
H&M SUBMISSION



Clean Clothes Campaign Wage Survey

Response ID:124; Data

1. Login/Password Action

2. Introduction

The purpose of this survey is to gather a snapshot of fashion company and retailer progress towards the payment of a living wage. This data will be published by organisations across Europe and the submissions compared with that of other clothing brands. It will be tailored for use by over 500,000 consumers to assess their shopping choices, both through online viewing, and a specific mobile application. We appreciate your time and energy in submitting as many accurate and comprehensive answers as possible.

The survey is split into 10 sections. These are based on 10 recommendations for achieving a living wage compiled by CCC Asian partners from the Asia Floor Wage Alliance. See [here](#) for more information.

Please note that it is not possible to log in and out of this survey, so you may wish to preprepare your submission before going through the survey process. You can browse questions using the PDF of the question text that was sent to you. All documents uploaded using this form will be stored in a safe place.

Definition of terms:

Where the term living wage is used in this survey it means a wage that: applies to all workers; is reached within the standard working week, which is in no case more than 48 hours; is a basic take-home wage before benefits, bonuses or overtime pay; covers the basic needs of the worker and his/her family, where a family is 3 consumption units (a child counts as half a consumption unit); provides some discretionary income of at least 10% of the amount needed to cover basic needs.

Where the term supplier factory is used in this survey it means a factory or production unit that your brand is directly trading with.

Where the term sub contractor is used in this survey it means a factory or production unit that is in your supply chain, but is trading with another unit that you are supplying from.

1. Company name:

H&M

2. Brands owned by company:

H&M, H&M HOME, Weekday, Monki, Chep Monday, COS, & Other Stories

3. Main contact person:

Name: : Maritha Lorentzon

Email: : maritha.lorentzon@hm.com

Contact phone number: : +46 8 796 5780

3. The living wage standard

1. The Living Wage standard

A living wage standard must be clearly defined in company policy to ensure that it is clear to everyone what a company aims to deliver in terms of conditions and wages in its supply chain. Policy should be clear on what wage should be paid, including hours in which this should be earned, the role of benefits, bonuses and overtime, the number of family members provided for, and discretionary income.

4. 1.1 What is your company's position on payment of the living wage to workers in your supply chain?

Our Vision and Position is:

A Fair Living* Wage, covering workers basic needs, should be paid by all our commercial goods suppliers

* Measured as workers' perception of receiving a wage that cover their basic needs

"A fair living wage, covering workers' basic needs, should be paid by all our suppliers"

5. 1.2 Please give the link to the code of conduct which is used when monitoring conditions in your supplier factories. If it isn't publicly available, please upload a copy using the option below.

<http://about.hm.com/AboutSection/en/About/Sustainability/Commitments/Responsible-Partners.html?list-ofdownloads=>

Upload option.

6. 1.3 Does your company agree with the definition of a living wage as given [here](#)?

No, our definition differs from the definition given.

If no, please provide details of how your definition of a living wage is different and give justification.

We do not endorse a specific definition, since we do believe that this is for workers representative to decide, and conclusion on what specific wage level to bring to wage negotiations.

A good example is from Bangladesh, where the Centre for Policy Dialogue (CDP) presented a definition and level, that were used in the wage negotiation during this autumn.

In Fair Wage method,(method used in our Role Model Factory) worker assessments of perceived wage include following parameters: Food, Accommodation, Health, Education, Clothing and Vacation/leisure.

4. Respect for freedom of association and collective bargaining, a precondition for a living wage

2. Respect for freedom of association and collective bargaining, a precondition for a living wage

Freedom of association (FOA) and collective bargaining are fundamental enabling rights. When these rights are respected, workers can use them to ensure that other labour standards, including the living wage, are upheld. Unfortunately, workers face many barriers to joining or forming a trade union and to bargaining collectively. Proactive and positive measures are needed to ensure these abuses stop occurring, to make way for wage improvement.

7. 2.1 How has the right to Freedom of Association and Collective Bargaining been clearly

communicated to workers in your supplier factories and subcontractors?

This is by far the most difficult part, since workers knowledge of FoA Collective Bargaining are very limited. Initially in the beginning of 2000 we insisted on our code of conduct being displayed in factories. This was not successful.

In our Full Audit Program we evaluate factories own induction training to workers, and what material is available. It is also evaluated through Management System audit.

Percentage of supplier factories and subcontractors reached by these measures:

0%

Please supply an example of materials used:

8. 2.2 Do you support or facilitate training for workers to ensure they are aware of their right to freely associate, in conjunction with local independent trade unions or workers' rights organisations? Please supply details:

Workers Rights&Responsibility covering areas H&S, Overtime, Workers Representation, Abusive % Grievance, Working Environment.

- 1. Bangladesh , 2008
- 2. India, 2012

Names of local unions or workers rights organisations: : Awaj Foundation, BD.Garment Workers Union-Karnataka(GWU) and Karnataka Labor Welfare Association. IND.

