Fair Labor Association  
Independent External Monitoring Report

**COMPANY:** H&M Hennes & Mauritz AB  
**COUNTRY:** China  
**FACTORY CODE:** 440015816G  
**MONITOR:** SGS  
**AUDIT DATE:** October 20 – 23, 2008  
**PRODUCTS:** Bras, Underwear, Swimming Trunks  
**PROCESSES:** Cutting, Sewing, Packing  
**NUMBER OF WORKERS:** 1231

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: Factory did not provide all 5 social insurance to all employees. Only 4 kinds of social insurance including retirement, accident, unemployment and medical insurance were provided to 360 out of 1231 employees. No maternity insurance provided to workers. No waiver was obtained from local social insurance administrative department to prove that such percentage meets the local requirement.

Remark: Local social insurance administrative department could provide 5 insurances for factory and workers.

Laws: China Labor Law, Article 72 and 73: China Labor Law, Article 72, Sources of social insurance funds shall be determined according to categories of insurance, and overall pooling of insurance funds from society shall be introduced step by step. Employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with law. Article 73, Laborers shall, in accordance with law, enjoy social insurance benefits under following circumstances: (1) retirement; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) childbearing.

Plan Of Action: H&M always requires factories, as a minimum, to 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: 10/20/2008

Supplier CAP: 1. In this particular area, factory is not required to purchase maternity insurance. Insurance for 360 employees is acceptable by local insurance department. And, we are following the local insurance regulation.

2. In future, factory will encourage workers to buy social insurance when they are registering, and posted the encouragement adv. in the public.
Supplier CAP  10/20/2008

Action Taken: June 22, 2009: Factory is only complying with local social insurance regulations. Not all workers are covered by the insurance. We will continuously work with factory on increasing the level by which their workforce is covered by social insurance.

Plan
Complete:

Plan
Complete
Date:
Wages, Benefits and Overtime Compensation: Timely Payment of Wages

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

Noncompliance

Explanation: Based on document review and interviews with management staff and sampled workers, departing workers couldn't receive wages on their final day and had to wait to the factory pay day.

Law: Regulation of Provincial Wage Defray, Article 13, employer shall settle wages to the resigned employee on agreed day of their leaving.

Plan Of Action: H&M requires that wages should be paid for all workers within a reasonable timeline and according to law. Have addressed issue with factory management and encouraged them to pay the quit workers as per law instead of paying them on the regular pay date.

Deadline Date: 01/01/2009

Supplier CAP: Starting from January 2009, the 10th, 20th, and 30th of each month are pay dates for departing workers. Finance department will pay wages to departing workers through bank. For workers who are leaving under special circumstances, factory will consider paying the wages to worker on their leaving day.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: According to factory management, wages for departing workers are paid through bank remittance on 10th, 20th or 30th every month. For a few workers that have no bank accounts, wages are paid by cash on their leaving day. This issue will continue to be followed up and verified in future.

Plan Complete:
Forced Labor: Freedom in Employment

F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Uncorroborated Evidence of Noncompliance

Explanation: About 20% of sampled workers said that in the case of rush orders, any resignation request was difficult to be approved, even if the worker handed in their written resignation notice to the employer 30 days in advance. No actual case or solid evidence was identified during the audit. The management denied this issue.

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 them to all workers and management in factory. These should include policies against forced labor. We encourage 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 factory's policies and regulations. We also encourage communicating this information in a handbook for all employees.

