



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H&M Hennes & Mauritz AB
COUNTRY: China
FACTORY CODE: 4400151024I
MONITOR: Openview Service Limited
AUDIT DATE: June 23 – 24, 2010
PRODUCTS: Underwear
PROCESSES: Cutting, Sewing, Inspection,
Packing
NUMBER OF WORKERS: 656

Company Comment: This factory had been phased out in November 2012. For an extended period, the supplier had not fulfilled H&M's expectations in areas of social compliance and production. Despite repeated communication of need for improvement, the supplier had not taken sufficient action to remedy the situation and the supplier was found lacking in competence and proper mindset to improve further. As a result, orders had been gradually decreased and eventually stopped. As a result, no further follow up will be conducted. H&M's exit will not have a large impact on this factory, as it focuses on production on its own brands and H&M had little production there. To H&M's knowledge, there are no other FLA-affiliated companies placing orders in this factory.



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1. Workers were paid RMB 21.5 per day before March 2010, and RMB 27 per day after March 2010 for annual leave, public holidays (except Chinese New Year), marriage leave, and funeral leave; these amounts are lower than the legal requirement. Workers' average daily wage was at least the minimum wage of RMB 35.4 per day before May 2010, and RMB 42.3 after May 2010.

2. Factory provided work-related injury, medical insurance, unemployment, and maternity insurances and pension for only 538 out of all 656 employees.

Sources: 1) payroll record review June 2009-May 2010; social insurance record review March-May 2010

Legal References: 1) Article 24 of Regulation for the Payment of Wages in [Province name], 2) Article 73 of China Labor Law

Plan Of Action: 1. H&M will require the factory to pay workers all leaves that they are entitled to according to the law.
2. H&M requires that factories comply with local social security regulations. We have requested for the factory to provide us with a sustainable plan for covering more and more workers with social security.

Deadline Date: 01/01/2011

Supplier CAP: 1. The factory will amend related policy and rules to improve the compensation of marriage leave and funeral leave according to local law.
2. The factory has bought the commercial insurance and industrial injury insurance for workers who were not covered by social insurance.



Supplier 01/01/2011
CAP Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Noncompliance

Explanation: About 3-5% of workers' wages were below the local minimum wage standard RMB 770 per month before May 2010 and were RMB 920 after May 2010.

Sources: payroll record review June 2009-May 2010; worker and management interviews

Legal Reference: Article 48 of China Labor Law

Plan Of H&M is first and foremost interested in being shown the true situation in the factory and
Action: requires the factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. Workers should be ensured minimum wages for normal work hours, and all overtime should be voluntary and compensated according to the law. We have requested the factory to implement a system to ensure correct and transparent recording of work hours. In early 2009, we worked out a method to help factories collect and analyze overtime and compensation data. We have encouraged factories to participate with external support and consultancies, so as to improve their productivity, reduce overtime, and fulfill overtime compensation according to law.

Deadline 01/01/2011
Date:

Supplier The factory will paid the daily basic wage for all workers according to the law, so that it
CAP: can reach the local minimum standards.

Supplier 01/01/2011
CAP Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:



Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

Explanation: Some piece rate workers worked sometimes during their lunch breaks. Those working hours were not calculated as hours worked. For example, worker B started to work in the afternoon at 12:45 pm, but the working hours were calculated from 14:00 pm.

Sources: working hours records, payment records

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and requires the factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. The workers should be ensured minimum wages for normal working hours, and all overtime should be voluntary and compensated according to the law. We have requested the factory to implement a system to ensure correct and transparent recording of working hours. In early 2009, we worked out a method to help factories collect and analyze overtime and compensation data. We have encouraged factories to participate with external support and consultancies, so as to improve their productivity, reduce overtime, and fulfill overtime compensation according to law.

Deadline Date: 09/01/2010

Supplier CAP: Factory will not allow workers to work during lunch breaks.

