

*For several weeks, H&M Group has been in close dialogue with the management of Gokaldas Export Ltd. and their unit Euro Clothing 2 (ECC2), as well as Garment and Textile Workers Union (GATWU) and its federation, Unions United, which is an affiliate of IndustriALL Global Union in India, working to help them find a peaceful solution to the conflict.*

*After initial misinformation in various media and social media claiming that the closure of the factory was due to cancelled or reduced orders from H&M Group, we could confirm that this information was incorrect. Instead, we treated this case as a suspected non-compliance with our minimum requirement to respect workers' right to freedom of association, as clearly stated in our Sustainability Commitment as well as our Global Framework Agreement with IndustriAll and the Swedish trade union IF Metal.*

*Based on this, since May, we had several conversations with the involved parties, and repeatedly urged Gokaldas Export Ltd. to engage in good faith negotiations with the respective trade unions under the umbrella of the National Monitoring Council (NMC), a conflict resolution instrument that brings together suppliers and trade unions, if needed under the involvement of H&M Group and IndustriAll.*

*Using all possible leverage, we made clear that meeting our requirements to respect the workers' right to freedom of association and entering such good faith negotiations is the basis for the H&M Group to continue business not just with this particular factory, but all of the factories operated by Gokaldas Export Ltd.*

*While Gokaldas Export Ltd. agreed to join a number of NMC meetings, we could, despite this continuous strong engagement and clear consequences, unfortunately not yet see our expectations to a meaningful and good faith negotiation fulfilled, which ultimately forced us to follow through in using our ultimate leverage and gradually phase out the business relationship with Gokaldas Export Ltd due to non-compliance with our requirements to respect freedom. In order to minimize impacts on their business, this will, as part of our responsible phase out procedures, mean a gradual reduction of order volumes over a period of 18 months.*

*We will re-evaluate our decision and consider placing orders with Gokaldas Export Ltd. again, in case we would see convincing signs and actions of remediation and credibly respecting workers' rights to freedom of association, including coming to a satisfactory agreement with IndustriAll and GATWU and its federation, Unions United, in this particular case, as well as implementing necessary structures to prevent similar situations in the future.*

*We will of course continue to engage with Gokaldas Export Ltd., IndustriAll and its affiliates, as well as other brands and several other stakeholders moving forward. Following these steps, Gokaldas Export Ltd. has agreed to join a next meeting under the NMC, which we welcome and will participate in, aiming to help come to an agreement and find a solution for the affected workers.*