

H&M Group

Modern Slavery Statement 2023

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1. Introduction

H&M Group has a worldwide commitment to human rights and takes a global approach to tackling modern slavery risk. This statement reflects our efforts across our value chain and has been prepared in joint consultation with representatives from the subsidiaries identified below.

Modern slavery is a comprehensive term that covers forced and compulsory labour, indentured child labour, exploitation of others for personal or commercial gain, human trafficking and similar abuse. These are violations of human rights as defined in both international and national legislation. According to experts and available data, forced labour unfortunately occurs in all sectors and industries, in all types of economic activities, and in many countries around the world.

This statement is made on behalf of H & M Hennes & Mauritz AB and all companies in the H&M group (“H&M Group”), pursuant to the UK Modern Slavery Act, the Australian Modern Slavery Act 2018, the Californian Transparency in Supply Chains Act, the German Supply Chain Act, the Norwegian Transparency Act, and the Canadian Supply Chains Act. It applies to and sets out the steps H&M Group has taken during the financial year 2022–2023 to address modern slavery within its supply chain and its own business operations.

H & M Hennes & Mauritz AB provides this joint statement for itself and on behalf of certain foreign subsidiaries that are directly covered by a disclosure obligation in their respective jurisdictions. Currently this includes H & M Hennes & Mauritz UK Ltd, H&M Hennes & Mauritz UK Services Ltd and H & M Hennes & Mauritz GBC AB, and H & M Hennes & Mauritz Pty Ltd.

2. Our business

H&M Group

H&M Group is one of the world’s leading fashion retailers. Our brands are H&M — which includes H&M HOME, H&M Move and H&M Beauty — and the Portfolio Brands consisting of COS, Weekday, Monki, & Other Stories, ARKET, Afound and Singular Society. The group also consists of New Growth & Ventures, which includes Looper Textile, majority-owned Sellpy, and our investment portfolio.

H&M Group brings together approximately 143,000 employees across the world. We have around 4,369 stores in 78 markets, with online services in 60 markets, and our brands engage with stakeholders via various digital marketplaces and external platforms. Our tier 1 and 2 production supply chains contribute to the employment of more than 1.4 million people, spread across 1,860 manufacturing and final product processing units (collectively called supplier factories) in 42 countries.

Since 2013, we have published our [Supplier List](#). For more information about H&M Group, its organisational structure and group relationships, see our [website](#) and our [Annual and Sustainability Report](#).

Our value chain

When we talk about our value chain, we mean the full range of activities required for us to bring our products to market: from the design idea and choice and sourcing of material, through to processing, manufacturing, distribution, sales, and consumption — including disposal, recycling, reuse and resell. In other words, our value chain covers our multiple supply chains, our own operations, and the use and reuse of our products.

3. Our policies

H&M Group publicly commits to respecting human rights as stated in the UN Guiding Principles on Business and Human Rights (UNGP), and we recognise our responsibility in supporting these rights across our value chain through our [Human Rights Policy](#). The policy manifests our commitment to combat forced labour, with reference to the Universal Declaration of Human Rights and ILO Core Conventions.

We have specific requirements of all our business partners and they are required to sign and implement our [Sustainability Commitment](#). The commitment states: forced, bonded, prison and illegal labour are not accepted. It includes requirements related to written policies and routines, freedom of movement, and employers’ obligation to pay recruitment fees and voluntary overtime, as well as special consideration for vulnerable categories of workers such as migrants. Our Sustainability Commitment also requires our suppliers and business partners to ensure grievance mechanisms are in place in their operations and to actively engage in remediation processes.

Our [Guideline on Responsible Recruitment of Migrant Workers](#) further details and clarifies our requirements and expectations of our business partners in relation to the recruitment of foreign and migrant workers, including the use of labour agencies and management of recruitment fees.

Our Sustainability Commitment states that child labour is not accepted. To underline the importance of this requirement, we have specific [Child Labour Case Handling Guidelines](#) stating our standards and remedial action if the use of child labour is discovered.

Our approach to material sourcing, including detailed requirements, is outlined in our [Responsible Raw Material Sourcing Policy](#).

4. Risk assessment and due diligence

Our company’s [salient human rights issues](#), including the risk of forced labour and child labour, form the basis for our ongoing analysis of human rights risk across our operations and supply chains.

Forced labour is the focus of our work on modern slavery. The risks of forced labour¹ in our production supply chain are most prominent upstream in the activities linked to specific raw materials — often those associated with agriculture or farming. Manufacturing, warehouse operations, transportation, construction and facility management are also recognised as high-risk industries. This risk increases when local legislation or governance is weaker, and where more vulnerable groups are present.

As actual cases of forced labour can be hard to identify, we report both on confirmed cases and on indicators of heightened modern slavery risks — see the KPI table on [page 7–8](#). Indicators of forced labour² 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.

1) Global Estimates of Modern Slavery 2022, [report](#) by ILO, IOM and Walk Free.

2) [ILO Indicators of Forced Labour](#).

Responsible business conduct

Our Responsible Business Conduct (RBC) Policy aims to ensure that we operate our business in a respectful and responsible manner regarding governance, human rights and the environment. These areas are regulated by law, international conventions, and voluntary frameworks. Key guidance on how to conduct responsible business is found in:

- Local legislation
- [UN Guiding Principles on Business and Human Rights](#)
- [OECD Guidelines for Multinational Enterprises](#)

The RBC process is part of our due diligence process, which also includes human rights due diligence, and it involves the following functions:

- Sustainability
- Supply Chain — Production
- Supply Chain — Logistics
- Supply Chain — External Brands
- Sales
- New Growth
- People & Organisational Development (HR)
- Security

Selected representatives within each function identify, report and manage risks throughout the organisation. Read more about the RBC process in our [RBC Policy](#).

Due diligence processes

Materials risk assessment

We continuously strengthen our risk assessment of materials used in our products to integrate human rights risks more comprehensively. This assessment is conducted for all new materials and is also undertaken regularly for our highest volume materials. We engage with key external stakeholders to inform evolving standards, with a focus on both environmental and social considerations.

Due diligence on potential business partners

All business partners must sign our Sustainability Commitment and our Code of Ethics. When evaluating a new supplier, we communicate these minimum requirements early in the process to create a common understanding and shared ambition. These requirements span issues such as working conditions, environmental practices and corruption. We also review public information on wage payments to check if any disputes have been registered.

Supply chain mapping and traceability

Supply chain mapping is a pre-requisite for meaningful due diligence. Since 2013, we have published our [Supplier List](#), which today includes both manufacturing and material production suppliers. For upstream suppliers of raw materials, we have oversight of the countries of origin, enabling us to identify risk hotspots. We also collaborate with others to establish approaches to prevent, mitigate and remedy risk (see [page 4](#)).

Accelerating our work on traceability

Improving traceability of materials is key to identifying risks across our supply chain and gives us more control over our impact. Automated data systems are needed to replace our current approach to traceability which allows technical and human error. We have been working with various organisations to develop and scale shared solutions to this industrywide challenge. In 2023, we increased our efforts to explore potential traceability solutions — read more in our [Sustainability Disclosure](#).

Supply chain management and monitoring

We strive for strong long-term supplier relationships based on trust, transparency and a joint commitment to due diligence.

For our suppliers of commercial and non-commercial goods, we use a system of risk-based audits and our [Sustainable Impact Partnership Programme \(SIPP\)](#) to monitor compliance and performance. Through SIPP we ensure all suppliers meet our minimum requirements, and we support our tier 1 and 2 suppliers to progress on our sustainability goals. SIPP includes: a minimum requirements assessment, a self-assessment — using the Sustainable Apparel Coalition's (SAC) Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM),¹⁾ and verified by a third party — capacity building, grievance mechanisms, and incident management. Facilities outside of the Higg Index

scope are covered by annual minimum requirement assessments, performed either by our internal team or by a certified third party. Read more about SIPP and our Supply Chain Management programme in our [Sustainability Disclosure](#).

We must know where our products are manufactured to ensure that our standards and minimum requirements are met. Therefore, the use of unauthorised subcontracting to units not audited and approved by H&M Group is strictly forbidden.

Our suppliers of non-commercial goods (NCG) and services are also regularly monitored to confirm compliance with our Sustainability Commitment and all our NCG suppliers are enrolled in SIPP. Business functions drive these assessments and oversee the relevant activities. For example, for warehousing we conduct regular audits that focus on identified salient issues, for transport we leverage our partnership with the [Responsible Trucking Platform](#), and we do ad-hoc visits at construction sites.

Annual risk assessment

We carry out annual risk assessments at a country and function level to inform risk-based verifications.

1) For more information about the Higg Index scope, please see our [Sustainable Impact Partnership Program](#).

5. Addressing risks

Acting on identified risks & impacts

We engage in programmes, projects, partnerships, industry initiatives and activities to address identified risks and impacts. In some cases, we focus on prevention and mitigation; in others we take remedial measures.

Modern slavery, forced labour and child labour are systemic issues that require comprehensive responses by multiple actors. Potential risks and impacts might be identified in our upstream or downstream supply chain operations, where our leverage and influence is very limited. For these reasons, we place a strong emphasis on collaborations and partnerships to reduce risk and drive progress. We also collaborate with experts to help inform our strategies. See an overview of key collaborations and partnerships relating to the topic of modern slavery on [page 6](#).

In 2023, we created mitigation frameworks designed to guide our teams in addressing risks and defining remedial action relating to forced labour. Partnering with peers both inside and outside of our industry, we identified and adapted best practices and worked with expert groups, such as the [Mekong Club](#), to validate these frameworks.

Responsible recruitment of migrant workers

Vulnerable groups that run a higher risk of being exploited include migrant workers, agency workers, temporary workers and self-employed people. In the context of increased global migration, we signed a memorandum of understanding with the [International Organization for Migration \(IOM\)](#) in 2019 to further strengthen our work to address the risk of migration-linked forced labour. This includes a goal to eliminate recruitment fees in our supply chain by 2025. In 2022, we started to develop country-specific roadmaps towards this goal.

We are aware that some recruitment fees can be difficult to identify and might even occur before the worker starts their role. Therefore, we engage with stakeholders working on this topic to learn from their experience and practices. For example, as members of the Mekong Club, we continually exchange information on recruitment fees to help address this risk.

Preventive actions to address heightened risk

All our direct suppliers are trained on and sign our Sustainability Commitment, which details our due diligence expectations of upstream suppliers.

The table on [page 5](#) shows some examples of modern slavery, forced labour and child labour risks identified in the value chain as well as ongoing efforts to address these. Further detail on specific processes is provided throughout this document.

| VALUE CHAIN STEP | RISKS & IMPACTS | ONGOING EFFORTS |
|---|--|--|
| Raw materials | Risk of forced labour and child labour connected to specific raw materials and high-risk contexts, for example agriculture | <ul style="list-style-type: none"> — Ban on cotton from Turkmenistan and Syria. Cotton used for the manufacturing of our products is either organic, recycled or cotton licensed by Better Cotton. We work with certification bodies and Textile Exchange to incorporate human rights into the assessments. — Member of the Responsible Mica Initiative (RMI) to address child labour and improve working conditions in mica production in India. — Risk assessments for new and existing raw materials. |
| Material production (fabric & yarn production & processing) | <p>Risk of exploitative labour practices in various countries and sectors of tier 2 and 3 suppliers</p> <p>Risk of forced and bonded labour in the spinning mill industry in Tamil Nadu</p> | <ul style="list-style-type: none"> — Ongoing and expanded mapping of tier 2 and 3 suppliers (processing units, fabric and yarn suppliers-to-our-suppliers). See our Supplier List. — Sustainable Impact Partnership Programme (SIPP). |
| Product manufacturing | <p>Risk of involuntary overtime and undeclared production units</p> <p>Vulnerable groups, such as migrants, at risk of bonded labour through recruitment practices</p> <p>Risk of forced labour in the textile supply chain</p> | <ul style="list-style-type: none"> — Work to ensure we know where production takes place, and to enforce our prohibition of the use of undeclared production units — those units that have not been approved for our production. This work covers all product, processing and component units. — Sustainable Impact Partnership Programme (SIPP). — Due diligence on potential business partners. — Responsible purchasing commitment — a core pillar of our engagement in the Action Collaboration Transformation (ACT) initiative. |
| Warehousing & transport & logistics supply chains | <p>Vulnerable groups, such as migrants, agency workers, interstate workers and self-employed people face a heightened risk</p> <p>Risk of involuntary overtime</p> | <ul style="list-style-type: none"> — Due diligence on potential business partners. — Annual country and function level risk assessments. — Annual risk-based audits of our own and outsourced warehouse operations, following up on our Sustainability Commitment requirements. — Member of the EU-based Responsible Trucking Platform, collaborating on standards and monitoring. |
| Sales, non-commercial goods & service supply chains | <p>Vulnerable groups, such as migrants, outsourced staff and self-employed people face a heightened risk</p> <p>Risk of forced labour and human trafficking is higher in certain markets, linked to governance and socioeconomic factors</p> | <ul style="list-style-type: none"> — Due diligence on potential business partners. — Annual country and function level risk assessments. — Risk-based follow-ups with construction and facility management partners, and with non-commercial goods suppliers. |

6. Training and capacity building

Trainings for our employees

H&M Group employees are continually trained in our company values and policies, including those related to human rights. Specific e-learning courses on sustainability-related themes are also available to our employees and include modules developed by the Mekong Club on forced labour.

In 2023, 61 colleagues from sustainability teams participated in a refresher training on our policies and guidelines on forced labour, child labour and responsible recruitment of migrants. These colleagues are social sustainability developers in charge of ensuring compliance with our minimum requirements, and social sustainability programme specialists leading programmes to improve social conditions in our supply chains. These programmes include global initiatives promoting workplace dialogue and wage management systems as well as locally developed and led programmes such as those focusing on women's careers and development in Türkiye, or health and wellbeing in Indonesia.

Since most priority H&M Group employees recently participated in training on forced labour and responsible recruitment in 2022, we did not prioritise new trainings in 2023. Refresher trainings on child labour, forced labour and recruitment fees are planned for 2024. In addition, colleagues who are new in the H&M Group or new in their role will be provided with the training in 2024.

Following the creation of mitigation frameworks (see [page 5](#)), we will roll these out to all functions and will train employees on their use in 2024, using our new learning platform to deliver the trainings and provide regular updates.

Trainings for suppliers

Our business partners are regularly trained or informed about our commitments and policies. All new suppliers must sign our Sustainability Commitment that sets out our expectations and are trained on the content as part of the onboarding process.

We completed training our tier 1 production suppliers on our Guideline to Responsible Recruitment of Migrant Workers in 2022, and will refresh these trainings as necessary. These guidelines are available on our supplier portal so that business partners can regularly refer to them, especially when they start working with the H&M Group or when they are onboarding new workers.

7. Engagement with stakeholders

Combatting modern slavery and forced labour is a systemic challenge that requires sustained action by multiple stakeholders and collaboration is often necessary to drive progress. For this reason, we place a strong emphasis on collaboration and partnerships with different organisations. Below is a list of our collaborations and partnerships relevant to the topic of modern slavery, forced labour and child labour. Visit our [website](#) to read more about how they support our work to combat modern slavery across our value chain.

- [Ethical Trading Initiative \(ETI\)](#)
- [International Organization for Migration \(IOM\)](#)
- [Mekong Club](#)
- [Shift](#)
- [TENT](#)
- [The Centre for Child Rights and Business](#)

8. Progress

Progress and key performance indicators

| TARGET OR KPI | 2021 | 2022 | 2023 |
|---------------|------|------|------|
|---------------|------|------|------|

Targets and progress

| | | | |
|---|---|--|--|
| 2025: No recruitment fees in our supply chain by 2025, measured by number of production units that reported cases of recruitment fees (and share of total scope) ^{1,2,3} | Baseline year | 39 (3%) ⁴ | 17 (1%) ⁴ |
| Ongoing: Increase number of priority colleagues who receive training on forced labour and responsible recruitment | Sustainability experts: 6 Production team: 41 (IOM training) Materials team: 15 | Growth team: 10 Production team: 1 Logistics team: 98 | Sustainability Experts: 61 |
| Ongoing: Where there is a risk of forced labour, increase the number of business partners who receive training on forced labour and migrant workers | 298 factories and 517 participants | Supplier units trained on forced labour, modern slavery and migrant workers: 51, including: Growth: 10 Production: 29 Logistics (including labour agencies): 12 | No additional trainings in 2023 ⁵ |

Key performance indicators (KPIs)⁶

| | | | |
|--|---|---|---|
| Number of forced labour cases confirmed ⁶ | 0 | 1 | 3 |
|--|---|---|---|

1) Refers to cases when workers have paid all or part of any fee connected to recruitment and where the worker did not immediately get reimbursed.

2) Scope: factories participating in Higg FSLM. Please see our [Sustainable Impact Partnership Program](#) for more information.

3) Data from tier 1 and 2 suppliers.

4) Most of the cases were in Türkiye and related to small legal fees for medical documents that workers need to provide to their employer. We worked with our suppliers to reimburse these fees as part of our remediation process.

5) We did not conduct additional trainings in 2023 since trainings had been recently provided and we did not identify an urgent need for additional trainings this year.