Deadline Date: 01/01/2009

Supplier CAP: We will set up a policy and regulation according to law and clearly explain the resignation procedure to workers and management

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on management talk, there is a comprehensive HR system set up in the factory. For those who want to resign, workers can quit freely on condition that they can submit resignation letter to HR department 30 days in advance. This issue will continue to be followed up on and verified in future.
Forced Labor: Worker Ability to Terminate/Freedom of Movement

F.13 Employers shall not utilize practices that restrict a workers' ability to terminate his or her employment or freedom of movement. Examples of such practices include, but are not limited to: (the threat of) physical or mental coercion; requiring deposits; imposing financial penalties; requiring recruitment fees; setting production targets or piece rates at such a level that workers need to work beyond normal working hours (excluding overtime) as set under the FLA Code in order to make the legal minimum wage or the prevailing industry wage; and denying and hampering access to, and renewal of, identity papers and/or work permits or any other personal legal (identification) documents. (S)

Noncompliance

Explanation: Based on document review and interviews with management and sampled workers, 2 apprentices had RMB 200 deducted from wages per month as contract deposits; a total RMB 2000 deducted as contract deposits. Monetary deposits would not be returned to workers until 3 years of employment. Based on document review and interviews with management and sampled workers, 4 machine maintenance apprentices were deducted RMB 200 from wages per month as training fees, total RMB 2400 deducted as training fees. Training fees would not be returned to workers until 3 years of employment. 1 guarantee showed factory required that a new applicant guaranteed by old worker. New applicant guaranteed they would abide factory rules and work 1 year for this factory. If new applicant violates guarantee, new applicant and old worker would be deducted RMB 794 as compensation.

Law: Employment Contract Law of PRC, Article 9: When employer hires employee, it shall not detain his identity card or other certificates, nor require him to provide a guarantee or collect money or property from him under any other excuse.

Plan Of Action: H&M requires all factories to develop internal regulations in line with our code of conduct and local legislation. Each worker should be paid correctly and should have the freedom to choose their jobs. No deposit or unfair deduction should be imposed on workers. We have addressed this issue seriously with the factory, requiring that they cease this practice and make reimbursement for all concerned workers.

Deadline Date: 02/28/2009
Supplier CAP: For machine maintenance apprentices, we will do as follows:

1. Such requirement will be abolished November 1, 2008.

2. Deductions will be paid back to workers before January 31, 2009. After remuneration is done, we will submit all relevant documents for H&M’s Code of Conduct (COC) department for checking.

For guarantee compensation, we will do as follows:

1. Such requirement will be abolished.

2. Factory will inform workers who are involved already in guarantee that such guarantees will be abolished.

Supplier CAP Date: 02/28/2009

Action Taken: June 22, 2009: Based on documentation, deducted amounts were paid back to all mechanics this March. And according to management, practice of requiring guarantee for new workers has been strictly restricted in the factory.

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: Workers should be free to form associations of their own choosing and to bargain collectively. We don’t accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We have required the factory to set up a policy and to clearly communicate it to all workers. In addition, during our audits we put effort on building effective communication channels between workers and management.

Deadline Date: 08/30/2008
Supplier CAP: 1. Factory has set up an employee's representative election system in November 2007, and has produced a representative from workers in each workshop. Such election will be held if needed.

2. What workers’ representatives do for the other worker’s are as follows:
   a) Represent the worker's legal rights;
   b) Irregularly reflect reasonable opinion and daily needs from workers to management as a bridge between workers and factory.

3. Management staff can't discriminate or retaliate against the worker's representative due to their opinion.

Supplier CAP Date: 08/30/2008

Action Taken: June 22, 2009: A workers’ committee of 11 representatives had been set up in 2008. Yet according to management, committee not functioning well since workers did not take active roles in using this dialogue channel to communicate with management. Since last committee meeting in January 2008, there have been no more meetings. Although independent trade unions are not permitted in China, we have suggested that factory should take other workable measures to enhance their communication with workers.

Plan Complete:  

Plan Complete Date:  

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

Other

Noncompliance

Explanation: Factory did not establish a written policy on freedom of association and collective bargaining.

Plan Of Action: Workers should be free to form associations of their own choosing and to bargain collectively. We don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We have required factory to set up a policy and to clearly communicate it to all workers. In addition, during our audits we put effort on building effective communication channels between workers and management.

