ANNEX D of HCBM SOCIAL and ENVIRONMENTAL PRINCIPLES PAPER

HCBM Social Sustainability Principles Case Study – H&M (Sweden)

Industry of reference: Apparel

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Introduction

In the last decade, companies from all over the world have become more committed to the achievement of more socially and environmentally sustainable business models. In this context many different actors have come to play and a multi-stakeholder collaborative approach towards industry and cross-industry challenges has been adopted in multiple sectors. The work of The Forest Stewardship Council (FSC), The Electronics Industry Citizenship Coalition (EICC) and The Extractive Industries Transparency Initiative (EITI) delivers a compelling example. Furthermore, several Indices have been set up to measure the progresses in the field of social and environmental sustainability of companies from all over the world: the Dow Jones Sustainability Indices, the Ethibel Sustainability Indices, the MSCI ESG Indices and The ‘Global 100 Index’ (an annual project initiated by Corporate Knights) etc.

In the past years, many initiatives have focused in particular on the relationship between Business and Human Rights. The Human Rights Due Diligence project conducted by Norton Rose Fulbright & the British Institute of International and Comparative Law, The OECD’s Global Forum on Responsible Business Conduct, the OHCHR’s Accountability and Remedy’s project, The UN’s Forum on Business and Human Rights that is guided by the Working Group on Business and Human Rights and the work of “the Global Business Initiative on Human Rights” are just a few examples.

The Corporate Human Rights Benchmark (CHRB) is a unique initiative stemming from the collaboration among investors and civil society organisations aiming at creating the first accessible public benchmark of corporate human rights performance. Rather than simply resorting to corporate disclosure to pressure companies away from certain controversial business practices, the CHRB uses the disclosed information
to create a competitive environment for respecting human rights. This approach relies on the fact that, given in particular today’s social media saturation, the reputation of a company that discloses its poor engagement against human rights abuses can be easily worn down. The three industries in focus (Agricultural Products, Apparel, and Extractives) have been selected following multi-stakeholder consultation, considering their high human rights risks, the extent of previous work on the issue and global economic significance. The CHRB follows a specific approach in relation to the scope of each industry covered, the scope of company activities within the value chain, as well as the scope of business relationships considered. The selected 98 publicly traded companies have been chosen on the basis of their size (market capitalisation) and revenues, as well as geographic and industry balance. The architects of the initiative have based its criteria on the U.N. Guiding Principles on Business and Human Rights, adopted in 2011. These criteria also dovetail with other efforts to set sustainability reporting standards, such as those of the Global Reporting Initiative, and sector-specific standards, like the Voluntary Principles on Security and Human Rights. As the CHRB notes, aligning its indicators with the UN Guiding Principles reinforces the importance of the global baseline standard of practice expected from all companies and enables the comparison of companies’ approaches to tackling their human rights challenges over time and across industries. In addition, the CHRB Methodology also takes as its basis certain industry-specific global standards to ensure as relevant, rigorous and credible a ranking as possible when comparing companies within the same industry. The CHRB’s Pilot Methodology is composed of indicators spread across six Measurement Themes with different weightings: a) Governance and Policies, b) Due Diligence, c) Remedies and Grievance mechanisms, d) Company Human Right practices, e) Responses to allegations and, f) Transparency. The indicators in each Measurement Theme follow a set structure, awarding either 0, 1 or 2 points depending on whether the requirements are fulfilled through a review of publicly available information. A company’s score on a Measurement Theme is calculated by adding the number of points awarded in the respective Theme and dividing it by the maximum number of points available. The scores on all Measurement Themes are then weighted to produce a company’s total CHRB score. Companies may be assessed against more than one CHRB industry, where they derive at least 20% of their revenues from the relevant CHRB industry. Eight companies fell into both the Agricultural Products and Apparel industries. In this case the companies have been assessed both in terms of how they manage their Agricultural Products and Apparel business. Moreover, the employers subject to the Benchmark will be evaluated not only on the human rights performance in their own operations but also in the supply chain. There are some aspects that contribute to the human rights performance of companies, but which are not be covered in the 2017 Benchmark in order to focus on key issues, maintain a manageable scope and to learn lessons from the inaugural results (Geography, Consumption of Products and Services, Positive Impacts and Collective Impacts, such as climate change).

This methodology demands other companies, investors, civil society and governments to look carefully at the broad bands within which the performance of all the 98 assessed corporations is evaluated rather than at the overall score only. As highlighted by the CHRB, the results of the initiative will always be a proxy for good because there are no fundamental units of measurement for human rights performance and the relevant assessments are more subjective than objective. Furthermore, the Benchmark only captures a snap shot in time but encourages to focus on how scores improve over time rather than upon how a company compares to other companies in the same industry today. Finally, the CHRB is based only on publicly available information from company websites, documents, and additional company input to the CHRB disclosure platform meaning that additional non-public information has not been considered in the 2017 results.
This paper presents the performances of four high ranking European companies from the Agricultural Products and Apparel sectors as assessed in the CHRB’s 2017 scoresheets in order to identify examples of good practise on human rights, which can be relevant for the implementation of the HCBM. The paper does not report the scores given for each performance indicator, Measurement Theme or the overall scores achieved by the companies. This paper merely outlines how the companies meet the requirements under those indicators according to the CHRB 2017 scoresheets, meaning that only tools and strategies assessed therein are going to be considered. Newer or updated material that does not feature in the CHRB 2017 scoresheets will be excluded from this paper.

