

H&M Group

Salient human rights issues 2022

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This report is made on behalf of H & M Hennes & Mauritz AB and all companies in the H&M Group (“H&M Group”). H & M Hennes & Mauritz AB provides this joint overview of human rights risks and impacts for itself and on behalf of certain foreign subsidiaries that are directly covered by a disclosure obligation in their respective jurisdictions.

Identifying our salient human rights issues

H&M Group’s commitment to operate with respect to fundamental human rights¹ is manifested in our Human Rights Policy. This policy references our salient issues, which inform our strategies and focus areas related to human rights impacts.

In 2015, we performed a comprehensive process involving both external and internal stakeholders to identify our salient human rights issues, and we perform an annual review to assess their continued significance involving colleagues across our organisation and stakeholders. External dynamics and internal business development change a company’s risk exposure over time. For H&M Group, internal shifts include a move towards a more digital and circular

business model. Ongoing and yearly risk analysis and assessments across various functions and markets provide a more granular view of risks and impacts across various parts of our value chain and also informs this annual review bottom-up.

Informed by these insights, and due to the nature of our business, we concentrate our efforts in our own operations and supply chains with a focus on labour rights. However, other human rights such as the right to a healthy environment, access to water, right to privacy, children’s rights and respecting equality more broadly are also important to us, since they speak to how we care for our customers, the communities where we operate, and future generations.

Applying & integrating our salient issues

Our salient issues form the basis for our ongoing due diligence processes. Processes to identify and assess risks and impacts and inform priorities across our value chain includes:

— **Risk assessment in production markets.** All the major production markets have established heat maps of human rights related issues based on severity and likelihood, to inform where extra attention is needed. This process informs our country strategies and goal setting process.

— **Risk assessment by business functions.** Business functions assess their sustainability risks, including risks to human rights, on a regular basis to inform the existence and adequacy of prevention and mitigation plans.

— **Risk assessment of materials.** Risk analysis is done for new materials and on a regular basis for our biggest materials. As raw material production often takes place several steps upstream in our supply chain, our main strategies to prevent and mitigate risk are through engagement in certification schemes, as well as through standards or various industry collaborations.

Updates to the risk picture in 2022

H&M Group’s salient issues remain the same in 2022, although we work towards an increasingly granular view through applied risk analysis across geographies and different part of our value chain.

The Covid-19 pandemic continued into 2022, but by this point the management of associated health risk has increasingly become part of normal operations.

The trend of political instability and challenges to democracy continue, calling for special consideration in due diligence. During the year,

the war in Ukraine affected our operations in Ukraine, Belarus and Russia, and we saw an increase influx of refugees into other parts of Europe.

Due to various overlaying factors, the growth of the global economy has slowed and inflation has increased in many markets where we have business activities. This has effects on economic performance as well as on real wage development.

With a more digital business model, we continue to give increased attention to the right to privacy through our efforts around data privacy, management and storage of personal data, data security and ethical use of artificial intelligence (AI).

¹) As defined by the ILO Fundamental Principles and Rights at Work, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.

What are salient human rights?

For many, the term “risk” primarily means business risks to the company. The [UN Guiding Principle on Business and Human Rights](#) and the [OECD Due Diligence Guidance for Responsible Business Conduct](#), however, refer to the likelihood of adverse impacts on people, including their human rights, that a company can cause, contribute to, or to which they are directly linked. In other words, it is an outward-facing approach focused on “risk to people” connected to a company’s operations and the products or services they sell.

H&M Group’s salient human rights risks are those human rights at risk of the most severe and likely actual or potential negative impact on people across our value chain. It is recognised that companies may need to prioritise their due diligence efforts and they shall do this based on their identified salient issues.

This doesn’t mean we disregard other issues that may occur, but it helps us focus on the most important issues first.

Our salient issues

We’re committed to being a fair and equal company. We strive to avoid negative impacts on everyone involved in our value chain, with a focus on our salient human rights issues.



