



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H&M Hennes & Mauritz AB

COUNTRY: China

FACTORY CODE: 440015971G

MONITOR: Global Standards

AUDIT DATE: October 26 – 28, 2008

PRODUCTS: Garments

PROCESSES: Weaving, Linking, Ironing,
Washing, Checking, Packing

NUMBER OF WORKERS: 550



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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: Factory does not provide all 5 kinds of insurance for all workers; it buys occupational injury and medical insurances for all workers, but provides endowment, procreation and unemployment insurances for only 68 out of 544 workers. According to local regulation, factory just needs to buy medical and occupational injury insurance for peasant workers.

Law: Article 72, PRC Labor Code, sources of social insurance funds shall be determined according to the branches of insurance, and an overall increase of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.

Plan Of Action: H&M requires that factories, as a minimum, purchase industrial injury insurance that covers whole workforce. We further require workers are covered by all forms of social insurance they are entitled to by national and local legislation. We continuously work with factories on increasing level by which their workforce is covered by social insurance.

Deadline Date: 01/09/2009

Supplier CAP: Factory purchased 5 kinds of social insurance for the 69 urban workers. Factory also purchased work injury and medical insurances for 438 rural migrant workers until December 2008. All employees had joined social insurance.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: Factory provided injury insurance for all workers. However, factory only provided unemployment, medical, maternity and retirement insurances to 70 workers (14%).

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Timely Payment of Wages

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

Noncompliance

Explanation: Several employees who started working in factory 2 or 3 months ago had not received any payment. Through records review, auditor could not find any personnel profile and payroll records for these workers. Management explained that sometimes supervisors brought new workers in without telling HR department, so that HR kept no records. The management explained that they would follow up this issue, and paid workers accordingly on the following payday. Even when workers submit resignation applications one month in advance, the factory will pay workers wages on the next payday.

Law: Temporary regulation for wage payment. Article 9 Laborers end labor contracts with working units as per law, working units should pay all wages to laborers for one time at the time contracts end.

Plan Of Action: H&M require the factory to provide true documentation on salaries and working hours. Transparency is one of the most important principles. The factory should pay wages to the worker at least 30 days after the pay cycle according to the law.

Deadline Date: 01/09/2009

Supplier CAP: Managed by factory director and financial department, workers shall be paid monthly.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: Wages usually paid before 30th day of every month, but factory has no fixed pay day. No delayed payment found this time.

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: Workers' OT hours are not compensated in accordance with labor law. Management explained that one of their clients required no OT on weekends and no OT over 3 hours at night, so they made a "clean" OT record for client to review. Workers are paid exactly the amount in payroll. But OT quoted in payroll is the same in time record, which can only mean that workers are not paid for OT according to legal regulation.

Law: Labor law. Article 44. Employing unit shall, according to following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances, pay no less than:

1. 150% of normal wages if extension of working hours arranged;
2. 200% of normal wages if extended hours arranged on days of rest and no deferred rest can be taken;
3. 300% of normal wages if extended hours arranged on statutory holidays.

Plan Of Action: H&M requires factory to provide true documentation on salaries and working hours. Transparency is one of the most important principles. Factory should pay at least the minimum wage to workers, in accordance with law. We have initiated a dialogue with factory on cause of excessive overtime. Aim is for factory to establish system to reduce overtime in a sustainable manner. Long-term aim is to, through improved production planning and efficiency, steadily reduce overtime hours in order to meet legal limit of overtime hours per month and pay OT compensation according to law. In short term, we require factory to make sure they can ensure that workers may have 1 day off per week, steadily reduce number of OT hours on weekdays and pay OT compensation to workers accordingly.

Deadline Date: 01/09/2009



Supplier CAP: Due to our present financial situation, we cannot afford to pay the workers OT hours, but we will improve the situation.

