



COMPANY: H & M Hennes & Mauritz AB
COUNTRY: Turkey
ASSESSMENT DATE: 10/16/12
MONITOR: FLA Assessor Team (Turkey)
PRODUCTS: Apparel
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 186
ASSESSMENT NUMBER: AA000000007

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

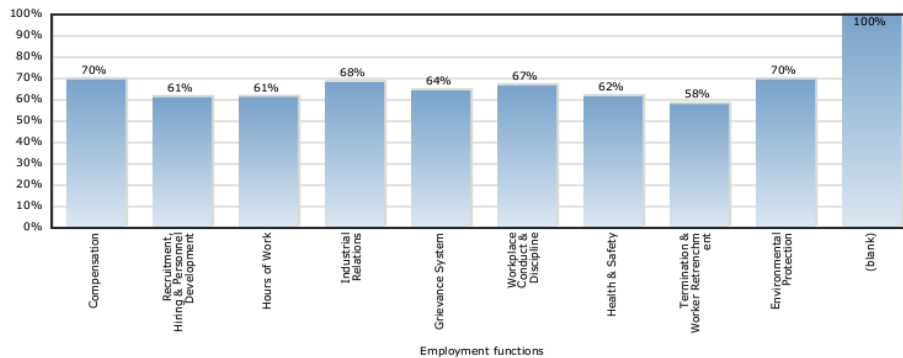
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.

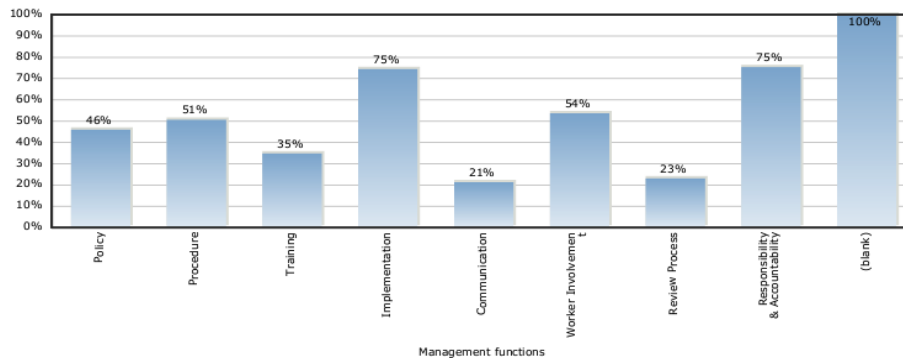
Average Score



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.

Average Score



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	45.29%	62.5%	35%	0%	14.29%	40%	61.11%	83.33%	0%	37.95%
Procedure	50%	53.49%	38.33%	50%	70%	75%	24.24%	42.5%	84.62%	54.24%
Responsibility & Accountability	77.83%	93.4%	95.29%	75%	86.6%	86.6%	93.4%	100%	75%	87.01%
Review Process	33.33%	16.67%	25%	0%	0%	0%	0%	0%	50%	13.89%
Training	34.38%	60%	52.17%	53.13%	47.06%	50%	50%	52.24%	44.67%	49.29%
Implementation	72.79%	83.27%	68.59%	86.96%	83.33%	86.11%	56.25%	68.17%	77.76%	75.92%
Communication	50%	0%	27.08%	0%	27.78%	0%	0%	33.33%	20%	17.58%
Worker Involvement	33.33%	N/A	N/A	100%	100%	N/A	N/A	45.83%	0%	55.83%
Aggregate Score	49.62%	52.76%	48.78%	45.64%	53.63%	48.24%	40.71%	53.18%	44.01%	

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Compensation
Child Labor
Employment Relationship
Freedom of Association and Collective Bargaining
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- The factory has a double bookkeeping practice for payments: one set of records is official and indicates gross wages on the basis of the legal minimum wage; the other set is unofficial and includes actual salaries (any amount higher than the legal minimum wage) and overtime pay. The net minimum wage is paid via bank transfer, while all other payments are made in cash.
- As the management does not declare workers' actual salaries to the social security administration, workers do not receive all of the benefits they are entitled to from the social security administration for their sick leave, severance or pension.