Supplier CAP Date: 09/01/2010

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

Noncompliance

Explanation: Overtime wages calculated for piece rate workers were not based on the overtime hours worked, but on the factory's internal incentive system, which resulted in about 20% of workers being paid below the legal overtime premium.

Sources: payroll and time records June 2009-May 2010

Legal Reference: Article 44 of China Labor Law

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and requires the factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. The workers should be ensured minimum wages for normal working hours, and all overtime should be voluntary and compensated according to the law. We have requested the factory to implement a system to ensure correct and transparent recording of working hours. In early 2009, we worked out a method to help factories collect and analyze overtime and compensation data. We have encouraged factories to participate with external support and consultancies, so as to improve their productivity, reduce overtime, and fulfill overtime compensation according to law.

Deadline Date: 01/01/2011



Supplier CAP: The overtime compensation policy for piece rate workers of the factory should meet the local legal standard. OT compensation of some workers did not reach the standard because they are newcomers and have low productivity. We will consider revising the salary policy for unskillful workers who are in their probation period according to local law.

Supplier CAP Date: 01/01/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Wage Receipt

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Noncompliance

Explanation: Payment records were not confirmed by workers in writing (signatures, thumbprint, etc.).

Sources: document review; worker and management interviews

Legal Reference: Article 6 of Provisional Regulations on Payment of Wages

Plan Of Action: H&M requires the factory to inform all workers about their salary calculation so that workers can predict their wages and can bring up their disagreements freely to the management.

Deadline Date: 09/01/2010

Supplier CAP: The factory will require workers to confirm payment by signature on payrolls.

Supplier CAP Date: 09/01/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: H&M requires that workers are free to form associations of their own choosing and to bargain collectively. We do not accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. In addition, during our audits, we put effort on building effective communication channels between workers and management.

Deadline Date: 12/30/2012

Supplier CAP: The factory has suggestion boxes for workers to bring up their opinions, and would have meetings with workers regularly.

Supplier 12/30/2012
CAP Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: Workers did not sign on the written records of disciplinary action against them.

Source: documented disciplinary actions review

Plan Of Action: H&M requires the factory inform all workers about their legal rights and responsibilities. This training should be verbal, but the factory should also provide workers with a handbook where they can read clearly about these issues. We encourage the factory to create clear policy and procedures to ensure a system of progressive discipline in the factory. Under no circumstances do we accept that our suppliers or their subcontractors use unreasonable monetary fines, corporal punishment or other forms of mental or physical disciplinary actions.



Deadline 11/30/2010
Date:

Supplier The factory will require workers to confirm disciplinary actions by signature in the future.
CAP:

Supplier 11/30/2010
CAP Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

- Explanation:** 1. Workers would be fined RMB5 to RMB20 if they violated factory rules, such as late arrival for work, not wearing factory uniform, etc.
2. If a worker was absent without notice for 3 days consecutively; a total of 5 days in a month; or a total of 15 days in 6 months, the factory would terminate the labor contract with that worker and would not pay the wages that the worker had already earned.

Sources: payroll records review; worker and management interviews

Legal Reference: Article 51 of the China Labor Law

Plan Of Action: H&M requires the factory inform all workers about their legal rights and responsibilities. This training should be verbal, but factory should also provide workers with a handbook where they can read clearly about these issues. We encourage the factory to create clear policy and procedures to ensure a system of progressive discipline in the factory. Under no circumstances do we accept that our suppliers or their subcontractors use unreasonable monetary fines, corporal punishment or other forms of mental or physical disciplinary actions.

Deadline Date: 11/30/2010

Supplier CAP: The factory will immediately review and change the relevant rules to ensure that workers are not punished unfairly.

Supplier CAP Date: 11/30/2010

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: There was no H&M Code of Conduct posted and workers were not orally informed of the code provisions at the time of induction and on an ongoing basis.

Sources: worker and management interviews; on-site observation

Plan Of Action: H&M does not require the factories to post the code of conduct, but we do require that internal regulations are set up in line with our code of conduct and local legislation. Routines should be set up to ensure that these regulations are followed and also such regulations should be communicated to all workers in an effective way.

