



## Company Engagement Questions:

### KnowTheChain Apparel & Footwear benchmark

Companies can use these questions to provide additional information relevant to KnowTheChain is benchmarking 20 apparel & footwear companies on their commitments and programs targeted at addressing human trafficking and forced labor in the supply chain.

Each company has been invited to respond to the questions below by 1 July 2016. The responses will be published on the [website of Business & Human Rights Resource Centre \(BHRRC\)](#), one of the partners in KnowTheChain.

#### Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

*Note: You may be aware that the [Corporate Human Rights Benchmark \(CHRB\)](#) is analyzing companies' broader human rights policies and performance. Where the KnowTheChain benchmark indicators are related to [indicators of the CHRB](#), this is indicated under each engagement question.*

*We welcome that some companies have disclosed information on their human rights policies and practices for the [Corporate Human Rights Benchmark \(CHRB\)](#). Where companies have disclosed information on specific CHRB indicators, as well as any links available from the company website, these will be considered in the KnowTheChain analysis. Third party information and links to third parties websites will not be considered.*

<http://www.ungpreporting.org/reportingdatabase/explore-disclosures/>

*The link above provides information on H&M's reporting against the UNGP RF. In the attached link, it is possible to extract all the information available through H&M's annual sustainability reporting as well as what is found on our webpage. Via the link it is possible to customize the information extracted based on many references, including the CHRB. Hence, we refer to this link for any additional information requested for the "knowthechain" benchmark.*

#### **Commitment and governance**

##### Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

*Related to indicator A.1.2 of the CHRB*

*H&M has a human rights policy since December 2012. All our business partners – not only our suppliers need to sign our Sustainability Commitment. It is based on the same strict standards as our previous Code of Conduct that was developed in 1997. Both these documents are disclosed on H&M's website.*

Länken: <http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/code-of-conduct.html#cm-menu>

## Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

*Related to indicator A.1.2 of the CHRB*

*Please see above.*

## Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe the scope of their responsibility and how they interact with other internal teams, groups or departments

*Related to indicator B.1.1 of the CHRB*

<http://www.ungpreporting.org/reportingdatabase/explore-disclosures/>

## Training

5. Does your company conduct training programs for internal decision-makers and suppliers' management teams on risks, policies and standards related to human trafficking and forced labor (this may include training on elements such as passport retention, payment of wages, and vulnerable groups such as migrant workers)? Please describe.

*Related to indicator B.1.5 (internal training) and B.1.7 (training of suppliers) of the CHRB*

<http://www.ungpreporting.org/reportingdatabase/explore-disclosures/>

## Stakeholder engagement

6. In the last three years, has your company engaged on human trafficking and forced labor, especially as it relates to the supply chain a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives? Please describe with whom your company has engaged, the purpose of the engagement and how it relates to forced labor and human trafficking in the supply chain, and your company's role and level of engagement.

*Related to indicator A.1.4 of the CHRB*

<http://www.ungpreporting.org/reportingdatabase/explore-disclosures/>

*1st June 2016, H&M arranged for an internal training on modern slavery, forced labour and the implications of the UK Modern Slavery Act – held by the ETI (Ethical Trade Initiative). In this training, various representatives from the H&M organization participated; sustainability staff from our production organization, global sustainability, legal department, public affairs, communication department as well as other business functions like logistics and construction. All in all, the session had 25 participants and our plan is to continue to roll out this training further in our organization.*

## **Traceability and risk assessment**

### Traceability

7. Please describe your company's supply chain tracing processes.

Does your company publicly disclose a) the names and locations of first-tier suppliers, and b) some information on suppliers beyond the first tier? If yes, please provide a URL.

Related to indicator D.2.3 of the CHRB

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/2015%20Sustainability%20report/HM\\_SustainabilityReport\\_2015\\_final\\_FullReport\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/2015%20Sustainability%20report/HM_SustainabilityReport_2015_final_FullReport_en.pdf)

In the link above, please find descriptions of how we work with traceability in page XX

<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html#cm-menu>

- a) H&M discloses its 1<sup>st</sup> tier suppliers. We publish our supplier map, which shows the production countries, the factory and the supplier information. Besides the names and addresses of our direct supplier factories and any subcontracted factories they might use, we now also disclose b) the most important second-tier suppliers. These are fabric and yarn suppliers to our suppliers that are involved in making about 50% of all products within the H&M Group.