Local Law or Code Requirement

Turkish Tax Procedural Law; 213, Article: 238; Turkish Labor Law; Articles: 14, 37, 53, and 56; Overtime and Overtime Work Regulations, Article: 10, FLA Workplace Code (Hours of Work Benchmark HOW.11; Compensation Benchmarks C.13, C.14, C.16, and C.17)

Root Causes

- For any registered worker in Turkey, social security contributions (borne by both employee and employer); income tax (borne by the employee), unemployment insurance contributions (borne by employee and employer); together with the stamp tax increase labor cost by 33.5%. As such, for the second half of 2013, while the LMW (Legal Minimum Wage) is 803.68 TL/month (USD400), the effective cost to the employer is 1,190.05 TL/month (USD595). As a result, employers typically choose not to register workers' full wages with the social security administration.
- Although there are strict laws and regulations in place against double bookkeeping practices, the enforcement of these regulations is weak due to the government's lack of resources for monitoring and training activities.
- There is neither a time study based on capacity or a labor cost calculation system in place; therefore, the factory owner decides, not calculates, daily production figures just by looking at a sample product. This practice usually misleads management in terms of both labor costs and production capacity estimations.
- During previous audits, this was not raised as a noncompliance. As this is quite a common practice on the subcontractor level and is based on a tacit mutual agreement between both parties (employer and employee), management did not think of this as a problem.

COMPANY ACTION PLANS

1. Labor cost is a large part of total cost in textile/ confection sector since it is a labor-intensive industry. Therefore, a single payroll can not be implemented without the operations which may add the "value" to the factory. Actions are itemized here to get value added operations. 1. In order to increase the profitability, the factory will use two separate line systems instead of one huge production line. This will enable factory to work with different types of garment in separate lines and also enable to increase productivity by shifting labor force within the lines. 2. The factory has started to revise quality control and the planning system. In order to optimize the number of employees in trimming section, some sewing machines were equipped with an air-pressurized trimming system. The number of employees was decreased to 10 people (from 13 people) in trimming section. The factory plans to remove 3 or 4 more employees when all machines are updated. 3. In order to reduce second quality rate by increasing the efficiency of production and quality, 6 in-line process control workers (4 sewing, 1 cutting, 1 packing) were added to this line. These employees now do hourly inspections and those inspections are recorded in an inspection report. Inefficiency will be reduced by eliminating the repeated operations to repair the garments. This way one of the two quality control operations, pre-control, will be skipped and final products will be directly shipped to finishing section. 4. In order to do better capacity planning and quotation study, production samples will be sent to factory by the supplier. The factory will have extra time to set up the production line by considering the list of whole production steps. The supplier will send a list of processes and their respective durations. If there is any mismatching of processes between supplier and factory, technical support will make a revision. 5. Policies and procedures related to legal rights have been created. Trainings are being provided for newly-recruited employees. Other employees will receive training in January 2014. The balance of income and expenses will be analyzed for each month by January 2014. H&M will establish a control system by preparing a follow-up chart showing suppliers' (and their sub-units) social insurance payments, tax payments and other official payments. By doing this, we will be able to figure out number of factories which may not pay and/or are having difficulties paying. This study will help us to do proper root cause analysis in order to find the right right solution. One of our long-term goals is to perform financial audit to some of our factories within a project.

Action plan status: Planned

Planned completion date: 01/15/16

FINDING NO.2

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- The factory building has 5 floors and 2 staircases; one of the staircases from the outside of the building is an emergency exit route up to the 4th floor. However, on the 5th floor, where the canteen is located, there is only 1 emergency exit route down to the 4th floor inside of the building.
- On the 4th floor, there is a kitchen/dining room, a warehouse, and the thread cutting department. There is only 1 emergency exit for the thread cutting department and the warehouse. The kitchen/dining room has access to the 2nd emergency exit.
- Tables, baskets, and hangers are obstructing the finishing section (ground floor) aisles.
- Although the factory employs special categories of workers (workers with disabilities), there is no visual flash light fire alarm system in place for workers who are hearing impaired.

Local Law or Code Requirement

Health & Safety Law 6331 Articles: 4, 10, and 11/c; Health & Safety Risk Assessment Regulation Articles: 7, 8, and 9; Fire

Root Causes

- Previously, the 5th floor was not used by workers and served as a roof. The factory has recently arranged for the 5th floor to be a canteen; however, they did not conduct any risk assessments before the construction. Consequently, the 5th floor is not included in either the emergency evacuation plan or in the risk assessment study.
- Factory management was not aware that there is only 1 emergency exit available on the 4th floor. The missing emergency exit and the obstacles in the emergency escape routes were not addressed in the risk assessment study.
- Management lacks awareness on the needs of special categories of workers in emergency situations.
- The written Health & Safety policy and procedures are very limited in scope; therefore, current practices are mostly at the discretion of supervisors and managers.
- Management has recently employed a H&S specialist; the majority of the documents were still in the process of review and renewal.