This information is from the following websites:


https://www.corporatebenchmark.org/guide-benchmark
Case Study – H&M (Sweden)

Industry of reference: Apparel

Policy Commitments: Indicators

Commitment to respect human rights

The Company states the following in the Sustainability Report 2016 and Human Rights Policy: ‘H&M is committed to respecting fundamental human rights in our operations, our value chain, and in the communities where we operate. We seek to avoid complicity in human rights abuses and to use our influence to promote the fulfilment of human rights.’ The Company is a signatory to the UNGC and is ‘committed to the guidelines developed’ by it.

It also states that its ‘approach to human rights is based on the UN Guiding Principles on Business and Human Rights’, and that it ‘looks to those human rights defined in the Universal Declaration of Human Rights’ and that the ‘approach to its business operations is informed by the ILO International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, The Children’s Rights and Business Principles, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact, to which we are signatories.’ However, this information is not sufficiently clear or a comprehensive commitment to the UNGPs, OECD nor the UDHR.

Commitment to respect the human rights of workers

The Company is a signatory to the UNGC and is 'committed to the guidelines developed' by it. The Company has made public an Agreement between H&M and the Union Network International where it states that it is part of the Company's corporate policy to support and respect the fundamental human rights of freedom of association and collective bargaining, ban on child and forced labour and all types of discrimination in all H&M’s workplaces. This commitment extends to its suppliers and their subcontractors.

The Company states the following in 'The H&M way' document which has been prefaced by the CEO: 'Health and safety at work We want to maintain pleasant and sustainable working environments throughout our operations. This includes ensuring that you as an employee have a safe workplace. H&M takes preventative measures to ensure the long-term safety and good health of our employees. We encourage our employees to report accidents or unsafe working conditions to their manager.'

The Company states, in the Code of Conduct, the following steps in relation to suppliers: 'Ordinary working hours must not exceed the legal limit and shall never exceed 48 hour per week. Overtime hours must not exceed the numbers allowed by the law of the country. If such limits do not exist, overtime work should not exceed 12 hours per week.' In addition, the Company also includes a health and safety requirements in the Code of Ethics – Business Partner which includes building safety, fire safety, accidents and first aid and working environment.
Commitment to respect human rights particularly relevant to the apparel industry


In addition, the Company states in its Sustainability Commitments the following: 'Our approach is based on upholding ILO Conventions 138 and 182, ILO Recommendations 146 and 190, United Nations Convention on the Rights of the Child, The Children’s Rights and Business Principles'

Further, on water and sanitation, the Company states in the Position Statement on the Human Rights to Water and Sanitation: 'We are committed to ensuring that water is used responsibly throughout the company’s value chain. H&M does this to minimize risks in our operations, to protect the environment and to secure the availability of water for people.'

Commitment to engage with stakeholders

The Company states in the Stakeholder Engagement Overview: 'H&M is closely connected with communities around the world in which our stores are located and those that host our supplier factories.'

'The consultations and input received from our stakeholder engagement enabled us to determine our salient human rights and honed the content. The input from our stakeholder consultations have been taken forward for next year’s review of our salient human rights work. Salient human rights are addressed as part of our ongoing sustainability program, but the process itself and the input from stakeholders will inform and further sharpen our strategies going forward'

Commitment to remedy

‘We recognise our responsibility to provide for remedy when an adverse human rights impact is connected to our activities.’ The Human Rights Policy also indicates the following: "H&M is committed to respecting fundamental human rights in our operations, our value chain, and in the communities where we operate. We seek to avoid complicity in human rights abuses and to use our influence to promote the fulfilment of human rights. Our commitment to operating with respect for human rights is reflected in all aspects of H&M’s business operations and is integrated in our company policies and relevant procedures. We aim to identify, assess, and manage the human rights impacts of our business activities based on the operational context, our leverage and business relationships". No evidence found, however, of commitment to not obstruct access to other remedies nor commitment to collaborate in initiatives that provide access to remedy (although it reports engaging with stakeholders including collaboration through Global Framework Agreements).

In the Code of Conduct the Company commits to working with suppliers to remedy adverse impacts: ‘H&M’s audits aim to identify gaps between the requirements in this Code of Conduct and the actual practices and conditions in the workplace. The audited company will usually be given the opportunity to propose and implement a corrective action plan. H&M will follow up the implementation of the plan and verify that violations have been remedied. A supplier failing to undertake sustainable improvements within the stipulated time frame would seriously damage its relationship with H&M. Unwillingness to
cooperate or repeated serious violations of H&M’s Code of Conduct and local law may lead to reduced business and ultimately termination of the business relationship with H&M.’

**Commitment to respect the rights of human rights defenders**

The Company states the following in the Sustainability Report 2015: ‘In 2014 we entered into a partnership with Civil Rights Defenders. We are contributing with SEK 4 million over a period of three years to support their work for human rights globally. One example of projects supported in 2015 is the Civil Rights Defenders’ Natalia Project, which aims to protect human rights defenders at risk.’ The Company also has a Harassment Policy regarding employees.

However, this is not enough evidence of the Company's commitment to zero tolerance against attacks, threats and intimidation against human rights defenders.

**Board Level Accountability: Commitment from the top**

The Human Rights Policy is approved by H&M's CEO but does not provide evidence of Board level responsibility for human rights.

**Board Level Accountability: Board discussions**

In the Sustainability Report 2016 the Company states the following: ‘Our Head of Sustainability, Anna Gedda, reports directly to our CEO and holds the responsibility for the implementation of our sustainability strategy together with the executive management team.’ ‘Twice a year, our CEO, CFO and Head of Sustainability review the progress made. With the same frequency, our Head of Sustainability reports performance against key sustainability indicators to our Board of Directors.’

