

Hennes & Mauritz AB

TICKER:
STO:HM-B

MARKET CAPITALIZATION:
US\$ 66 billion

HEADQUARTERS:
Sweden

3 OUT OF 20

Company's Overall Ranking

69 OUT OF 100

Company's Overall Score

Hennes & Mauritz AB (H&M) ranks third in the benchmark, with an overall score of 69 out of 100. Its score is driven by its above-average scores across all themes. H&M is one of the three companies achieving the highest score in the area of traceability and risk assessment and achieves the third-highest score in the area of worker voice. H&M has leading practices in the areas of traceability (it discloses names of its first- and second-tier suppliers), communicating policies to workers (it trains supply chain workers on their rights and on procedures to claim them), and grievance mechanisms (it works with unions and measures effectiveness). The company can improve its performance and disclosure in the areas of purchasing practices, recruitment, and remedy.

THEME LEVEL SCORE

Commitment and Governance	92 out of 100
Traceability and Risk Assessment	100 out of 100
Purchasing Practices	63 out of 100
Recruitment	33 out of 100
Worker Voice	70 out of 100
Monitoring	65 out of 100
Remedy	63 out of 100

LEADING PRACTICES

Traceability

H&M reports that 1,900 factories, about 820 suppliers, and 1.6 million workers make its products. The company discloses a supplier factory list which includes the names, addresses, and sustainability gradings for its first-tier suppliers and its most-important second-tier suppliers. The company aims to update this list every three months. Further, H&M has set the target to achieve full traceability of cotton and to source 100% of sustainable cotton by 2020.

Communication of Policies and Rights to Supply Chain Workers

H&M's sustainability commitment is translated into 18 languages. The company encourages suppliers to be in charge of their own sustainability and have in place employer-employee dialogues. H&M trains suppliers' workers on their rights and the necessary procedures to claim them. For example, in 2015, the company reports it provided training on worker rights for workers and middle managers in 50% of supplier factories in India and 82% of factories in Bangladesh. Further, H&M joined a program



of the Ethical Trading Initiative which aims to empower young female workers in Tamil Nadu's garment and textile sector and includes training on worker rights.

Grievance Mechanism

In addition to having in place a grievance mechanism, H&M provides its contact information to workers in its supply chain so that they are able to report complaints directly to the company. Notably, H&M works with local trade unions as grievance channels, whereby trade union representatives are given business cards to distribute to workers. H&M then follows up on the grievances. H&M monitors the existence and effectiveness of worker-management communication systems, such as grievance systems and effective workers' committees.

NOTABLE FINDINGS

Purchasing Practices

H&M aims to update its purchasing practices to ensure a fair business partnership with its suppliers and to give long-term benefits to workers. H&M aims to ensure that its purchasing practices do not conflict with the requirements of its sustainability commitment and supports suppliers in implementing "fair living wages". The company is committed to reflect wage increases in its pricing where this is needed, and it continues to develop tools to secure this systematically. H&M reports it develops long-term partnerships with key suppliers and negotiates with its suppliers in order to ultimately agree on a fair price.

Worker Empowerment

H&M requires that all of its suppliers respect the right to freedom of association. In cases where this is restricted by law, such as China and Vietnam, the company addresses this directly with its supplier factories as well as on industry and government levels. The company also states that in these situations it works "to empower workers with awareness about their rights at work and to help [its] suppliers establish functioning and democratically-elected workplace representation."

Audit Disclosure

H&M reports the average number of audits per facility as well as the percentage of first-tier suppliers audited per year (80% in 2015). Additionally, the company discloses the overall percentage of compliant suppliers on every element of its audit program, which includes questions on basic worker rights (e.g., freedom to terminate work or same contracts for migrant and local workers) and on home workers. Notably, the company has also begun to include second-tier suppliers in its assessments.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices

While H&M assesses risks of forced labor at potential suppliers, the company is encouraged to also put in place a procurement selection process that considers the capacity of suppliers to meet fluctuating demands to reduce risk of undeclared subcontracting.

Further H&M requires its suppliers to sign its sustainability commitment before placing any orders. The company is encouraged to strengthen its procedures by integrating its supply chain standards addressing forced labor and human trafficking into supplier contracts.

Recruitment

While H&M demonstrates awareness of the risk of exploitation of migrant workers by recruitment agencies and requires suppliers to disclose to them the recruiters that they use, the company is

encouraged to require direct employment of supply chain workers or to require recruitment agencies in its supply chain to uphold workers' rights and audit those agencies.

In addition to its policy requiring that no fees be charged during any recruitment processes in its supply chain, H&M may consider, in the event that it discovers that recruitment-related fees have been paid by supply chain workers, ensuring that such fees are reimbursed.

Remedy

H&M states it is committed to provide remedy when an adverse human rights impact is connected to its activities in its supply chain, and, together with Shift, has developed a process to analyze its level of responsibility and actions for remedy. The company is encouraged to disclose further details on this remedy process (e.g., timeframe for remedying violations, or how violations are investigated) and examples of outcomes of remedy provided to supply chain workers.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes.](#)

