

Hennes & Mauritz AB (H&M)

TICKER
OME:HM.B

MARKET CAPITALIZATION
US\$28 billion

HEADQUARTERS
Sweden

DISCLOSURES
UK Modern Slavery Act: Yes
California Transparency in Supply Chains Act: Yes

TARGETS
Yes

OVERALL RANKING

9 out of 37

(2018 Rank: 7 out of 43)

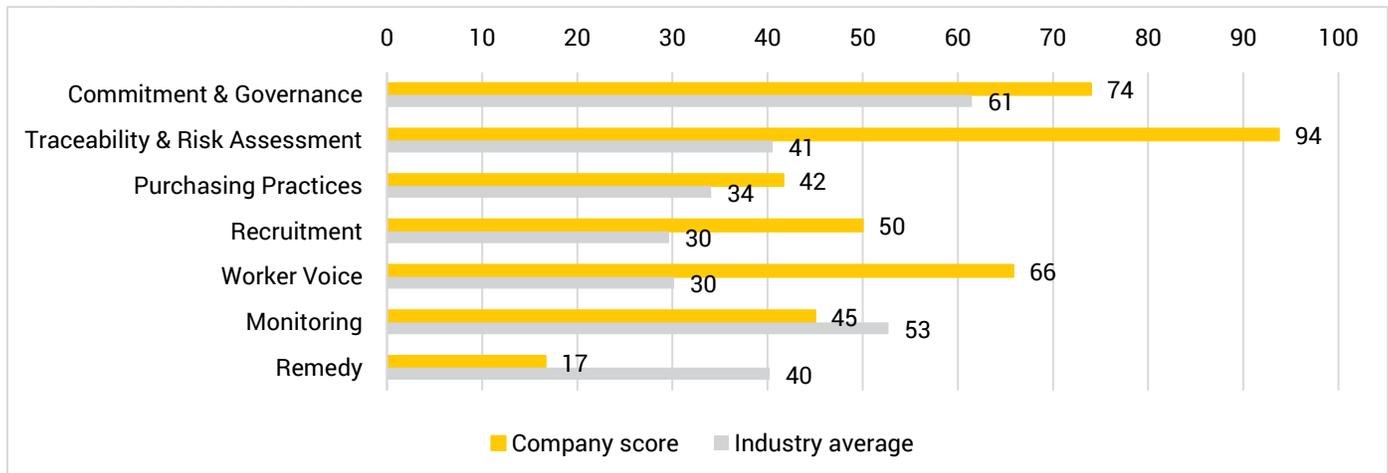
OVERALL SCORE

55 out of 100

SUMMARY

Hennes & Mauritz AB (H&M), the third-largest apparel retailer in the world,¹ ranks 10th out of 37 companies, disclosing more information on its forced labor policies and practices than its peers on all themes except Monitoring and Remedy. H&M has improved by disclosing migrant worker guidelines, data on its grievance mechanism, further examples of engagement with its supply chain workers, and signing a Memorandum of Understanding with the International Organization on Migration (IOM). However, as it has not improved across themes, its rank has decreased by two places. H&M is among those achieving the highest score on the theme of Traceability & Risk Assessment. It discloses for example efforts to trace its supply chains, in particular in relation to cotton, and to engage various stakeholders. However, it does not disclose the steps it has taken to address the risks of alleged Uyghur forced labor across its supply chain tiers and raw materials. KnowTheChain identified two additional allegations of forced labor in H&M's supply chains. H&M discloses engaging with rightsholders in one case. However, it does not disclose remedy outcomes for workers in either case. H&M has an opportunity to improve on the themes of Recruitment, Worker Voice, and Remedy.

THEME-LEVEL SCORES



KEY DATA POINTS
SUPPLIER LIST

Yes

IMPROVEMENTS OF FREEDOM OF ASSOCIATION

No

HIGH-RISK RAW MATERIALS²

Cashmere, cotton, viscose, and others

DATA ON PURCHASING PRACTICES

Yes

REMEDY FOR SUPPLY CHAIN WORKERS

No

HIGH-RISK SOURCING COUNTRIES

China, Ethiopia, India, and others

LEADING PRACTICES

Traceability & Risk Assessment: H&M discloses a supplier list with the names and addresses of its first- and second-tier suppliers, as well as its 300 “most important” yarn mills, representing 67% of its spend. It also discloses data points on its suppliers’ workforce, including the gender ratio and union presence at factories. H&M discloses multiple human rights risk assessment processes, the forced labor risks it identified in different tiers of its supply chains, and steps taken to address the risks identified.