Names of local unions or workers rights organisations: : Names of local unions or workers rights organisations: : Awaj Foundation, BD.Garment Workers Union-

Percentage of supplier factories reached by these measures: : %100 in Bangladesh, % India, awaiting year end result.

9. 2.3 Do you provide training for management of your supplier factories and subcontractors on the right to freedom of association?

See above. Applicable for manager and mid manager as well.

Percentage of supplier factories and subcontractors reached by these measures:

100%

10. 2.4 Have your supplier factories and subcontractors issued the Right to Organise Guarantee to workers in any of your production units?

	Country:	Number of suppliers:	Details:
1:			
2:			
3:			
4.			

Please provide a sample of materials used in specific countries:

11. 2.5 Do you require supplier factories and subcontractors to sign Union Access Agreements? If yes, please supply details.

Number of supplier factories with agreements:

Please provide a sample of agreements signed:

12. 2.6 Does your company have an accessible, actionable and safe means by which workers can file and follow up on complaints about violations of freedom of association and collective bargaining rights? How do you monitor that this can be accessed freely by workers?:

1. In connection with worker interviews (appr 10.000/year) workers are provided with a mobilenumber/e-mail address to H&M, which they can use and also distribute to their co workers.
2. Through our dialogue with local trade unions we receive information concerning any case, that might abuse FoA. and act on this information accordingly.

As example of grievance passed on from Trade Unions, we can mention Kingsland case, and SL Garment case in Cambodia, where H&M took a very active role in mediating to reach a solution.

13. 2.7 Have you done any work to limit the use of short term contracts in your supplier factories and subcontractors?

Please provide details of your policy and its impacts in relevant countries: : Cambodia:How long FDC (fixed How has any of this work impacted on workers ability to receive seniority bonuses?: : Cambodia:H&M requiries

14. 2.8 Is there anything else you would like to tell us about work you have done so far, or work you are planning, to promote the right to freedom of association in your supply chain?

1. Social dialogue project in Bangladesh. Initially pilot covered 5 factory. Scaling up during 2014 to cover 15% of the factories in BD, and by 2018 it should cover 100% of factories in BD
 2. Industrial Relation project in Cambodia together Swedish Trade Union IFMetall and SIDA
- Pls read more about the project in our Sustainability report 2012.
<http://about.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/reports/Conscious%20Actions%20Sustainability%20Report%202012.pdf>

5. Dialogue and negotiation with labour rights organisations

3. Dialogue and negotiation with labour rights organisations

Too often workers are ignored in corporate accountability programmes of global buyers, even though they are the supposed beneficiaries of code implementation and monitoring programmes. Worker involvement is key to any credible attempt to improve conditions and wages. Workers and their organisations must play a key role in the design and implementation of any programmes that aim to improve wages, both at a factory level and at a national or extra-national level.

15. 3.1 Please provide details of any active collaborative work undertaken with independent trade unions or labour rights organisations in your sourcing countries:

Bangladesh:Awaj Foundation. R&R films
India: Garment Workers Union- Karnataka(GWU) and Karnataka Labor Welfare Association. R&R films
Sweden: IF Metall. Industrial Relation, Cambodia
Global: (ITGWLF) IndustryALL Global Union, Social Dialogue, Bangladesh

16. 3.2 Have any of your collaborations resulted in unions or bargaining processes starting within your supplier factories?

Social Dialogue project in Banglades.Project has resulted in worker representative election, and issues brought up to management, include compensation issues, such as bonuses, wage payment dates etc We see this as a positive development, where monetary issues is brought up in worker/management communication.

Elected WPC, 3.
Manager trained: 62
Supervisor trained: 146
Worker training workers: 87
Workers trained: appr 3000

6. 4. Benchmarks for a minimum living wage

4. Benchmarks for a minimum living wage

Without benchmarks for what a living wage means, the term remains an aspiration that cannot be measured or achieved in any real sense for workers. Having accurately costed benchmarks for the living wage figure makes it possible for companies, workers, unions and campaigners to work out how to realistically achieve these. It is further necessary for these to be public to allow these to be understood and scrutinised.

17. 4.1 Does your company have internal figures that it uses to benchmark living wages for each sourcing country or region?

Yes

If yes, please provide details of how these were developed and how they are used:

We use Fair Wage Network's, workers assessment as benchmark, to measure wage development in 3 Role Model Factories.

18. 4.2 Please provide information about the figures you are using to benchmark a living wage in your 3 main production countries or regions.

	Country/region	Living wage benchmark
1.		
2.		
3.		

19. 4.3 Please give details of the number of your supplier factories in Asia that are currently paying the [Asia Floor Wage](#).

	Country/region	Number of supplier factories paying Asia Floor Wage
1.		
2.		
3.		
4.		
5.		

