



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** H & M Hennes & Mauritz AB

**COUNTRY:** Turkey

**FACTORY CODE:** 440076562J

**MONITOR:** Bayramhan Boyer

**AUDIT DATE:** October 14, 2011

**PRODUCTS:** Garments

**PROCESSES:** Cutting, Sewing, Quality  
Control, Packing

**NUMBER OF WORKERS:** 144



**CONTENTS:**

Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation .....3  
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation .....4  
Wages, Benefits and Overtime Compensation: False Payroll Records.....5  
Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs.....7  
Freedom of Association: Grievance Procedure .....8  
Code Awareness: .....9  
Code Awareness: .....10  
Code Awareness: .....11  
Health and Safety: General Compliance Health and Safety .....13  
Health and Safety: Evacuation Requirements and Procedure .....14  
Health and Safety: Machinery Maintenance and Worker Training .....15  
Health and Safety: Sanitation in Factory Facilities .....16  
Health and Safety: Toilets/Restrictions .....17  
Hours of Work: General Compliance Hours of Work .....19  
Hours of Work: Protected Workers (Women and Young Workers) .....20



**Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation**

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

**Noncompliance**

**Explanation:** During the document review it was observed that some of the on-call personnel working in buttoning section are not socially secured. The exact number of the on-call workers could not be verified, as the records are not full. On the date of the audit, there were 5 on-call workers at the buttoning section who were not covered by social security.

**Plan Of Action:** H&M requires that the supplier follow local laws and the requirements of H&M Code of Conduct. All workers, including on-call workers, shall be socially registered 1 day before recruitment. The same kind of records kept for normal workers (personnel files, in and out records, payment records) should also be available for on-call workers.

**Deadline Date:** 01/01/2014

**Supplier CAP:** Daily workers will receive social security and their payrolls will be recorded. But from now on the factory will try not to hire on-call workers.

**Supplier CAP Date:** 01/01/2014

**Action Taken:** During our visit on 28.01.2013, we have observed that in and out records, payment records and ID cards are now kept properly for on call workers. However, the factory has not corrected the issue of social insurance of on-call workers. We will be following this up during our coming audits.

**Plan Complete:** No

**Plan Complete Date:**

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### **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:** The OT payments for the on-call workers are not calculated according to the legal OT rate, thus not paid OT with 50% reimbursement (calculated as 1 to 1)

Legal Reference: Overtime work and Work Hour Regulation article 1

**Plan Of Action:** H&M requires the factories to follow the local labor law regarding all wages, benefits and overtime compensation. The factory should calculate the correct hourly wage of overtime according to the law.

**Deadline Date:** 01/01/2014

**Supplier CAP:** On-call workers' OT calculation will be done as per legal requirement, if any on-call personnel will be used in production. But from now on, the factory will try not to hire on-call workers

**Supplier** 01/01/2014  
**CAP Date:**

**Action** During our visit on 28.01.2013, we observed that the factory has not done any correction  
**Taken:** about above issue. We have informed the supplier in a detailed way about how to calculate on-call workers' overtime wage.

**Plan** No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **Wages, Benefits and Overtime Compensation: False Payroll Records**

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

#### **Noncompliance**

**Explanation:** Actual payments, be they OT compensation or wages higher than legal minimum wage, do not match with the payroll records registered in Social Security Administration.

**Plan Of** November 2011: H&M requires the supplier and factory to follow local laws, as well as  
**Action:** the requirements in the H&M Code of Conduct. Transparency is of utmost importance for H&M and we require the factory to record all hours and payments truthfully and to provide accurate records for our auditors during audits and follow-up visits.

H&M is aware that this problem exists in Turkey and this issue is addressed to suppliers and factories through our audit reports and our ongoing dialogue with suppliers and factories. The primary focus is to get suppliers and factories to ensure all workers are registered and pay premiums to the social security administration. We encourage the supplier and factory to, in a sustainable way, work towards full legal compliance in this matter, without forgoing their transparency towards our auditors/H&M.

**Deadline  
Date:**

**Supplier  
CAP:** At least one more year the factory will not be able to correct this issue because according to the calculation made together with the supplier, the total tax payment becomes two times more than what is being paid now, if they register real salaries and real overtime hours.

**Supplier  
CAP Date:** 12/31/2014

**Action  
Taken:** During our visit on 28.01.2013, we have observed that factory has not corrected the above issue. During the follow up visit, we had a meeting with the supplier and factory and firstly reminded them of the labor law and H&M requirement regarding double bookkeeping. We then discussed on root causes in order to take the proper actions to make the factory register all payments correctly.

