H&M Group

Salient human rights issues
2020

— H&M Group salient human rights issues

Identifying our salient human rights issues

In 2015, the H&M group implemented a comprehensive process involving both internal and external stakeholders in order to identify our salient human rights issues, and we annually review their enduring relevance based on internal and external insights.

Due to the nature of our business, we concentrate our efforts on our own operations and manufacturing supply chains with a focus on labour rights. However, other human rights such as the right to the environment and water, right to privacy, non-discrimination and children's rights are also important to us as they speak to how we care for our customers, the communities where we operate, and future generations.

External dynamics and internal business developments change a company's risk profile over time. For the H&M group, internal shifts include a move towards a more digital and circular business model. In 2019, we therefore consulted our external human rights expert for a "light-touch" review including bi-lateral calls with stakeholders. Input included a re-confirmation of the issues, appreciation that the H&M group has increased due diligence in our non-commercial goods and service supply chains, and a recommendation for more granularity in our risk analysis in terms of geography, part of value chain, and affected groups.

Applying & integrating our salient issues

Our salient issues form the basis for our ongoing risk analysis across our business, and we apply this to different situations and contexts to inform a risk-based approach for our due diligence and to prioritise our efforts. This doesn't mean that we disregard other issues that may occur, but it helps us focus. Annual review to provide oversight of the risk picture 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 is an annual process looking at the type of manufacturing that takes place in the market, insight is drawn from our own supplier performance data, issues raised, stakeholders' input as well as an assessment of the broader context in the country. This process is key in informing our goal setting process and, consequently, prioritised issues are either addressed in local goals or through global programmes as well as industry initiatives.

— **Risk assessment by business functions.** Business functions assess their sustainability risks, including risks to human rights, on a regular basis to ensure the existence and adequacy of prevention and mitigation plans. In 2020, we had a special focus on construction, facility management and warehouse operations.

What are salient human rights?

For many, the term "risk" means primarily 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 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".

A company'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 the 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.

In combination with, and as part of awareness raising, we engaged country staff to establish heat maps for each country.

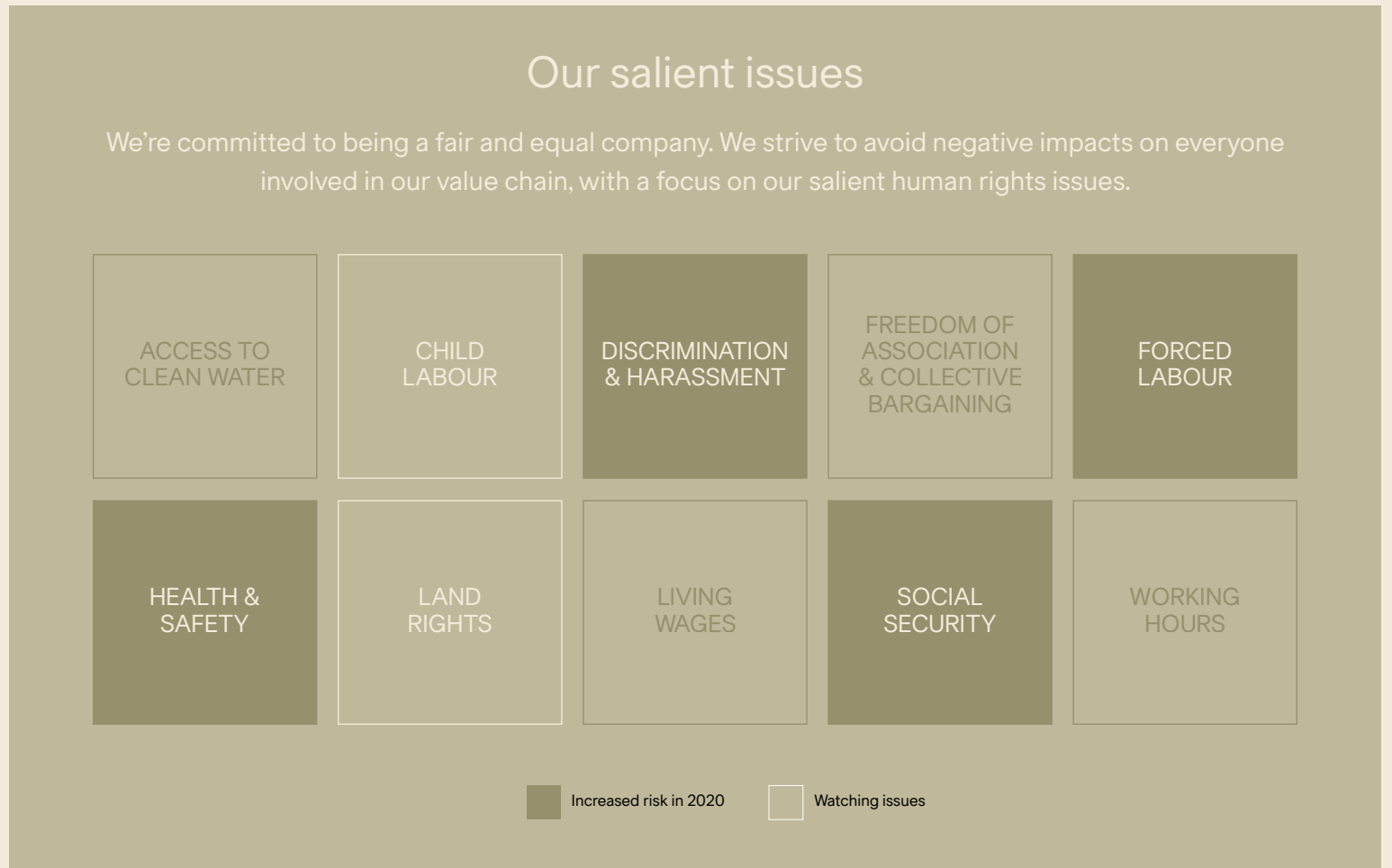Human rights risks are aggregated and fed into the corporate risk process.