Recommendations for Immediate Action

- The 5th floor should be included in the emergency evacuation plan;
- The walls separating the kitchen/dining room, the warehouse, and the thread cutting department should be rearranged, so that the exit doors open from one section into another and lead to the floor's emergency exit;
- Aisles should be marked with paint and be free from obstruction at all times;
- A flash light fire alarm notification system should be placed on every floor in addition to the siren.

COMPANY ACTION PLANS

1. The factory has started to work on a systematic training program on health and safety which will include proper orientation and ongoing trainings for all workers. In order to have a systematic approach for trainings, the factory has started to work on the following: 1. Policy (aim/ target): What is the aim of factory trainings given to workers? 2. Organization (responsible staff): Who will be giving/ following-up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give? Which training will contain which details? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How will staff be informed about their responsibilities in trainings? 5. Feedback and Control (control of the consequence and the implementation): How will we know if the target is reached? How will we know if all the routines and procedures decided are being implemented? How the system will be revised according to feedbacks if needed? A member of staff will be tasked with leading this management system. This system will be reviewed and monitored regularly by the factory's management. The remaining actions are itemized below: a. The staircase at the end of 4th floor will be extended to reach the 5th floor. b. The trimming department was closed. There are 2 emergency exit doors in the 4th floor. The evacuation plan will be renewed for this floor. c. Packaging department is re-organized, so that the any blockage on the way to emergency exits will be prevented d. Visual flash light fire alarm system for workers who are hearing impaired were installed on 3 floors. This system will also be added to other floors. Additionally, employees will be assigned with helping pregnant and disabled workers in the event of an emergency. e. Occupational Health and Safety Specialist provided trainings on evacuation drills, alarm systems, roles and responsibilities, emergency procedures, precaution for workers with disabilities/special status/visitors, and the behavior of workers in emergencies to all employees. These trainings will be repeated, as required in the factory's procedures. f. In November 2013, evacuation drills were performed with the participation of all employees. g. In July 2013, the risk analysis and assessment report that covers all departments in the factory was renewed.

Action plan status: Planned

Planned completion date: 03/07/14

FINDING NO.3

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- Machine guards (needle guards, finger guards, belt covers) are missing on some sewing machines.

Local Law or Code Requirement

Turkish Health and Safety Law, 6331, Articles: 4, 10, 16, and 18; Health and Safety Terms of Using Work Equipment Regulation, 28628, Article: 11; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE. 7 and HSE. 14.1)

Root Causes

- There is no one in charge of monitoring the installation and use of safety devices on machines.
- The personnel in charge of maintenance are not trained on machine safety.
- Workers are not well oriented on the effective use of personal protective equipment (PPE).
- This issue is not addressed in the risk assessment study.

Recommendations for Immediate Action

- All sewing machines should have proper machine guards and/or operators should be provided with protective goggles.

COMPANY ACTION PLANS

1. The factory has started to work on a systematic training program on health and safety which will include proper orientation and ongoing trainings for all workers. In order to have a systematic approach for trainings, the factory has started to work on the following: 1. Policy (aim/ target): What is the aim of factory trainings given to workers? 2. Organization (responsible staff): Who will be giving/ following-up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give? Which training will contain which details? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How will staff be informed about their responsibilities in trainings? 5. Feedback and Control (control of the consequence and the implementation): How will we know if the target is reached? How will we know if all the routines and procedures decided are being implemented? How the system will be revised according to feedbacks if needed? A member of staff will be tasked with leading this management system. This system will be reviewed and monitored regularly by the factory's management. The remaining actions are itemized below: 1. All workers, supervisors and persons in charge of maintenance will be trained on safe use of machinery. Machine guards are to be installed to all machines. All employees are to be given training on the use of machinery guards. Written instructions for all equipment were distributed to employees. 3. In July 2013, the risk analysis and assessment report that covers all processes was renewed. This risk assessment will be conducted regularly, in accordance with the law.

Action plan status: Planned

Planned completion date: 06/09/14

FINDING NO.4

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- The factory has a workplace rules document, in which obligations and prohibitions are clearly defined. However:
 1. There is no mechanism with which to record, track, evaluate, and discipline employees' actions in case of rule and/or regulation violations;
 2. There is no Discipline Committee in the workplace; disciplinary actions are decided and implemented by the factory owner himself.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

Root Causes

- Currently, the factory has no systems for any of the Employment Functions. The owner is solely in charge of all decisions, implementation, and communication with no objective criteria. There is no one assigned for personnel management.
- Management is not aware of: 1) the benefits of a disciplinary system or 2) the importance of recording disciplinary actions

for progressive improvement.