Deadline Date: 01/01/2009

Supplier CAP: This will be added into worker's manual.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on management talk and document review, a policy has been set up in the factory.

Plan Complete:

Plan Complete Date:
Harassment or Abuse: Discipline/Written Disciplinary System

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

Noncompliance

Explanation: Based on document review and interviews with sampled workers, the factory did not effectively communicate the disciplinary rules with the workers.

Plan Of Action: H&M requires factory to inform all workers about their legal rights and responsibilities. This training should be verbal, but factory should also provide workers with handbook where workers can read clearly about these issues. We encourage factory to create clear policy and procedures related to discipline. This should include all disciplinary procedures as well as procedure for appeal against disciplinary actions taken. Under no circumstances do we accept that our suppliers or their subcontractors use corporal punishment or other forms of mental or physical disciplinary actions. Disciplinary action records should be kept in factory for review.

Deadline Date: 01/01/2009

Supplier CAP: 1. Complaint procedures will be posted in factory; complaint boxes installed in factory area and canteen. Complaint form will be placed next to box for worker use so that they can challenge any unfair disciplinary action towards them.

2. Training lesson for management about factory discipline will be held regularly.

3. Training lesson for new workers in order to inform them of disciplinary policy.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on management talk, communicate to workers about disciplines done via new worker briefing, training, posting of Rules and Regulations in workshops.

Plan Complete:

Plan Complete Date:
Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation: Based on document review and interview with management, factory did not specially train the management staff on employee discipline.

Plan Of Action:
Create clear discipline policy and procedures; include all disciplinary procedures and procedure for appealing disciplinary actions. Communicate system to all workers and management of different levels in factory. Under no circumstances do we accept our suppliers or their subcontractors using corporal punishment or other forms of mental or physical disciplinary actions. Disciplinary actions records to be kept in factory for review.

Deadline Date: 01/01/2009

Supplier CAP:
1. Complaint procedures will be posted; complaint boxes installed in factory area and canteen; complaint form placed next to box for workers’ use, so they can challenge any unfair disciplinary action towards them.

2. Training lesson for management about factory discipline will be held regularly.

3. Training lesson for new workers to let them know about factory discipline and how to comply with it before they start to work.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: No effective communication measures taken for low- and middle-level management. Staff might not be clearly aware of disciplinary procedures and not use them properly. Required factory to set up specific routines for implementation of disciplines and provide regular training for all relevant people.

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: Based on document review and interview with management staff, the factory did not establish a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.

Plan Of Action: We require 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: 01/01/2009

Supplier CAP: 1. We will set up Entry Authentication Procedures.

2. There are many positions in the factory. In our estimation, cutting, electricity maintenance, mechanical care are inappropriate for juveniles. Juvenile workers are strictly prohibited for the aforementioned positions.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on document review, policy has been set up stating clearly that juvenile workers are protected from harmful, stressful, and poisonous work, and also from work positions on high altitude or in cool water. Also, according to management, there are no longer juvenile workers in the factory.

Plan Complete:

Plan Complete Date:
Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias.

Noncompliance

Explanation: Based on review of advertisements and management interview, identified there was age and sex discrimination in hiring, because factory only recruited workers between 18 and 36. Did not recruit males for sewing operators and QC according to advertisements.

Law: Provisions on Employment Services and Employment Management, Article of 20: No employment brochure or job ad issued by employer may contain discriminatory content.

Plan Of Action: H&M does not accept any form of discrimination. We require that this factory stop this immediately and set up a system to avoid discrimination in its recruitment process.

Deadline Date: 01/01/2009

Supplier CAP: 1. All discriminatory information from the advertisement will be removed immediately.