Updates to the risk picture in 2020

While no updates to the set of salient issues have been noted during 2020, we have had to re-prioritise and adjust our efforts throughout the year to a large extent.

The COVID-19 pandemic has had large implications on people both in our own operations and supply chains. First and foremost in regards to health and safety, job security and social protection, but risk related to compensation, freedom of association and forced labour has also increased. Already vulnerable groups are often hardest hit by a crisis and this pandemic is no different.

Political instability and democracy in decline has been another key trend affecting civic freedoms, ability for human rights defenders to play their important role and the "shared space" civil society and responsible business depend on, as well as states' role in protecting human rights. This trend also increased the risk and makes it more difficult for companies, while expectations on us increase, to secure decent work and equality including on topics such as freedom of association and discrimination.

Other external events include the Black Lives Matter movement that once again shed the light on the inequalities that still exist in our societies and our focus on diversity, inclusion and non-discrimination has been an ongoing focus.

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.

ACCESS TO CLEAN WATER	CHILD LABOUR	**DISCRIMINATION & HARASSMENT**	FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING	**FORCED LABOUR**
HEALTH & SAFETY	LAND RIGHTS	LIVING WAGES	**SOCIAL SECURITY**	WORKING HOURS

■ Increased risk in 2020   □ Watching issues

For our own business, the pandemic has accelerated the shift to online and digitalisation, where impacts relating to job transformation and rights to privacy are given continued attention. Continued and increased focus on circular business models is also changing how and where we need to look at impacts across our existing and new supply chains.

For some issues, such as land rights and child labour, we know risks exist especially further upstream in our material supply chains, where risk is usually limited to specific regions and incidents are often isolated cases that require case-by-case management. As such, we manage these as "watching issues", where monitoring of risk and compliance is our main approach.

H&M Group salient issues

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ISSUE	DEFINITION	WHERE IN THE VALUE CHAIN IS AN ACTUAL OR POTENTIAL HARM MORE LIKELY
Living wages ILO Conventions 95 and 131	A wage level covering workers' and their families' basic needs and providing some discretionary income.	Primarily in manufacturing supply chains. The issue is also market specific. Vulnerable groups are found in low skilled, labour intense industries as well as linked to part-time work and outsourcing.
Health & safety ILO Conventions 155 and 183	Health, safety and wellbeing of employees, workers and customers across the value chain, such as working conditions, store safety, product safety, chemical safety.	Own operations, various supply chains and products. Special attention for young workers, and products aimed at children.
Forced labour ILO Convention 29 and 105	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.	Across our markets and various supply chains, for example in manufacturing, warehouse operations, transportation, construction, and upstream material and fibre supply chains. Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed.
Discrimination & harassment ILO Conventions 100, 111, 159 and 190	Discrimination; unfair or humiliating treatment on the grounds of gender, sexual orientation, race, color, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability. The term "gender-based violence and harassment" means violence and harassment directed at persons because of their sex or gender or affecting persons of a particular sex or gender disproportionately and includes sexual harassment.	In our manufacturing supply chains, linked to a large share of women workers. Own operations and other supply chains. Unconscious bias or discrimination can also be an issue in marketing, communication and in the application of AI. Vulnerability varies by market. Vulnerable groups include women, migrant workers, LGBTQI and minority groups.
Child labour ILO Conventions 138 and 182, United Nations Convention on the Rights of the Child	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally harmful to children; and interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.	In our upstream material supply chains, for example connected to farming and informal sectors. Children are also indirectly affected by the working conditions of parents. Vulnerability is directly linked to poverty and strength of local institutions, and as such market specific.
Freedom of association & collective bargaining ILO Convention 87, 98, 135 and 154	A person's right to join, and/or form, organisations of his or her own choosing and to bargain collectively. An enabling right.	Own operations and various supply chains. Vulnerable groups include union members and leaders, migrant workers, outsourced staff and self-employed.

ISSUE	DEFINITION	WHERE IN THE VALUE CHAIN IS AN ACTUAL OR POTENTIAL HARM MORE LIKELY
Social security ILO Conventions 122, 158 and 175	Access to health care, insurance and income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a main income earner. A responsibility belonging primarily to the state and dependent on legal frameworks and institution capacity. Recognised employment is a pre-condition for access to work related social security benefits.	Market specific. Weaknesses in national frameworks to sufficiently address this exposes high numbers of workers in production markets, but this is also an issue in some retail markets. Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed.
Working hours ILO Conventions 1, 14, 30 and 106	Working hours that comply with national law, ILO Conventions or collective agreement, whichever affords the greater protection of the worker. Connected to the worker's right to health and family life.	Various supply chains, for example in manufacturing, warehouse operations, construction and transportation. Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed.
Land rights	Land is an issue that impacts directly on the enjoyment of several human rights as land is a source of livelihood, central to economic rights and also often tied to social and cultural rights. How land is used is also an adjacent issue. The use of land can be a cause of conflict and sometimes involves illegal displacement of people. Land rights also relate to gender perspective on land heritage.	In our upstream material supply chains, primarily connected to farming. Vulnerable groups include women, indigenous groups and minority groups.
Access to clean water	Safe water and enough supply, accessible and affordable for personal and domestic use. Industries can be a contributor to water pollution and water scarcity, which is why safeguarding wastewater treatment and water use is essential to ensure access to clean water in neighbouring communities.	In our manufacturing supply chains, and upstream material supply chains, including those connected to farming.