<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-compliance.html#cm-menu>

Above link is a source of all available supplier compliance data.

## Risk assessment

8. Please describe your companies' risk assessment processes. Please include specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group (e.g. migrant workers in a specific context), as well as the forced labor risks identified through these risk assessment processes (e.g. high risk commodities or high risk sourcing countries).

*For examples of commodities where forced labor risks have been identified - such as cotton from Brazil, silk from Uzbekistan or leather from the Bangladesh - see Verite (2016) – “[Strengthening protections Against Trafficking in Persons in Federal and Corporate Supply Chains Research on Risk in 43 Commodities Worldwide](#)”.*

Related to indicator B.2.1 of the CHRB

<http://sustainability.hm.com/en/sustainability.html#cm-menu>  
<http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/code-of-conduct.html#cm-menu>

In the attached links, please find references to our Sustainability Report for 2015, in which we describe our risk assessment processes.

- Page 66-69 (description of our human rights management process – the illustration in page 66 shows how we implement our human rights policy through different business processes – for example the assessment conducted before entering new production or retail markets (page 69) and the due diligence of business partners in order to evaluate them on sustainability criteria (including social sustainability/human rights) prior to entering into business (page 30-37 especially under 2.4 in page 37). It further describes our human rights management system and our case handling process when there is an actual impact identified, meaning, how we analyze the case/situation in accordance with the UNGP's to define our level of responsibility (if the impact is caused by our actions, if we have contributed to it or if we are directly linked to the impact via our operations, products and services or if it can be determined that we have no responsibility to provide for remedy under the UNGP's. This guides our resultant actions, if and in what way we should provide for remedy for the impact that occurred. Despite our level of responsibility that steers our obligation to provide for remedy, we do have a responsibility to work to prevent the impact from occurring again and this is how this analysis further shape our way forward in our practices.
- Case handling routine: There is a systematic and particular internal process to analyze our level of responsibility and resultant actions to provide for remedy, in cases and situations with an actual human rights impact. In 2014 we developed a systematic approach to analyze arising cases and scenarios (together with the experts in Shift – [www.shiftproject.com](http://www.shiftproject.com)). Since the finalization of this approach, with particular supporting tools developed for the analysis, we have conducted internal training with key roles and staff in the organization and continue the roll out further in 2016. (page 69 3.11).