2. Any sex or age discrimination will be prohibited in recruitment.

3. Will request staff in charge of recruitment be clear about abovementioned information.

4. Administration department will keep monitoring whole recruitment process. If any discrimination acts found, recruitment results will be regarded as of no effect.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: No discriminatory wording in recruitment ad anymore, based on visual inspection. Will continue to monitor is fully implemented in recruitment procedures.

Plan Complete:

Plan Complete Date:
Non-Discrimination: Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Health examination records showed that all candidates needed to take an HIV test during recruitment. The factory claimed that all health examination items were defined by hospital, they did not specially require that HIV test should be conducted. Factory did not reject candidates who failed in HIV test. This was confirmed by interview with sampled workers.

Plan Of Action: H&M does not accept any form of discrimination. We have required the factory set up a system to avoid discrimination in its recruitment process.

Deadline Date: 01/01/2009

Supplier CAP: We will set up “Management of Anti-Discrimination.” This new policy will be signed by return from all departments. Result of HIV test will not affect workers' employment. It was used to arrange immediate medical treatment and also to make arrangements for their living and eating.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on management talk and document review, relevant policy has been set up in factory. And, judging by personnel records, workers are guaranteed the same opportunity of employment disregarding their HIV test result.
Code Awareness:

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

Noncompliance

Explanation: No code of conduct was posted in the factory during the audit days. The company did not train factory's management and workforce on the code obligations.

Plan Of Action: All suppliers are informed of our code of conduct both through individual meetings with our CoC Department and through workshops. Generally H&M does not require the code of conduct to be posted in the factory. Instead, we encourage factories to develop internal regulations in line with our code of conduct and local legislation and to clearly communicate these to all workers through trainings, or by distributing handbooks or posting on the notice boards, etc.

Deadline Date: 01/01/2009

Supplier CAP: The factory will post the relevant regulations, according to H&M's Code of Conduct and local labor law, and inform workers of them by training and publication.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Internal regulations have been posted and documented. The relevant information has been conveyed to workers through new worker training and publication in workshops.

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: 1. There was no noncompliance reporting mechanism established between the company and workers.
2. No non-retaliation policy was established.

Plan Of Action: 1. During our audits and discussions with factory, we primarily encourage management to develop and deepen 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.

2. 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 policy of non-retaliation against workers.

Deadline Date: 01/01/2009

Supplier CAP: 1. The worker manual states that “the names of complaint or opinion presenters are confidential. Those who retaliate against the presenter will be severely punished or be handed over to the police station.”

2. For those who are being interviewed by auditors, any retaliation action against them is strictly not allowed.

Supplier CAP Date: 01/01/2009
Action Taken: June 22, 2009:

1. Regarding the factory's internal grievance system, a detailed procedure has been set up and posted near suggestion boxes. But workers' complaints (both written and oral) and factory follow up has not been documented properly. Regarding the dialogue channel, according to the management, it is not functioning well at present, since workers are not taking part in their Workers’ Committee actively. And, there have been no more meetings since the last one held in January 2008. It is suggested that factory work out other methods to enhance their communication with workers.

2. Based on document review, a policy of non-retaliation has been set up, yet communication has not been carried out sufficiently and effectively to workers.

Plan
Complete:

Plan
Complete
Date:
Miscellaneous: Illegal Subcontracting
MISC.1 Illegal Subcontracting

Uncorroborated Evidence of Noncompliance

Explanation: The factory stated that all subcontractors were approved by H&M. But, factory did not provide evidence to prove that these subcontractors had been approved by H&M.

Plan Of Action: The supplier is required to inform H&M of all production units in which the processes of refining H&M products take place, including its own production units as well as subcontractors' production units. In addition, the supplier is responsible for informing all production units about H&M's Code of Conduct requirements, as well as verifying the implementation of the requirements. We also require our suppliers to establish necessary routines and set up a sufficient organization to ensure code of conduct compliance in their own and in their subcontractors' production units.

