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To: Harpreet Kaur, Annabel Short & Christopher Avery – Business & Human Rights Resource Centre
From: Helena Helmersson, Head of Sustainability H&M

H&M response to “Hypocrisy & Minimum wage”

I am thankful for the possibility to provide a response on the article “Hypocrisy & Minimum wage” by Hanna Claeson, published in Business & Human Rights Resource Centre’s Weekly Update newsletter. The main point in the article is to direct the spotlight on working conditions in the textile industry and that large companies, in this specific case H&M, has clear responsibility to everyone who contributes to their business - including being properly compensated for the work performed. Social responsibility is of highest importance to us and we welcome any feedback on improvements. However, the article contains some serious allegations and factual errors that need to be addressed.

H&M’s Code of Conduct was introduced in 1997, and compliance with the requirements of the Code is monitored through our Full Audit Programme. During 2011 we conducted 2,024 audits on active factories out of which 78 per cent were unannounced. In order to verify our audit method, we became an accredited member of Fair Labor Association in 2006.

Beyond auditing we also contribute to better working conditions and a better environment through a number of projects in our manufacturing countries. Contrary to the reasoning in the article, H&M put much focus on influencing and educating our suppliers and their employees. One example is the five workers awareness films produced by H&M and local NGO’s both in Bangladesh and India. In Bangladesh, almost half a million workers have seen the films, and in India the films have just been launched. They educate workers and management on topics like maternity leave, leave and documentation, abuse and grievance, health and safety and overtime. Now both women and middle management have knowledge in terms of maternity leave and pay, and the women actually get paid maternity leave.

Gathered all stakeholders

The author is mentioning the devastating fire in Garib & Garib. This was a trigger point to address the root causes to frequent fires in factories in Bangladesh. H&M immediately started a two year plan and a budget of SEK 1 million was adopted in order to make thorough investigation of root causes and possible ways forward. In addition to this we worked together with Save the Children to conduct a need assessment of children to workers who passed away in this tragedy, this led to a support program of approx. SEK 900 000 for these children giving them funds on a yearly basis up until their age of 18. In this plan we also invited other brands to participate, since this is an industry wide problem and needs to be addressed at all levels not only individual factories. We worked together with Fire Defense Department and Bangladesh University of Engineering and Technology (BUET) in order to truly identify root causes. In a concluding seminar in July 2012 in Dhaka we gathered all stakeholders including Government, trade unions, NGOs, suppliers and brands to present findings and a way forward. We do believe that this way of working is more sustainable where the industry as whole is involved, and drive changes on all levels not only in individual factories working with H&M.

We don’t shop around

Since a few years we have actively been trying to move away from “superintendents”, as H&M is described in the article, to rather make suppliers aware and to train and motivate them to take ownership of their own operations and gain productivity and responsibility. To support this ambition, during 2011 we launched a Supplier Relationship Management program (SRM). We aim to develop a long-term sustainable business relationship, as well as social and environmental standard in the factories that manufacture H&M Group’s products. We never shop around with short time frames, as the author of the article incorrectly claims. This would not be possible given the large volumes we buy.

We have taken check points on our actions and verified that already after a few months from the implementation of our SRM, the capacity utilization within our supply chain showed a clear tendency of placing the majority of our orders with the best compliant and most sustainable suppliers, as clearly indicated in our sustainability report. We reward suppliers being responsible.

Actions on industry level

In parallel with this work, we also take actions on industry level. That was why the CEO of H&M, Karl-Johan Persson, recently met the Prime Minister of Bangladesh, Sheikh Hasina, in Dhaka. During the meeting, Karl-Johan Persson presented H&M's request for an increased minimum wage and annual wage reviews for workers in the Bangladeshi textile industry.

As there is no industry standard on how buyers should promote higher wages, it differs between companies depending on, for example, size and power to influence. In 2011, H&M joined The Fair Wage Network which works to bring together fashion brands, garment producers, NGOs, worker representatives and researchers to promote fair wages around the world. I want to share Daniel Vaughan-Whitehead, Founder and co-Chair of the Fair Wage Network and responsible for wage issues at the United Nations International Labour Organization, view on Fair Wage:

"The strength of the Fair Wage approach lies in its multidimensional nature. By collecting data and information on 12 complementary dimensions, it captures the whole wage story in the enterprise. The living wage is one of those but is not the only one. Because Fair Wage is not only about a number but also helps the enterprise to improve its pay systems, adjustment mechanisms and social dialogue on wages, thus leading to sustainable wage developments"

This approach is applicable throughout the textile industry, not just our suppliers. We also agree that wages should be set through negotiations between employer and employee, and that the buyers' responsibility is to help and support that process. It leads to a better workplace, an understanding between the partners and less conflict. It is very common that the root cause of the unrests in factories is lack of functioning systems for wage bargaining.

As part of our engagement within The Fair Wage Network, around 200 of H&M suppliers' factories in Bangladesh, Cambodia, China and India were assessed earlier this year. It accounts for more than half of H&M Groups total buying. We are convinced that this first step, the knowledge and the network will help us in further promoting fair wages in our supply chain as well as in our industry.

Bangladesh Development Plan

Last year H&M, together with various stakeholders and experts, also developed a dedicated plan to support social development in Bangladesh. We want to ensure that the garment industry has a positive impact on the country's development, not just by contributing jobs, but also skills, education, health, and improvements in labor and women's rights. We arranged a conference in Dhaka at which suppliers, labor organizations, government representatives, international trade unions and volunteer groups met to discuss ways to improve communication between workers and employers. As a next step, H&M has arranged for external experts to train five selected suppliers in the creation of workers' committees via democratic elections, and in how these committees negotiate with management, in order to enable workers to improve their working conditions. The system will undergo testing in 2012 and 2013, and is planned to be rolled out to additional suppliers thereafter.

Industrial relations in Cambodia

At time of writing, I am returning home from a trip to Cambodia – a country with good conditions for a functioning labor market, but in need for support to take advantage of them. To improve industrial relations in Cambodia's textile industry, H&M and one of Sweden's largest unions, IF Metall, recently introduced a unique project. Starting 2013 we will work to strengthen the dialogue between factory management and their employees and teach them the importance of cooperation and collective agreements. Our goal is to create opportunities for dialogue and strengthen the textile workers' influence.

H&M will continue to contribute to progressive development for workers in countries where we operate. We strive to be as transparent as possible about the progress we make. Our yearly sustainability report is an important part of that. It manifests our engagement. Read more in detail how we manage both challenges and progress here: www.hm.com/consciousactions2011

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