Deadline Date: 09/01/2010

Action Taken: The factory has posted the code of conduct in the factory.

Plan Complete: No

**Plan
Complete
Date:**

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: There was no confidential noncompliance reporting mechanism that allowed factory workers to contact H&M.

Sources: document review; worker and management interviews

Plan Of Action:

1. During our audits and discussions with the factory, we primarily encourage the management to develop and deepen the factory's own confidential grievance system. We support the factory in building a dialogue system within the factory, in order to have a forum for the workers to communicate grievances to the management. During our audits, we regularly check the function of these systems. Worker interviews are conducted as a part of all H&M audits. During these confidential, one-to-one interviews, our contact information is provided to the workers to enable them to contact us and put forward their grievances directly to us. Our contact information is a mobile number that the workers can call or SMS. The mobile number is printed on business cards and we encourage the cards to be spread among the workers in the factory.
2. H&M requires all factories to develop internal regulations in line with our code of conduct and local legislation and to clearly communicate them to all workers and management in the factory. They should include a policy regarding non-retaliation against workers.

Deadline Date: 12/30/2012

Supplier CAP: The factory has suggestion boxes for workers to bring up their opinions, and would have meetings with workers regularly.

Supplier CAP Date: 12/30/2012



**Action
Taken:**

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

Noncompliance

Explanation: The health and safety policy was not developed and implemented in consultation with workers or their representatives.

Sources: document review; worker and management interviews

Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. We encourage the factory to develop policies and systems for health and safety and to make sure they are clearly communicated to the workers, for example, through a handbook. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 10/30/2010

Supplier CAP: All health and safety policies done in consultation with workers or their representatives.

Supplier CAP Date: 10/30/2010

**Action
Taken:**

Plan **No**
Complete:

Plan
Complete
Date:

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: There were no Structure Safety Certificates for all buildings in the facility.

Sources: document review, management interviews

Legal Reference: Article 61 of China Construction Law

**Plan Of
Action:** H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation. All relevant equipment, such as fire extinguishers, fire alarms, evacuation plans, and emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

**Deadline
Date:** 12/30/2010

**Supplier
CAP:** The factory will enforce the fire safety requirements according to H&M standards, and give relevant training to all staff.

Supplier 12/30/2010
CAP Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

- Explanation:** 1. Aisles in the packing workshop on the third floor of the production building were blocked by materials and products.
2. There were no fire exit marks in finished product warehouse on the second floor.

Source: on-site observation

Legal References: 1) Article 7.4.12 of Code of Fire Safety on Building Design (GB50016-2006), Article 28 of China Fire Prevention Law, 2) Article 11.3.4 of Code of Fire Safety on Building Design (GB50016-2006)



Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation. All relevant equipment, such as fire extinguishers, fire alarms, evacuation plans, and emergency exit lights should be functioning and properly situated. We have also provided training for factories on our safety benchmarks and on the concept and importance of setting up a management system for sustainable compliance. Furthermore, we encouraged the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 06/30/2010

Supplier CAP: The factory security guards will check and ensure the aisles are kept unblocked and can be used every day. Exit marks will be installed immediately.

Supplier CAP Date: 06/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Fire extinguishers and fire hydrants were blocked by products in the finished product workshop.

Source: on-site observation

Legal Reference: Article 28 of China Fire Prevention Law

Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation. All relevant equipment, such as fire extinguishers, fire alarms, evacuation plans, and emergency exit lights should be functioning and properly situated. We have also provided training for factories on our safety benchmarks and on the concept and importance of setting up a management system for sustainable compliance. Furthermore, we encouraged the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 06/30/2010

Supplier CAP: The factory security guards will check and ensure they are kept unblocked and can be used every day.

Supplier CAP Date: 06/30/2010

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: 1 worker operating cutting machines did not wear metal mesh gloves in the cutting workshop.