Deadline Date: 01/01/2009

Supplier CAP: Code of conduct had been informed to subcontractors. Subcontractors which had been checked and failed will be informed to our regional officer. The officer will contact them for further improvement. In the past, we didn't have any inspectors visit our subcontractors for inspection. In future, we will appoint our CoC department to have an inspection to them.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: No progress is made so far. We have suggested that the factory make visits to their subcontractors with a reasonable timeline. H&M has started to audit such factories this past April, so that we can make sure the subcontractors can meet our basic CSR standard. We will continue to follow up on this issue.

Plan Complete:

Plan Complete Date:
Health and Safety: General Compliance Health and Safety

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

(S)

Noncompliance

Explanation:  Factory did not provide the regular health examinations for 2 workers in dyeing room.

This violated China Labor Law, Article 54: The employing unit must provide laborers with occupational safety and health conditions conforming to the provisions of the state and necessary articles of labor protection, and provide regular health examinations for laborers engaged in work with occupational hazards.

Plan Of Action:  We require the factory to follow all relevant laws concerning the protection of workers in hazardous posts. Workers should be provided with relevant personal protective equipment depending on work process, along with proper education and regular health examination.

Deadline Date:  02/28/2009

Supplier CAP:  The dyeing room will be abolished. The 2 workers in the dyeing room will be transferred to other departments of their choice.

Supplier CAP Date:  02/28/2009

Action Taken:  June 22, 2009: According to management, the dyeing section has been abolished already, in which case no regular health check is necessary for dyeing workers anymore. This issue will continue to be followed up on and verified in future audit.

Plan Complete:

Plan Complete Date:
Health and Safety: Written Health and Safety Policy

H&S.3 Employers are required to develop, maintain and regularly review a written health and safety policy. The policy must, at the very least, be aimed at complying with legal minimum safety and health standards, regulations and procedures. (P)

Noncompliance

Explanation: Factory did not establish a written health and safety policy and management system.

Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. We encourage the factory to develop policies and systems for health and safety and to make sure they are clearly communicated to the workers, for example, through a handbook. 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: 11/30/2009

Supplier CAP: This will be added to the “Workers Manual.”

Supplier CAP Date: 11/30/2009

Action Taken:

Plan Complete:

Plan Complete Date:
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: 1. There were no Building Structure Safety Certificates posted for any of the buildings.

Law: Construction Law of PRC, Article 61: A construction project may only be handed over for use upon passing acceptance checks; no construction project shall be handed over for use without going through acceptance checks or passing acceptance checks.

2. None of the 13 security guards obtained security qualification certificates.

Law: Regulations on Security Service. Candidate shall undergo special training of training facilities that are approved by public security organ, and obtain provincial qualification certificate issued by the public security organ above the county level.

3. Dyeing wastewater directly released to river nearby factory.

Law: Law of PRC on Prevention and Control of Waste Pollution, Article 14: Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall, pursuant to provisions of environmental protection department of State Council, report to and register with local environmental protection department their existing treatment and discharge facilities for pollutants and categories, quantities and concentrations of pollutants discharged under normal operating conditions and also submit to same department relevant technical information concerning prevention and control of water pollution.

4. Pollutant discharging units mentioned in preceding paragraph shall report in time if any substantial change occurs in categories, quantities or concentrations of water pollutants discharged. Water pollutant treatment facilities must be kept in normal use. When such facilities are to be dismantled or left idle, prior approval must be obtained from environmental protection department of local people’s government at or above county level.

5. There were no Fire Safety Certificates for all buildings.

Law: Article 10 of Fire Prevention Law of PRC: At time of completion of a construction project, fire prevention design of which is worked out pursuant to state technical standards for fire prevention of engineering construction, acceptance checks for fire prevention must be carried out by public security fire-fighting department. A project without completing acceptance checks or failing to qualify in acceptance checks must not be put into use.
Plan Of Action: 1, 4: 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 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 H&S in order to improve H&S awareness in factory.