7. Purchasing practices that make living wages possible

5. Purchasing practices that make living wages possible

How buyers engage with suppliers, and the prices that they pay, has a crucial impact on a factory's

ability to pay a living wage. Buyers can use contracts and buying power to improve wages and incentivise change.

20. 5.1 Is your company doing work to limit the use of subcontractors in your supply chain and/or consolidate your supplier factory list? Please provide details:

Despite H&M's continuous growth, number of suppliers and factories remains the same year on year. Our aim is long term partnership and growth within already existing supplier and factory base. This is addressed in our Supplier Relation Management (SRM)

Our "Use of Undeclared Unit" policy, clearly communicate that we do not accept any use of unauthorized subcontracting.

21. 5.2 Does your company operate a policy of buyers favouring supplier factories that consistently meet a high wage standard? How?

Our ICoC, Index of Code of Conduct, measure factory compliance. The ICoC is used for goal setting process every year, in order to secure and reward supplier/factory performance by increased order volumes and long term partnership.

Every production offices are measured against their performance of so called placed ICoC. In other words how have the office utilized offered good capacity.

22.

23. 5.3 Does your company break down and calculate whether FOB prices per piece are sufficient to allow for compliance with the wage standard your company has set out in its code of conduct?

We operate with open costing system. However the breakdown and calculation of labor cost is not based on technical assistance like for example SAM, Standard Acceptable Minute as by now:

We further refer to our Fair Living Wage roadmap,

<http://about.hm.com/en/About/Sustainability/Commitments/Responsible-Partners/fair-living-wage.html>

24. 5.4 Does your company operate a policy of buyers favouring supplier factories that support the establishment and functioning of genuine trade unions, and those with collective bargaining agreements?

Our ICoC is a weighted index, where by FoA and CBA together with compensations and working hours is given a higher weight, and thereby give factories with compliance in those areas a favour in our SRM (Supplier Relation Management)

25. 5.5 Please provide information about any other work your company has done / is planning to do on improving your purchasing practices, in relation to wages.

<http://about.hm.com/en/About/Sustainability/Commitments/Responsible-Partners/fair-living-wage.html>

By 2014, develop Purchasing Practises Roadmap addressing:

Improved price method ensuring true cost of labour

Improved purchasing plans to reduce production peaks

Improved supplier lifecycle management

Continue incentivise well performing suppliers

From 2012, continue our annual surveys to evaluate our partnership with our suppliers.

1a. By 2018, reduce average overtime by 35% vs. today

1b. By 2015, develop our price method further and have a new version in place

2. By 2018, 90% of suppliers perceive H&M as a fair business partner

8. Living wage projects

6. Living wage projects

In this section we would like you to provide details of any test case programmes your company is currently engaged in on the ground to achieve wage increases. See [here](#) for more information about the Clean Clothes Campaign's approach to credible wage projects and their objectives.

26. Please provide details of any projects here. Please note you can cut and paste long pieces of text into these small boxes if necessary:

	Project 1	Project 2	Project 3	Project 4
Location:	Bangladesh	Cambodia		
Number of factories and workers involved:	2 factories	1 factory, 3000 workers		
Living wage benchmark used:	Fair Wage Network	Fair Wage Network		
Partnerships:				
Wage increase achieved:				
Details of process:	Evaluation 2014	Evaluation 2014		

27. Please upload any useful supporting documentation here:

9. New Page

7. Public statements to support an increase in the minimum wage to living wage level

Global buyers also have a role to play in advocating for an increase in minimum wages in production countries. This by no means removes the responsibility of global buyers to pay a living wage in each factory, but the raising of the minimum floor can help reduce the gap between the minimum and living wage, therefore making it easier for all companies to improve wages.

28. 7.1 Have you publicly supported calls from civil society and unions to increase the minimum wage to a living wage standard in your production countries? Have you made this position clear towards governments and employers associations?

Yes, at several occasions we have publicly announced our support for wage increase in Bangladesh, both jointly with other brands but also through a personal letter and meeting between our CEO KJ Persson, and Bangladesh PM Sheikh Hasina, in 2012.

Recently, October 2013, our CEO KJ Persson, met with Prime Minister Hun Sen, and discussed wages and annual wage review.

Here is a quote from a letter received from PM Hun Sen.

The 2 important points raised up during our meeting are clearly stated in the political program and the 3rd session of the rectangle strategy of Cambodia government for the 5th mandate of national assembly. I gave the advice to the ministry of Labor & Vocational Training to continuously strengthen the Arbitration Council and existing mechanisms more sufficiently, transparency, and strengthen the multiple working group of tripartite which is represented by Government, Employer, and Union to discuss on annual minimum wage for employees parallel to time and national economic status.

It is also very positive to see that Cambodian Government has announced that new wage will be announced during december 2013.

29. 7.2 As part of this work, have you issued a public statement assuring country governments that you will not relocate production as a result of minimum wage legislation that ensures a living wage?

During both meeting with PM of Bangladesh and Cambodia, an official letter has been handed over from KJ Persson, establishing H&M's intention of long term business in respective countries.

