



Responsible purchasing practices

At H&M Group we are committed to developing responsible purchasing practices that ensure we are a fair business partner. Our purchasing practices should support the textile and garment industry to develop in a sustainable way and offer long-term benefits to garment workers and suppliers.

H&M Group – A fashion buyer

Most fashion brands are not fashion manufacturers, they are fashion buyers. This is fundamental to understanding the role of purchasing practices.

It's the same for H&M Group; we have never owned any factories and have outsourced production ever since the company was created in 1947. This means that we are customers to locally owned or multi-national garment manufacturers, based mainly in Asia and Europe. By buying from these manufacturers, we support local business and economic development through investment and knowledge transfer.

The factories are not owned nor managed by us, but by independent businessmen and women. They employ between hundreds and tens of thousands of people, the majority of whom are women, to produce the garments and other products found in our stores.

Why are responsible purchasing practices important?

Responsible purchasing practices are fundamental to safeguard the fair treatment of garment workers and to provide a healthy work environment. It is difficult for suppliers to be good employers if their buyers are not committed to responsible purchasing practices.

Key questions to find out if you are a responsible buyer include: When will the supplier be paid for the goods produced? What will the price be and what parameters will price be negotiated on? What are the cancellation terms and how are they regulated in contracts? For example, the fashion industry is generally seasonally dependent. Customers buy seasonal products when they need them; they expect to find swimwear in our stores during spring and knitwear in winter. This creates an irregular buying and production pattern with periods of peaks and troughs. Good purchasing practices and supplier relationships help to address the challenges related to uneven production. For example, if buyers work with suppliers to plan capacity well in advance, it reduces excessive overtime for factory workers in peak seasons and helps plan for periods with less customer demand.

Buyers are responsible for creating an environment in which human rights can be properly respected and implemented. For example, if a buyer pays for products ordered on time, then suppliers can pay their workers on time.

Adequate planning and responsible purchasing practices also reduce the risk of overtime, late wage payments, and health and safety violations. As well as helping to create a healthy work environment and good conditions in the factories.

What are responsible purchasing practices at H&M Group?

We have a strong local presence in our sourcing markets, which means we can have genuine partnerships with our suppliers and collaborate closely with them each day. We see this as a crucial part of being a responsible buyer. For example, we have our own production offices in Phnom Penh in Cambodia, Dhaka in Bangladesh, Shanghai in China and Yangon in Myanmar. Our 21 production offices in Europe, Asia and Ethiopia employ nearly 3,000 colleagues and support about 750 suppliers on a regular basis. We are always within reach for our suppliers. This way of working has developed partnerships built on trust.

Since 2011, we have been working with a Supplier Relationship Management system that guides our supplier relationships. It helps us to evaluate, develop and reward responsible suppliers – in short, to be a fairer buyer. This system also helps H&M Group provide suppliers with production plans well in advance. For the best performing suppliers, we plan our order capacity as long as three to five years ahead.

As part of our responsible purchasing practices, we also ring-fence labour costs in negotiations with all our suppliers. This means that the labour cost is fixed and cannot be negotiated. We will only negotiate on other parameters, such as materials. This means garment workers' wages are never negatively affected by price negotiations and responsible purchasing practices support the development of fair living-wages.

Payment terms can have a big impact on suppliers' financial resilience and ability to invest. In line with industry practice, we have a 60 day payment schedule, but to support our suppliers' access to financing, H&M Group has negotiated a factoring agreement on behalf of all its suppliers that gives them faster access to that money. Taking this into account, suppliers are getting paid in around 15 days on average after submitting invoice and handing over goods.

There are still many challenges we need to address to make sure our purchasing practices do not contribute to any human rights violations on the factory floor. To help develop and improve our practices, we ask our suppliers how they perceive us as a buyer in anonymous surveys. Last year, 96% of our suppliers said that we are a responsible buyer – and we are working hard to bring that number up to 100.

Signing The ACT commitment on purchasing practices

We are a founding member of the collaboration ACT – Action, Collaboration and Transformation – together with other brands and the global union IndustriALL. The ACT collaboration, created in 2014, has five commitments we need to adhere to in order to be classified as a responsible buyer. We have signed up to all of them.

Standing by our responsible purchasing practices has been especially important during the COVID-19 pandemic. H&M Group wants to be a fair and trusted business partner to suppliers, irrespective of whether there is a pandemic or not. Therefore, during these unprecedented times, we have stood by our responsible purchasing practices and contractual agreements. We are fulfilling all payments for delivered goods, at the originally agreed price and on time.

We all depend on having a viable and sustainable textile industry, and while the full implications of the pandemic are yet to be experienced, we will continue to tackle future challenges together with our suppliers, always keeping our responsible purchasing practices at heart.

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