1. We will improve the product equipment and try our best to reduce overtime work.
2. We will take a series of measures to rise the level of workers' salary.
3. Besides improving the work efficiency, we will strengthen the management and protect workers' rights. We invited a consultant to design a series of management methods and implement processes to advance the level of the management.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: Workers were paid by piece rate. OT compensation, as according to law, was not paid to the workers. The factory now reports working hours and wages monthly to H&M. In order to ensure transparency, start to collect data for analysis and write a realistic and constructive action plan how to how to tackle these issues.

Plan Complete:

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Posting Notices

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

Noncompliance

Explanation: No labor laws or regulations are posted in the factory.

Law: Article 4, Employment contract law: Rules and regulations, and decisions on material matters, that have a direct bearing on the immediate interests of Employees shall be made public or be communicated to the Employees by the Employer.

Plan Of Action: H&M requires that factory management follow the law requirement to post labor laws and regulations. Workers should be allowed to get information about their legal rights and all their legal rights should be respected.

Deadline Date: 01/09/2009

Supplier CAP: Labor laws or regulations had already posted in the factory by HR department.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: There were no labor laws or regulations posted in the factory.

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Pay Statement

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

Noncompliance

Explanation: No pay slips are issued to workers in the factory.

Law: Beijing Wage Payment regulation Article 8. Employer shall provide pay slips to employee.

Plan Of Action: H&M requires that the factory provide true documentation on salaries and working hours. Transparency is one H&M's most important principles. The factory should pay at least the minimum wage to the workers according to the law. Worker should have the right to know their own payment and get a pay slip.

Deadline Date: 01/09/2009

Supplier CAP: The financial department was instructed to fulfill the company instructions.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: The factory provides pay slips to the workers every month.

Plan Complete:

Plan Complete Date:

Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Noncompliance

Explanation: No contract is provided for workers who are independently hired by supervisors. Through records review, the auditor could not find any personnel profile and payroll records for these workers. Management explained that sometimes supervisors brought new workers in without telling HR department; hence, why HR kept no record. The management explained that they would follow up this issue.

Law: Labor Law. Article 16: A labor contract is an agreement reached between a laborer and an employing unit for the establishment of the labor relationship and the definition of the rights, interests and obligations of each party. A labor contract shall be completed where a labor relationship is to be established.

Plan Of Action: H&M requires the factory to set up a complete recruitment system. The factory should set up the personnel files for the entire staff and provide legal labor contract to the workers according to the law.

Deadline Date: 01/09/2009

Supplier CAP: After having a meeting, directors of the workshop are required to submit the ID cards and photos of all employees to HR department. This is supervised by HR department.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: All employees have a labor contract issued by the factory. A copy of the contract is provided to all workers.

Plan Complete:

Plan Complete Date:

Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: [There is no procedure on forced labor.](#)

Plan Of Action: [H&M does not accept forced labor in any form. The factory should keep a policy and implement procedures to ensure that workers are never subjected to forced labor.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [The factory established a procedure on forced labor. We will sever labor relations with those who violate rules, and give disciplinary actions at work or public places. Those who result in physical damage or are hurt will be handled by a public security organ. This program is supervised by factory director.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009: There is still no written procedure on how to prevent forced labor.](#)

Plan Complete:

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; 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 freedom of association, 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. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate 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. It also grants the trade union an enhanced role in dispute resolution. In December 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 the workers should be free to form associations of their own choosing, and to bargain collectively. We don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We encourage the factory to develop and maintain well functioning communication channels between workers and management.

Deadline Date: 01/09/2009

Supplier CAP: Had established the standards of behavior. According to the Constitution, it is allowed to enjoy freedom of assembly, of association and of setting up union. It is supervised by union supervision and guaranteed mechanisms.

Supplier CAP Date: 01/09/2009



Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): There is still no written procedure on freedom of association and collective bargaining.

Plan Complete:

Plan Complete Date:

Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation: [There is no procedure on freedom of association and collective bargaining.](#)

Plan Of Action: [H&M requires that the workers should be free to form associations of their own choosing, and to bargain collectively. We don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We encourage the factory to develop and maintain well functioning communication channels between workers and management.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [The factory established certain standards of behavior. According to the Constitution, workers are allowed to enjoy freedom of assembly, of association and of setting up union. This is supervised by union and other guaranteed mechanisms.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): There is still no written procedure on freedom of association and collective bargaining.