Example:

Honourable Prime Minister Sheikh Hasina,

Bangladesh is an important buying market for H&M. We have been buying from suppliers in Bangladesh since 1982

and we opened our production office in Dhaka in 1986. Our production in Bangladesh has grown faster than in other markets and today the H&M production office in Dhaka employs more than 300 people.

The textile industry in Bangladesh has developed tremendously over the past thirty years. Today the Bangladeshi

textile manufacturing industry offers products that require technically advanced equipment, skilled labour and entrepreneurial owners.

H&M supports this development and we feel that we have contributed to it through our close relationships with our Bangladeshi suppliers and business partners, employer association's such as BGMEA and BKMEA, and the Bangladeshi government. We believe that it is in the best interest of both the Bangladeshi textile industry and H&M for the sector to continue to develop into an advanced and mature textile industry. As a long-term buyer, we

want to grow our business in Bangladesh, but we are dependent on stable markets in which people are treated with respect.

There is one urgent matter which greatly concerns us and which needs to be solved in a constructive way, and that

is the issue of workers' wages. Since the minimum wage for textile workers was first set in 1994, it has only been

revised twice – in 2006 and 2010. It is worth noting that these revisions only took place after repeated protests from workers and demands from international buyers. Since 2010 the inflation rate has increased, as recorded by

World Bank data in 2011 and 2012. We believe that the Bangladeshi government should conduct an annual review

of the minimum wage, taking into consideration national inflation and the consumer price index. If an effective review system is created and implemented, these revisions will help address the basic needs of the workers.

When

working conditions are more stable, both suppliers and buyers can focus on productivity and on developing the

textile industry in Bangladesh.

H&M is a socially responsible company and we believe that the workers producing our products should be properly

compensated by their employers. To bring about lasting improvements, H&M strives to build long-term business

partnerships, and with our dedication we can contribute to positive development. As a company doing business in

Bangladesh and with a clear commitment to workers' rights, we want to remain a customer even when problems

arise – as long as there is a willingness to improve.

We hope that this letter and our request are given high priority. We would like to have an ongoing dialogue with

the Bangladeshi government regarding this urgent matter and we look forward to hearing what steps the Bangladeshi government plans to take to tackle the complex wage issue.

Yours sincerely,

Karl-Johan Persson

Chief Executive Officer

H & M Hennes & Mauritz AB

10. Transparency

8. Transparency

Transparency and accountability should be central to any credible corporate accountability program. The lack of transparency in the industry limits the abilities of unions to organise the workers employed by particular buyers, and makes it difficult to verify whether a particular company's reports on working conditions are accurate. In order for change to be supported at all levels in the industry it is vital that information and supplier lists are more readily available from all parties.

30. 8.1 Does your company publish a full public list of supplier factories, and sub contractors, their locations and products?

<http://about.hm.com/AboutSection/en/About/Sustainability/Commitments/Responsible-Partners/Supply->

Do you have plans to publish a full list in the future?

31. 8.2 Does your company publish impact reports on projects related to wages?

11. Collaborative working

9. Collaborative working

32. 9.1 Please provide details of your involvement with any multi-stakeholder initiative projects working to improve wages:

Fair Wage Network.

2011/2012 H&M assessed 200 factories in China, Cambodia, India and Bangladesh in relation to the 12 dimensions of Fair Wage Network. This has resulted in a Role Model factory project. Initially 3 factory is involved, and evaluation of the Role Model Factory will be done during 2014.

Fair Wage Network, also form the base for Fair Labour Associations (FLA) work in regards of improved wages.

33. 9.2 Please provide details of any work you have initiated outside an MSI, directly with other companies which has improved wages:

34. Supporting documents:

12. 10. A clear route map for implementing a living wage for all workers

10. A clear route map for implementing a living wage for all workers

In order for change to happen, it is important that companies have a clear aspiration, timeline and concrete plan for how to achieve the living wage, which clearly marks out steps for how this will be

achieved. This should include, for example, a clear target number of factories that will pay the living wage benchmark within a 5 year and 10 year period.

35. 10.1 Has your company developed a strategy for delivering a living wage in your supply chain? Is this a public commitment?

<http://about.hm.com/en/About/Sustainability/Commitments/Responsible-Partners/fair-living-wage.html>

36. 10.2 Does this strategy have a time scale? If yes, please state.

2018

37. 10.3 What consultation have you carried out on this strategy, both within and outside your company?

We have formed a Wage Advisory board, with representatives from Trade Union, Employer Associations, Supplier, NGO. This advisory board has given input to our Fair Living Wage Strategy.

We have also had a Stakeholder meeting with NGO's and Trade Union representatives, 2013, in a one day session.

We do a yearly supplier survey, assessing suppliers perception of H&M as a fair business partner.

We have done worker survey in China, 2013. Interviewing 1735 workers, covering questions on how H&M's sustainability work has impact their working conditions.

