

Stockholm, Sweden
2018-5-2

Dear Ms. Zeldenrust,

Thank you for reaching out to us. We always appreciate stakeholders clearly communicating their concerns and expectations on us, and we trust below will provide you confidence that we remain committed to our vision of a fair living wage.

Back in 2013, when our Fair Living Wage strategy was [launched](#), our vision clearly stated: *“Even though our strategy initially focuses on the suppliers we work with, we want to see change throughout the industry; all workers at textile factories, regardless of who is the buyer, should earn a fair living wage”.*

In this we share the same ambition. However, as we are sure you are also aware from our previous conversations, our understanding of the best approach by which to achieve a fair living wage is somewhat different. We developed our strategy in consultation with key stakeholders such as the ILO and the global trade union organisation IndustriALL, and in response to your 2nd and 3rd point the conclusion of these consultations - that informed our strategy - was that as living wage is an industry-wide issue joint solution negotiated by the actors in the industry in a country have the greatest potential to stand the test of time and to be enforced in practice than any top down or single brand solution from afar. H&M group has a clear role to play to facilitate the payment of living wages, but we have always been clear that there are many factors beyond our control involved and that we depend on shared responsibility for the vision to be achieved.

This said, we have a unique position and a responsibility through our size and scale to influence change on factory, industry and country level. Our fair living wage strategy was developed with this in mind and focus on different areas and levels:

1. We train **workers** and management about their rights and responsibilities through our workplace dialogue programmes and facilitate democratic elections of worker representatives. We promote well-functioning workplace dialogue and industrial relations. These efforts are important for workers themselves to be empowered to take responsibility for improved working conditions, including wages.
2. We engage with **factory owners** directly to help them implement well-functioning wage management systems at the factories. Simply put, the new wage system differentiates individual wages on the basis of skills, responsibility and experience, and provide to the workers a fair, progressive and transparent wage setting mechanism. The wage grid encourages skill development and make the employers aware that wages that are higher and differentiated can contribute to retention, productivity and a better collaborative culture. To avoid any misunderstanding, improved wage management system doesn't mean that workers get a living wage after implementation, but factories that have implemented the new system tend to provide higher wages to those who haven't as of yet gone through the programme. Most

importantly though - it helps change mindset from seeing wages purely as a cost and it lays the foundation for informed wage negotiations.

3. We ensure that **we maintain good purchasing practices** and aim for direct, long-term and stable business relationships with our suppliers. Good purchasing practices facilitate living wages to be paid (see also the section on ACT). We have our own sourcing staff in each production country since many years back which helps good communication and continuous improvements on our part.
4. To be able to bring about change across the **industry**, we collaborate with experts, NGOs, unions and other brands, for example through our partnership within the groundbreaking ACT platform, our Global Framework Agreement (GFA) with IndustriALL, and various collaboration projects. The GFA helps to build trust between the social partners as well as capacity of local unions and employers, and ACT works towards facilitating industry-wide collective bargaining agreements to increase wages and improve working conditions facilitated by purchasing practices.
5. We engage in dialogue with local **governments** to further develop the legal framework needed for improved industrial relations, including enabling freedom of association and collective bargaining agreements.

Even if we cannot decide directly what workers are paid at our suppliers' factories, we can support the foundation for a fair living wage to be paid, collaborate with others to drive change on industry level and advocate for enabling country frameworks. This is important to us and we remain committed to drive this agenda forward – during 2018 and beyond.

The first milestone of our Fair Living Wage roadmap is to *“establish the foundation and mechanism to enable for fair living wages to be paid”*. Our **goal for 2018** is that a majority of our suppliers' factories (representing 50% of our product volume) should have democratically elected worker representatives in place, as well as progressive and transparent wage systems ensuring that the wages take the worker's skills, experience, performance and responsibility into account. The size and reach of our ambition is the same as in 2013 when we launched our roadmap. We also had as a goal that 90% of our suppliers should consider H&M group as a fair business partner.

When summarizing 2017, we can conclude that **two of these goals are already met and we are progressing according to plan to also secure [functional wage management systems](#) covering 50% of our product volume**. Furthermore, we have made good progress in collaboration with others on industry and country level.

The need to secure a fair living wage to the workers in our supply chain, and the global garment industry in general, is without doubt one of the most pressing social issues we are facing today. It is an issue shared by the industry, and which requires the contribution of all concerned stakeholders if we are to realize a sustainable solution. Brands like H&M clearly has a crucial role to play, but of equal importance are also trade unions, suppliers, and governments in sourcing markets. This is why we have formed partnerships and entered into agreements with others, which will enable us to fulfil our commitments.

Key among these collaborative efforts is the work being undertaken within [ACT \(Action Collaboration Transformation\)](#), a partnership where H&M, IndustriALL Global Union, and a number of other leading brands and retailers have come together behind a commitment to achieve living wages in the garment industry through industry-wide collective bargaining facilitated by purchasing practices.

To reply to your 4th point, we would like to provide some additional information about ACT. H&M, in joining the ACT partnership in 2014, clearly expressed our commitment to enable freedom of association, collective bargaining and living wages in the global garment supply chains. The agreement we signed sets out our commitment not only as to how a living wage should be understood, but also on how to achieve it. It also reinforces our belief in developing mature industrial relations and industry-wide collective bargaining agreements, negotiated by national trade unions and suppliers.

Furthermore, we clearly recognize the importance of a joint approach between global brands, suppliers and global unions and their national affiliates, to create industry-wide agreements that are registered and legally enforceable under law. ACT provides a framework for action that all members agree to implement, and we believe that solutions negotiated by the actors in the industry have the greatest potential to reflect the needs and possibilities of the industry. Change on industry level can only be effective if global brands and retailers join together to promote what John Ruggie terms “collective action to leverage change.” In a [letter to Guy Ryder](#) in 2016 he wrote that “ *the Bangladesh Accord and the ACT initiative are two such instances that illustrate the promise of collective action to leverage change. Importantly, these initiatives are not just about voluntary philanthropic contributions to development, but also a product of a recognized responsibility of companies to address severe human rights risks in their supply chains. In doing so, these initiatives make a critical contribution to sustainable development.*” Since then additional endorsement has come also from the [G20 Labour and Employment Ministers Meeting 2017](#).

As a **member of ACT**, H&M has committed to working towards this goal through efforts within several areas, including:

- **Industry-wide collective bargaining:** collective bargaining at an industry level is the missing mechanism which will enable significant progress to be made towards achieving a living wage for garment workers. Its absence from the garment industry today is the main obstacle to achieving higher wages. Without industry-wide collective bargaining, the current structural barriers within global supply chains make a single brand solution to living wages impossible. ACT is currently operating in several sourcing markets, and we believe that, if the results will be in line with our expectations, the number of workers that will benefit from it will be substantial, contributing to make a real change.
- **Improving purchasing practices:** the ACT process creates a framework for brands, together with IndustriALL, to identify which purchasing practices have the greatest impact on wages and working conditions. As a member of ACT, we are in the process of adopting common commitments on purchasing practices. We would like also to point out, to reply to your 5th point, that we adopt an open costing system, which allows us to keep the cost of the wages separated in the negotiations.

As we have previously seen with the Bangladesh Accord, the ACT initiative must grow to include more global brands and retailers. We keep encouraging brands who are not yet members of ACT to similarly join our efforts in taking collective action to leverage change in the garment industry, and we engage with key stakeholders to support the initiative.

As always, we appreciate you reaching out to us. Clean Clothes Campaign was one of the stakeholders we consulted when forming our strategy and we value the dialogue. Despite our differences in how we view what drives progress towards living wages, we share the same ambition.

When we launched our strategy, we didn't have a clear view on how to exactly reach our vision even though we had identified a few measurable goals and we were aware that we would have successes as well as failures along the way, and that we also depend on other actors for systemic change. But

most importantly we knew where we want the industry to go. We have made a lot of important learnings, seen great progress and we stay committed. Being bold and outspoken with a vision is needed if one seeks for more than incremental change and for new ways of working and collaborations to form.

The steps forward and positive results during 2017, as well as our continued collaborations with highly appreciated partners and peers, combined with exchange of perspectives with various stakeholders inspire us to continue our challenging work within our Fair Living Wage strategy - during 2018 and beyond.

Kind regards,
Anna Gedda