6) Data from tier 1 production manufacturing direct suppliers.

| TARGET OR KPI | 2021 | 2022 | 2023 |
|---------------|------|------|------|
|---------------|------|------|------|

Key performance indicators (KPIs) (cont.)⁶

| | | | |
|---|--|---|---|
| Number of forced labour cases successfully remediated ⁶ | Not applicable | 1 | 3 |
| Number of production units that reported non-conformities ⁷ related to excessive overtime ^{3,4} | 50 | 44 | 34 (26 tier 1 and 8 tier 2) |
| Number of production units that reported non-conformities related to improper contracts ^{2,3} | 25 | 112 | 75 (56 tier 1 and 19 tier 2) |
| Number of production units that reported non-conformities related to restriction of movement ^{2,3} | 3 | 11 | 14 |
| Number of production units that reported non-conformities related to monetary deposit ^{2,3} | 69 | 3 | 0 |
| Number of production units that reported non-conformities related to wage practices ^{2,6} | - | 261 ⁸ | 40 ⁹ |
| Number of grievances related to forced labour in our production supply chain | 1 | 0 | 0 ¹⁰ |
| Ranking in the <u>Know the Chain</u> benchmark | 9 out of 37 in the Apparel and Footwear industry (2020/21 benchmark) | 9 out of 37 in the Apparel and Footwear industry (2020/21 benchmark) — there was no new benchmark in 2022 | 4 out of 65 in the Apparel and Footwear industry (2023 ranking) |

6) Data from tier 1 production manufacturing direct suppliers.

7) Per requirements in our Sustainability Commitment.

8) This was a new KPI for 2022. It includes a combination of non-conformities related to correct legal payment for normal and overtime hours, received in a timely and regular manner. The total figure represents individual findings rather than the number of production units, as a single production unit may have several findings.

9) In 2023, we adjusted our reporting method including FSLM questions that are clearly connected to wage practices, such as not paying for all work-related activities outside of regular working hours or providing overtime allowances not in line with legal requirements. For more information on the scope of factories covered by FSLM please refer to the Sustainable Impact Partnership Program section on our website.

10) In 2023 we extended the scope of reporting by filtering all channels / sources of grievances, instead of only National Monitoring Committees.

Remediating cases of forced labour

In 2023, we found three cases of forced labour relating to excessive overtime work, workers feeling forced to work overtime or having fixed overtime every weekday — which was perceived by many workers as regular working hours that cannot be refused. There was one case each in Bangladesh, Türkiye and Vietnam.

We worked with the relevant suppliers to take immediate remediation action. This included:

- Awareness raising for management and for workers, to ensure shared knowledge that overtime hours have to be voluntary and workers should have right to refuse overtime.
- Actions to keep overtime work within legal limits.
- Ensuring workers do not work on weekly rest days.
- Putting in place a system to get individual consent from each worker for overtime work.
- Ensuring functional grievance systems are available in the factories.

Although the issues were resolved, we are regularly following up with these factories to ensure the solution is sustainable and to prevent it from happening again.

9. Looking ahead

Our focus for 2024 includes:

- Increasing the number of priority colleagues and functions participating in training on forced labour and responsible recruitment.
- Establishing a process for training H&M Group employees via our internal learning platform, Learning Studio.
- Increasing the number of business partners in high-risk countries and functions participating in training on forced labour and migrant workers.
- Growing our engagement with external stakeholders active on this topic, to better understand and identify potential issues of forced labour and recruitment fees.
- Continuing our efforts to map upstream supply chains and increase traceability.

Accelerating our work on traceability

This statement has been unanimously approved and signed by the Board of Directors of H & M Hennes & Mauritz AB on behalf of H&M Group on 21st March 2024.

This statement has also been approved by the Board of Directors of H&M Hennes & Mauritz UK Ltd, H&M Hennes & Mauritz UK Services Ltd and H & M Hennes & Mauritz GBC AB which are subject to the UK Modern Slavery Act and signed by a director of each entity.

H&M Hennes & Mauritz Pty Ltd (H&M Australia) is a reporting entity under the Australian Modern Slavery Act 2018. H&M Australia is a subsidiary to H & M Hennes & Mauritz AB and has its headquarters in Sydney. It distributes, sells and markets apparel from brands within H&M Group. H&M Australia has approximately 1,350 employees engaged in administrative functions and retail sales across Australia. It does not engage in manufacturing. H & M Hennes & Mauritz Inc (H&M Canada) is a reporting entity under the Canadian Supply Chains Act. H&M Canada is a subsidiary to H & M Hennes & Mauritz AB and has its headquarters in Toronto. It distributes, sells and markets apparel from brands within H&M Group. H&M Canada has approximately 4,000 employees engaged in administrative functions and retail sales across Canada. It does not engage in manufacturing. This statement has been approved and signed by the Board of Directors of H & M Hennes & Mauritz AB.