Purchasing Practices: H&M reports that labor costs are ringfenced in its negotiation process so that these workers’ wages are not subject to negotiation. It discloses that it has a Supplier Relationship Management system, which it notes ensures that suppliers receive production plans well in advance; for the best-performing suppliers, it plans “order capacity for as long as 3-5 years ahead.” It also discloses that its payment times are 30 days (including during the Covid-19 pandemic).

Freedom of Association: H&M states that it has a Global Framework Agreement with the global trade union IndustriALL that includes expectations for H&M’s direct suppliers and their subcontractors. It states that it has established “National Monitoring Committees” in many production countries to oversee the implementation of the agreement and collaboration with local stakeholders—and to support industrial relations. The company discloses the number of issues that have been raised with national monitoring committees as well as how many have been resolved. Issues raised include wage revision, discrimination and harassment, freedom of association and collective bargaining, and working hours. It also discloses having industrial relations and workplace dialogue programs in countries where there are regulatory constraints on freedom of association.

NOTABLE FINDINGS

Stakeholder Engagement: H&M states that it has engaged with the ministry of labor in Ethiopia for better enforcement of the country’s labor laws and that this has contributed to the development of a “Minimum Wage Board.” It states that it has been actively involved in the Ethical Trading Initiative’s Tamil Nadu Multi-Stakeholder Initiative addressing exploitative labor practices in Tamil Nadu’s spinning mill industry and that it is involved in the Amsterdam Coalition (AMCO), an initiative between brands and supported by the OECD to improve the conditions of workers in spinning mills in South India.

Recruitment Fees: H&M states that it incorporates the [Employer Pays Principle](#) into its supplier code of conduct. It discloses that it signed a Memorandum of Understanding with the IOM to promote ethical recruitment and the protection of migrant workers in global supply chains. It has a pilot project with the IOM to understand the risks and opportunities regarding its supply chains in Myanmar.

Worker Engagement: H&M states that it trains workers on their rights and assists in the democratic election of worker representatives through unions or committees. It states that two of its spinning mill suppliers (comprising four mills in total) are part of the Tamil Nadu Multi-Stakeholder Initiative and H&M's Workplace Dialogue Program. It states that these programs include community outreach aimed at "educating and raising awareness within communities in which recruitment takes place" and a worker peer group program that includes training on workers' rights for both workers and management.

OPPORTUNITIES FOR IMPROVEMENT

Recruitment: H&M may consider providing examples of recruitment fees being reimbursed to workers and offering evidence of the payment of recruitment-related fees by suppliers. It is encouraged to ensure that employment and/or recruitment agencies used in its supply chains are monitored and to provide evidence that it takes steps to ensure that the rights of workers in vulnerable conditions are respected and result in positive outcomes.

Worker Voice: To prevent forced labor in its supply chains, H&M is encouraged to enter into enforceably labor rights agreements. It is further encouraged to provide positive outcomes for workers of its worker engagement programs, including how it improved freedom of association and/or collective bargaining for its suppliers' workers. The company may consider ensuring that effective grievance mechanisms are available and communicate to workers in lower tiers of its supply chains.

Remedy: H&M may consider establishing a process to ensure that remedy is provided to workers in its supply chains in cases of forced labor and disclosing details on this process, such as responsible parties, approval procedures, timeframes, and, crucially, engagement with affected stakeholders. To demonstrate to its stakeholders that it has an effective remedy process in place, the company is encouraged to disclose examples of remedy provided to its suppliers' workers, including with respect to specific allegations in its supply chains.

ENGAGED WITH KNOWTHECHAIN³

Yes ([Provided Additional Disclosure](#)).

¹ BizVibe (12 March 2020), "[Top Clothing Retailers in the World in 2020, Clothing Retail Industry Analysis Factsheet](#)."

² For further details on high-risk raw materials and sourcing countries, see [KnowTheChain's 2021 Apparel and Footwear Benchmark Report](#).

³ Research conducted through November 2020 or through February 2021, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company's positive and negative human rights impact, see the [Business & Human Rights Resource Centre website](#).