Source: on-site observation

Legal Reference: Article 54 of China Labor Law

**Plan Of
Action:** The workers should be provided with 1) relevant personal protective equipment (PPE) depending on their work process and 2) education, both orally and in writing in their native language, on how to use the PPE. We have also provided training for factories on our safety benchmarks and on the concept and importance of setting up a management system for sustainable compliance. Furthermore, we encouraged the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline 09/01/2010
Date:

Supplier The factory will provide enough PPE for relevant workers, and will require them to use
CAP: them during work operations.

Supplier CAP 09/01/2010
Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: 50% of the protective Plexiglas shields for sewing machines were not in the working position in sewing workshops on the third, fourth and fifth floors of the production building.

Source: on-site observation

Legal Reference: Article 2.2.1 of Machinery Safety Guard Requirement (GB 8196-87)

Plan Of Action: The workers should be provided with 1) relevant PPE depending on their work process and 2) education, both orally and in writing in their native language, on how to use PPE. We have also provided training for factories on our safety benchmarks and on the concept and importance of setting up a management system for sustainable compliance. Furthermore, we encouraged the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 09/01/2010

Supplier CAP: The factory will provide enough PPE for relevant workers, and will require them to use them during work operations.

Supplier CAP Date: 09/01/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

Noncompliance

Explanation: 1. Materials and sundries were stored under the stairwells on the first floor of the dormitory building.

2. 1 of 2 fire exits on the second floor in the dormitory was locked during night.

Source: on-site observation

Legal References: 1) Article 7.4.1 of the Code for Design of Building Fire Protection and Prevention (GB50016-2006), 2) Article 11.3.4 of the Code for Design of Building Fire Protection and Prevention (GB50016-2006)

Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation. All relevant equipment, such as fire extinguishers, fire alarms, evacuation plans, and emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 09/01/2010

Supplier CAP: 1. The factory will clean the materials and sundries.
2. The factory has opened the fire exits and the security guard is responsible for ensuring they are kept opened and unblocked.

Supplier CAP Date: 09/01/2010

Action Taken:

Plan [No](#)
Complete:

Plan
Complete
Date:

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: [Some workers did not have 1 day off in every 7, such as worker A, who worked June 15-27, 2010.](#)

[Sources: time record review June 2009 to May 2010; production records; workers and management interviews](#)

[Legal Reference: Article 38 of China Labor Law](#)

Plan Of Action: [H&M is first and foremost interested in being shown the true situation in the factory and requires the factories to always provide the correct attendance records and salary lists. Providing incomplete or fake documents is a violation of our basic requirements of transparency. Only after knowing the real overtime are we able engage in dialogue with the factory to establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to ensure that workers may have 1 day off per week and to reduce the number of overtime hours on the weekdays.](#)

Deadline Date: [12/30/2012](#)



Supplier CAP: Factory will assure 1 day off per week for all workers. Factory will improve the efficiency and increase the machinery to reduce the overtime work.

Supplier CAP Date: 12/30/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: 1. The factory could not provide any worker's time records from May 26-June 24, 2010, for auditors to review.

2. Production records indicated that some workers worked on the following Sundays in 2010, but there were no working hour records: February 7, April 11, and May 9.

3. Factory management also admitted that some workers might not punch time cards sometimes for overtime on Sundays and weekdays.

Sources: incomplete working hours records

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and requires the factories to always provide correct attendance records and salary lists. Providing incomplete or fake documents is a violation of our basic requirements of transparency. Therefore, factories should implement a system to ensure correct and transparent recording of working hours. Only after knowing the real overtime are we able to engage in dialogue with the factory to establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency steadily, reduce the overtime hours to meet the legal limit per month. In order to achieve this, we have worked out a method to help factories collect and analyze overtime and compensation data. We have encouraged factories to participate with external support and consultancies. In the short term, we require the factory to ensure that workers have 1 day off per week and to reduce the number of overtime hours in the weekdays.

Deadline Date: 02/28/2011

Supplier CAP: Factory will require workers to punch their timecards whenever they come to work.

Supplier CAP Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:
