

## H&M GROUP STATEMENT ON DUE DILIGENCE IN XINJIANG

H&M Group is deeply concerned by reports from civil society organisations and media that include accusations of forced labour and discrimination of ethnoreligious minorities in Xinjiang Uyghur Autonomous Region (XUAR). We strictly prohibit any type of forced labour in our supply chain, regardless of the country or region. If we discover and verify a case of forced labour at a supplier we work with, we will take immediate action and, as an ultimate consequence, look to terminate the business relationship. All our direct suppliers sign our [Sustainability Commitment](#) that clearly states our expectations with regards to forced labour and discrimination linked to religion or ethnicity, for their own operations as well as their supply chains. With a diverse and global supply chain involving more than 1,700 manufacturing factories around the world employing 1,6 million people, and many more throughout our supply chain, our work to ensure the respect and compliance with international labour standards is continuous. We are committed to respecting human rights and our approach is guided by the UN Guiding Principle on Business and Human Rights and OECD Guidelines for responsible business conduct.

H&M Group is today present in over 80 countries with retail and sourcing operations. As a global business, we are required to comply with regulatory frameworks and expectations in all markets we operate in. We closely monitor evolving legislations, such as mandatory human rights and environmental due diligence, as well as relevant updates to trade and import regulations and practices.

It is essential for our business success to have close and responsible partnerships with all our suppliers and to contribute to the growth and development in the communities where we operate.

### DUE DILIGENCE

We systematically conduct due diligence which aims to identify and address any risks in our supply chain - from manufacturing to farm level. Feasible and effective due diligence requires collaboration and engagement in a transparent and honest way on company, industry and government levels. H&M Group is a member of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and NGOs, that promotes respect for workers' rights around the globe, and we look to the analysis and recommendations as outlined in [ETI's position statement](#).

### XUAR

We do not work with any garment manufacturing factories located in XUAR, and we do not source products from this region. We transparently disclose names and locations of manufacturing factories, mills and yarn producers in our public supplier list and will continue to do so and further accelerate this transparency for our global supply chain.

As part of this, we also disclosed an indirect business relationship with one mill (in Shangyu, Zhejiang province) belonging to Huafu Fashion Co, which supplies some of our suppliers with a specific yarn.

While our careful investigations and a close dialogue with Huafu Fashion Co showed no indications of forced labour in the Shangyu mill, we have, until there is more clarity around allegations and as a base to continued reliable business in all our market, taken a business decision to phase out our indirect business relationship with Huafu Fashion Co, regardless of unit and location, within the next 12 months.

In addition, we have conducted an inquiry at all the garment manufacturing factories we work with in China aiming to ensure that they are not employing workers from XUAR through what is reported on as labour transfer programmes or employment schemes.

We are also working with experts and other stakeholders to further strengthen our due diligence and address any situation in a responsible way.

XUAR is China's largest cotton growing area, and up until now, our suppliers have sourced cotton from farms connected to Better Cotton Initiative (BCI) in the region. As it has become increasingly difficult to conduct credible due diligence in the region, BCI has decided to suspend licensing of BCI cotton in XUAR. This means that for our production, the suppliers we work with will not source BCI cotton from XUAR. Furthermore, in collaboration with the industry and supply chain partners, we will continue our work to strengthen the traceability of cotton.