2. This is not covered by our code, yet we have encouraged the factory to recruit security staff as per law.

3. H&M requires that no wastewater should be released to water body without any treatment, and no hazardous waste should be disposed of directly without a qualified organization. We have addressed this issue with factory and require they stop it immediately.

Deadline Date: 01/22/2009

Supplier CAP: 1, 4. For building constructed before 1990, no Fire Safety certification needed. As the factory is rented from government, no Building Structure Safety Certification can be provided. Factory will enforce fire safety requirements, and give staff related training.

3. Dyeing room will be abolished at latest by January 20, 2009. Only urgent sample fabric or elastic yardage will be dyed in that room. Otherwise orders will be finished by outside dyeing factory.

Supplier CAP Date: 01/22/2009

Action Taken: June 22, 2009:

1, 2, 4. These issues have not been followed up during this audit.

3. According to management, dyeing section has been abolished already, in which case no waste dyeing water produced any more. Issue will continue to be followed up on in future.
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: Only 1 emergency exit available in raw material warehouse (2nd floor, B building). Ground area of raw material warehouse (1st floor, A building) was about 700 square meters. Remark: Although these 2 warehouses have 2 exits, 1 of 2 exits not used.

Law: Code of Fire Safety on Building Design, Article 3.8.2: Number of emergency exits for 1 warehouse shall not be less than 2; when ground area does not more exceed 300 meters square warehouse could be equipped with 1 emergency exit only.

Plan Of Action: H&M requires safety in factory, as well as dormitory, maintained according to local law and our CoC. Worker safety should be priority at all times and require factories to ensure emergency exits clear and unlocked at all times. Workers should be aware of and trained in fire safety, evacuation and all relevant equipment, i.e., fire extinguishers, fire alarms, evacuation plans and emergency exit lights should be functioning and properly situated.

Deadline Date: 10/20/2008

Supplier CAP: As only 19 workers in raw material warehouse local fire department can accept only 1 exit.

Supplier CAP Date: 10/20/2008

Action Taken: June 22, 2009: This issue has not been checked during this audit.

Plan Complete:
Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: 1. No PPE signs or diagrams posted in cutting area or dyeing room. Yet some warning signs for machine safety and electric safety posted.

Law: Regulations on Safety Administration of Dangerous Chemicals, Article 23: Specialized warehouses for dangerous chemicals shall satisfy requirements of national standards on safety and fire control, and prominent signs shall be set up for these warehouses. Storage equipment and safety facilities for these warehouses shall be checked at regular intervals.

2. Dyeing workers did not wear suitable PPE such as active carbon masks. Factory provided cotton masks for these workers. Cutting workers did not wear suitable masks, but factory did provide them with cotton masks.

Law: Article 54 of China Labor Law: Employing unit must provide laborers with occupational safety and health conditions conforming to provisions of State and necessary articles of labor protection, and provide regular health examinations for laborers engaged in work with occupational hazards.

Plan Of Action: Workers should be provided relevant PPE depending on work process. Workers should also be provided education, both orally and written, in native language on why and how to use it.

Deadline Date: 02/28/2009

Supplier CAP: 1. Diagrams will be posted in cutting section, requiring workers to wear masks when working.

2. Dyeing room will be abolished.

3. The 2 workers in dyeing room will be transferred to other departments of their choosing.

Supplier CAP Date: 02/28/2009
Action:

June 22, 2009: 1, 2. These issues have not been checked during this audit.

Taken:

Plan Complete:

Plan Complete Date:
Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Dye containers in the dyeing room were not labeled.

Law: Article 12 of Regulations on Safety in Workplaces Where Chemicals Are Used: The chemicals used by employing units shall have labels, and dangerous chemicals should be attached with safety labels. Also, safety and technical instructions of the chemicals shall be available for operators engaged in the use of the chemical.

Plan Of Action: H&M is always requiring factories to follow local environmental laws and make sure that chemicals are stored and handled in proper way and in accordance with our CoC requirements. We have required the factory to add proper label on all chemical containers.