- Factory management is not aware of FLA Code and Benchmarks.
- This issue was not raised during previous audits.

Recommendations for Immediate Action

- Factory management should: 1) revise the policy and procedures and 2) establish a progressive disciplinary system / 6 months;
- Factory management should form a Disciplinary Committee, where both management and worker representatives jointly decide on disciplinary sanctions, according to factory workplace conduct and disciplinary policy and procedures / 6 months;
- Disciplinary Committee members should be trained on their roles and responsibilities. The committee should be actively involved in the decision- making process regarding: 1) disciplinary actions and 2) disciplinary policy and procedure development / 6 months.

COMPANY ACTION PLANS

1. The factory has started developing its own policies and procedures in the terms of the brand's code of conduct, the FLA Workplace Code and Benchmarks, and local legal requirements. Employee handbooks that state workplace rules, disciplinary rules policies and procedures on legal rights, and responsibilities of the workers have been prepared and printed. This handbook will be given to all employees and will be posted on the factory bulletin board. The factory will also perform the actions itemized here below; 1. Disciplinary regulations will be prepared and the disciplinary committee will be formed. All administrative disciplinary decisions will be recorded in this book. 2. Legal rights of employees, workplace & disciplinary rules, sanctions/ enforcement will be explained to workers in orientation and ongoing training.

Action plan status: Planned

Planned completion date: 07/31/14

FINDING NO.5

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- There are water dispensers in certain sections of the factory. To ensure that the drinking water is clean and healthy, it is tested by a laboratory periodically. However, it was observed that the water dispensers are not regularly cleaned.
- There are no water dispensers in the thread cutting and packaging departments.
- There is no ventilation system (exhaust fan) in the chemical storage area.
- It was observed that there are 3 LPG cylinders located in the dining room near the toilets.
- There is no door for authorized access to the steam boiler and air compressor, which are next to the building.
- The stacking height of carton boxes in the finishing department creates a risk of falling.

Local Law or Code Requirement

Turkish Health and Safety Law, 6331, Article: 4; Water Intended for Human Consumption, 28580, Article: 33; Health & Safety Risk Assessment Regulation Articles: 7, 8, and 9; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.9.1, HSE.13, and HSE.23)

Root Causes

- Management was not aware that along with the testing of the drinking water, the water dispensers also needed to be cleaned regularly.
- Management was not aware that the number of water dispensers was insufficient for the number of workers.
- Management was not aware of the regulations regarding steam boiler room maintenance.

- During peak seasons and heavy shipments, a lack of space in the finishing department causes the stacking height limit to be exceeded. The lack of space, particularly during the peak season, was not taken into consideration during the risk assessment.

Recommendations for Immediate Action

- The LPG cylinders should be relocated outside the factory building in a well-ventilated area;
- The chemical storage room should be well ventilated and include an exhaust fan;
- A door should be provided in order to prohibit unauthorized access to the steam boiler and the air compressor;
- Water dispensers should be cleaned immediately.

COMPANY ACTION PLANS

1. We conducted trainings for a group of our suppliers and its factories to gain a systematic approach on H&M codes. This approach is known as "Management System" in our literature. Within this scope, many individual and collective meetings were held with the suppliers and their factories responsible at the beginning of 2013. After those trainings and meetings, we requested the factories create their own Management Systems on the issues Child labor, Grievance system, dialogue/worker representation systems, educating workers about their legal rights, Companies' payment systems, and health and safety. After creating our own management system on these subjects, we shared our feedback and our suppliers made revisions. After than we started to conduct management system assessment and gave out scores at the end of 2013. This study will be followed up in 2014. Based on the information mentioned above, this factory has started to work on the following aspects of the health and safety management system: 1. Policy (aim/ target): What is the aim of these trainings? 2. Organization (responsible staff): Who will be conducting and then following-up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give Which training will contain what details? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How and by whom the responsible staff will be informed about their responsibilities about trainings? 5. Feedback and Control (control of the consequence and the implementation): How it will be checked if the target is reached/if all the routines and procedures decided are implemented by the responsible parties? How the system will be revised according to feedbacks if needed? There will be a specific person to perform this management system. The system will be reviewed and monitored regularly by the factory management. The following actions were taken after FLA's assessment: 1. The water dispenser system was and a new cleaning routine was created. New water dispensers will be cleaned weekly and this will be recorded in a checklist maintained by health and safety staff. Water dispenser will be provided for packaging unit. There is no water dispenser in the trimming section because the was closed several months ago. 2. Steam boilers and compressors are now kept in a separate room. The door to this room is kept locked and a warning sign is posted outside. 3. The stacking height of carton boxes in the finishing department will not be exceeded 3 meters. There will be an indication line colored in red at 2.5 meters. This stack boxes safely. 4. The chemical storage room will be fitted with an exhaust fan. 5. LPG cylinders were moved to open area. 6. In July 2013, the risk analysis was renewed and will be conducted again.

Action plan status: Planned

Planned completion date: 07/31/14

FINDING NO.6

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- The factory has policy and procedures on several Employment Functions, such as Recruitment, Grievance System, and Workplace Rules. However, there is no system in place to communicate these policies, procedures, and rules to workers. The majority of workers are unaware of the factory's policies and practices.
- The factory only uses the notice board to communicate basic information, such as hours of work and minimum wage. Workers understand and follow the procedures by common practice or by asking their friends and/or worker representatives.
- The factory provides training on certain issues, such as personal protective equipment use and Health & Safety practices; however, there is no training program that includes information on factory policies, procedures, and factory rules.
- There is no orientation training for new workers. Workplace rules are not explained during the recruitment process, thus hindering workers' involvement and adaptation.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1, ER.25.2, ER.27.2, and ER.30.2)

Root Causes

- The majority of the policies and procedures were prepared at the brands' main supplier office and communicated to the factory as a subcontractor. Policies and procedures were prepared at brands' request, rather than being based on the needs of the facility and workers.
- Management is not aware of the importance of creating a systematic communication channel for worker involvement. The regulations are communicated through worker representatives or notice boards (e.g., smoking and chewing gum are not allowed at working stations). Ad hoc channels are used to communicate any changes (e.g., when the factory changed its name, they communicated it by gathering all workers in the canteen for a brief meeting).

COMPANY ACTION PLANS

1. We conducted trainings for a group of our suppliers and its factories to gain a systematic approach on H&M codes. This approach is known as "Management System" in our literature. Within this scope, many individual and collective meetings were held with the suppliers and their factories responsible at the beginning of 2013. After those trainings and meetings, we requested the factories create their own Management Systems on the issues Child labor, Grievance system, dialogue/worker representation systems, educating workers about their legal rights, Companies' payment systems, and health and safety. After creating our own management system on these subjects, we shared our feedback and our suppliers made revisions. After that we started to conduct management system assessment and gave out scores at the end of 2013. This study will be followed up in 2014. Based on the information mentioned above, the factory has started to work on a systematic training program especially for communicating the factories' policies, procedures, and rules to the workers. The factory's Grievance system and communication/worker representation system will be re-considered within this training program. Orientation and ongoing training will be provided for all workers. In order to have a systematic approach for trainings, the factory is doing the following: 1. Policy (aim/ target): What is the aim of these trainings? 2. Organization (responsible staff): Who will be conducting/following up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give What are the details of each training? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How will members of staff be informed about their training responsibilities? 5. Feedback and Control (control of the consequence and the implementation): How will we know if the target is reached/ if all the routines and procedures have been implemented correctly? How the system will be revised? A person will be tasked with running this management system. This system will be reviewed and monitored regularly by the factory's management. In addition to the points mentioned above, notice boards were moved into the dining hall (where workers spend most of their break time).

Action plan status: Planned

Planned completion date: 01/30/15

FINDING NO.7

POLICY & PROCEDURE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- Although the factory has various functioning policies, procedures, and other documents in place on Recruitment & Hiring; Compensation; Termination; Workplace Rules & Discipline; Grievance System; and Health & Safety, there are no policies and procedures on Retrenchment and Environmental Protection.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.1, ER.23.1, ER.27.1, ER.31.1, and ER.32)

Root Causes

- Management has only recently been familiarized with management systems. Due to an inadequate number of managerial staff, the responsible personnel did not prioritize the creation and establishment of policies and procedures on Retrenchment and Environmental Protection.
- Retrenchment was not taken into consideration, due to the fact that the factory has been expanding its workforce for the last 5 years.

COMPANY ACTION PLANS

1. The factory will work on a management system that covers Environmental Protection and Retrenchment: 1. Policy (aim/target): What is the aim of these trainings? 2. Organization (responsible staff): Who will be conducting/following up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give What are the details of each training? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How will members of staff be informed about their training responsibilities? 5. Feedback and Control (control of the consequence and the implementation): How will we know if the target is reached/ if all the routines and procedures have been implemented correctly? How the system will be revised? A person will be tasked with running this management system. This system will be reviewed and monitored regularly by the factory's management. While establishing environmental protection management system, the factory will get support from their health and safety specialist (who has experience on environmental law, regulations and legal obligations). Procedures mentioned in retrenchment management system will include the criteria such as seniority, efficiency, loyalty, absence rate, competency, and manager's opinion. Each criteria will have different score and calculations will depend on the criteria for all employees. These scores will be taken into consideration when a downsizing or retrenchment is planned.

Action plan status: Planned

Planned completion date: 11/28/14

FINDING NO.8

REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- The factory has policies and procedures for almost all SCI Employment Functions; however, there is no system in place for review.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.1.3)

Root Causes

- The policies and procedures were recently created upon request from brands and the main supplier. The review process was not taken into consideration during the preparation of the policies and procedures. The rationale for establishing an effective management system was not clearly explained to management by either the brand or the main supplier.

COMPANY ACTION PLANS

1. We conducted trainings for a group of our suppliers and its factories to gain a systematic approach on H&M codes. This approach is known as "Management System" in our literature. Within this scope, many individual and collective meetings were held with the suppliers and their factories responsible at the beginning of 2013. After those trainings and meetings, we requested the factories create their own Management Systems on the issues Child labor, Grievance system, dialogue/worker representation systems, educating workers about their legal rights, Companies' payment systems, and health and safety. After creating our own management system on these subjects, we shared our feedback and our suppliers made revisions. After than we started to conduct management system assessment and gave out scores at the end of 2013. This study will be followed up in 2014. Based on the information mentioned above, the factory has started to work on a systematic training program especially for communicating the factories' policies, procedures, and rules to the workers. The factory's Grievance system and communication/worker representation system will be re-considered within this training program. Orientation and ongoing training will be provided for all workers. In order to have a systematic approach for trainings, the factory is doing the following: 1. Policy (aim/ target): What is the aim of these trainings? 2. Organization (responsible staff): Who will be conducting/following up each training? 3. Routines and Procedures (way to be followed to reach the aim): How many types of trainings factory is planning to give What are the details of each training? How often each training will be given? 4. Communication and Implementation: (communication of responsibilities): How will members of staff be informed about their training responsibilities? 5. Feedback and Control (control of the consequence and the implementation): How will we know if the target is reached/ if all the routines and procedures have been implemented correctly? How the system will be revised? A person will be tasked with running this management system. This system will be reviewed and monitored regularly by the factory's management. In addition to aforementioned points, a member of the HR staff will be responsible for running this

management system. The system will be also be monitored regularly by the factory's management.

Action plan status: Planned

Planned completion date: 01/15/15

FINDING NO.9

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

Based on worker interviews, their salary is not sufficient enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

- Currently, Turkey's apparel industry does not provide wages that allow for the fulfillment of their basic needs plus a discretionary income. One of the main reasons is the low profit margins caused by tense competition in regards to pricing.
- The chronic high unemployment rate undermines workers' bargaining power for higher wages and benefits.
- Due to shortcomings in the local law, a very limited number of factories have collective bargaining agreements.
- According to Ministry of Labor statistics, only 20% of textile industry workers are provided social security benefits.
- According to calculations by several unions, the starvation line is 1,000 TL/month (USD500) and the poverty line is 3,000 TL/month (USD1,500) for a family of 4; for the second half of 2012, the minimum wage was 739,79 TL/month (USD370) net.
More than 18% of the total population is living under the poverty line.
- These issues have not been brought to factory management's attention before during previous external audits.
- There factory has no wage structure that would enable workers to progressively earn a wage level that meets their basic needs.

COMPANY ACTION PLANS

1. As H&M, we now have a Project about Fair Living Wage. H&M has developed a roadmap based on our vision that a fair living wage should be paid by H&M's strategic suppliers by 2018. For achieving this target, H&M will further improve his purchasing practices to ensure that it enables H&M strategic suppliers to pay their textile workers the true cost of labor. However, by 2014 H&M will implement Fair Wage Method in 3 Model Factories only, and evaluate outcome and transparently report result to selected stakeholders. In conclusion we are not planning to take any further action on this.

Action plan status: Planned

Planned completion date: 12/31/18