Company Comment: "H&M has decided to end business relations with this supplier and the linked production units due to repeated quality problems. We informed the supplier that H&M will no longer be working with them by January 2010. H&M used to source marginal amounts from this supplier and we therefore are not planning any further remediation after our exit and will not conduct any follow-up audits at this supplier and their subcontractors in the future. However, we have checked with the supplier where they are in the remediation process; kindly see the details in below report."

For an explanation on how to read this report, please visit the FLA website here.
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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

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

Noncompliance

Explanation: 1. Minimum income tax refund payment since the month of May 2009 has not been paid to workers.
2. There are 4 workers without social security registry on probation period.

Ref: Labour Law 4857 Articles: 32, 34; Social Security and General Health Insurance Law 5510, Article: 8

Plan Of Action: H&M requires the factories to follow the local labor law regarding all wages, benefits and social insurance. The factory should pay wages to the worker at least 30 days after the pay cycle according to the law. The subcontractor needs to pay the minimum income taxes of previous months. In addition, the factory should work on a plan about how to avoid similar late payment cases in the future and look for alternative financial solutions together with the supplier. All employees must be registered with the national social insurance office 1 day before their employment, as required by law. H&M encourages their suppliers to establish a system to ensure that employees are insured as they start working.

Deadline Date: 06/30/2010

Supplier CAP: Minimum income tax refund payment plan:
September - October 2009 will be paid in January 2010
November 2009 will be paid in February 2010
December 2009 - January 2010 will be paid in March 2010
February 2010 will be paid in April 2010
March 2010 - April 2010 will be paid in May 2010
May 2010 will be paid in June 2010

So minimum income tax will be paid in an organized system. Three of four workers without social security registry resigned by their own decision. The other worker, [employee name], got social security registry on October 7, 2009.

Supplier CAP Date: 06/30/2010
Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement:

1. They are following the payment schedule as mentioned in the correction plan.

2. There was a miscommunication between responsible personnel and their external account office. [Employee's name] registration was made on October 7, as mentioned in the correction plan. However, responsible personnel did not know that her registration was already made. That is why responsible personnel informed the FLA auditors that she had no social insurance during the audit day.

Plan Complete: No

---

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 premium rates are below the legal limit (fixed as 2 - 2.5 liras per hour).

Ref: Labour Law 4857, Article: 41

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 and pay the worker at least 30 days after the pay cycle, according to the law. In addition, the factory should work on a plan about how to avoid similar cases of incorrect overtime compensation in the future and look for alternative financial solutions together with the supplier.

Deadline Date: 05/31/2010
We will check the peak and low season OT payments and make financial analyses in order to see the effect to the global cost of [factory name]. In the last meeting about planning of payments we definitely decided to complete all OT payments according to the Turkish Labour Law until May 30, 2010.

**Supplier CAP**

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**Action Taken:**
Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have been paid overtime compensations according to law for October, November and December 2009. But, there have been some financial difficulties by January 2010 and they have changed overtime compensation method to the previous system. They need to have more than 6 months to correct this violation, as per their statement.

**Plan Complete:**

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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 for working days (e.g., months of June and July) or OT compensation, for wages/minimum wages do not match with the payroll records registered in Social Security Administration.

Ref: Social Security and General Health Insurance Law 5510, Article: 80

Plan Of Action:
H&M requires the supplier and factory to follow local law as well as the requirements in the H&M Code of Conduct. Transparency is one 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 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: 12/31/2010

Supplier CAP: We will check our company cost calculations and that OT hours will be added to the payrolls. We will do our best by the end of 2010.

Supplier CAP Date: 12/31/2010

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, no action was taken until now about this subject.

Plan Complete: No
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: Although the management has been working on a suggestion box and the implementation of worker representation, there are no worker representation or active grievance system.

Plan Of Action: H&M encourages the factory to develop and maintain functioning communication channels between workers and management. We require that the workers are 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 on the discussed topics. Workers should be informed about the actions taken by the factory management.

Deadline Date: 03/15/2010

Supplier CAP: On October 26, 2009 worker [employee name] has been elected as a worker representative by company workers. It’s been decided in the meeting that the grievance procedure must not be verbal, and a log book should be filled out. In this period, some of the workers suggested some ideas about the catering company and the lightening of the working hall; surely this has been assessed. For getting the grievance system active, we decided to establish a committee which consists of three people.

Supplier CAP Date: 03/15/2010
Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, a worker's representative has been elected and he has begun meeting with management.

Plan Complete: No

Plan Complete Date:

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

Noncompliance

Explanation: Company's workplace standards are not posted in the facility.

Plan Of Action: H&M encourages the factory to constitute their own company standards which correspond with Turkish Labor Law, ILO Core Conventions and H&M Requirements. The factory needs to post their "Company Standards" in a place where it might be seen by employees in the facility.

Deadline Date: 01/31/2010

Supplier CAP: At the end of January 31, 2010, [factory name] Company Standards List will be posted on the wall.

Supplier CAP Date: 01/31/2010
Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, the poster regarding their company standards has been posted inside the workplace.

Plan Complete: No

Plan Complete Date: 

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

Noncompliance

Explanation: There is no established complaint channel between workers and FLA member company.

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 cards with our contact information. The number we provide on the card is a mobile number which workers can call or SMS and put forward their grievances directly to us. We also encourage the workers interviewed 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. During our audits and follow-up visits we check the function of these systems. All H&M suppliers are informed on the content of our code of conduct through workshops held by H&M compliance staff. H&M does not require our code of conduct to be posted in the factories; rather we encourage the factories to develop internal regulations in line with our code of conduct and labor law and to communicate these to all workers.

Deadline Date: 12/31/2009
Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation: Some periodical and hiring health checks for employees were either missing or were expired.

Ref: Regulation About Hard and Dangerous Works. Article 5; Labour Law 4857 Article: 77

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. The factory is responsible for doing periodic health checks according to law. H&M also encourages the factories to establish a proper recruitment system to ensure all needed documents are completed before employment begins and are kept in the employee's personnel files.

Deadline Date: 03/31/2010

Supplier CAP: We will talk to administration of Cigli Ataturk Industrial Zone. We will send workers to their dispensary for periodical checkups. In addition, we will complete the missing health documentations. If the workers have no official health papers, we will not allow them to start working in the company. We will complete all those works until March 31.
Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, most of the workers’ health checks have been completed in March 2010 but some of them are still missing in their personnel files.

Plan Complete: No

Health and Safety: Permits and Certificates

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

Noncompliance

Explanation: The factory does not have a working license and a work permit.


Plan Of Action: H&M requires that the factories follow the health and safety regulations in the local law and the H&M Code of Conduct. H&M always encourages the supplier and their factories to have working licenses and work permits.

Deadline Date: 12/31/2010
In the end of our searching, we saw that to get some official documentations, permits and reports (e.g., GSM Report) will take a long time. We will apply for them in the beginning of January 2010 and we will probably get them at the end of 2010. Certainly we are planning to complete everything at the end of year 2010.

**Supplier CAP**

**Date:** 12/31/2010

**Action Taken:**

Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, no action was taken about this subject until now.

**Plan Complete:** No

**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:** The emergency and fire preparedness of the factory were insufficient. For example, some illumination equipment was missing on evacuation routes, also some fire extinguishers and fire alarm buttons were blocked.

Ref: Health & Safety Regulation Articles: 19-134 (Official Gazette No: 14765, 11.01.1974); Regulation on Fire Prevention in Buildings Articles, 70-71-72 (12.06.2002/Official Gazette: 24827)
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; the factory should also have a sufficient number of emergency lights on evacuation routes. Factory needs to establish a comprehensive health and safety control system. This system should guarantee that the periodical checks are followed on time.

Deadline Date: 12/31/2009

Supplier CAP: We completed the missing equipments from the relevant company. All blocked points were open again and we did a new practice about fire drill. We are planning to prepare the checklist forms for fire and first aid; responsible people will be appointed immediately by the general manager. General Manager will check the system if it is working properly or not.

Supplier CAP Date: 12/31/2009

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement:

1. Missing illumination equipments have been completed.

2. Fire alarm button and fire extinguishers are unblocked and their Code of Conduct responsible (personnel responsible) has been checking regularly in order to guarantee they are all kept unblocked during working hours.

Plan Complete: No
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: Some electrical panels have missing isolation of internal parts and grounding connections.

Ref: Labor Law 4857 Article: 77; Health & Safety Regulation Official Gazette No: 14765, 11.01.1974

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. The factory should make sure that grounding connections and electrical installations are installed in a safe and correct way by a certified electrician.

Deadline Date: 10/31/2009

Supplier CAP: Missing isolation parts and missing ground connections of electrical panels have been done, on October 27, 2009.

Supplier CAP Date: 10/31/2009

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have already corrected this violation.

Plan Complete: No

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: The periodical control report of the boiler is outdated by 2 months.

Ref: Labor Law 4857, Article: 77; Health & Safety Regulation Official Gazette No: 14765, 11.01.1974: Article 223

Plan Of Action:

A safe and healthy working environment should be a priority at all times. H&M requires the factory to ensure the boiler is checked and maintained periodically as well, by the factories' mend and maintenance team and the local approved authority (Chamber of Mechanical Engineers).

Deadline Date: 01/31/2010

Supplier CAP:

It's been done by the official foundation of [city name] Chamber of Mechanical Engineers on October 27, 2009 and got the official report. We will appoint a responsible person for periodic controls following with the checklist. Also we will put the checklist in the Outlook calendar program for following the dates of periodic controls so that we never miss the date of control.