Deadline Date: 01/22/2009

Supplier CAP: Dyeing room will be abolished at latest on January 20, 2009. Only urgent sample fabric or elastic yardage will be dyed in that room. Otherwise, orders will be finished by outside dyeing factory.

Supplier CAP Date: 01/22/2009

Action Taken: June 22, 2009: According to management, the dyeing section has been abolished already, in which case no chemicals are in use anymore. This issue will continue to be followed up on in future audit.

Plan Complete:

Plan Complete Date:
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

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

Noncompliance

Explanation: No MSDS was posted in dyeing room.

Law: Regulations on Safety in Workplaces Where Chemicals Are Used, Article 12: The chemicals used by the employing units shall have labels, and the dangerous chemicals should be attached with safety labels. Also, safety and technical instructions of chemicals shall be available for operators engaged in the use of chemical.

Plan Of Action: H&M is always requiring factories to follow local environmental laws and make sure that chemicals are stored and handled in proper way and in accordance with our CoC requirements. We have required that factory obtain MSDS from their suppliers and post them in the workplace.

Deadline Date: 01/22/2009

Supplier CAP: Dyeing room will be abolished at latest on January 20, 2009. Only urgent sample fabric or elastic yardage will be dyed in that room. Otherwise, orders will be finished by outside dyeing factory.

Supplier CAP Date: 01/22/2009

Action Taken: June 22, 2009: According to management, the dyeing section has been abolished already, in which case no chemicals are in use anymore. This issue will continue to be followed up on in future audit.

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: 2 button attaching machines not equipped with broken needle safeguards. The operators of other 2 button attaching machines did not use broken needle safeguards.

Law: General rules for designing the production facilities in accordance with safety and health requirements, Article 3.1.2: Safeguards should be installed, where it is necessary for operator to approach the moving part of the operating machine.

Plan Of Action: H&M requires factory to equip and maintain all hazardous machines with the proper safety devices in accordance with local law and our code of conduct. Workers should be provided with relevant 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: 11/30/2009

Supplier CAP: Broken needle safeguards will be installed immediately and keep being checked to ensure the operators properly use the needle safeguards.

Supplier CAP Date: 11/30/2009

Action Taken: June 22, 2009: This issue has not been checked during this audit.

Plan Complete: 

Plan Complete Date: 


**Hours of Work: General Compliance Hours of Work**

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

**Noncompliance**

**Explanation:**

1. Based on working hour records and payroll records from September 2007 to October 2008, about 80% of workers from sewing, cutting and packing workshops worked 80-166 OT hours per month January, February, March and September of 2008. Also, some workers (60%) often worked up to 4 hours per day/night in January, February, March and September 2008. Some workers (30%) worked up to 7.5 hours of OT per day/night in January, February, March and September 2008 during urgent business conditions (like rush orders). Factory claimed that excessive overtime was caused by shortage of workforce, rush orders, unreasonable due date on shipment, etc.

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

2. Based on working hour records and payrolls records from September 2007 to October 2008, about 80% of workers worked 61-88 hours overtime per week in January, February, March and September 2008. Employees in sewing, cutting and packing all have experienced excessive hours. The average weekly working hours were 75 hours throughout whole month of January 2008. The maximum weekly working hours were 88 hours from January 13 to 19. The factory claimed that excessive overtime resulted from many cases, such as shortage of workforce, rush orders, unreasonable due dates on shipment, etc.

**Plan Of Action:**

H&M is first and foremost interested in being shown the true situation in factory and requires the factories to always provide correct attendance records and salary lists. Providing incomplete or fake documents is a violation of our basic requirements of transparency. Only after knowing the real overtime are we able engage in dialogue with factory to establish a system to reduce overtime in a sustainable manner. The long-term aim is to through improved production planning and efficiency steadily reduce overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require factory to ensure that workers may have 1 day off per week and reduce the number of overtime hours in the weekdays.