**Incentives and performance management**

According to the Board's proposal to the Annual General Meeting 2016 the CEO, country managers, certain senior executives and certain key individuals are included in a bonus scheme. The size of the bonus per person is based on the fulfilment of targets in their respective areas of responsibility. These targets also include measurable targets for sustainability. However, it is not clear if this include Human Rights issues.

**Embedding Respect for Human Rights in the Company’s culture and management systems: Indicators**

**Responsibility and resources for day-to-day human rights functions**

In the Sustainability Report 2016 the Company states the following: ‘Our Head of Sustainability, Anna Gedda, reports directly to our CEO and holds the responsibility for the implementation of our sustainability strategy together with the executive management team. We have a total of around 200 colleagues who work with sustainability as their core task. At our head office, our sustainability department consists of more than 20 people responsible for developing strategic directives, reviewing progress, and supporting and advising all relevant departments on the development and implementation of prioritised Conscious Actions based on continued stakeholder engagement, business intelligence and innovation research.'
'Twice a year, our CEO, CFO and Head of Sustainability review the progress made. With the same frequency, our Head of Sustainability reports performance against key sustainability indicators to our Board of Directors.'

'About 130 people from our sustainability teams operate from 21 locally-based production offices around the world. They work directly with our suppliers to support them in complying with our Sustainability Commitment and help to make our supply chain more sustainable.'

**Incentives and performance management**

The Company has identified the following as salient human rights issues that apply to its business (see Sustainability Report 2015): 'Fair Living Wage, Health and Safety, Forced Labour, Discrimination and Harassment, Child Labour, Freedom of Association and Collective Bargaining, Social Security, Land Rights, Working Hours and Access to Water.' In the Minutes from the Annual General Meeting 2016, it is indicated that 'The CEO, country managers, certain senior executives and certain key individuals are included in a bonus scheme, which depends on the achieving measurable targets for sustainability'. However, it has not indicated whether these targets include any of the human right issues disclosed by the Company.

**Integration with enterprise risk management**

The Company states the following in the Sustainability Report 2015: 'Our human rights policy commits us to conducting human rights risk and impact assessments before entering new production or sales markets.'

“In such assessments, we carefully analyse, for example, the human rights situation in a market and ultimately, if our presence is likely to make a positive difference for the people in this community.”

“There are a number of risks associated with sustainability issues in practically every sector. These sustainability risks may be associated with factors such as climate change, dwindling natural resources, working conditions, corruption and politically unstable sourcing markets. H&M works actively to support social development, to run its operations ethically, to be climate smart and to use natural resources responsibly. Among other things, H&M uses its size and influence to help move this development in the right direction and to work for long-term improvements in human rights and the environment.”

**Communication / dissemination of policy commitment(s) within Company's own operations**

The Company is, according to the Sustainability Report 2015, rolling out a sustainability training programme for all its colleagues. However, is still being implemented ('By 2015 35% of our colleagues around the world had undergone training'). No evidence found, however, of communication of commitments to all its own workforce, including in local languages.

**Communication / dissemination of policy commitment(s) to business relationships**

The Company requests its business partners to sign and commit to comply with its Sustainability Commitment policy in order to enter into business. Suppliers are also covered by this policy.

'Before placing any orders, all suppliers must sign our Sustainability Commitment (which replaced our Code of Conduct on 1 Feb 2016) and undergo an initial self-assessment. If they pass, sustainability experts in our production offices conduct a thorough on-site verification to assess if the factory lives up to our minimum requirements and shows good potential to further improve their sustainability performance.
Only then orders can be placed. This is the case whether a factory is owned directly by one of our suppliers or if it is subcontracted. By 2015, 97% of our supplier factories were assessed and verified before an order was placed (2014: 96%).

Training on human rights

The Company states in the Sustainability Report that it has developed in collaboration with stakeholders a human rights training programme based on UN guiding Principles. ‘In 2015 the training was conducted for top management in both our sales offices and our production offices as well as key roles in functions such as Sustainability, HR and Legal’. ‘The train aims to provide insight into actual and potential human rights impacts and equip our colleagues with hand-on knowledge and tools to assist in the implementation of our human rights policy’. The Company also reports being rolling out a sustainability training programme for all its colleagues: ‘Areas covered in the training are for example our sustainability commitment and human rights, sustainably sourced materials and water. The training system has been implemented in most of our markets’. (See Sustainability Report 2015)

Monitoring and corrective actions

‘To ensure that H&M products are of good quality and are produced under good working conditions, there is a programme of continual follow-up and knowledge building to ensure compliance with H&M’s Code of Conduct.’

The Company indicates that 80% of its 1st tier supplier factories were audited during 2015.

The Company also reports the percentage of compliance by specific issue and examples of corrective actions in the context of the Bangladesh Accord on Fire and Building Safety. However, no evidence found of the Company describing its formal corrective action processes nor describes the extent to which it uses external or third-party auditors. (See Sustainability Report 2015)

Engaging business relationships

‘Our human rights policy commits us to conducting human rights risk and impact assessments before entering new production or sales markets. This goes for all production markets that we have added since 2013’.

“In such assessments, we carefully analyse, for example, the human rights situation in a market and ultimately, if our presence is likely to make a positive difference for the people in this community.”

“We are clearly committed to working together on improvements rather than terminating relationships. However, if a supplier repeatedly does not comply with our minimum requirements, we will, for example, reduce order volumes as a warning. As a last resort, we terminate our business relationship”.