38. 10.4 How will you ensure that vulnerable workers, such as homeworkers or migrant workers are also included in efforts to increase wages?

Home workers and migrant workers are covered under our Full Audit Program.

Together with Fair Labour Association, we have done a Social Impact Study on Home workers in India. "Fair Art. This study is followed up with a capacity building program for supplier and home workers representatives.

39. 10.5 Is there anything else you would like to tell us about your work on the living wage that hasn't been covered in this survey?

Our approach on Living Wage, is that it is a shared responsibility: Government, Industry, Supplier and H&M. So our road map on Fair Living Wage address all those four elements with different activities and goals.

13. Further questions about your supply base

Further questions about your supply base

These questions will not affect the assessment of your company, but the data will provide important background to allow your responses to be read in context. Answering these questions is compulsory.

40. 1. What are your main production countries? Please state percentage of total production per country and the number of supplier factories.

	Country	Percentage of production	Number of suppliers
1	EMEA	20	
2	Asia	80	
3			

4			
5			
6			
7			
8			
9			
10			

41. 2. What kind of trade partners are part of the sourcing structure? Please indicate an approximate % of volume share of your production:

Production at factories owned by your company: : %
 Orders placed directly to supplier factories: : %100
 Orders placed through agencies or intermediates: : %
 Other: : %

42. If other, please specify.

43. 3. What is the length of time that you have been working with your current suppliers?

	% of suppliers
More than 5 years:	43
2-5 years:	38
Less than 2 years:	29

44. 4. How many sites did you use to produce your goods in 2012?

First tier suppliers: : Competition sensitive
 Sub contracted suppliers: : Competition sensitive

45. 5. How many supplier factories do you trade with where you have a regular production share of more than 25%?

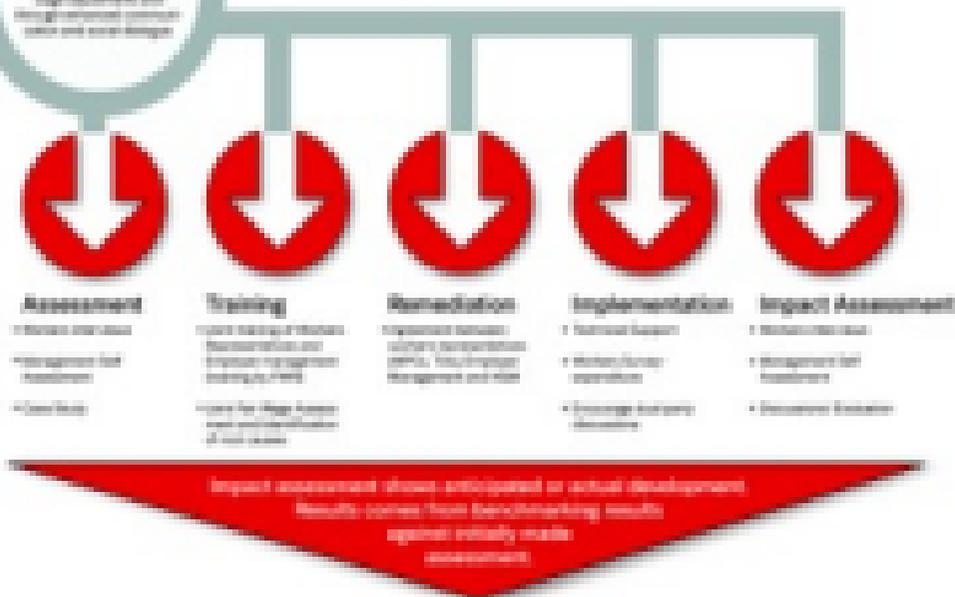
Number of suppliers: : 150 strategic suppliers

14. Thank You!

Thank you for taking our survey. Your response is very important to us.

The Fair Wage
method is a
systematic
method to assess the
wages, payments and
benefits of workers and
organizational members
with an aim to bridge

Fair Wage Methodology



H&M's roadmap towards a fair living wage in the textile industry

H&M has developed a roadmap based on our vision that a fair living wage covering workers basic needs should be paid by our commercial goods suppliers. It should be enabled through our purchasing practices, and based on a skilled workforce that have their wages negotiated and annually reviewed, involving democratically elected trade unions or worker representatives.

H&M will continuously measure the workers own perception of receiving a wage covering their basic needs, which will be used as a guide in our work. The holistic approach covering H&M as well as factory owners, factory employees and governments takes the wage issue to the next level within the fashion industry, encouraging others to do the same.

Vision

A Fair Living Wage, covering workers basic needs, should be paid by all our commercial goods suppliers

Factory owners

H&M will support factory owners to develop pay structures that enables a fair living wage, ensure correct compensation and overtime within legal limits. This will be explored by implementing the Fair Wage Method in our role model factories, from which we will source 100% of the products during five years.

- By 2014, we will implement the Fair Wage Method in three model factories (one in Cambodia and two in Bangladesh) with a first evaluation already next summer, with the aim to be scaled up.

- H&M's strategic suppliers should have pay structures in place to pay a fair living wage by 2018. By then, this will reach around 850 000 textile workers. Our strategic suppliers are currently 750 factory units producing around 60 % of our products.

H&M

H&M will further improve our purchasing practices to ensure it enables our suppliers to pay their textile workers for the true cost of labor. Starting 2014 we will:

- Develop our price method to ensure the true cost of labor. By doing this we secure that we pay a price which enables our suppliers to pay their textile workers a fair living wage and reduce overtime.

- Improve our purchasing plans to reduce our suppliers' production peaks and enable them to better prepare the right capacity in their factories.

- Update our Code of Conduct to better reflect our roadmap and goals.

Governments

H&M will encourage governments to engage in a process to identify a living wage level, set a legal minimum wage accordingly and review wages annually thereafter.

- We will continue to interact with governments and public agencies to advocate for annual wage revision and enforce labour legislation protecting the freedom of association. We will encourage others to do the same.

Factory employees

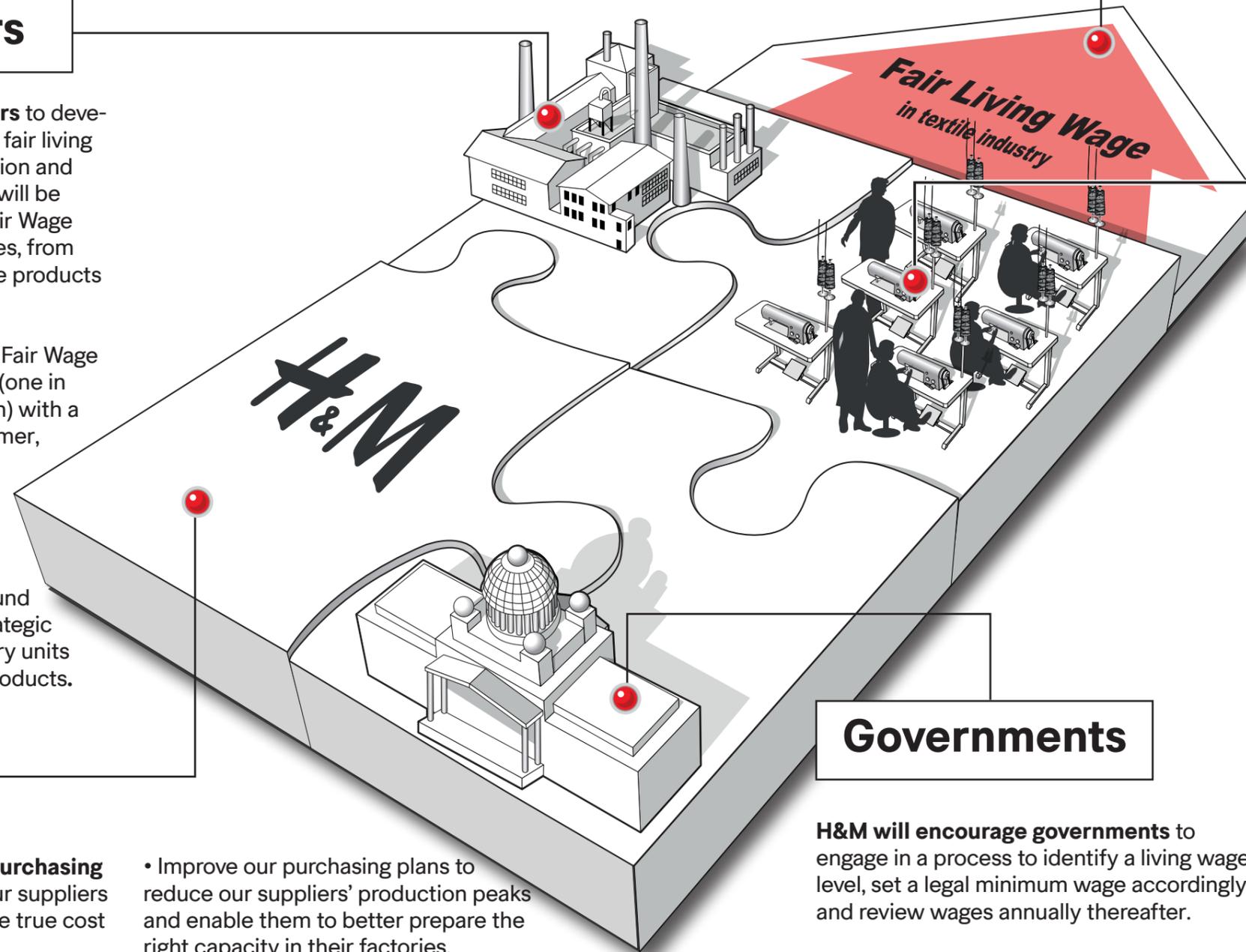
H&M will support textile workers at our supplier factories to have access to education, skill enhancement and ensuring they are employed at a level matching their skills. They should also be able to bargain collectively through elected representatives.

- Starting now, we will run vocational training, a Center of Excellence, together with SIDA and the ILO to meet this need. We will train 5,000 students by 2016 and secure that they start at a wage level reflecting their skills and that they are aware of their own rights and responsibilities.

- We've started a skill development training and will secure employment for 100 supervisors through our Production Management Program in Cambodia.

- We are implementing an industrial relation project in Cambodia in cooperation with Swedish trade union IF Metall, SIDA and ILO. The aim is to strengthen the structures for industrial relations in the country and increase collective bargaining.

- By 2014, we will expand our existing social dialogue project so that 15% of H&M's suppliers are trained in social dialogue and have freely elected Workers Participants Committees, with the intention to reach 100% by 2018.



From : maritha.lorentzon@hm.com
To : <anna@labourbehindthelabel.org>
Cc : <ulrika@fairtradecenter.se>, <maria@fairtradecenter.se>
Subject : RE: H&M Profile
Date : Wed, 15 Jan 2014 07:57:44 +0000
Attachments : HM Profile (2) (3).doc, Roadmap extended.pdf, Fair Wages Method 2013.jpg, Final Version Wage Roadmap Nov2013.pptx

Dear Anna and Ulrika,

We have added some comments and additional information in the profile document. We felt that it is not fully understood that our strategy is an holistic approach that includes actions on all level, H&M, Supplier, Industry and Government. To further clarify this I also attached a couple of documents.

For any further clarification don't hesitate to come back to us.

Best regards

Maritha

From: anna [mailto:anna@labourbehindthelabel.org]
Sent: Sunday, January 12, 2014 12:14 PM
To: Lorentzon Maritha (SECSR)
Cc: ulrika Molin; maria@fairtradecenter.se
Subject: H&M Profile

Dear Maritha,

Please find attached the first draft of your company's profile, which has been put together based on information you submitted to the Clean Clothes Campaign Wage Survey (also attached).

If you would like to correct any factual inaccuracies, or provide CCC with further information to support your submission which clarifies anything we have mentioned, then please send it to us by close of play on 30th January. Please note this profile is subject to change prior to publication, although it will mostly remain the same.

The report timeline going forward from this is that we will need a few more weeks to incorporate comments and finalise details, before the report is published towards the end of March – final date TBC. A finished copy of the report will be sent to you a few days before launch.

Copied in to this email is your CCC contact point person. Please be in touch with this person if you have questions or concerns. However, please do make sure to copy me in (anna@labourbehindthelabel.org) to mails with any additional concise information or factual corrections you wish to make to the text.

Best wishes,
Anna

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Anna McMullen | Campaigns Director | Labour Behind the Label

Profile: H&M

Brands: H&M, COS, Monki, Weekday, Cheap Monday, and & Other Stories.

Company position on the living wage:

"A Fair Living Wage, covering workers basic needs, should be paid by all our commercial goods suppliers. A Fair Living Wage should be measured as the workers' perception of receiving a wage that covers their basic needs."

"We do not endorse a specific definition [of a living wage], since we believe that this is for workers representative to decide, and conclusion on what specific wage level to bring to wage negotiations."

What we say:

H&M have taken some big steps forward in their work in the last 6 months, and have come out in support of a 'fair living wage'. This is great. However, their method lacks a living wage benchmark. H&M is ultimately relying on wage negotiations with factory level worker representatives to increase the wages. However, the wage increases that are currently possible at a factory level, (when the starting point is a minimum wage of only a quarter of the amount needed), will not reach an actual living wage sufficient to feed and support a family. A clear commitment from H&M to paying a costed living wage figure is necessary. Without this, we doubt very much that the leap to paying a real living wage will be achieved.

Comment [LM(1)]: Pls note. In our strategy we are very clear over that wages can be negotiated on both factory/industry and National level. In our holistic approach we see 4 cornerstones. Pls see attached illustration. The cornerstones clarify involvement and engagement both internal H&M but also with supplier, industry and Government.

In more detail:

Has living wage benchmarks? No

Worker empowerment:

H&M delivered a social dialogue project in Bangladesh. The pilot initially covered 5 factories, but this is being scaled up during 2014 to cover 15% of the factories in Bangladesh, and 100% by 2018. The pilot has so far achieved the election of 3 worker participation committees, and dialogue with management has included compensation issues, such as bonuses, wage payment dates.

H&M have a limited grievance mechanism, where phone numbers and email addresses of H&M staff are given to workers during interviews.

H&M have started a project with the Swedish union IF Metall in Cambodia.

Commitment and practices:

H&M's new 'Fair Living Wage' plan includes the following commitments on purchasing practices:
By 2014: Improved price method ensuring true cost of labour; Improved purchasing plans to reduce production peaks;
By 2018: Reduce average overtime by 35% vs. today; 90% of suppliers perceive H&M as a fair business partner.