Plan Complete:

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: [There is no written system of progressive discipline.](#)

Plan Of Action: [H&M requires that the factory set up an efficient system of progressive discipline. The disciplinary actions should follow legal requirements and should be clearly communicated to all workers in writing.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [Had instituted the system of progressive discipline. It organizes regular training and is supervised by HR labor department.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009: There is still no written system on progressive discipline.](#)

**Plan
Complete:**

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Noncompliance

Explanation: The factory does not maintain a system of written disciplinary rules, procedures and practices.

Plan Of Action: H&M requires the factory to set up efficient system of progressive discipline. The disciplinary actions should follow legal requirements and should be clearly communicated to all workers in writing.

Deadline Date: 01/09/2009

Supplier CAP: A system of written disciplinary rules, procedures and practices will be maintained by the management office.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: The factory still didn't maintain a system of written disciplinary rules, procedures and practices.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers

H&A.16 Management shall discipline anyone (including managers, supervisors or fellow workers) who engages in any physical, sexual, psychological or verbal violence, harassment or abuse, regardless of whether such action was intended as a means to maintain labor discipline. Such discipline could include (combinations of) compulsory counseling, warnings, demotions and termination. (P)

Noncompliance

Explanation: There is no disciplinary procedure in place for those who engage in any harassment and abuse.

Plan Of Action: H&M requires the factory to set up a policy against harassment and abuse. H&M does not accept any kind of harassment and abuse from the factory against workers. The factory should work on implementing a grievance procedure to ensure any cases of harassment and abuse can be detected immediately.

Deadline Date: 01/09/2009

Supplier CAP:

1. The factory established the standards of behavior. It is now forbidden to engage in any harassment and abuse. It is supervised by factory director.
2. We encourage civilized production in factory. We will sever labor relations with those who engage in any harassment and abuse. It is supervised by factory director. Post the sign "It is forbidden to abuse workers" where it is visible in the work place.
3. Set up special telephone number (such as the number of the chairman of labor union or #110) so that it is easier for workers to sue if their rights are infringed upon.
4. If an abuse situation appeared, the factory director would deal with the problem by himself. For very serious situations, measures to be fired out or sent to the police station would be taken.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: There is still no disciplinary procedure in place for actions to be taken if anyone is found engaged in any harassment and abuse.

**Plan
Complete:**

**Plan
Complete
Date:**

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: There is no policy and procedure on harassment and abuse.

**Plan Of
Action:** H&M requires the factory to set up a policy against harassment and abuse. H&M does not accept any kind of harassment and abuse from the factory against workers. The factory should work on implementing a grievance procedure to ensure any cases of harassment and abuse can be detected immediately.

**Deadline
Date:** 01/09/2009

**Supplier
CAP:**

1. Had established the standards of behavior. It is forbidden to engage in any harassment and abuse. It is supervised by factory director.
2. We encourage civilized production in factory. We will sever labor relations with those who engage in any harassment and abuse. It is supervised by factory director. Post the sign "It is forbidden to abuse workers" where it is visible in the work place.
3. Set up special telephone number (such as the number of the chairman of labor union or #110) to make it easier for workers to sue if their rights are infringed upon.
4. If an abuse situation appeared, the factory director would deal with the problem by himself. For very serious situations, measures to be fired out or sent to the police station would be taken.

**Supplier CAP
Date:** 01/09/2009

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): There is a clear policy on harassment and abuse, but no written procedure on it.

Plan Complete:

Plan Complete Date:

Child Labor: Other - Child Labor

Other

Noncompliance

Explanation: [There is no procedure on child labor.](#)

Plan Of Action: [H&M requires the factory to write a clear policy against use of child labor and establish recruitment routines in order to make sure that all new workers are above legal age. H&M requires the factory set up a complete recruitment system according to the law.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [Had established employment system; It will be supervised by HR department by examining the ID cards of the employees.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): The basic routines of age verification, registration and skill tests are documented.