- Page 128-129 (description of the process undertaken in 2015 to establish our salient human rights issues, the list of the salient issues and where in the value chain they actually or potentially occur as well as references to chapters and pages in our sustainability report where we describe how we address them (in order to prevent, mitigate and, if applicable, provide for remedy). Since 2013, we have been assessing the materiality of our business activities through a range of sustainability issues. 2015 we supplemented this in the area of human rights with the process to identify our salient human rights issues based on an understanding of risk to people. The salient human rights issues were identified through a number of internal workshops with key business functions, looking at our business operations and activities throughout the value chain and how these impact people, especially recognizing vulnerable groups such as migrant workers, children and in some places women.
- 27-56 about supply chain management including monitoring
- Going forward: The risk assessment related to the value chain of materials and processes for our products is being further developed and more systematized during 2016 as well as the development of an updated due diligence process with a broad perspective – gather information from our country risk assessments, our ongoing stakeholders dialogues and consultations, analysis of the local relevance/priority of the globally identified salient human rights issues, to further systematize and strengthen our overall due diligence. The work to establish our salient human rights issues and the input received from the external consultations in that process, will further shape our way forward in addressing these issues. Our internal knowledge in the human rights management and UNGP field has also increased and hence 2016 we will also revisit our human rights policy to potentially revise it to further clarify our ambition in respecting human rights.
- In the process (through conducting internal workshops for key roles/staff and functions as well as consulting and getting input from various external stakeholders) of determining our salient human rights issues (in 2015), we analyzed all our business activities throughout the entire value chain, specifically looking at the risk to people. This resulted in a determination of our salient human rights issues - we concluded ten salient issues by determining the severity and likelihood of the impact if it would occur. Forced labour is defined as salient. All salient issues are described in the sustainability report of 2015 in page 133 (the list of salient issues and where in the value chain they are at risk).
- Suppliers are assessed (at least annually) against the requirements set out in our Sustainability Commitment through our Sustainability Impact Partnership Program SIPP. Below, please find the link to compliance data and our sustainability commitment.
- We have a goal to assess all new production and retail markets on human rights and environmental issues prior to entrance. The status of this goal is found in the Sustainability Report 2015 in page 69 3.10. For existing production and sales markets, H&M regularly evaluates human rights related risks and conduct human rights impact assessments on high-risk markets. Risk and impact assessments are used for identifying actual and potential human rights impacts from our business activities, which are then managed by the relevant business functions.
- We strive to embed a human rights perspective in all our business processes to prevent negative impact from occurring; including human rights/social aspects in the due diligence of a potential business partners (there are particular questions that are used to determine the risk of forced labour situations), through the materials and processes that are used in and for our products, the manufacturing of our products, the transportation, the distribution, the sales and our employees, our marketing and finally the way our products are handled when they leave our store. The risks of human rights impacts vary, depending on our choices, the operational context etc. Please see our Sustainability Report 2015 page 9-10 for a brief description of the social impact throughout our value chain. The exposure to human rights impacts, including forced labour, we believe is greatest through collaboration with third party (via our business relationships) and impacts related to materials used in our products, particular processes used in the production of our products.
- Our aim is to integrate a human rights perspective in all our business processes that potentially impact human rights. The ambition for our human rights management is to have processes in place to continuously identify actual and potential impacts and appropriately address and provide for remedy for these, as well as work to prevent negative impacts from occurring. Continuous improvements are keys in this work. For the salient human rights impacts, including forced labour, please see the list of our salient human rights issues and how they are addressed - through prevention measures, mitigation measures and/or remediation activities and/or fully developed roadmaps and strategies.
- The suppliers assessed through the SIPP (our Sustainability Impact Partnership Program) all have remediation plans in place as part of our program to increase their sustainability performance. The

workers' own view is undoubtedly central in this matter. Through our program, we systematically conduct worker interviews and have completed a number of anonymous worker surveys. Going forward, we will conduct worker surveys systematically and complement them with worker interviews conducted both randomly and when needed. We are providing our contact information to workers during factory visits so they can report complaints directly to us at any time. Our close collaboration with representatives for the local trade unions is also an important channel. They receive business cards with contact information to distribute to workers as well and this is followed up by our local teams in the country, often in consultation with IndustriALL.

- All notifications, regardless if they are reported anonymously or not, are being registered and become a subject for an investigation. It is our local sustainability teams that are responsible for looking into each case. We have production offices in all the countries where our products are being produced. We believe being present locally is a prerequisite to be able to have a close and well-functioning collaboration with local networks of trade unions. (Sustainability Report 2015 page 32). We also keep a close dialogue with our suppliers.
- During 2015, we signed a unique framework agreement with the global union IndustriALL and the Swedish union IF Metall. We are joining forces to promote sustainable industrial relations and collective bargaining globally and improving the dialogue between employers and employees at H&M supplier factories (Sustainability Report 2015 page 52 5.2).

Please find the link to the entire GFA on IndustriAll's website:

<http://www.industrialunion.org/industrial-global-union-and-hm-sign-global-framework-agreement>

as well as on H&M's website:

<http://about.hm.com/en/news/newsroom/news.html/en/global-framework-agreement.html>

- We have a company goal to only use cotton from sustainable sources (page 15). Moving towards our goal also means moving towards full traceability of cotton by 2020. Today we have banned cotton from Uzbekistan, a country that repeatedly has been connected to forced labour and child labour in its cotton industry. Since 2016, we have expanded this ban to Turkmenistan as well for similar reasons, as well as cotton from Syria due to ongoing conflict in the country. Full traceability of cotton will help us in further ensuring the adherence to this ban in our value chain (page 18)
- Further information on restricted materials can be found in our Animal Welfare and Material Ethics Policy. Our Animal Welfare and Material Ethics Policy outlines our responsibility to ensure that the natural raw materials we use in our products are made in a way that preserve natural resources, help maintain biodiversity, contribute to sustainable development and respect human rights. Please see below link:

<http://sustainability.hm.com/en/sustainability/downloads-resources/policies/policies/material-ethics-policy.html>

## **Purchasing practices**

### Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

*Related to indicator D.2.2 of the CHRB*

Yes, please see our Sustainability Report of 2015 pages 29, 31, 38, 45-47. Please find enclosed information on our purchasing practices.