Since this is a cost-related issue, we required the supplier to analyze the current situation first in terms of cost. We will consider the analysis results together with the supplier and factory and will make a plan to register all payments correctly. H&M will guide the supplier and factory to reduce the cost by supporting them with the proper projects, starting with a project to decrease OT hours.

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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## **Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs**

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

### **Noncompliance**

**Explanation:** The elected worker representative in the facility is working as a supervisor. The workers are not fully aware of the worker representative system and its use.

**Plan Of Action:** H&M encourages the factory to develop and maintain functioning communication channels between workers and management. We require that the workers be informed about their rights. A communication channel should be built between the workers and the factory management through worker representatives.

Worker representatives should be elected by the workers themselves and represent the different sections in the workplace. The factory management should meet the representatives regularly and keep minutes of the meetings to enable follow up of the discussed topics. Workers should be informed about the actions taken by the factory management.

**Deadline Date:** 01/18/2012

**Supplier CAP:** One male worker from ironing department and one female worker from sewing department were elected as worker representatives via a democratic election in January 2012. The election will be renewed once a year and this procedure will be followed-up by HR department.

**Supplier CAP Date:** 01/18/2012

**Action Taken:** According to our visit on 28.01.2013, the worker representative system started to work. Workers are more aware of the system. We encourage the factory to have a management system on dialogue system, in order to make it more effective. We will be following this up during coming audits.

**Plan Complete:** No

**Plan Complete Date:** 01/18/2012

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### **Freedom of Association: Grievance Procedure**

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

#### **Noncompliance**

**Explanation:** The facility does not have a responsive grievance system in place. The grievances and suggestions are collected via suggestion boxes. Although the suggestion boxes are used by workers, the responses and actions on the complaints are not fully explained to workers nor are they fully investigated.

**Plan Of Action:** The employer shall have in place written grievance procedures that allows to settle grievances between workers and company management via several ways like open door policy, suggestion boxes etc.,

Depending on the nature of the grievance and the structure and size of the enterprise. The coming grievances shall be documented, analyzed and the conclusion should be communicated to all responsible people. Employers shall ensure that the grievance procedures and applicable rules are known to workers.

**Deadline Date:** 01/01/2014



**Supplier CAP:** The factory will create a procedure for grievance system. All workers will be informed about open door policy and importance of suggestion box/ and worker representative system. All suggestion replies will be posted on the announcement wall. The factory has also started to register verbal grievances.

**Supplier CAP Date:** 01/01/2014

**Action Taken:** During our visit on 28.01.2013, we have observed that grievance system works better. Replies to grievances are posted on the boards. We will check this up during coming visits via management system we conduct in the factory about grievance system.

**Plan Complete:** No

**Plan Complete Date:**

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### 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 brand's code of conduct is not available in the work floor.

**Plan Of Action:** We are requiring our suppliers to incorporate our code (which is aligned with FLA's), applicable laws, internal regulations and our own internal policies, preferably written in worker handbooks. We require them to hold training and education on a regular basis for all employees (due to high staff turnover) and to be in new employees orientation of the workplace.

**Deadline Date:**

Supplier  
CAP:

Supplier  
CAP Date:

Action  
Taken:

Plan           No  
Complete:

Plan  
Complete  
Date:

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### 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:** The workers' awareness of the brands Code of Conduct is very low. Most of the workers interviewed were unaware of the code regardless of their employment period.

**Plan Of Action:** H&M encourages suppliers to have a system in order to train their workers about legal rights. At the moment, we are working on a project with **\*\*organization\*\*** and ILO. The projects aims to improve workers' knowledge on legal rights. The project will cover the almost 2300 workers in our most used suppliers production units, which are evaluated to be important for H&M. This project is planned to be finalized in 3 years.

**Deadline Date:** 12/12/2012

**Supplier  
CAP:**

**Supplier  
CAP Date:**

**Action  
Taken:** (Due to the restriction on the number of participating factories in the proposed project mentioned in the initial Plan of Action, this factory was not involved in this project)

During our visit on 28.01.2013, we have observed that supplier has not taken any action about this issue. H&M required from the factory to provide a sufficient number of workers a training to inform them about their legal rights and H&M Code of Conduct. We will follow this up during coming visits.