Plan Complete:

Plan Complete Date:

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: There is no procedure on non-discrimination.

Plan Of Action: H&M requires the factory to set up a non-discrimination policy and a proper recruitment system to ensure the policy is implemented. The policy should also be integrated with the factory rules and a grievance procedure should be in place to detect any discrimination cases that occur. The factory must ensure that no employee is discriminated against due to gender, ethnic, social or religious background.

Deadline Date: 01/09/2009

Supplier CAP: Had established the standards of behavior. Against gender, age, nationality, religion or belief discrimination.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: There is still no written procedure on non-discrimination.

Plan Complete:

Plan Complete Date:

Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: The code of conduct was not provided to factory.

Plan Of Action: All suppliers are informed of our code of conduct (CoC) both through individual meetings with our CoC Department, through workshops and through the CoC Guidance that we distribute to all our suppliers. It is the responsibility of the supplier to ensure that all subcontractors are informed of our code requirements. All production units where the processes of refining H&M products take place must pass compliance audit prior to receiving the first order. During this occasion, the subcontractor is further informed of our requirements, and has the opportunity to ask questions for clarification. Generally we do not require our code of conduct to be posted in the factory. In the case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our code of conduct and local legislation and to clearly communicate these to all workers, for example, through a handbook for the workers or on the notice board. During follow-up visits we continuously evaluate the factory's internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if they comply with local legislation and our code of conduct.

Deadline 01/09/2009

Date:

Supplier

CAP:

Supplier CAP 01/09/2009

Date:

Action

Taken:

Plan

Complete:

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: No training on code of conduct provided to workers.

Plan Of Action: All suppliers are informed of our code of conduct (CoC) both through individual meetings with our CoC Department, through workshops and through the CoC Guidance that we distribute to all our suppliers. It is the responsibility of the supplier to ensure that all subcontractors are informed of our code requirements. All production units where the processes of refining H&M products take place must pass compliance audit prior to receiving the first order. During this occasion, the subcontractor is further informed of our requirements, and has the opportunity to ask questions for clarification. Generally we do not require our code of conduct to be posted in the factory. In the case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our code of conduct and local legislation and to clearly communicate these to all workers, for example, through a handbook for the workers or on the notice board. During follow-up visits we continuously evaluate the factory's internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if they comply with local legislation and our code of conduct.

Deadline Date: 01/09/2009

Supplier CAP: We obey the rules and laws to improve the production conditions to safeguard fundamental human rights.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: During the orientation training, the factory educated employees about their basic rights.

Plan Complete:

**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 is no noncompliance reporting mechanism which allows factory workers to contact the company.

Plan Of Action: During our audits and discussions with the factory, H&M primarily encourages the management to develop and deepen the factory's own confidential noncompliance system. We support the factory in building a communication/dialogue system within the factory in order to have a forum for the workers to communicate grievances to the management. At all H&M audits we conduct worker interviews. During these confidential, one-to-one interviews, business cards with a mobile number are provided to the workers in case they need to contact and put forward their grievances directly to us. We encourage the business cards to be spread among all the workers in the factory.

Deadline Date: 01/09/2009

Supplier CAP: N/A

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: 20 workers were interviewed. During the interviews conducted with the workers during this audit, business cards with a contact number were handed out to the interviewees.

**Plan
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: Safety markings in aisles are not visible. The fire safety aisle (by weaving machines) on the second floor of production building #2 is blocked. There are no exit signs posted near the stairwells in warehouse and production building #2. There are materials placed under the stairwell of east exit on the first floor of production building #2. Fire extinguishers in the warehouse blocked. The management explained that they were relocating departments now, so it was not that workplace was not clean and in order.