Finally, the Company describes how it works with suppliers to improve its performance: “We are now investing even more resources into helping our suppliers improve their management systems and train workers and management in order to strengthen their in-house capacities”. This includes various areas, from recruitment systems that help prevent discrimination to effective grievance management and workplace safety”. The Company discloses examples of work carried out with suppliers." (See Sustainability Reports)

Framework for engagement with potentially affected stakeholders
The Company has identified many stakeholders that can potentially be affected by its operations including customers, communities, colleagues, suppliers and their employees, policy-makers and NGOs. In its 'Engaging with our Stakeholders' document the Company lists the different means through which it engages with all different stakeholders, e.g.: interviews, interaction with NGOs and governments, anonymous supplier survey, etc., on key issues such as labour rights and supply chain working conditions, particularly wages for supply chain workers.

In addition, the Company states the following regarding its engagement with stakeholders: 'Throughout the year, we hold regular dialogues with our different stakeholders. We do this on a day-to-day basis, through regular roundtables on a global and local level, focused stakeholder reviews and strategy consultations, dedicated surveys, media analyses and participation in several multi-stakeholder initiatives, as part of our strategic business intelligence, and through our wage advisory board.' (See Stakeholder Engagement Overview)

**Human Rights Due Diligence: Indicators**

**Identifying: Processes and triggers for identifying human rights risks and impacts**

“An important part of reporting our human rights work in line with the UN Guiding Principles Reporting Framework, is to determine the salient human rights issues associated with our business activities and business relationships. This thorough process took place during 2015. The starting point was to determine who we impact through our business activities throughout our value chain, especially recognising those who have greater challenges in fulling their human rights, such as migrant workers, children and in some place’s women. The result of this mapping included both potential and actual human rights impacts. Amongst these we identified those which were salient by applying the criteria severity of the potential impact and the likelihood that this impact will occur.”

“Our sustainability program continues to aim to address all our potential human rights impacts, including both salient and others. Consultations regarding the method and input to the identified salient human rights issues were conducted both internally and externally with close to one hundred people. Internally consultations were undertaken through workshops and dialogues on all levels of the company and across functions. Externally, consultations were held with experts, organisations, academia and local stakeholders.”

In addition, assessment of the salient human rights issues is triggered, for example, before entering a new market and states that engagement is done frequently, on a regular basis. (See Sustainability Reports)

**Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)**

“Our human rights policy commits us to conducting human rights risk and impact assessments before entering new production or sales markets. This goes for all production markets that we have added since 2013 (Ethiopia, Kenya, Myanmar) ... In such assessments, we carefully analyse, for example, the human rights situation in a market and ultimately, if our presence is likely to make a positive difference for the people in this community ... Risk assessments do not only help us to identify risks and impacts that are particular to the local context ... They also help us find opportunities for continuous improvements in our work. For example, when entering the South African market, we quickly identified the need to address
the issue of the high prevalence of HIV/AIDS. Together with partners such as ILOAIDS, we took this local learning further and formed a new global policy that guides us in how to address HIV/AIDS issues amongst our colleagues around the world.”


**Integrating and Acting: Integrating assessment findings internally and taking appropriate action**

In 2015, the Company reviewed the outcomes of the identification of the salient issues process 'based on stakeholder feedback gathered with the release of our 2014 report as well as stakeholder engagement processes throughout the year and feedback from internal stakeholders. We found that our materiality matrix was still widely valid but performed a few minor adjustments to the scaling of some focus areas. We also updated our materiality assessment taking the UN Guiding Principles on Business and Human Rights and a new assessment of our salient human rights issues, as well as the new UN Sustainable Development Goals into account. Following this, we added a number of different aspects to this our focus areas, namely land rights, access to clean water and harassment.' (See Sustainability Report 2015)

The company does not however describe how it sets about agreeing on action plans for each of the salient risks identified, although it does give a number of examples of action plans that have been adopted in particular areas.

**Tracking: Monitoring and evaluating the effectiveness of actions to respond to human rights risks and impacts**

The Company provides an example on monitoring effectiveness actions taken regarding human rights. It indicates in its Sustainability report that, despite its policies require respect to freedom of association, markets often lack sufficient systems: ‘In China and Vietnam, freedom of association is restricted by law, whereas in Cambodia, union representation is common but negotiations often result in conflicts’. Following this issue, the Company indicates that: ‘In order to achieve fair and functioning industrial relations, we are addressing the issue directly with our supplier factories as well as on the industry and government levels. Freedom of association is a clear requirement. In 2011 we made a major shift in the way we assess compliance with this requirement in our audit programme. Instead of asking if a worker’s right to freedom of association is respected, we now measure if trade unions are actually in place. Factories with trade union representation or a collective bargaining agreement are now rewarded with higher ICoC’ (Code of Conduct Index)’. (See Sustainability Report 2015)

**Communicating: Accounting for how human rights impacts are addressed**

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

**Remedies and Grievance Mechanisms: Indicators**

**Grievance channels/mechanisms to receive complaints or concerns from workers**
The Company states the following: 'For many years, we have had a global complaint policy in place that provides guidance and protection for anyone who, in good faith, lodges a complaint. So far, any complaints that have been registered have been followed up market by market.

To gain better knowledge of the extent and content of such complaints and to share best practice amongst our markets, we set up a global grievance mechanism in 2015. It is accessible for anyone working at H&M and follows a neutral solving process.' (See Sustainability Report 2015)

Moreover the Company has a Whistleblowing channel in its website for “its employees" whose scope does not mention anything specific on Human Rights but it mentions discrimination, health and working conditions.

**Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities**

The whistleblowing channel is publicly available.

**Users are involved in the design and performance of the channel(s)/mechanism(s)**

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

**Procedures related to the mechanism(s) / channel(s) are publicly available and explained**

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

**Commitment to non-retaliation over concerns/complaints made**

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

**Company involvement with State-based judicial and non-judicial grievance mechanisms**

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

**Remedying adverse impacts and incorporating lessons learned**

The Company provides an example in page 51 of the Sustainability Report: "Freedom of association is a clear requirement in our Sustainability Commitment. In 2011, we made a major shift in the way we assess compliance with this requirement in our audit programme. Instead of asking if a worker’s right to freedom of association is respected, we now measure if trade unions are actually in place. Factories with trade union representation or a collective bargaining agreement are now rewarded with higher ICoC scores (s. 2.3). Where unionisation is restricted by law or where systems are insufficient, we work to empower workers with awareness about their rights at work and to help our suppliers establish functioning and democratically- elected workplace representation. The aim is that these will develop into mature collective bargaining systems. Beyond the factory level, we work with governments and other partners such as unions to promote the required legal frameworks and develop the concept of solution-oriented negotiations amongst both employers and worker representatives."
Enabling Factors and Business Processes: Indicators

Living Wage (in the supply chain)

Although the Company includes fair living wages in the Sustainability Commitment (which is applicable to all business partners including suppliers), it does not describe how these practices are taken into consideration in the identification and selection of suppliers.

The Company is developing a ‘Fair living Wage’ strategy in order to achieve a ‘fair living wage across the textile industry’. In the Sustainability Report 2015 it explains how it is involved with suppliers and trade unions.

Aligning purchasing decisions with Human Rights

'Ensuring that our purchasing practices and the prices we pay our suppliers enable them to pay fair living wages to their workers is a central element of our Fair Living Wage strategy. We are committed to reflect wage increases in our pricing where this is needed and we are constantly developing our tools to secure this systematically.'

On its website, the Company also indicates the following regarding suppliers’ compliance with policies: ‘We want our suppliers to be good partners to H&M. We reward suppliers that show strong improvement, in terms of business performance and compliance with our Sustainability Commitment, with stable orders or higher order volumes. Our commitment to suppliers is clear – through working with H&M, we want them to grow and develop further’ (See Sustainability Report 2015, Material Ethics Policy and Responsible Purchasing)

Mapping and disclosing the supply chain

The Company has a Supplier list webpage where it discloses information about suppliers and their location. Further, the Company states the following: 'Besides the names and addresses of our direct supplier factories and any subcontracted factories they might use, you can now also find the most important second-tier suppliers. These are fabric and yarn suppliers-to-our-suppliers that are involved in making about 50% of all products within the H&M Group.'

The Company publishing of suppliers covers nearly 100% of its production volume, and even factories that are subcontracted by its suppliers for specific tasks such as washing, embroidery or printing. Excluded from this list are only factories that are currently undergoing a phase-out period according to the Company's responsible phase-out standards. (See Sustainability Report 2015)

Age verification and corrective actions (in the supply chain)

“Child labor is not accepted. No persons shall be employed at an age younger than 15 (or 14 where ILO Convention 138 makes an exception) or younger than the legal age for employment if this is higher than 15. All legal limitations regarding employment of persons below the age of 18 shall be followed. They should be protected from any hazardous work, night shift and any kind of work that might hamper their development or impose any physical harm.

Necessary measures shall be taken to prevent that no one under the legal age of employment is recruited. The employer shall develop, or participate in, and contribute to policies and programs which provide transitional arrangements for any child found to be performing work in the workplace to enable her or
him to attend and remain in quality education until no longer a child. The best interest of the child should always be applied in consultation with the child’s parents and/or guardian and the child it concerns in a way conducive to the child’s age and healthy development.” (See Child Labour Policy)

“Since 1997 H&M’s Code of Conduct has laid down the social and environmental requirements that each supplier must comply with if they are to work with H&M. In addition to continuously monitoring suppliers’ compliance with the code, H&M also sees it as its responsibility to support the suppliers in developing further within the area of sustainability.” (See Annual Report 2015)

Debt bondage and other unacceptable financial costs (in the supply chain)

The Company states in its Sustainability Commitment that: 'Forced, bonded, prison or illegal labour is not accepted. If contracted labor 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 wages is withheld.'

“Since 1997 H&M’s Code of Conduct has laid down the social and environmental requirements that each supplier must comply with if they are to work with H&M. In addition to continuously monitoring suppliers’ compliance with the code, H&M also sees it as its responsibility to support the suppliers in developing further within the area of sustainability.” (See Annual Report 2015)

Restrictions on workers (in the supply chain)

The Company states in its Sustainability Commitment that: '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 wages is withheld.'

“Since 1997 H&M’s Code of Conduct has laid down the social and environmental requirements that each supplier must comply with if they are to work with H&M. In addition to continuously monitoring suppliers’ compliance with the code, H&M also sees it as its responsibility to support the suppliers in developing further within the area of sustainability.” (See Annual Report 2015)

Freedom of association and collective bargaining (in the supply chain)

The Company states in the Sustainability Commitment the following: “All workers, without exception or distinction, have the right to join or form a trade union of their own choosing and to bargain collectively. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace. Where the right to freedom of association and collective bargaining is restricted under national law, the employer encourages and does not hinder the development of parallel means for independent and free association and bargaining.”

However, the Company does not explicitly mention prohibition of intimidation, harassment, retaliation and violence against union members/representatives.

The Company states in its Sustainability Report 2015 that “During 2015, we signed a unique Global Framework Agreement between H&M and IndustriALL. We are joining forces to promote sustainable industrial relations and collective bargaining globally and improving the dialogue between employers and employees at H&M supplier factories.”
Fatalities, lost days, injury rates (in the supply chain)

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

Women’s rights (in the supply chain)

CHRB has not identified any documents in the public domain which provide all the information required to meet this indicator.