Supplier CAP Date: 01/31/2010

Action Taken:

Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, boiler was controlled and approved by Chamber of Mechanical Engineers [city name] branch.

Plan Complete: No

Plan Complete Date:
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: 1. The canteen area is not sufficiently cleaned and ventilated.

2. The toilets are neither clean nor sufficiently ventilated.

Ref: Labor Law 4857 Article: 77; Health & Safety Regulation Official Gazette No: 14765, 11.01.1974 Articles: 36-38

Plan Of Action: H&M requests from suppliers that all safety requirements applicable to the factory workshop apply also to the canteen/dining area and toilets. Good hygiene in the kitchen, canteen and toilets should be maintained for workers' health.

Deadline Date: 01/31/2010

Supplier CAP: 1. The old company left the work and a new company started for cleaning. We made an agreement with a new catering company.

2. A new cleaning staff will begin in the company and we will post following charts to the doors for checking the cleaning system until January 31, 2010.

Supplier CAP Date: 01/31/2010

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have been cleaning the toilets and canteen area regularly, but a ventilator is still not provided for both of them.

Plan Complete: No

Plan Complete Date:
Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Noncompliance

Explanation: Drinking water fountains are dirty (test results are available from municipal pumping station) and there is no system for periodical sanitizing.

Ref: Labor Law 4857, Article: 77; Health & Safety Regulation Official Gazette No: 14765, 11.01.1974 Article: 31

Plan Of Action:
H&M requests from suppliers to provide clean drinking water in hygienic conditions to employees for the whole production area. Factory should have a system to follow periodic cleanliness of the drinking water containers and fountains.

Deadline Date: 10/31/2009

Supplier CAP: We sent the sample of the water to the Institution of Hygienic Research of [city name]. The result is the water can be drinkable; we have the report of it. The fountain will be cleaned by a person permanently twice a week.

Supplier CAP Date: 10/31/2009

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have been canceling the use of metallic water storage containers and they have begun using plastic ones. They have sanitized these containers regularly and distributed bottles to workers in order to avoid using the same cup while drinking water.

Plan Complete: No

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: Most of the workers have worked without seventh day rest (up to 12 consecutive days).

Ref: Labour Law 4857, Article: 46

Plan Of Action: H&M requires that the overtime hours should not exceed the legal limit, and that overtime work is done always voluntarily and compensated according to the local law. In the short term we require the factory to ensure that workers may have one day off per week. In the long term, we ask the suppliers to work on their production planning to keep the future overtime hours in legal limits and in a sustainable manner, by taking each worker’s working days into consideration.

Deadline Date: 05/30/2010

Supplier CAP: We will do our best and decrease the OT hours. We will provide one day off in seven days. We will check the work in the peak and the low season in the past and will see where the problem is. We will give training to ensure the productivity, and if it is necessary we will employ new workers; although, if there are some wrong planning problems we will reorganize them properly.

Supplier CAP Date: 05/30/2010

Action Taken: Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have prepared and applied a work schedule for each week to avoid planning problems in the production. If there is any Sunday work, they will give one day off on Monday, so that each worker will be using one day, at least, in 8 days.

Plan Complete: No
**Hours of Work: Overtime/Reduced Mandated Overtime**

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

**Noncompliance**

**Explanation:**
1. There is no system to ensure OT work is on voluntary basis. Nearly all OT work is with all workers whenever urgent production is necessary.

2. During the yearly OT hours records check it was observed that most of the workers have worked more than 270 hours OT per year. (The maximum legal yearly limit of 270 hours exceeded in 4 months.)

3. During the weekly OT hours records check it was observed that most of the workers have worked more than 15 hours OT per week on average (up to 29 hours).

Ref: Labour Law 4857, Article: 41; FLA Code

**Plan Of Action:**
H&M requires that the overtime hours should not exceed the legal limit, and that overtime work is done always voluntarily and compensated according to the local law. 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.

**Deadline Date:**
04/30/2010

**Supplier CAP:**
We will research what the planning faults are and working programs will be weekly, OT programs will be posted in the production area and we will ask the permission from workers. If the worker doesn't want to join OT, he will tell this to the representative of workers. Weekly OT is maximum 15 hours, monthly OT is 60 hours and finally, yearly OT is 270 hours for all workers as mentioned Turkish Labor Law. We will obey all rules above.

**Supplier CAP Date:**
04/30/2010
**Action Taken:** Since we have been exiting from the supplier by December 2009 we did not perform any audit. However, we called the supplier on April 21, 2010 and got some information about the progress level of the correction plan. As per management statement, they have prepared and applied a work schedule for each week to avoid planning problems in the production. Workers have been informing the overtime days through this schedule and they have forwarded their leave requests at the beginning of each week. Workers have been staying overtime on always a voluntary basis as per management statement.

**Plan Complete:** No

**Plan Complete Date:**

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