

H&M has a dedicated team working on sustainability and compliance in our supply chain based in Phnom Penh. We regularly visit the factories we work with (at least twice a year), and monitor compliance, development and improvements over time. In addition to our own monitoring program we work closely together with ILO's Better Factories Cambodia-program whose monitoring reports we regularly internalize into our own reports and are used as a basis for identifying action plans of improvement for the factories that we work with.

We believe that an efficient and effective way of securing sustainable positive development and good labour conditions is to work towards well-functioning industrial relations in all the markets where we operate. This is why in Cambodia we are together with the ILO implementing a project to improve industrial relations there. This project aims at raising the abilities to negotiate working conditions and obligations on both factory, industrial and national levels. By the end of 2016 all our strategic suppliers will be enrolled in this project.

We have engaged in constructive dialogue with both Zhongyin management and CCAWDU on the concerns raised there recently, and the parties have recently reached an agreement on these issues.

Regarding Fixed Duration Contracts (FDCs):

- H&M is committed to respecting human rights in our own and our business partners' operations. Our approach and policies are based on the UN Guiding Principles on Business and Human rights.
- The lack of legal clarity and enforceability of the correct use of FDCs in Cambodia leads to widespread mis-use of these short-term contracts.
- H&M views the widespread mis-use of FDCs as a practice that enables violation of core labour rights across the industry, leading to lack of job security and in worst cases discrimination and endangering Freedom of Association.
- In particular, violation of rights such as non-discrimination and freedom of association undermine the sustainable development of the Cambodian garment industry.
- H&M follows the Arbitration Council's interpretation of the Cambodian Labour Law – short-term FDCs should be converted to long-term UDC contracts if repeatedly renewed for 2 years or more.
- To drive sustainable industry-wide change, we recognize the importance of working with other stakeholders. This includes our suppliers, but also other buyers, trade unions, employers' associations and NGOs.