 2020.

Yours sincerely,

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FAO: Forced labour in UK value chains inquiry

Business, Energy and Industrial Strategy Committee House of
Commons
London SW1A
0AA

23rd October 2020

Dear Mr Jones and Ms Ghani,

Introduction

H&M Group is committed to complying with all applicable law and regulation, and internationally recognized principles recognizing and protecting human rights across our supply chain. This commitment is clearly stated in our publicly available [Human Rights Policy](#) and our approach is guided by the UN Guiding Principle on Business and Human Rights and OECD Guidelines for responsible business conduct.

As a global business, with a retail and production presence in over 80 markets, we are also required to operate in line with legal and regulatory frameworks, governmental sanctions and other restrictions in all markets we operate in.

Please find below our responses to your questions.

1. How will you deliver on your commitment not to source cotton, directly or indirectly, from regions of China where there are allegations of forced labour in value chains?

We strictly prohibit any type of forced labour in our supply chains or operations, regardless of the market or region and we take seriously any allegations made about H&M Group or its conduct.

Our commitment to operating with respect for international standards is reflected in operational level policies and guidelines. We conduct human rights risk and impact assessments and due diligence to identify and address risk to people across our supply chain. This relates to all aspects of our business, including the sourcing of our cotton. The focus of our due diligence is evolving as our business and the external environment changes, and our processes continue to develop as we incorporate learnings from issues, situations, human rights experts and stakeholders.

Feasible and effective due diligence in relation to all our sourcing (including cotton) requires collaboration and engagement in a transparent and honest way at company, industry and government levels. H&M Group is a member of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and NGOs, that promotes respect for workers' rights around the globe. We recognise the analysis and recommendations outlined in [ETI's position statement](#).

We only source cotton from sustainable sources including recycled cotton, organic cotton or cotton certified by Better Cotton Initiative (BCI). BCI certified cotton is our largest source of raw material. Owing to the

difficulty in conducting credible due diligence to ensure that cotton had been farmed in line with their standard, BCI took the decision to suspend the licensing of cotton from the region referred to. This means that the suppliers we work with will no longer be able to source BCI cotton from this region.

Given the complexity of global cotton supply chains from farm level, via ginneries, to spinners of yarn, fabric production and finally manufacturing, there is today no solution available to fully trace the origin of cotton used in final products. For reasons of quality and functionality, cotton from different regions, or even countries, is mixed along the supply chain. Together with other brands, retailers and the industry, we are therefore looking to identify and develop scalable solutions for the entire industry to strengthen the traceability of cotton.

To ensure transparency of our supply chain, we have chosen to make public our [supplier list](#) that includes all our suppliers and their manufacturing and processing factories, accounting for all of the own-brand products we sell. Additionally, it includes the names and locations of the 300 most important mills that provide our suppliers with fabrics and yarns, including spinning, tanneries and fabric dyeing and printing. None of the manufacturing factories or mills are based in the region to which your question relates.

2. What other actions are you taking to prevent modern slavery and human rights abuses within your organisation and its value chains?

We do recognise that the risk of human rights abuses, including modern slavery and forced labour exists, in various forms, in all countries and sectors. The risk of forced labour related to our industry is most prominent upstream in our product supply chain and is often linked to specific raw materials and processes. However, there is also a heightened risk connected to staff outsourcing and migrant workers. We handle all of these risks through our due diligence process. We engage with experts and other stakeholders to further strengthen our processes and procedures to prevent forced labour and to address issues in a responsible way.

Our public [Sustainability Commitment](#) outlines our requirements on suppliers and business partners and includes specific provisions addressing forced labour. During 2019 we also developed further processes in regard to the fair recruitment of migrant labour, as outlined in our [Migrant Worker Guideline](#). This guideline, which references our zero tolerance for forced labour, has been shared recently with our supplier partners. We also provide both basic and specific human rights training across our business, tailoring the content for different functions, roles and business partners.

Our [Modern Slavery Statement](#) and our annual Sustainability Report gives a good overview of our approach and actions. Further information about our due diligence process and examples of actions to prevent modern slavery in our supply chain can be found in our responses to questions 4 and 5.

3. What evidence can you supply of compliance with all applicable labour, procurement and anti-slavery laws?

H&M Group is committed to complying with all applicable laws and regulations wherever we operate, and our commitment and approach to operate with respect to internationally recognized human rights is informed by the UN Guiding Principle of Business and Human Rights.

We have chosen to communicate - and transparently report - about our progress and results in many ways including in our [Sustainability Report](#) (see pages 78-79 in the report for 2018/2019) and Modern Slavery Statement which is updated and published every year pursuant to the Modern Slavery Act 2015 and sets out

the steps that H&M Group have taken to address modern slavery in its supply chain – within its own business operations as well as in its supply chain. We refer to our latest [Modern Slavery Statement](#) referring to the financial year 2018/2019.

Further information about how we secure compliance with local legislation and our requirements in our production markets is contained in our answer to question 4.

4. What are your human rights due diligence processes in respect of your workers and value chains?

Again, we refer you to our Modern Slavery Statement.

We conduct human rights due diligence across our supply chain, including but not limited to, own operations, new markets, suppliers and materials. Our approach, informed by the UN Guiding Principle on Business and Human Rights, is adjusted to operational context and risk, business relationships and the nature of our involvement with an impact. The focus of our due diligence is on our identified [salient issues](#), with a special focus on our manufacturing supply chain. Our process continuously develops as we incorporate learnings from issues, situations, human rights experts and stakeholders.

With a diverse and global manufacturing supply chain involving more than 1,700 manufacturing factories around the world employing 1.6 million people, and many more throughout our supply chain, our work to ensure compliance with international human rights and labour standards has been ongoing for many years and is continuous. It is our most fundamental responsibility and essential for our business success.

Our first Code of Conduct and audit program was launched in 1997 and we have since worked together with our suppliers to ensure that every workplace provides safe, fair and equal working conditions. In 2016, our Code of Conduct was replaced by our Sustainability Commitment which defines both requirements in line with international standards, and sustainability ambitions we look to share with our supplier partners. The Sustainability Commitment is signed by all suppliers before entering a business relationship with the H&M Group.

Today our Sustainable Impact Partnership Programme (SIPP) includes various activities, such as audits and training, to manage compliance with our requirements, but also joint programmes and efforts with our supplier partners to build leading environmental and social practices in our manufacturing supply chain. More details about how we work with supply chain management and an overview of SIPP activities can be found in our [Sustainability Report](#) in the section about Supply Chain Management (page 78 of the 2018/2019 report).

We recognize that some issues across our supply chain are complex and systemic to the markets where we operate. It therefore requires collaboration with a range of parties to address and remediate these issues. Over the years our approach has shifted from one solely focussed on individual issues, to one that also focuses on driving structural change in collaboration with others. Examples include our work to strengthen workplace dialogue and industrial relations, as well as our work on wages in markets where we operate.

Many of the individual issues we may face, including modern slavery and forced labour, sit at the sharp end of a spectrum of labour rights concerns and we believe in the holistic and joint approach we describe here. More information on our approach, learnings and challenges can be found in our publicly published [Sustainability Report](#) in the section about Fair Jobs (page 59-63, 66-71 of the 2018/2019 report).

To manage the relationship and business with our global supply chain, the H&M Group has almost 3,000 employees working on the ground in production markets, including dedicated resources that focus on compliance, capacity building and collaboration on global and local level. Many of the suppliers and factories we work with today have been business partners for many years, and to be measured successfully against

our own sustainability agenda we also put a lot of effort into our own responsible business practices towards our supplier partners.

5. What action does your organisation take - beyond publishing a Modern Slavery Statement and including contractual obligations with suppliers - to ensure modern slavery compliance in your value chain?

We strictly prohibit any type of forced labour in our supply chain, regardless of the market or region. All allegations made about H&M Group or its conduct are investigated. If we discover and verify a case of forced labour at a supplier or business partner we work with, we will take immediate action and, as an ultimate consequence, look to terminate the business relationship. Each situation is handled on a case by case basis and actions may include additional assessments, enhanced processes and engagement with external experts and stakeholders.

Our strong belief is that in most cases continuous engagement on principles of responsible business, coupled with preventive and mitigating actions is the best way to contribute to lasting progress and to achieve the best outcome for those who are impacted. Potential risks and impacts might also be identified upstream in the supply chain, where one company on top of complex supply chains – such as our company – has very limited leverage to influence and address the issue alone.

For these reasons, we place a strong emphasis on collaboration and work closely with our industry peers, business partners, global and local stakeholder organisations, and external human rights experts to most effectively address issues towards positive outcomes for people across our supply chain.

As an example, in the wake of the war in Syria, an increased risk of forced labour and informal employment of Syrian refugees was identified in Turkey. Through collaboration with local experts, industry peers and our supplier partners we jointly influenced systemic barriers that made it difficult for supplier factories to employ refugees legally, educated factory management about the risk of forced labour associated with this vulnerable group and also the business opportunities when approached in a responsible way. Through joint efforts on industry level, we prevented and mitigated the risk of forced labour, whilst simultaneously helping the formal employment of several hundreds of Syrian refugees in our supply chain in Turkey.

In 2019 we also signed a Memorandum of Understanding with the International Organisation of Migration (IOM), to work towards fair recruitment of migrant workers across our supply chains, where for example recruitment fees can put migrant workers in a position of forced labour. The initial collaboration has resulted in an updated Foreign Migrant Worker Guideline, education of staff across production markets, and a baseline assessment to identify risks and inform a market by market strategy to strengthen our work to ensure fair recruitment of migrant workers across our supply chain.

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