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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### **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:** The level of worker knowledge on code of conduct and complaint channel is very low. Only 1 worker in 86 workers interviewed declared having received the contact information of the compliance personnel of H&M.



**Plan Of Action:** During our audits and follow-up visits in factories, H&M compliance staff conducts interviews with workers. During these interviews, we hand out our business card with our contact information. The number we provide is a special number for worker complaints that they can call everyday and any time of the day.

We also encourage the interviewed workers to spread our contact information to other workers. Further, we support the factory in building a dialogue system in order to have a system for the workers to put forward their grievances to the management. We will put more emphasis on the communication of this confidential report mechanism during our coming audits.

**Deadline Date:**

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** As H&M, we have conducted two audits after FLA IEM and we have given our phone number to all interviewed workers and explained them about the complaint mechanism.

**Plan Complete:** No

**Plan Complete Date:**

## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** The facility does not have an active H&S system in place.

- 1) There is no H&S specialist employed by the facility.
- 2) The facility has not conducted a risk assessment
- 3) The H&S trainings of the personnel is not in line with the related regulation.

Legal Reference: Labour Law article 81, Regulation on H&S Trainings

**Plan Of Action:** H&M requires that the factories follow the health and safety regulations in the local law and H&M Code of Conduct. Factory needs to employ a health and safety specialist who is in charge of all related applications in the factory.

The factory doctor should, together with the health and safety specialist, implement a sustainable system for both the first and the periodic health checks of the employees, in order to trace their health conditions and eliminate the work-related risks. H&S trainings shall also be in line with related regulation.

**Deadline Date:** 06/01/2013

**Supplier CAP:** The factory will search for a Health and Safety specialist. After making agreement, the H&S specialist will make risk assessment and will organize and give trainings to workers, in line with the related regulation.

**Supplier CAP Date:** 06/01/2013

**Action Taken:** During our last visit on 28.01.2013, we have seen that the factory is about to make an agreement with Health and Safety Specialist.

**Plan Complete:** No

**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:** During the facility walk through it was observed that some fire safety precautions are not sufficient. For example:

- 1) The evacuation route markings have faded and some are not in line with the work floor use.
- 2) Some of the fire exits open inwards (such as the main entry of the facility)
- 3) The fire safety and emergency lighting system controls are not recorded.

**Plan Of Action:** H&M requires that the factories follow the health and safety regulations in the local law and H&M Code of Conduct. All the fire extinguishers and alarm buttons should be unblocked at all times, and the factory should have a sufficient number of emergency lights on evacuation routes. Factory needs to establish a comprehensive health & safety control system; this system should guarantee that periodic checks are followed up regularly.

**Deadline Date:** 10/31/2011

**Supplier CAP:** All evacuation route markings are updated. All exits will be open outwards. To record the fire safety and emergency lighting system, they will develop a control chart.

**Supplier CAP Date:** 10/31/2011

**Action Taken:** During our last visit on 28.01.2013, we have seen that above corrections were completed.

**Plan Complete:** Yes

**Plan Complete Date:** 01/28/2013

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### **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:** Some sewing machines are missing eye and needle guards. Most workers do not use the guards that are in place.

**Plan Of Action:** A safe and healthy working environment shall be a priority at all times. H&M requires the factory to ensure relevant production machinery is equipped with proper protective devices and that workers know when, how and why to use personal protection and related equipment.

**Deadline Date:** 06/30/2013

**Supplier CAP:** The factory will provide eye guards and after hiring an H&S specialist, this person will give trainings about PPE usage.



**Supplier** 06/30/2013  
**CAP Date:**

**Action** During our visit on 28.01.2013, we have observed that eye guards are still missing at  
**Taken:** some sewing machines. And not all workers are using existing guards. Factory is willing to solve this problem by the help of Health and Safety Specialist.

**Plan** No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **Health and Safety: Sanitation in Factory Facilities**

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

#### **Noncompliance**

**Explanation:** During the factory tour it was observed that the condition of the bathrooms is insufficient. There was no soap or toilet paper in the toilets, some flushers were not functional and the toilets were not clean during the checks. The cleanliness of the utensils in the canteen should be improved.

**Plan Of** H&M requires from the factories to have a clean working environment. Toilets shall also  
**Action:** be kept clean, soap and running water shall be made available in order to prevent diseases.

**Deadline** 12/31/2011  
**Date:**



**Supplier CAP:** The factory has prepared a checklist for toilet cleaning. The cleaning personnel will fill out this form regularly. Random checks will be done by the administration manager.