<http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/responsible-purchasing.html>

### Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them (this may include aspects such as passport retention and payment of wages)? Please describe.

*Related to indicator B.1.7 of the CHRB*

Please see our Sustainability Report pages 27-43.

<http://sustainability.hm.com/en/sustainability.html#cm-menu>

Please find more information on supplier selection here and how we work to promote and reward sustainable business partners:

<http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/beyond-monitoring/monitoring-grading.html>

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands (to reduce the risk of undeclared subcontracting)?

Please see our Sustainability Report pages 31 and 38.

<http://sustainability.hm.com/en/sustainability.html#cm-menu>

## Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

*Related to indicator B.1.4.b of the CHRB*

Please see our Sustainability Report page 37 and our Sustainability Commitment for business partners section 1H and 1C.

<http://sustainability.hm.com/en/sustainability.html#cm-menu>

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf)

## Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

*Related to indicator A.1.2 of the CHRB*

In our sustainability commitment for business partner, which all business partners need to sign, we clearly outline that it is expected of all business partners to apply the requirements set out in the sustainability commitment in their supply chain, including the requirements we state on forced labour and recognized employment in section 1H and 1C.

“H&M also expects Business Partners to apply the requirements and approach outlined in this Commitment in their supply chains.”

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf)

## Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including a) whether your company requires recruitment agencies in its supply chain to uphold workers' rights (this may include aspects such as written contracts, access to passports, and regular payment of wages), b) whether it has a policy on direct employment (i.e. a policy prohibiting suppliers in its supply chain from using recruitment agencies), and c) whether it requires suppliers to disclose to the company the recruiters that they use.

*Related to indicator D.2.5.b of the CHRB*

In our due diligence of potential business partners we ask if all employees are employed directly by the company and if not, by whom they are employed. This aspect is also included when we use employment agencies for our internal recruitment.

### Recruitment fees

15. Please describe your company's approach to recruitment fees in the supply chain, including whether your company requires that no fees be charged to supply chain workers during recruitment processes, and whether and how your company ensures that fees paid by workers are reimbursed.

*Related to indicator D.2.5.b of the CHRB*

Please see our sustainability commitment for our approach to recruitment fees. Section 1H clearly outlines that "Forced, bonded, prison or illegal labour is not accepted. If contracted labor is hired, the employer is responsible for payment of employment eligibility fees of contract and/or foreign workers, including recruitment fees. Employees shall not be required to lodge "deposits" or identity papers with their employer and shall be free to leave their employment after reasonable notice. The employee's freedom of movement is not restricted. No part of wages is withheld.

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf)

Our monitoring program continuously follows up the above issues. H&M discloses its 1<sup>st</sup> tier suppliers. We publish our supplier map, which shows the production countries, the factory and the supplier information. Besides the names and addresses of our direct supplier factories and any subcontracted factories they might use, we now also disclose the most important second-tier suppliers. These are fabric and yarn suppliers to our suppliers that are involved in making about 50% of all products within the H&M Group. All 1<sup>st</sup> tier suppliers and mentioned part of our 2<sup>nd</sup> tier suppliers are part of our monitoring program.

### Recruitment audits:

16. Does your company audit recruiters used in its supply chain, to assess risks of forced labor and human trafficking, and/or require suppliers to audit their recruiters?

*For further information, see Verité – [Fair Hiring Toolkit. Conducting Interviews with Labor Recruiters](#).*

## Worker voice

### Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain, and whether your company makes its policies and standards available in the languages of suppliers' workers (including migrant workers).