H&M's commitment also includes this statement: "We are willing to pay more so that suppliers can pay higher wages." They currently use open costings with suppliers, but do not breakdown labour cost as part of pricing.

H&M have a buying tool called the 'Index of Code of Conduct' which "ranks suppliers, and provides incentives for improvement. This is a "weighted index, where by FoA [Freedom of Association] and CB [Collective Bargaining] together with compensation and working hours is given a higher weight."

Comment [LM(2)]: Sustainability measuring index

Collaborative approach:

H&M are not a member of any multi-stakeholder initiative. They are collaborating with Fair Wage Network consultants on their new pilot projects. Some consultation with unions, NGOs and workers was carried out on these plans. An advisory board to oversee the project and provide guidance on their Living Wage strategy has some high level union presence but little involvement of local

Comment [LM(3)]: We are member and accredited by FLA

unions.

Strategy:

“H&M will support factory owners to develop pay structures that enable a fair living wage, ensure correct compensation and overtime within legal limits. This will be explored by implementing the Fair Wage Method in our role model factories...” Initially this will start in 2014 with work on 2 'model factories' in Bangladesh, and 1 in Cambodia. At these factories H&M will have a 100% buying share.

“H&M’s strategic suppliers should have pay structures in place to pay a fair living wage by 2018. By then, this will reach around 850 000 textile workers.”

Also “By 2014, we will expand our existing social dialogue project so that 15% of H&M's suppliers are trained in social dialogue and have freely elected Workers Participants Committees, with the intention to reach 100% by 2018.

Production overview:

Number of suppliers: 785 first tier suppliers, 1013 subcontracted suppliers.

Main production countries listed as: Far east (incl. China, Indonesia and Cambodia) 42%, South Asia (incl. Bangladesh) 28%, Europe, Middle East and Africa 30%.

H&M publishes a public list of where its supplier factories are based.

Comments:

We are disappointed that H&M's newly announced Roadmap to a Fair Living Wage fails to clearly state a living wage benchmark. Although there are many good elements of what H&M have developed, without such a definition it is both impossible to create a 'roadmap' to achieving the payment of such a wage or measure the roadmap's success.

H&M have chosen rather to negotiate the living wage amount at a factory level, based on wage levels proposed by workers. We obviously support the need for wage to be negotiated – this is key. However, factory level negotiations alone will not achieve 'fair living wages'. The wage increases that are possible at a factory level, when the starting position is a minimum wage of only a quarter or a sixth of a living wage, will never reach an actual living wage sufficient to feed and support a family. A commitment must come from H&M to raise the wage significantly – via a benchmark.

H&M's statement that in order to achieve a fair living wage, they are willing to pay more to their suppliers, marks an essential commitment at the heart of any wage improvement. This is welcome. It is also encouraging that H&M is committed to improving its purchasing practices to decrease overtime.

H&M say that as part of the worker assessments of perceived living wage which will be carried out to work out wage levels in their new model factories, the following parameters will be assessed: “Food, Accommodation, Health, Education, Clothing and Vacation/leisure.” We are concerned that this limited list, that omits care for the family, transport, and discretionary income, will give an inaccurate picture of what a real living wage is. The fact that some workers have to support elderly relatives and children must play a central role in the calculation (i.e. a living wage may be 3 times the amount that of an individual needs to survive).

On top of the factory level negotiations, H&M must go further in ensuring the inclusion and critical role of local unions. Signing the Indonesia protocol would be a good step and a learning experience. This agreement, already signed by a number of major sportswear brands in Indonesia, is delivering some very concrete actions to enable better workplace representation across many suppliers, and is proving a ground-breaking test bed for how to ensure freedom of association in the industry. H&M could also consider broadening their advisory board in order to ensure local trade unions have more direct representation.

H&M's statement that they plan to up-scale a project across their supply chain to create Worker

Comment [LM(4): Our strategy contain four cornerstone: H&M, supplier, industry and Government. The text below only describes part of the activities covered in our Roadmap.

Comment [LM(5): In Bangladesh

Comment [LM(6): H&M is not negotiating wages on factory level. The negotiation is between employer and employees. Once again refer to our Roapmap, including activities on all different level including public policy towards government.

Participation Committees in 100% of key suppliers is a bit worrying. Although helpful for improving factory level communication at times, these committees can act as a parallel means to worker empowerment and in fact prohibit the engagement of local unions in factory processes. Worker committees should only be used in places where trade union rights are prohibited, and otherwise, local unions engaged in these processes via access agreements and issuance of the right to organise guarantee. We hope that H&M will take this important point on board.

We are keen to follow H&M progress as they move forward with their commitment to a 'fair living wage'

Comment [LM(7)]: Pls. note this is only valid for Bangladesh.
Our long term goal: Our strategic suppliers should have functional workers representation. Workers committee or trade union.