

H&M Group

Salient human rights issues 2021

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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.

External dynamics and internal business development 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 partner Shift for a “light-touch” review including bi-lateral calls with external expert stakeholders. The conclusion was a re-confirmation of the issues identified in 2015 and a recommendation for a continued granularity in our applied risk analysis in terms of geography, part of value chain and affected groups.

Due to the nature of our business, and against these insights, 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 as 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 risk analysis across our business. 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 process is key in informing 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 ensure 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 2021

No updates to the set of salient issues have been noted during 2021, and the overall risk picture has not seen any major shifts compared to previous year.

The Covid-19 pandemic continued into 2021, requiring extra attention in relation to health and safety, job security and social protection, compensation, child labour and forced labour.

The trend of political instability and democracy in decline has also continued into 2021. In a few production and retail markets this has led to armed conflict during the year, calling for the need of heightened human rights due diligence with a broader scope of our risk and impact assessment in these markets.

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

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 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.

This doesn't mean companies can 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, 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

H&M Group salient issues

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ISSUE	DEFINITION	WHERE IN THE VALUE CHAIN IS AN ACTUAL OR POTENTIAL HARM MORE LIKELY
<p>Living wages ILO Conventions 95 and 131</p>	<p>A wage level covering workers' and their families' basic needs and providing some discretionary income.</p>	<p>Primarily in manufacturing supply chains. The issue is also market specific.</p> <p>Vulnerable groups are found in low skilled, labour intense industries as well as linked to part-time work and outsourcing.</p>
<p>Health & safety ILO Conventions 155 and 183</p>	<p>Health, safety and wellbeing of employees, workers and customers across the value chain, such as working conditions, store safety, product safety, chemical safety.</p>	<p>Own operations, various supply chains and products.</p> <p>Special attention for young workers, and products aimed at children.</p>
<p>Forced labour ILO Convention 29 and 105</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.</p> <p>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>Across our markets 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.</p>
<p>Discrimination & harassment ILO Conventions 100, 111, 159 and 190</p>	<p>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.</p> <p>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.</p>	<p>In our manufacturing supply chains, linked to a large share of women workers. Own operations and other supply chains.</p> <p>Unconscious bias or discrimination can also be an issue in marketing, communication and in the application of AI.</p> <p>Vulnerability varies by market. Vulnerable groups include women, migrant workers, LGBTQI and minority groups.</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. 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.</p>	<p>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.</p> <p>Vulnerability is directly linked to poverty and strength of local institutions, and as such market specific.</p>

ISSUE	DEFINITION	WHERE IN THE VALUE CHAIN IS AN ACTUAL OR POTENTIAL HARM MORE LIKELY
<p>Freedom of association & collective bargaining ILO Convention 87, 98, 135 and 154</p>	<p>A person's right to join, and/or form, organisations of his or her own choosing and to bargain collectively. An enabling right.</p>	<p>Own operations and various supply chains.</p> <p>Vulnerable groups include union members and leaders, migrant workers, outsourced staff and self-employed.</p>
<p>Social security ILO Conventions 122, 158 and 175</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 a main income earner.</p> <p>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.</p>	<p>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.</p> <p>Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed.</p>
<p>Working hours ILO Conventions 1, 14, 30 and 106</p>	<p>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.</p>	<p>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.</p>
<p>Land rights</p>	<p>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.</p>	<p>In our upstream material supply chains, primarily connected to farming.</p> <p>Vulnerable groups include women, indigenous groups and minority groups.</p>
<p>Access to clean water</p>	<p>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.</p>	<p>In our manufacturing supply chains, and upstream material supply chains, including those connected to farming.</p>