**Deadline Date:** 08/30/2009
Supplier CAP: Overtime hours will be limited to no more than 100 hours per month. Workers will be allowed to have 1 day off in every 7 days. In order to further limit OT hours, we propose the following long term:

1) Increasing number of workers.
2) Decreasing number of orders.

Supplier CAP Date: 08/30/2009

Action Taken: June 22, 2009: According to payrolls and attendance records, overtime hours per month still exceed legal limits. We have invited the supplier to participate in a supplier development project, during which consultation, training, analysis and assessment are provided by an external consultant company. With this project, factory is expected to improve their productivity and control OT hours in a sustainable way.

Plan Complete:
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: Based on review of working hour and payroll records, from September 2007 to October 2008 about 30% of workers worked 7 to 26 days continuously in September 2007 and January, February and March 2008. Sewing, cutting and packing workshops all have such cases. I.e., 1 worker worked 26 days continuously from September 4 – 29, 2007.

Law: China Labor Law, Article 38: The employing unit shall guarantee that its staff and workers have at least 1 day off in a week.

Plan Of Action: H&M is first and foremost interested in being shown true situation in factory and requires factories to always provide correct attendance records and salary lists. Providing incomplete or fake documents is violation of our 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: 08/30/2009

Supplier CAP: OT hours will be limited to no more than 100 hours per month. Workers will be allowed to have 1 day off every 7 days. In order to further regulate OT hours, we have long term plan:

1) Increasing number of workers.

2) Decreasing number of orders.

Supplier CAP Date: 08/30/2009

Action Taken: June 22, 2009: According to payrolls and attendance records, overtime hours per month still exceed legal limits. We have invited supplier to participate in a supplier development project, during which consultation, training, analysis and assessment provided by an external consultant company. With this project, factory is expected to improve their productivity and control OT hours in a sustainable way.
Plan
Complete:

Plan
Complete
Date:
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: Based on interviews with management staff and selected workers, the factory did not demonstrate a commitment to reducing overtime and did not enact an effective voluntary overtime system (specifically one for including for OT mandated to meet extraordinary business circumstances). Based on interviews with management and sampled workers, workers would be punished if leave not approved. No actual case identified during audit.

Plan Of Action: The factory must ensure that overtime is voluntary. The factory must inform all workers of overtime in advance. H&M requires factory to establish an OT registration form and the workers who agree to work overtime sign the form.

Deadline Date: 01/01/2009

Supplier CAP: 1. We will set up “Prohibition of Forced Labor Provision.”

2. There is daily OT working application form for workers to sign. If workers sign, indicates they are voluntarily to work OT and vice versa. Management can't force them to work OT. If this happens, workers can complain to higher leader or directly to administration.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: According to management, there is a system for workers to freely register for OT. Yet, it is suggested that factory management takes measures to monitor system and ensure signatures for agreement on OT is done freely by workers themselves.

Plan Complete:
Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: Based on interviews with sampled workers and management staff, factory had no harassment and abuse policy or procedure in place.

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. 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: 01/01/2009

Supplier CAP: 1. We will set up a harassment and abuse policy, and add it into the “Worker’s Manual” to prohibit sexual harassment behavior in factory, such behavior, including intimidating, insulting, and harassment by use of language, posture or body contact.

2. If abovementioned behavior found, Administration Department will investigate. If the allegations found to be true, factory will punish related people according to “Workers Manual” or hand them over to the police station.

Supplier CAP Date: 01/01/2009

Action Taken: June 22, 2009: Based on management interview and document review, policy has been set up in factory. Detailed grievance procedure set up and posted near suggestion boxes. We will continue to encourage factory to set up well-functioning grievance system so workers can bring up their grievances in case of harassment or abuse.

Plan Complete:

Plan Complete Date: