



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H&M Hennes & Mauritz AB

COUNTRY: China

FACTORY CODE: 440015824G

MONITOR: Level Works

AUDIT DATE: November 18 – 19, 2008

PRODUCTS: Garments

PROCESSES: Cutting, Sewing, Pressing,
Inspection, Packing

NUMBER OF WORKERS: 147



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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: In accordance with the PRC Labor Law article 72, employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with the law; and according to article 73, labors shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment; and e) childbearing. Therefore, according to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory. It was noted that only 39 out of 147 employees participated in all 5 types of social insurances, although factory provided waiver obtained from the local social insurance bureau.

Note: As per the factory management, it was noted that all workers (local and migrant workers from other provinces) could participated in all 5 types of social insurance.

Plan Of Action: H&M always requires that factories as a minimum purchase industrial injury insurance that covers whole workforce. We further require that 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: 03/31/2009

Supplier CAP: Will gradually increase the number of workers covered by social insurance.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Minimum Wage

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

Noncompliance

Explanation: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.

**Plan Of
Action:** H&M is first and foremost interested in being shown the true situation in factory and requires factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. Workers should be ensured minimum wages for normal working hours, be provided enough time to rest between each work shift and have at least 1 day off per week. All OT should be voluntary and workers should be compensated according to law. We have requested factory provide us with remediation plan on how to, in a sustainable manner, reduce OT and ensure correct compensation for all working hours.

**Deadline
Date:** 03/31/2009



Supplier CAP: We will keep the real attendance records and payrolls record for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:

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

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

Noncompliance

Explanation: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.



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Deadline Date: 03/31/2009

Supplier CAP: We will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:

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

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

Noncompliance

Explanation: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.

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Deadline Date: 03/31/2009



Supplier CAP: We will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

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: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.



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Deadline Date: 03/31/2009

Supplier CAP: Will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.

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Deadline 03/31/2009

Date:

Supplier Will keep the real attendance records and payrolls record for audit.

CAP:

Supplier CAP 03/31/2009

Date:



**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**

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: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.



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Deadline Date: 03/31/2009

Supplier CAP: Will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:



Forced Labor: General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

Noncompliance

Explanation: In accordance with PRC Labor Contract Law Article 16, an employment contract shall be agreed by employer and employee, and shall come into effect after employer and the employee affix their signatures or seals to text of employment contract. Employer and employee shall each hold 1 copy of text of employment contract. It was noted that factory did not provide a copy of the employment contract to each worker.

Plan Of Action: H&M requires the factory to follow the law concerning labor contracts and we will follow up to see factory gives all workers an accurate and legal copy of their contract.

Deadline Date: 02/28/2009

Supplier CAP: We will distribute the copy of contract to each worker.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: It was noted that the factory did not have a policy or procedure on forced labor.

Plan Of Action: H&M encourages all factories to develop internal regulations in line with our code of conduct and local legislation and clearly communicate these to all workers and management in factory. These should include policies against sexual harassment, abusive behavior, forced labor and discrimination. We encourage factory to collect and maintain updated set of relevant local laws and regulations, publish policies openly and provide training for all levels in factory on contents of factory's policies and regulations. We also encourage communicating this information in a handbook for all employees.

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written forced labor policy and procedure.

Supplier CAP Date: 02/28/2009

Action Taken:

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

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken:

**Plan
Complete:**

**Plan
Complete
Date:**

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: It was noted that there was no internal comment or grievance system through which workers can raise issues of concern to factory management.

Plan Of Action: We require our factories to establish a functioning grievance system. All workers should be able to present their grievances without having fear of retribution. Grievance process should be transparent and fair. We encourage factory to provide training on grievance systems at all levels of factory and include this information in a handbook for all employees.

Deadline Date: 02/28/2009

Supplier CAP: First of all we will establish a written policy. Then we will arrange meetings or through other channels like Complaint Box/Log book for workers to express their complaints or concerns. The answer from workers and reply from management will be recorded and kept on file.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan
Complete:

Plan
Complete
Date:

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

Other

Noncompliance

Explanation: It was noted that the factory did not have a written policy recognizing and respecting the workers' freedom of association and right to collective bargaining.

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

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written policy regarding freedom of association and collective bargaining.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: In cases where discipline process results in termination, factory did not have policy to provide workers with an opportunity to reply, challenge or make appeals against the termination.

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

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written policy guaranteeing departing workers these rights.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: It was noted that the factory did not have a harassment and abuse policy and procedure.

Plan Of Action: H&M requires all factories to develop internal regulations in line with our code of conduct and local legislation and clearly communicate these to all workers and management in the factory. These should include policies against sexual harassment, abusive behavior, forced labor and discrimination. We encourage the factory to collect and maintain an updated set of relevant local laws and regulations, publish policies openly and provide training for all levels in the factory on the contents of the factory's policies and regulations. We also encourage the factory to communicate this information in a handbook for all employees.

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written harassment and abuse policy and procedure.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:



Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Explanation: In accordance with the Regulations for the Special Protection of Juvenile Employees (Document No. 498) article 9, the employment of juvenile workers should be registered. It was noted that no such registration had been done for juvenile workers.

Plan Of Action: We require the factory to follow all relevant laws concerning protection of juvenile workers. We encourage the factory to write policy and create procedures on how to meet legal requirements regarding juvenile workers, including proper and timely physical examinations and registrations, working hours and suitable workstations. In our audits and follow ups we continuously check the progress made on improving management systems in the factory, such as Recruitment and HR systems.

Deadline Date: 03/31/2009

Supplier CAP: We will apply for the registration of juvenile workers at the local labor department and keep the files on record for future audits.

Supplier CAP Date: 03/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:



Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

Noncompliance

Explanation: It was noted that factory did not have policy and procedure regarding the special restriction for juvenile workers.

Plan Of Action: We require the factory to follow all relevant laws concerning protection of juvenile workers. We encourage the factory to write policy and create procedures on how to meet legal requirements regarding juvenile workers, including proper and timely physical examinations and registrations, working hours and suitable workstations.

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written policy concerning working conditions for juvenile workers.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Child Labor: Other - Child Labor

Other

Noncompliance

Explanation: It was noted that the factory did not have a written child labor policy and age verification procedure.

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.

Deadline Date: 02/28/2009

Supplier CAP: We will formalize the policy of child labor and age verification procedures, and put them in writing.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: It was noted that the factory did not have a non-discrimination policy or procedure.

Plan Of Action: H&M encourages all factories to develop internal regulations in line with our code of conduct and local legislation and clearly communicate these to all workers and management in the factory. These should include policies against sexual harassment, abusive behavior, forced labor and discrimination. We encourage the factory to collect and maintain an updated set of relevant local laws and regulations, publish policies openly and provide training for all levels in the factory on the contents of the factory's policies and regulations. We also encourage communicating this information in a handbook for all employees.

Deadline Date: 02/28/2009

Supplier CAP: We will establish a written non-discrimination policy.

Supplier CAP Date: 02/28/2009

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: It was noted that the H&M Code of Conduct document was provided to factory, but it was not posted in workshops.

Plan Of Action: 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 these comply with local legislation and our code of conduct. In our meetings with the supplier and factory management we will bring up our association with FLA, and the implications of this for the factory.

**Deadline
Date:**

Action Taken:

**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: It was noted that H&M did not provide a noncompliance reporting mechanism which allows factory workers to contact the company directly and confidentially.

Plan Of Action: During our audits and discussions with the factory, we primarily encourage the management to develop and deepen the factory's own confidential grievance system. We support the factory in building a dialogue system within the factory in order to have a forum for the workers to communicate grievances to the management. During our audits, we regularly check the function of these systems. Worker interviews are conducted as a part of all H&M audits. During these confidential, one-to-one interviews, our contact information is provided to the workers to enable them to contact us and put forward their grievances directly to us. Our contact information is a mobile number that the workers can call or SMS. The mobile number is printed on business cards and we encourage the cards to be spread among the workers in the factory.

**Deadline
Date:**

**Action
Taken:**

**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: In accordance with PRC Fire Safety of Building Design Regulation (GBJ16-87) article 10.2.6, all units shall provide emergency lights for evacuation passages, exits and stairwells. Furthermore, according to Fire Safety of Building Design Regulation (GBJ16-87) article 10.2.9, emergency lights shall be installed on wall or ceiling. It was noted that one of the lights in the emergency exit near the pressing section was not working.

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

Deadline Date: 01/20/2009

Supplier CAP: We have now repaired this emergency light.

Supplier CAP Date: 01/20/2009

Action Taken:

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: In accordance with Rules Concerning Warehouse Safety and Fire Control, Article 38, for warehouses that store goods of category C, high temperature lighting fixtures shall not be used, e.g. iodine-tungsten lamps and incandescent lamps of more than 60W. When low temperature lighting fixtures, e.g. daylight lamps, and other flame-retardant lighting fixtures used, fire prevention measures of heat insulation and heat rejection should be taken for ballast to ensure safety (Flammable solids of category C includes chemicals, artificial fibers and their fabrics, paper, cotton, fur, silk, hemp and its fabrics, cereals, flour, natural rubber and its products, bamboo, wood and its products, Chinese herbal medicines, TV sets, recorders, other electronic products, disks with recorded data of computer rooms, fish and meat in the refrigerator.) It was noted that the factory was using ordinary fluorescent lighting in the fabric and finished products warehouses.

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

Deadline Date: 02/28/2009

Supplier CAP: We will replace the bulbs in the fabric and finished products warehouses with explosion-proof bulbs.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan
Complete:

Plan
Complete
Date:

Health and Safety: Machinery Maintenance and Worker Training

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

Noncompliance

Explanation: In accordance with Safety Manufacturing Law article 29, the design, manufacture, installation, application, inspection, maintenance and repair of safety facilities shall comply with national or industrial standards. Manufacturing units shall maintain and inspect safety facilities regularly to ensure they are in good working condition. Maintenance and inspection records should be properly maintained and assigned to relevant staff. It was noted that a) no safety belt guards were equipped to 4 sewing machines in sewing section; b) no safety eye shields equipped on 3 overlocking sewing machines in sewing section.

Plan Of Action: H&M requires factory to equip and maintain all hazardous machines with proper safety devices in accordance with local law and our code of conduct. Workers should be provided with relevant personal protective equipment (PPE) depending on work process, along with education, both verbally and in writing, in their native language on how to use the PPE and other safety equipment related to their work.

Deadline Date: 03/31/2009

Supplier CAP: Will add the missing safety equipment accordingly.

Supplier CAP Date: 03/31/2009

**Action
Taken:**

**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: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: H&M is first and foremost interested in being shown the true situation in factory and requires factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. Workers should be ensured minimum wages for normal working hours, be provided enough time to rest between each work shift and have at least 1 day off per week. All OT should be voluntary and workers should be compensated according to law. We have requested factory provide us with remediation plan on how to, in a sustainable manner, reduce OT. Through dialogue, we encourage factory to establish system to reduce OT to meet legal limit of OT hours per month and provide compensation for all OT hours according to law. Long-term aim is to reduce OT hours through improved production planning and efficiency. In short term, we require factory to ensure that workers have 1 day off per week, and reduce number of overtime hours in weekdays.

Deadline Date: 03/31/2009

Supplier CAP: We will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009

Action Taken:

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: Factory provided attendance records and payroll records that were undependable and unverifiable; therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Material Receiving Records showed a worker from sewing section worked September 22, 2008 (weekday); Metal Detecting Records showed that a worker from pressing section worked April 10, 2008 (weekday); Fabric Inspection Records showed that worker from Inspection section worked October 4, 18, 2008 (weekday or Saturday); Needle Issuing Records showed that worker from sewing section worked September 22, 2008 (weekday); Production Rework Records showed worker from pressing section worked March 16, 2008 and April 19, 2008 (Sunday and Saturday), but these Saturday, Sunday and weekday working hours not indicated on workers' time attendance records; moreover, there is no information on payroll records to demonstrate these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

Deadline Date: 03/31/2009

Supplier CAP: We will keep the real attendance records and payroll records for audit.

Supplier CAP Date: 03/31/2009



**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**