H&M Group salient issues

Update March 2023

ISSUE	DEFINITION	WHERE IN THE VALUE CHAIN IS AN ACTUAL OR POTENTIAL HARM MORE LIKELY	POLICIES & STRATEGIES TO ADDRESS SIGNIFICANT IMPACTS
<p>Access to water ICESCR Articles 11 and 12</p>	<p>Safe, accessible and affordable water and sanitation for workers in our supply chain and neighbouring communities. Industries can be a contributor to water pollution and water scarcity, which is why safeguarding wastewater treatment and reducing water use are essential to ensure access to clean water and sanitation in neighbouring communities.</p>	<p>In our manufacturing supply chains and upstream material supply chains, including those connected to farming.</p> <p>Vulnerable groups include female workers, and children in neighbouring communities.</p>	<p>— Policies & procedures</p> <p>— Water strategy (see also page 35 of our 2022 Sustainability Disclosure)</p> <p>— Chemicals strategy (see also page 38 of our 2022 Sustainability Disclosure)</p>
<p>Child labour ILO Conventions 138 and 182 United Nations Convention on the Rights of the Child</p>	<p>Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development — i.e., is mentally, physically, socially or morally harmful to children; interferes with their schooling by depriving them of the opportunity to attend school; obliges them to leave school prematurely; or requires them to attempt to combine school attendance with excessively long and heavy work.</p>	<p>Primarily within to our production supply chain, with higher risk in our upstream material supply chains, for example connected to farming and informal sectors. Children of working parents are also indirectly affected by the working conditions of parents.</p> <p>Vulnerability is directly linked to poverty and the strength of local institutions and access to education, and as such is market specific.</p>	<p>— Policies & procedures</p> <p>— Child rights and child labour in our production supply (see also page 63 of our 2022 Sustainability Disclosure).</p> <p>— Our wage strategy also supports this impact area in relation to working conditions and income of parents.</p> <p>— Materials strategy, including our new materials vision (see also page 43 of our 2022 Sustainability Disclosure)</p>
<p>Discrimination & equal treatment ILO Conventions 100, 111 and 159 ICCPR Article 2 ICESCR Article 2</p>	<p>Discrimination or unequal treatment on the grounds of gender, sexual orientation, race, colour, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability. This includes equal remuneration for equal work and other aspects of equal treatment at work.</p>	<p>Own operations and various supply chains, notably in our manufacturing supply chains, linked to a large share of female workers.</p> <p>Unconscious bias or discrimination can also be an issue in marketing and communications, and in the use and application of data and AI.</p> <p>Vulnerable groups include women, migrant workers, LGBTQI and minority groups, and varies by country.</p>	<p>— Policies & procedures</p> <p>— Inclusion and diversity strategy within our own operations (see also page 77 of our 2022 Sustainability Disclosure)</p> <p>— Gender equality strategy in our production supply chain (see also page 67 of our 2022 Sustainability Disclosure)</p>

