

KnowTheChain Apparel & Footwear Benchmark - Additional Disclosure 2020/2021

Company Name:

Date:

Guidance:

- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website. Please see the 'comment text' and 'source' cells in the Excel document for the information we have already reviewed.
- Note KnowTheChain has already undertaken a review of your website. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to (extensive additional disclosure documents that include a comprehensive list of links already reviewed will not be considered).
- [H&M Group additional disclosures have been added in blue](#)

THEME 1: COMMITMENT AND GOVERNANCE

1.1 Commitment

The company:

- (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.

1.2 Supplier Code of Conduct

The company's supplier code of conduct:

- (1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;
- (2) is easily accessible from the company's website;
- (3) is updated regularly, following internal review and input from external stakeholders;
[The H&M Group's Sustainability Commitment is reviewed on a regular basis as the need arises, from changes either in our operating context or in business development. The update in 2016 reflects this process, and we are currently reviewing how to ensure our Sustainability Commitment is applicable to a broader set of business partners, including new partners in a more circular business model.](#)

[Furthermore, we work with policies and guidelines, and in 2019 we launched our Migrant Worker Guideline as a complement to our Sustainability Commitment to be more clear in our requirements in regards to the specific vulnerable positions of migrant workers in relation to forced labor.](#)

- (4) is communicated to the company's suppliers; and
- (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.

1.3 Management and Accountability

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and
- (2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.

Since 2015 the H&M Group has on an annual basis publicly reported on actions taken to prevent and eradicate modern slavery and forced labor from our supply chains in line with, amongst others, the UK Modern Slavery Act. This report is presented, reviewed and signed by Board of Directors. Our [Modern Slavery Statement](#) can be found on our website.

1.4 Training

The company:

- (1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;

The H&M group has been a member of The Mekong Club for several years, and as mentioned in our [Modern Slavery Statement](#), we have made 12 e-learning modules available to raise awareness on forced labor toward all of our production staff and run targeted training toward key staff. We have also conducted training on migrant workers in collaboration with IOM, with whom we formed a partnership in 2019.

- (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and

As stated in our Sustainability Report (p. 78), through our Sustainable Impact Partnership Programme (SIPP) we are building supplier capacity to deliver leading environmental and social practices. Building capacity includes supplier trainings from the time of onboarding the supplier to supporting the supplier through various trainings that help deliver high sustainability performance.

- (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

We continuously seek input from stakeholders and expert to improve our due diligence as noted in [our statement on due diligence](#).

1.5 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and
- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and
- (4) the number of workers per supplier, and one additional data point on its suppliers' workforce (e.g., the gender ratio, migrant worker ratio, or level of unionization per supplier).

2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and
- (2) details on forced labor risks identified in different tiers of its supply chains.

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

- (1) is taking steps toward responsible raw materials sourcing;
- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and

- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process; and
- (2) addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process.

3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;
The ILO core labor standards are included in our [Sustainability Commitment](#) signed by all suppliers as part of our overall contractual relationship with them.
- (2) discloses the percentage of suppliers whose contracts include such standards; and
As no commercial business is started with any supplier before our Sustainability Commitment has been signed, all our supplier contracts include the ILO core labor standards.
- (3) requires its suppliers to integrate such standards into contracts with their own suppliers.

THEME 4: RECRUITMENT

4.1 Recruitment Approach

The company:

- (1) has a policy that requires direct employment in its supply chains;
- (2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and
- (3) discloses information on the recruitment agencies used by its suppliers.

4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and

- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

For cases involving human rights impacts, we apply a systematic approach to analyzing each case and to supports its resolution, as well as to inform our involvement in providing remedy using the UNGPs enabling remedy framework. This specific analysis of human rights impacts is integrated into our existing routine for handling cases and incidents, and we roll out awareness training to colleagues involved in grievance and incident management. Human rights incidents identified at supplier factories are handled in line with our incident management processes, including issuing Letters of Concern in response to severe non-compliances with our Sustainability Commitment. To prevent re-occurrence, we have long-standing monitoring programs to assess progress, incentivizing suppliers that share our ambition for responsible and sustainable business practices through more business and engagement in various programs on local and global level.

4.3 Monitoring and Responsible Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;
- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and [The practice of confiscating identification documents is a violation of our minimum requirements. All minimum requirement violations are reported in in the H&M group's sustainability report 2019 \(p. 78-79\).](#)
- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor). [Minimum Requirements data is published in the H&M group's sustainability report 2019 \(p. 78-79\), which also covers respect for fundamental rights and freedom for supply chain workers in vulnerable conditions](#)

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;
All supplier factories are expected to place our [Sustainability Commitment](#) in the local language in a location in the factory floor which is visible to workers. The H&M group's sustainability commitments are also covered in worker induction programs.
- (2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;
- (3) provides evidence of the positive impact of worker engagement in its supply chains; and
One example could be our work through the National Monitoring Committees (NMCs) established in six key sourcing markets as part of the H&M Group's [Global Framework Agreement](#) with IndustriALL Global Union and IF Metall. The six markets are Turkey, India, Bangladesh, Cambodia, Myanmar and Indonesia. Through the NMCs, we facilitate dialogue between employers and employees to address worker-related issues and promote better working conditions. Cases reported and resolved by the NMCs are reported in [the H&M group's sustainability report 2019](#) (p. 76)
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.
 - a) 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 support employment. Since the start of the war in Syria and following the large influx of refugees we engaged with workers, suppliers and NGOs to work out ways to enable legal employment of refugees and thus prevent these vulnerable groups from ending up in situation of informal work or even forced labour. Several hundred Syrian refugees are now employed via our suppliers in Turkey.
 - b) The spinning industry in Tamil Nadu in India, has since long been a part of our upstream supply chain where we have identified risk and incidents linked exploitative labour practices. We have been engaged in various initiatives over the years. Since 2013, we have been involved in an ETI /TNMS initiative. TNMS Program consist of 3 components: 1) a worker peer group programme (WGP) in which training related to health and safety and workers' rights and responsibilities is 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. The combined approach, including involving people both within the factory walls and in the community, was helpful in understanding the broader context of the issue and has informed our continued engagement in the region.

5.2 Freedom of Association

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;
- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;
- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

5.3 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;
[As stated in the H&M group's sustainability report 2019 \(p. 78\), the validation process involves document reviews, factory visits and management interviews and, when the information does not correspond to document review, are followed by worker interviews. Contact details are shared with workers in connection with the interviews for workers to be able to reach out to our teams.](#)
- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and
- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

THEME 6: MONITORING

6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;
- (3) off-site interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) steps to ensure that suppliers below the first tier are monitored.

6.2 Monitoring Disclosure

As stated in [the H&M group's sustainability report 2019](#) (p. 78), the validation process involves document reviews, factory visits and management interviews and, when the information does not correspond to document review, are followed by worker interviews. Validation of self-assessment results range from desktop validation for low-risk suppliers to onsite checks and third-party verification for high-risk suppliers.

The company discloses:

- (1) the percentage of suppliers monitored annually;
[As stated in the H&M group's sustainability report 2019](#) (p. 78), 100% of our supplier manufacturing units are enrolled in SIPP. 1,596 supplier units undertook SIPP social self-assessment, with 1,281 desktop or onsite validations.
- (2) the percentage of unannounced monitoring visits;
- (3) the number or percentage of workers interviewed; and
- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
- (5) a summary of findings, including details regarding any violations revealed.

THEME 7: REMEDY

7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

As stated in [the H&M group's sustainability report 2019](#) (p. 78), the validation process involves document reviews, factory visits and management interviews and, when the information does not correspond to document review, are followed by worker interviews. Validation of self-assessment results range from desktop validation for low-risk suppliers to onsite checks and third-party verification for high-risk suppliers.

7.2 Remedy Programs / Response to Allegations

A. The company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
The H&M group works with an incident management system which allows us to track all issues raised to our teams and follow them until resolved. Where possible we support and enable a solution to be reached at the individual factory level, whereas in more complex situations we may deem it necessary to play a more leading role and/or involve other parties.
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers; and
- (3) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor.

B.1. If one or more additional allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
The H&M group conducts an annual heat map related to human rights risks, building on the previous year's assessment and validation results, external reports, industry indicators and incident data. With these data we set our goals and activities for global and country level action.
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
Based on external reports or externally reported incidents we take action together with social partners to negotiate and remediate. The H&M Group's role is to facilitate dialogue between trade unions and employers to reach an agreement. One of the tools used for this is the National Monitoring Committees (NMCs) established in six key sourcing markets as part of the H&M Group's Global Framework Agreement with IndustriALL Global Union and IF Metall. The six markets are Turkey, India, Bangladesh, Cambodia, Myanmar and Indonesia. Through the NMCs, H&M representatives alongside trade union representatives facilitate dialogue between employers and employees to address worker-related issues and promote better working conditions. In 2020 there was a total of 23 cases addressed in the NMCs, which is also reported in the H&M group's sustainability report 2019 (p. 76).
- (3) outcomes of the remedy process in the case of the allegation(s); and
In many cases remediation is addressed and agreed upon between the affected parties. These remediations may or may not be publicly reported.
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.
In many cases remediation is addressed and agreed upon between the affected parties. These remediations may or may not be publicly reported.

B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.

NON-SCORED DISCLOSURE

Target Setting

The company discloses measurable and time-bound targets to address forced labor in its supply chains.

Yes/No. Please provide details.

The company reports on progress towards achieving previous targets on an annual basis.

Yes/No. Please provide details.

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Due Diligence on Third-Party Products

Where a company—in addition to own branded products—sells third-party food and beverage products, the company discloses how it assesses and addresses forced labor risks related to third-party food and beverage products.

Yes/No. Please provide details.

High Risk Sourcing¹

Please provide a full list of raw materials present in your supply chains, or alternatively indicate for each of the commodities below whether it is present in your supply chains. Note where a company

¹ Data according to US Department of Labor's list of Goods Produced by Forced Labor website as of September 2020. Accessed October 2020.

* = Risk factors identified based on publicly available sources and discussions with expert organizations.

does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.

Raw Materials

- Bamboo
- Cashmere*
- Cotton
- Rubber (natural)
- Silk
- Viscose*
- Wool*

Sourcing Countries for Apparel & Footwear Supply Chains (garments, textiles, etc)

- Argentina
- Brazil
- China
- Ethiopia
- India
- Malaysia
- Nepal
- North Korea
- Thailand
- Vietnam

Presence of Migrant Workers in Supply Chains

Yes/No. Please provide details.