**Supplier CAP Date:** 12/31/2011

**Action Taken:** During our visit on 28.01.2013, we have observed that hygiene conditions of the toilets are better.

**Plan Complete:** No

**Plan Complete Date:**

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### Health and Safety: Toilets/Restrictions

H&S.24 Employers shall not place any undue restrictions on toilet use in terms of time and frequency. (P)

#### Noncompliance

**Explanation:** The workers need to get permission from their supervisors or find a person to cover for their work to use the toilets.

**Plan Of Action:** H&M requires that employers shall not unreasonably limit the freedom of workers for using toilets, in order to maintain workplace discipline. However, in factories where workers work in line system, we consider it normal if the employer asks from the workers to inform their supervisors when they want to use toilets within working hours.

The aim here should not be limiting the worker's freedom, it should be replacing this worker with another worker so that the production can go on. In this case, we requested from the supplier to inform the workers and supervisors about why there is such a system. Employer shall guarantee that workers are aware of their right of movement and that they do not consider this system as a punishment method.

**Deadline Date:** 06/30/2013

**Supplier CAP:** Workers who are working with line system ,can go to the toilet without asking permission but they have to inform their supervisor then supervisor have to arrange another worker to replace for that worker otherwise production can not continue. Also all these situation and solution will be explain all workers then workers will be aware that why they need to get allow from their supervisor.

**Supplier CAP Date:** 06/30/2013

**Action Taken:** During our visit on 28.01.2013, we observed that workers were informed about their right to use toilets freely and why they are asked to find a person to cover them while their absence. We will follow this up during coming audits.

**Plan Complete:** No

**Plan Complete Date:**

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## Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

### Noncompliance

**Explanation:** During the document review it was observed that most workers have exceeded yearly OT limit in the first 4 months of the year. The weekly total work hour limit is in excess of peak production periods (20 hour OT per week), and the daily work hour limit is exceeded during peak periods (max 08:00-01:00).

January February and March were the peak periods where the OT hours were excessive. Out of a sample of 23 workers:

-9 workers worked more than 70 hours of OT in January (max OT in the sample for one worker is 87 hours)

-17 workers worked more than 70 hours of OT in February (max OT in the sample for one worker is 107 hours)

-18 workers worked more than 70 hours of OT in March (max OT in the sample for one worker is 96 hours)

**Plan Of Action:** H&M requires that the suppliers' overtime hours should not exceed the legal limit, and overtime work should always be voluntary and properly compensated. All H&M suppliers are encouraged on possible measures for reducing overtime both through our Code of Conduct Supplier Guideline (guidance on how to implement the H&M Code of Conduct requirements) and via workshops held by compliance staff.

Additionally, H&M is having a project lead by FLA which also includes this factory. The project is aiming to find out root causes of overtime work, the parameters affecting overtime including impact of purchasing practices. Workers' perception of overtime work will also be researched within the project. The project will include activities like Management Self-Assessment and Workers' survey, SCI assessment and productivity assessment.

**Deadline Date:** 01/01/2015



**Supplier CAP:** Overtimes hours daily follow up will be done and reasons will be recorded. Then the factory will make monthly and department based overtime analysis. These reasons will be shared with supplier, workers and brands and then solutions will be developed.

**Supplier CAP Date:** 01/01/2015

**Action Taken:** During our visit on 28.01.2013, we have observed that factory has not yet corrected this issue.

**Plan Complete:** No

**Plan Complete Date:**

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### Hours of Work: Protected Workers (Women and Young Workers)

HOW.4 The factory shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age of 18. (S)

#### Noncompliance

**Explanation:** On the date of the audit, there were 9 young workers employed at the factory. During the document review it was observed that these young workers work more than 40 hours per week and also stay for OT.

Legal reference: Overtime work and Work Hour Regulation article 8

**Plan Of Action:** H&M requires the factory to follow the Labor Law concerning working conditions of young workers. We will further encourage the factory to systematically implement the H&M Code of Conduct and Labor Law requirements about young workers

**Deadline Date:** 12/31/2014



**Supplier CAP:** As a first step, the factory will try not to make young workers work on weekends. In the long run, young workers will not do overtime work.

**Supplier CAP Date:** 12/31/2014

**Action Taken:** During our audit on 28.01.2013, we observed that factory has not done any correction on this issue.

**Plan Complete:** No

**Plan Complete Date:**

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