Plan Of Action: H&M requires that safety in the factory is maintained according to local law and our code of conduct. We suggest the factory set up a complete health and safety system, which includes checking that emergency exits are clear and marked, that all the fire prevention equipment is maintained in good condition and that workers receive regular fire evacuation drills.

Deadline Date: 01/09/2009

Supplier CAP: These are supervised by factory director and safety department is improved.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: All the emergency exits were clearly marked and no emergency exits blocked at this time.

Plan
Complete:

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: 1 fire extinguisher not charged after use and lacks secure bolt in production building #1. Inspection records of 2 fire extinguishers in linking department of production building # 1 are not updated. There are no inspection records for all fire hoses. There is no eye wash equipment in washing departments of production buildings #1 and #2.

Plan Of Action: H&M requires that safety in the factory is maintained according to local law and our code of conduct. We suggest the factory set up a complete health and safety system, which includes checking that all the fire prevention equipment is maintained in good condition and that workers receive regular fire evacuation drills.

Deadline Date: 01/09/2009

Supplier CAP: Factory staff found the faulty fire extinguisher, and replaced it with a new one.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: All the fire extinguishers were kept in good condition.

Plan
Complete:

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: No gas masks are provided to workers in washing department. Workers do not use the PPE factory provides to them during work. Workers in washing department do not wear gas masks; workers using weaving machines do not wear caps; workers in washing and buttoning departments do not wear goggles; workers in sleeve ironing and washing departments do not wear earplugs that factory provides.

Plan Of Action: H&M requires that the factory provide healthy and safe working conditions for the workers. Proper PPE should be provided to the workers, in addition to relevant training.

Deadline Date: 01/09/2009

Supplier CAP: We are requesting that the supplier buy eye washing fluid and gas masks.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: Workers in wash department still didn't wear the gas masks.

Plan
Complete:

Plan
Complete
Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: The signs for the use of PPE are not standardized. There is no protection shield for moving parts of some automatic collar weaving machines on the second floor of production building #2.

Plan Of Action: H&M requires that proper PPE should be provided to the workers together with relevant training and information. The factory management should ensure workers wear PPE on site in a proper way and that protection equipment is maintained.

Deadline Date: 01/09/2009

Supplier CAP: The factory is contacting the machine supplier and asking them to provide us the proper protection shields.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: The signs for the use of PPE are still not standardized.

Plan Complete:

Plan Complete Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: Flammable materials are placed under electricity box in sample room.

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 the factory to develop a system to ensure that the safety in the factory is maintained.

Deadline Date: 01/09/2009

Supplier CAP: Had removed the box from the electricity box.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: The sample room now is neat and clear.

Plan Complete:

Plan Complete Date:

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: [Jiazi solution and mercurochrome solution expired.](#)

Plan Of Action: [H&M requires the factory to provide healthy and safe working conditions to the workers. The first aid box in the workshop should always be equipped and maintained in a good condition.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [The factory will equip the first aid box properly. The responsible person will check it regularly in the future.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009: The supply of first aid box is sufficient and the first aid boxes were kept in good condition.](#)

Plan 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: Workers do not have 1 day off in every 7-day period. The auditor required the factory to provide OT records recorded by supervisors. The management explained that this kind of detailed OT hours records have only been kept since this past August, under the requirement of H&M. The factory used to use daily attendance sheet. The factory could only provide daily attendance records of ironing and washing departments in this year, because records of other departments were disposed of by supervisors already. But the management explained that working days of workers in different departments are almost the same. Through reviewing daily attendance records, the auditor found that most workers had half a day or 1 day off this April, May and June and most workers had no rest day this July. Through reviewing detailed OT hours records, the auditor found that almost all workers had 2 days off in this August, and almost all workers except for workers in weaving department had 1 or 2 days off in this September.

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and require the factories to always provide the correct attendance records and salary lists. 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 reduce the number of overtime hours in the weekdays.