Working Hours (in the supply chain)

Although the Company states in the Sustainability Commitment the following: 'Working hours in a week, as well as overtime hours, shall comply with national law, ILO Conventions or collective agreement, whichever affords the greater protection for workers, and be defined in contracts. In any event, employees shall not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every 7-day period. The total hours in any 7-day period shall not exceed 60 hours. Overtime shall be voluntary, not exceed 12 hours per week and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.', it does not explicitly mention respect for minimum breaks. The Company also reports work carried out as part of its ‘Fair Living Wage roadmap’ and in a document in response to Human Rights Watch. However, it seems that reduction in overtime is related to the change in purchasing practices rather than work carried out by suppliers.

Responses to serious allegations

Case 1: Indicators

Area of allegation: Excessive hours in the supply chain

Headline: Forced overtime in Cambodia

Date: March 2015

(For references see relevant section in Appendix.)

Summary

Human Rights Watch (HRW) published a report entitled ‘Work Faster or Get Out’: Labour Rights Abuses in Cambodia’s Garment Industry. It was based on seven weeks of interviews in Cambodia conducted between November 2013 February 2015. A total of 270 garment workers from 71 factories were interviewed in Phnom Penh, Kandal, Kampong Speu, Kampong Cham and Prey Veng provinces. The factory was alleged to be direct supplier to the Company and was subcontracting the workers to other smaller factories to work overtime.

The report referred to factory 1, a direct supplier to the Company which subcontracts to many smaller factories. HRW alleged that team leaders in factory 1 told workers they should work on Sundays, their day off, at an unauthorised subcontractor to help meet production targets and supplement their incomes. HRW alleged that in their Sunday and public holiday work at the unauthorised subcontractor, workers
produced garments for the Company, but without overtime pay. The report also claimed that workers at factory 1 were not permitted to refuse excessive overtime, including on Sundays and public holidays, when they had rush orders, and were not paid overtime wage rates.

**The Company has responded publicly to the allegations**

The Company has responded in detail to the allegations through a written response to HRW. It also met with the NGO in Bangkok in September 2014. HRW reported that the Company had acknowledged that it ‘could take more responsibility for remediation in unauthorised subcontractor factories, including seeking to register the subcontractor with Better Factories Cambodia (BFC) and providing technical expertise for remediation.’

Note: The Company is deemed to have responded specifically and in detail to the allegations. As the Company has been unable to provide a response on the specific case, because the factory has not been identified by HRW, a response to the specific issues raised is sufficient.

**The Company has appropriate policies in place**

The Company has a full policy on working hours for suppliers.

The Company updated its Code of Conduct in February 2016 and replaced it with its Sustainability Commitment. Signing the Sustainability Commitment is mandatory for any supplier or business partner before entering a business relationship with the Company. With regards to working hours, the Commitment states: ‘employees shall not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every seven-day period. The total hours in any seven-day period shall not exceed 60 hours. Overtime shall be voluntary, not exceed 12 hours per week and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

**The Company has taken appropriate action to address the alleged impacts**

The Company said it conducts a full audit every two years in factories that produce for the brand, at which time it purchases relevant BFC factory monitoring reports and feeds the findings into its audits.

It also stated: ‘We have asked for information about the factories mentioned in the report to be able to follow-up, but Human Rights Watch has not been willing to share that information. Our staff in place in Phnom Penh has met with HRW last week and we have an ongoing dialogue.’ The Company reports that in May 2013, it held a workshop on undeclared production units for all of its Cambodian suppliers. At that time, it gave suppliers a two-week grace period to reveal any undeclared production units they had used the previous year.

The Company stated to the press that supplier companies subcontracting work to smaller factories would lose their contracts: ‘H&M has distributed a translated copy of its suppliers’ list to local unions and labour rights groups to encourage whistle-blowing on declared units.’

The Company has also joined relevant initiatives aimed at dealing with labour standards issues in its sector – Better Work Programme and Fair Labour Association.
Note: The Company is deemed to have entered in a dialogue with affected stakeholders to get score 1. As the Company has been unable to provide a response on the specific case, because the factory has not been identified by HRW, a response to the specific issues raised is sufficient.

Case 2: Indicators

Area of allegation: Trade union rights in the supply chain

Headline: Systemic anti-union behaviour, including threats of violence, at the Well-Tex factory in Dhaka, Bangladesh

Date: April 2014

(For references see relevant section in Appendix.)

Summary

In April 2014, Danwatch, an independent media and research centre, made allegations of anti-union behaviour at the Well-Tex factory in Dhaka, Bangladesh. The factory was producing garments for the brands Zara and H&M. The allegations were:

The female vice-president of the factory workers’ trade union told Danwatch that on 9 October 2013, she was threatened by Well-Tex management to sign her own resignation. She alleged: ‘The manager said, that if I did not sign the paper, me and my husband would both get shot.’

A male worker, who objected to a pregnant worker being allegedly pushed off her chair to the floor by a supervisor when she asked for a few days leave, was fired on 23 October 2013.

Since then, Danwatch alleged that more than 40 unionised workers have been fired. For example, Faruja was fired on 24 February 2014, allegedly because she was a member of the trade union.

It has been reported in the press that the Company terminated its contract with Well-Tex because ‘H&M does not accept disciplinary or discriminatory actions from the employer against employees.’

The Company has responded publicly to the allegations

Indeed, in response to the allegations, the Company’s Social Sustainability Manager said to Danwatch: ‘Workers’ ability to organise and negotiate about their rights is key to improve working conditions, which is why we take violations in this area so seriously. H&M has a close contact with the trade union and was notified of the situation from the trade union. We were trying to facilitate a dialogue between the parties involved and were hoping for them, that they would come to an agreement in good faith. Since Well-Tex breached our Code of Conduct and did not meet our demands, we have decided to terminate our business with the supplier, and we are currently phasing out the production. We want to make sure our collaboration with them is terminated in a responsible way. Unfortunately, we cannot comment on personnel matters on the factories, but we can inform you, that we do not place any new orders.’

The Company added: ‘As this is a major challenge in Bangladesh, we have worked actively and have set up an extensive training programme, that aims to secure democratically elected workers participation committees in all our supplier factories. This will enable workers to negotiate their rights and responsibilities with their employers and together improve working conditions.’
The Company has appropriate policies in place

The Company has a policy on trade union rights for suppliers.

Indeed, the Company has published its Sustainability Commitment for suppliers and business partners on the corporate website, which all suppliers and business partners are required to sign. This Commitment includes the statement: ‘All workers, without exception or distinction, have the right to join or form a trade union of their own choosing and to bargain collectively. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace. Where the right to freedom of association and collective bargaining is restricted under national law, the employer encourages and does not hinder the development of parallel means for independent and free association and bargaining.’

The policy also states: ‘Every employee is treated with respect and dignity at all times. No employee shall be subject to humiliating or corporal punishment or subject to physical, sexual, psychological or verbal harassment or abuse.’

The Company has taken appropriate action to address the alleged impacts

The Company has indicated it ceased trading with the Well-Tex Factory, monitors its suppliers, is a member of the FLA and that it entered a global framework agreement with the global union IndustriALL and Swedish union IF Metall (supported by the setting up of national monitoring committees with two representatives from IndustriALL and H&M respectively including in Bangladesh). It also describes the initiative undertaken in Bangladesh to ‘establish democratically-elected workplace committees and to improve the dialogue between management and factory employees. However, the Company has not indicated that it compensated or entered into a dialogue with affected stakeholders.

Case 3: Indicators

Area of allegation: Health & safety in the supply chain

Headline: At least seven workers died and more than 50 were injured in a fire at the Aswad Composite Mills factory in Bangladesh

Date: October 2013

(For references see relevant section in Appendix.)

Summary

On 8 October 2013, at least seven workers died and more than 50 were injured in a fire at the Aswad Composite Mills factory in Gazipur, near Dhaka in Bangladesh. The factory manufactured fabric for several brands, including the Company. The factory was a second-tier supplier to the Company.

Following the accident, it was reported that the Aswad factory had been issued with a formal notification by the Bangladeshi government that the building was unsafe for work a week prior to the fire. The government’s inspection report raised nine violations with the factory, stating that the building was ‘dangerous to human life and security’ and that the ‘fire extinguishers and other fire safety equipment were not maintained in an appropriate manner.’ In addition, there were an inadequate number of exhaust fans and fire extinguishers, as well as poor measures to cool down the heat originating from the machines,
and obstacles to movement due to clogged passages. The Bangladeshi government said it would be filing criminal charges against the factory’s owners.

The families of those killed have been paid BDT 700,000 (GBP 6,750) in compensation, from both Palmal and the Bangladesh Garment Manufacturers and Exporters Association.

The NGO Clean Clothes Campaign has criticised the amount of compensation offered by Palmal, saying it was insufficient to support the families of the deceased and injured workers.

**The Company has responded publicly to the allegations**

Indeed, in a statement to the press, the Company confirmed that it sourced clothing produced by Palmal’s garment factories supplied by the company’s fabric mill, but that it had no direct relationship with the mill.

The Company responded to the accident on its website, stating: ‘Aswad Knit Composite factory makes fabric and yarn for many different factories that produce garments, including Aswad Composite Mills Ltd, which is an approved garment supplier factory for H&M. Fabric producers are second tier suppliers to H&M and hence we have no direct business relation with them. Although H&M garments were not produced in the factory, we as an active and big stakeholder in Bangladesh want to support a constructive and speedy remediation process. Our team in Dhaka is closely involved in the ongoing process and engages with the local stakeholders to stress the importance of a clear revalidations plan that secures the workers affected. The fire and building safety issues are a priority for H&M in Bangladesh. We are working through a broad coalition under the Accord on Fire and Building Safety in Bangladesh to improve the (country’s) textile industry in order to make it safer.’

**The Company has appropriate policies in place**

The Company has a supply chain labour standards policy that covers health and safety.

The Company updated its Code of Conduct in February 2016 and replaced it with its Sustainability Commitment. Signing the Sustainability Commitment is mandatory for any supplier or business partner before entering a business relationship with the Company. With regards to health and safety, the Commitment states: ‘Workplace safety and the health and safety of employees must be a priority at all times and a safe and hygienic working environment shall be provided.’

**The Company has taken appropriate action to address the alleged impacts**

The Company has signed a legally binding multi stakeholder initiative aimed at improving worker safety in the country of concern - the Company has signed the Accord on Fire and Building Safety in Bangladesh. The Company reports that ‘all of our supplier factories have been approved for operation by the Accord. However, as for most factories covered by the Accord, our supplier factories also require further improvements, such as the replacement of sliding doors with new fire exit doors. Such needs for improvement are described in Corrective Action Plans (CAPs) issued by the Accord.’

However, the Company does not seem to have engaged in a dialogue with affected stakeholders or provided compensation that has been accepted by the majority of persons affected by the incident in question.
Transparency: Indicators

Commitment from the Top

The Company states the following in the Sustainability Reports: ‘Our Head of Sustainability, Anna Gedda, reports directly to our CEO and holds the responsibility for the implementation of our sustainability strategy together with the executive management team.’

Board discussions

The Company states the following in the Sustainability Reports: ‘Twice a year, our CEO, CFO and Head of Sustainability review the progress made. With the same frequency, our Head of Sustainability reports performance against key sustainability indicators to our Board of Directors.’

Incentives and performance management

CHRB has not identified disclosures highlighted in GRI Index (H&M) or otherwise referenced by this indicator that meet the requirements.

Responsibility and resources for day-to-day human rights functions

The Company states the following in the Sustainability Reports: ‘Our Head of Sustainability, Anna Gedda, reports directly to our CEO and holds the responsibility for the implementation of our sustainability strategy together with the executive management team. We have a total of around 200 colleagues who work with sustainability as their core task. At our head office, our sustainability department consists of more than 20 people responsible for developing strategic directives, reviewing progress, and supporting and advising all relevant departments on the development and implementation of prioritised Conscious Actions based on continued stakeholder engagement, business intelligence and innovation research... About 130 people from our sustainability teams operate from 21 locally-based production offices around the world. They work directly with our suppliers to support them in complying with our Sustainability Commitment (previously our Code of Conduct) and help to make our supply chain more sustainable. About 50 “Conscious Coordinators” work in our different departments and country offices supporting the implementation of our global sustainability strategy in their organisations.’

Incentives and performance management

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.

Communication / dissemination of policy commitment(s) to business relationships

See related indicator above.

Training on human rights

The company discloses some information on training (see related indicator above), but not the information necessary to meet the requirements of this indicator.

Monitoring and corrective actions
The company discloses some information on monitoring (see related indicator above), but no information that meets the requirements of this indicator was found (figures required).

**Engaging business relationships**

The Sustainability Reports state the following: ‘Before placing any orders, all suppliers must sign our Sustainability Commitment (which replaced our Code of Conduct on 1 Feb 2016) and undergo an initial self-assessment. If they pass, sustainability experts in our production offices conduct a thorough on-site verification to assess if the factory lives up to our minimum requirements and shows good potential to further improve their sustainability performance. Only then orders can be placed.’

**Framework for engagement with potentially affected stakeholders**

The Company has identified many stakeholders that can potentially be affected by its operations including customers, communities, colleagues, suppliers and their employees, policy-makers and NGOs. In its 'Engaging with our Stakeholders' document the Company lists the different means through which it engages with all different stakeholders, e.g.: interviews, interaction with NGOs and governments, anonymous supplier survey, etc., on key issues such as labour rights and supply chain working conditions, particularly wages for supply chain workers.

In addition, the Company states the following regarding its engagement with stakeholders: ‘Throughout the year, we hold regular dialogues with our different stakeholders. We do this on a day-to-day basis, through regular roundtables on a global and local level, focused stakeholder reviews and strategy consultations, dedicated surveys, media analyses and participation in several multi-stakeholder initiatives, as part of our strategic business intelligence, and through our wage advisory board. (See Sustainability Reports)

**Identifying: Processes and triggers for identifying human rights risks and impacts**

See related indicator above

**Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)**

See related indicator above.

**Integrating and Acting: Integrating assessment findings internally and taking appropriate action**

See related indicator above.

**Tracking: Monitoring and evaluating the effectiveness of actions to respond to human rights risks and impacts**

The Company monitors its suppliers’ compliance with sustainability issues and their performances through the Sustainable Impact Partnership Programme (SIPP), which started to be implemented in 2015. SIPP replaces the Company's previous Full Audit Programme (FAP). (See Supplier Compliance at Company’s website)

**Grievance channels / mechanisms to receive complaints or concerns from workers**

The Company has an open-door policy and has a complaint procedure in place that is communicated to its employees globally. (GRI Index (H&M))
Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities

The Company has an open-door policy and has a complaint procedure in place that is communicated to its employees globally. (GRI Index (H&M))

Users are involved in the design and performance of the channel(s)/mechanism(s)

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.

Procedures related to the mechanism(s) / channel(s) are publicly available and explained

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.

Remedying adverse impacts and incorporating lessons learnt

See related indicator above.

Aligning purchasing decisions with human rights

See related indicator above.

Child labour

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.

Forced labour

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.

Freedom of association and collective bargaining

CHRB has not identified disclosures highlighted in a company GRI Index or otherwise referenced by this indicator that meet the requirements.
Links to Reference Material

Agreement between H&M and Union Network International
Annual General Meeting 2016 documents (minutes incl. board proposal)
Annual Report 2016
Annual Report 2015
Child Labour Policy
Code of Conduct
Code of Ethics – Business Partner
Code of Ethics – Employee
Corporate Governance Report 2015
Global Framework agreement between H&M and IndustiAll and about the agreement in the submission to CHRB disclosure platform here
GRI Index (H&M)
Harassment Policy
Human Rights Policy
Material Ethics Policy
Position Statement on the Human rights to Water and Sanitation
“Responsible Purchasing” (at company website)
Stakeholder Engagement Overview, Sustainability report 2016
“Supplier Compliance” (at company website)
“Supplier list” (at company website)
Sustainability Commitment (more info about the Sustainability Commitment)
Sustainability Report 2016
Sustainability Report 2015
The H&M Way

Links to material relating to serious allegations and responses to such
Allegations on excessive hours in the supply chain

Human Rights Watch, 01/03/2015 - https://www.hrw.org/report/2015/03/11/work-faster-or-get-out/labor-rights-abuses-cambodias-garment-industry

BBC, 12/03/2015


Submission to CHRB disclosure platform: “Overtime”

Allegations relating to trade union rights in the supply chain


Allegations relating to health and safety in the supply chain

Clean Clothes Campaign, 26/05/2014 - https://cleanclothes.org/ua/2013/cases/aswad