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<p>Freedom of association & collective bargaining ILO Conventions 87, 98, 135 and 154</p>	<p>A person's right to join, and/or form, trade unions of his or her own choosing and to bargain collectively. An enabling right for other labour rights.</p>	<p>Own operations and various supply chains.</p> <p>Vulnerable groups include union members and representatives, migrant workers, outsourced staff and self-employed workers.</p>	<p>— Policies & procedures</p> <p>— Industrial relations strategy in our production supply chain in Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Turkey and Vietnam (see also page 67 of our 2022 Sustainability Disclosure)</p>
<p>Forced labour ILO Convention 29, 97 and 105 ICCPR Article 8</p>	<p>All work or service that is exacted from any person under the threat of a penalty or for which the person has not offered himself or herself voluntarily. Indicators of forced labour include unreasonable fees leading to debt bondage, deception, restriction of movement, isolation, abuse of vulnerability, physical and sexual violence, intimidation and threats, abusive living and working conditions, wage withholding, excessive overtime, and retention of personal documents.</p>	<p>Own operations and various supply chains, for example in manufacturing, warehouse operations, transportation, construction, and upstream material and fibre supply chains.</p> <p>Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed workers.</p>	<p>— Policies & procedures</p> <p>— Please reference our Modern Slavery Statement for more information</p>
<p>Health, safety & wellbeing ILO Conventions 155, 183, 187 and 190 ICCPR Article 6 ICESCR Article 12</p>	<p>Health, safety and wellbeing of employees, workers and customers across the value chain, such as safe and healthy working conditions, store safety and product safety.</p> <p>This includes protection from gender-based violence (GBV) and any other form of physical, sexual, psychological, or verbal harassment or violence occurring during, linked with, or arising from work.</p>	<p>Own operations, various supply chains and connected to the products we sell.</p> <p>Vulnerable groups include young workers, female and pregnant workers. Special attention is given to products aimed at children.</p>	<p>— Policies & procedures</p> <p>— Health and safety within our own operations (see page 65 of our 2022 Sustainability Disclosure)</p> <p>— Health and safety in our production supply chain (see page 67 of our 2022 Sustainability Disclosure)</p> <p>— Gender-based violence and sexual harassment in India (see also page 79 of our 2022 Sustainability Disclosure)</p> <p>— Product safety</p>
<p>Land rights & livelihoods ILO Conventions 107 and 169 ICESCR Articles 1 and 15 ICCPR Articles 1 and 27</p>	<p>Access to land, forest and water can be a source of livelihood and sometimes important for the enjoyment of social and cultural rights. Operations and the use of natural resources should not contribute to destruction and/or degradation of the resources and income base for communities, nor should there be any illegal taking of land, forests or water or illegal eviction of groups of people for reasons of development or use of these resources.</p>	<p>In our upstream material supply chains, primarily connected to farming and forestry.</p> <p>Vulnerable groups include women, indigenous groups and minority groups.</p>	<p>— Policies & procedures</p> <p>— Circularity strategy to reduce resource use (see also page 40 of our 2022 Sustainability Disclosure)</p> <p>— Materials strategy, including a target of 100% FSC certified wood (see also page 43 of our 2022 Sustainability Disclosure)</p>

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<p>Social security & protection ILO Conventions 121, 122, 158, 175 and 183</p>	<p>Access to health care, insurance and income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of income.</p> <p>A responsibility dependent to a large extent on legal frameworks and institutional capacity of a country. Recognised employment is often a precondition for access to work-related social security benefits and protection.</p>	<p>Own operations and various supply chains. The issue is largely country specific and present in some of our production markets where national frameworks offer less protection.</p> <p>Vulnerable groups include migrant, agency, temporary workers and self-employed workers as well as workers and communities in the informal economy.</p>	<p>— Policies & procedures</p> <p>— Aspect of our wage strategy in our production supply chain in Bangladesh (see also page 67 of our 2022 Sustainability Disclosure)</p>
<p>Wages & compensation ILO Conventions 95 and 131</p>	<p>Wages and compensation to be paid in time, on a regular basis and in full, in line with national or industry legal levels or collective bargaining agreements. Wage levels for a regular work week to be sufficient to meet basic needs for the worker and their families and provide some discretionary income.</p>	<p>Primarily within our production supply chain, yet possible within own operations and other supply chains as the issue is largely country specific.</p> <p>Vulnerable groups are found in low skilled and labour-intense industries as well as linked to part-time work and outsourcing.</p>	<p>— Policies & procedures</p> <p>— Wage strategy in our production supply chain in Bangladesh, Bulgaria, Cambodia, China, Ethiopia, India, Indonesia, Myanmar, Pakistan, Romania, Sri Lanka, Turkey, Vietnam (see also page 67 of our 2022 Sustainability Disclosure)</p>
<p>Working hours ILO Conventions 1, 14, 30 and 106</p>	<p>Working hours and rest time that comply with national law, ILO Conventions or collective bargaining agreements — whichever affords the worker greater protection. Connected to workers’ rights to health and family life.</p>	<p>Own operations and various supply chains, for example in manufacturing, warehouse operations, construction and transportation.</p> <p>Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed workers.</p>	<p>— Policies & procedures</p> <p>— Working hours correlate with wages, thus our Wage strategy also supports this impact area and is considered our main strategy to ensure decent working hours.</p>