*Related to indicator B.1.4.b of the CHRB*

Our sustainability commitment is translated into 18 languages. Raising workers' awareness of their rights

If we want our suppliers to be in charge of their own sustainability in the long run, this needs to involve their employees. Employees need to know their rights and how to claim them. Ultimately, we want them to be able to influence their situation through dialogue with their employers. Achieving this position remains a challenge today as many sourcing countries lack adequate systems for industrial relations and, even if they do exist, workers' committees do not always function effectively.

To tackle these challenges, we have in recent years initiated training programs to raise workers' awareness of their rights and procedures to claim them. For several years, through our audit program, we have also monitored the existence and effectiveness of worker/management communication systems, such as grievance systems and effective workers' committees.

<http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/beyond-monitoring.html>

Our focus to improve industrial relations and improving social dialogue is further described in our [Sustainability Report](#) in pages 10, 29, 44, 47 and 51-56.

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/2015%20Sustainability%20report/HM\\_SustainabilityReport\\_2015\\_final\\_FullReport\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/2015%20Sustainability%20report/HM_SustainabilityReport_2015_final_FullReport_en.pdf)

## Worker voice

18. Please describe how your company engages with workers in its supply chain on labor related issues and rights outside of the context of the factories/farms in which they work? (whether directly or in partnership with stakeholders).

[Example available here](#)

*Related to indicator B.1.8 of the CHRB*

Please see our Sustainability Report for more information on;

Worker surveys – page 35

Grievance – pages 32, 38, 56, 59, 63, 71

Collaboration – 12, 32, 46, 47, 49, 50

19. Please explain how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing, where there are regulatory constraints on freedom of association.

[For additional information on worker empowerment, see context in "Responding to Challenges of Freedom of Association" chapter of Ethical Trading Initiative's practical guide on "Freedom of Association in Company Supply Chains", and related company example on page 35](#)

*Related to indicator D.2.6.b of the CHRB*

Please see information under question 17.

## Grievance mechanism

20. Please describe your company's grievance mechanism, and clearly indicate whether it is available to workers in the supply chain, and how it is communicated to workers in the supply chain. Please also note whether you require your suppliers to establish a grievance mechanism, and to convey the same expectation to their suppliers.

*Related to indicator C.1 and C.5 of the CHRB*

Please see information under question 18.



## Monitoring

### Auditing process

21. Please describe your company's supplier auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents (documents may include wage slips, information on labor recruiters, contracts, etc.)<sup>1</sup>, and c) interviews with workers.

For further details on document reviews see Verite – [Fair Hiring Toolkit. Conducting a Review of Documentation](#).

Related to indicator B.1.6 of the CHRB

Please see our Sustainability Report pages 27-43.

### Audit disclosure

22. Does your company disclose

- a) the percentage of suppliers audited annually
- b) the percentage of unannounced audits
- c) information on who carried out the audits (this may include further information on the expertise of auditors such as relevant certifications, in cases where third-party audits are used, the names of the auditors, and in cases where internal auditors are used, details on department/team/group within which the auditor(s) sits), and
- d) a summary of findings, including details of any violations revealed?

Please provide a URL with the relevant information.

Related to indicator B.1.6 of the CHRB

A, B, C. Yes. Please see our Sustainability Report pages 27-43

D. Yes. Please see our compliance data. <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-compliance.html#cm-menu>

## Remedy

### Corrective action plans

23. Does your company have a process for creating corrective action plans when violations are discovered through an auditing process? Please describe this process and the elements of a corrective action plan.

Related to indicator B.1.6 of the CHRB

Please see our Sustainability Report pages 27-43.

### Remedy

24. Does your company have a process to provide remedy to workers in its supply chain in cases where violations are discovered, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes.

Related to indicator C.7 of the CHRB

Case handling routine: There is a systematic and particular internal process to analyze our level of responsibility and actions to provide for remedy, in cases and situations with an actual human rights impact. In 2014 we developed a systematic approach to analyze arising cases and scenarios (together with the experts in Shift – [www.shiftproject.com](http://www.shiftproject.com)). Since the finalization of this approach, with particular supporting tools developed for the

analysis, we have conducted internal training with key roles and staff in the organization and continue the roll out further in 2016. (Sustainability Report page 69 3.11).

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