Deadline Date: 01/09/2009

Supplier CAP:

1. This is the actual situation. We will arrange production properly from now on to let employees enjoy legal holidays.
2. We will improve the product equipment, try to raise the level of workers' salaries and try our best to reduce overtime work.
3. Besides improving the work efficiency, strengthen the management and protect workers' rights. We invited a consulting firm to design a series of management methods and implement processes to advance the level of the management.

Supplier CAP Date: 01/09/2009



Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): The factory now reports working hours and wages monthly to H&M, in order to ensure transparency, start to collect data for analysis and write a realistic and constructive action plan how to tackle these issues. Base on the time record, it is still found that workers do not get a day off in every 7-day period.

Plan Complete:

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: The factory keeps false time records. Through records review, the auditor found most OT continues until 7pm, and some until 8pm. The management explained that one of their clients required no OT on weekends or no OT over 3 hours at night, so they made a "clean" OT record for the client to review. The management reported that there was also OT until 10pm and even 12am sometimes in peak season. The auditor required factory to provide OT records recorded by supervisors. The management explained that this kind of detailed OT hours records were done since this August under requirement of H&M. The factory used to use daily attendance sheets. Factory could only provide daily attendance records of ironing and washing departments, because records of other departments were disposed of by supervisors already. Through reviewing these detailed OT hours records, the auditor found that most were 2 hours OT at night, only some records for 3 hours, while no OT until 10pm or 12am. The management explained that supervisors might not record late OT. Through reviewing daily attendance records, the auditor found workers had 0 to 3 days off per month.



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. 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 reduce the number of overtime hours in the weekdays.

Deadline Date: 01/09/2009

Supplier CAP: We will arrange production properly from now on to reduce OT hours.

Supplier CAP Date: 01/09/2009

Action Taken: 2nd Full Audit (Unannounced), February 25 – 27, 2009: The factory now uses swipe cards to record worker's working hours. Transparency was kept throughout the audit. According to attendance records from September – December 2008, the monthly overtime exceeded the legal limit.

Plan Complete:

Plan Complete Date:

Hours of Work: Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Noncompliance

Explanation: Workers' OT hours in this August and September exceeded 80 hours. Through reviewing the detailed OT hours records done since this August under the requirement of H&M, the auditor found that almost all workers worked 122 OT hours in this August, and almost all workers in departments except for weaving department worked 108 to 118 OT hours in this September.

Law: According to Article 41 PRC Labor Code, The employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborers, but the extended working hours per day shall generally not exceed 1 hour; if such extension is needed for special reasons, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed 3 hours per day. However, the total extension in a month shall not exceed 36 hours.

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. 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 reduce the number of overtime hours in the weekdays.

Deadline Date: 01/09/2009

Supplier CAP: This is the actual situation. We will arrange production properly from now on to reduce OT hours.

Supplier CAP Date: 01/09/2009

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): The factory now reports working hours and wages in a monthly report to H&M as part of an effort to ensure transparency, collect data for analysis and write a realistic and constructive action plan on how to tackle these issues. According to attendance records from September – December 2008, the monthly overtime hours exceeded the legal limit.

Plan Complete:

Plan Complete Date:

Hours of Work: Annual Leave/Wage Payments

HOW.18 Employers shall provide workers taking annual leave their normal or average wages for the full period of annual leave in advance, unless specified differently under local laws, regulations and procedures. (S)

Noncompliance

Explanation: [The factory does not provide workers taking annual leave with their normal or average wages for the full period of annual leave in advance.](#)

Plan Of Action: [The factory should provide the legally required benefits to all workers. Workers should have the right to take paid annual leave in accordance with the law.](#)

Deadline Date: [01/09/2009](#)

Supplier CAP: [The factory will establish an annual leave system. Workers have min wage during their annual leave.](#)

Supplier CAP Date: [01/09/2009](#)

Action Taken: [2nd Full Audit \(Unannounced\), February 25 – 27, 2009](#): The factory usually arranges that workers can take the annual leave during Chinese New Year, but this is not paid leave.



**Plan
Complete:**

**Plan
Complete
Date:**
