COMPANY: H&M Hennes & Mauritz AB
COUNTRY: China
FACTORY CODE: 440015823G
MONITOR: Level Works Limited
AUDIT DATE: October 21 – 22, 2008
PRODUCTS: Sweaters
PROCESSES: Knitting, Linking, Sewing, Washing, Pressing, Inspection, Packing
NUMBER OF WORKERS: 202

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: In accordance with 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, laborers 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 44 out of 202 workers participated in retirement and illness or injury insurances. No workers participated in the other 3 kinds of insurance, unemployment; disability caused by work-related injury or occupational disease insurance; and childbearing. Factory had obtained a waiver from local labor department to demonstrate their compliance with local social insurance participation requirements.

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

Plan Of Action: H&M always requires factories producing H&M garments to purchase industrial injury insurance that covers whole workforce. H&M also requires that the workers are covered by all forms of social insurance they are entitled to by national and local legislation.

Deadline Date: 11/26/2008

Supplier CAP: Factory will provide injury insurance to all workers first and will apply the relevant certification from local labor bureau to confirm that factory has provided social insurance to workers.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): It was observed that only 25% of workers are covered by Social insurance. Social insurance includes retirement and medical insurances. Not all the workers covered by the injury insurance.
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: In accordance with PRC Labor Law article 48 and Opinion of Ministry of Labor on Several Questions concerning Implementation of Labor Law (1995) article 57, employees, including those who are in probationary, training or internship periods, shall not be paid lower than local minimum standard set at RMB 750 per month, equivalent to RMB 4.48 per hour before October 2007; RMB 850 per month, equivalent to RMB 5.08 per hour during October 2007 to December 2007; and RMB 4.89 per hour since January 1, 2008. It was noted that about 35% of workers were paid an insufficient hourly wage; the lowest recorded wage was RMB 2.31 per hour in July 2008.

Plan Of Action: H&M requires factory to provide true documentation on salaries and working hours. Transparency is one of H&M's most important principles. The factory should pay at least the minimum wage to the worker according to the law.

Deadline Date: 11/26/2008

Supplier CAP: 1. The factory will try to ensure that 80% of workers receive minimum wage by December 2009.

2. The factory aims to have 100% of employees earning the minimum wage by December 2010.

Supplier CAP Date: 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009): It was observed that workers were not guaranteed minimum wage. In order to better improve, we have further discussed with supplier and revised a more detail correction plan.

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: In accordance with PRC Labor Law article 44, overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal workdays, rest days and official public holidays, respectively. It was noted that only 100% of normal piece rate was paid by factory to workers for all kinds of overtime working hours.

Plan Of Action: H&M requires factory to provide true documentation on salaries and working hours. Transparency is one of H&M's most important principles. Factory has been requested to provide an action plan how it will, in a sustainable manner, increase OT compensation in order to reach the legal requirements.

Deadline Date: 11/26/2008
1. Factory will examine reason why certain workers did not receive OT for piece rate work. We will host a product meeting to discuss how to improve productivity. Product management will arrange a training session to improve worker efficiency. With these actions, factory will try to pay 20% nightly OT compensation to the workers. We plan on having this program in place by December 2009.

2. Factory will strengthen cooperation in each department; meanwhile, factory will arrange training for workers to raise productivity. Factory will pay 40% night OT compensation to workers. This step will be completed by May 2010.

3. According to above 2 steps, AD dept and COC are responsible for these issues and will continue to focus on workers and pay attention to if their salaries rise or reduce, they will give feedback on salary status to product manager, letting them know how to train and arrange product to raise workers’ productivity. According this action, factory will pay 60% night OT and 30% weekend OT compensation to workers. This step will be finished in December 2010.

4. Based on above 3 actions. According to orders situation, factory will consider employing more workers in peak season; meanwhile, production plan department will arrange same style into same production line to raise productivity and efficiency. Factory will purchase some machines with high technology to raise workers’ productivity in same working time. According to this action, factory will pay 80% night OT and 60% weekend OT compensation to workers. This step will be finished by May 30, 2011.

5. Factory will pay 100% night and weekend OT compensation to all workers by December 2011.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): Worker overtime is still not compensated according to the law. In order to better improve the payment, we have will further have a discussion with the supplier to revise a more detailed correction plan.

Plan Complete Date:
Wages, Benefits and Overtime Compensation: Pay Statement

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

Noncompliance

Explanation: In accordance with PRC Provisional Regulations for Payment of Wages article 6 (Ministry of Labor Document No. 489 (1994)), employing units shall record in writing, amount of wages paid to workers; date of payment; names and signatures of persons who receive wages; and units shall keep them for 2 years or more for examination. Employing units shall provide workers with pay stubs when they pay wages. It was noted that the factory did not provide pay stubs to workers.

Plan Of Action: H&M requires the factory to provide true documentation on salaries and working hours. Transparency is one of H&M's most important principles. The factory should provide pay stubs to the worker as a reference to their payment.

Deadline Date: 11/26/2008

Supplier CAP: The factory will provide the pay stubs for every worker from November 2008.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The factory still didn't provide the pay slips to the worker.

Plan Complete: 

Plan Complete Date:
Forced Labor: Other - Forced Labor

Other

Noncompliance

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

Plan Of Action: All workers should work voluntarily. In addition, all workers must be allowed the right to refuse any kind of forced labor. In order to ensure that H&M's requirement on voluntary working conditions for all workers is met, the factory has been encouraged to set up a policy on forced labor and to communicate it to all the workers in the factory.

Deadline Date: 11/26/2008

Supplier CAP: Factory already added the policy on forced labor in the workers' manual.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The factory has posted the customer's code of conduct in the workshop. This code includes references to non-discrimination, the prohibition of prison labor and voluntary OT in the workshop. But, factory does not have its own policy about worker's basic rights.

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 the 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 encourage the factory to develop and maintain well functioning communication channels between workers and management.

Deadline Date: 11/26/2008

Supplier CAP: We have added the policy on freedom of association and collective bargaining to the workers’ manual.

Supplier CAP Date: 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009): There are no worker representative committees in the factory yet. We encourage the factory to develop and maintain well functioning communication channels between workers and management.

Plan Complete:

Plan Complete Date:

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

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

Noncompliance

Explanation: It was noted that the factory trade union representatives were all management staff or supervisors. Union did not include any production workers. At the same time, the trade union representatives were assigned by management, but not elected by workers.

Plan Of Action: H&M requires that workers should be free to form associations of their own choosing, and to bargain collectively. We don't accept any disciplinary actions against workers who choose to peacefully and lawfully organize or join an association. We encourage factory to develop and maintain well functioning communication channels between workers and management. We have strongly encouraged factory to ensure elections and candidacy for trade unions’ representation is free and open to everyone working in factory.

Deadline Date: 11/26/2008

Supplier CAP: Union representatives will be elected by the workers.

Supplier CAP Date: 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009): It was noted that the factory trade union representatives still are all management staff or supervisors and do not include any production workers.

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: In the grievance procedure, there was no recourse for workers who were not satisfied with feedback from their direct supervisor.

Plan Of Action: H&M encourages factory to set up an efficient grievance system. Workers should have free access to express their requests to any level of factory management without fear of retaliation.

Deadline Date: 11/26/2008

Supplier CAP: The factory had a grievance policy in place. If the workers aren't satisfied with feedback, the factory will appoint a direct supervisor to handle these things.

Supplier CAP Date: 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009): According to the factory management, there are several channels for workers to put forward grievances: a) suggestion box, which is opened once every 7 days; b) talk to boss or general manager; c) trade union. But, there are no routines clearly stating what channels are and to whom workers can put forward their complaints, and no written routines for suggestion box. Based on worker interviews, it was found that the routines aren't well communicated and fully implemented. Furthermore, there is no feedback and control for the grievance system.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: The factory did not have a policy and procedure for handling employee discipline.

Plan Of Action: H&M requires factory to set up an efficient system of progressive discipline. Disciplinary actions should follow legal requirements and should be clearly communicated to all workers in writing.

Deadline Date: 11/26/2008

Supplier CAP: We have added the policy and procedure of handling discipline in the workers' manual. We have posted this procedure in the workshop.

Supplier CAP Date: 11/26/2008
2nd Full Audit (March 25-27, 2009): The factory still didn't set up the system to handle discipline.

Plan Complete:

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: It was noted that anyone who took unauthorized leave for 1 day would have RMB 50 deducted from their wages.

Plan Of Action: H&M requires the factory to set up an efficient system of progressive discipline. Any deductions must be fair and supported by law and clearly noted in the payroll.

Deadline Date: 11/26/2008

Supplier CAP: We will ask the factory not to deduct wages for unauthorized leave.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): Based on the factory rules, it was found that workers would lose RMB 50 if they took unauthorized leave. However, there was no evidence found of deductions from payroll. Factory management explained that the rules were not implemented.

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

Other

**Noncompliance**

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

**Plan Of Action:** H&M requires the factory to set up a harassment and abuse policy and a proper monitoring system to ensure the policy is implemented. The policy should also be integrated with the factory rules and a grievance procedure should be in place to detect any harassment and abuse cases that occur.

**Deadline Date:** 11/26/2008

**Supplier CAP:** The factory will establish a harassment and abuse policy.

**Supplier CAP Date:** 11/26/2008

**Action Taken:** 2nd Full Audit (March 25-27, 2009): The factory still did not have a harassment and abuse policy.

**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: 1. In accordance with the Regulations for the Special Protection of Juvenile Employees (Document No.498) article 9, employment of juvenile workers should be registered. It was noted that no such registration had been done for juvenile workers. 2. In accordance with Regulations for Special Protection of Juvenile Employees (Document No. 498) article 6, employers should provide, according to the following requirements, regular health exam: a) before juvenile worker begins working at enterprise; b) after juvenile worker worked for 1 full year; c) when juvenile worker has reached 18 years of age and has not had a physical exam in previous 6 months. It was noted that no health exam provided for juvenile workers in the factory.

Plan Of Action: H&M requires the factory to write a clear policy against use of child labor and establish recruitment procedures in order to make sure all new workers are above legal age. H&M requires factory set up complete recruitment system, which includes registration and health exam for juvenile workers.

Deadline Date: 11/26/2008

Supplier CAP: 1. We will provide the health examinations for juvenile workers. 2. We register juvenile workers and improve the recruitment system to protect the rights of juvenile workers.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): There are no juvenile workers in the factory at present. From the factory’s recruitment routine, health examinations are usually conducted 1 month after an employee begins working with factory. But, didn't mention the employment registration with local labor bureau.

Plan Complete:
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 the factory did not have a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.

Plan Of Action: H&M requires the factory to provide healthy and safe working conditions for the juvenile workers according to the law. The factory is encouraged to learn more about health implications and appropriate workstations for juvenile workers and ensure this knowledge is integrated with internal routines.

Deadline Date: 11/26/2008

Supplier CAP: We will establish the system for identifying workstations that are inappropriate for young workers. We will examine workers' IDs to prevent child labor in the factory. We will provide the relevant machine operation training to the juvenile workers.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): There is no juvenile worker in the factory at present. The recruitment routines for juvenile workers aren't complete. The routines only mention that physical examinations should be conducted within 1 month after juvenile workers are hired, but the routines didn't mention any issue about work safety training and employment registration with local labor bureau.
Child Labor: Other - Child Labor
Other

Noncompliance

Explanation: It was noted that factory did not have a child labor policy, or age verification procedure.

Plan Of Action: H&M requires the factory to write a clear policy against use of child labor and establish recruitment procedures in order to make sure that all new workers are above legal age.

Deadline Date: 11/26/2008

Supplier CAP: We will establish the age verification procedure, and let all managers know the important meaning of child labor policy.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The factory has a clearly written policy says that they prohibit employing the workers under the age of 16. But, the factory's recruitment routine is incomplete and not fully documented.

Plan Complete:
**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 did not provide code of conduct (CoC) to factory, and factory did not post any its own standards. At same time, H&M did not communicate its code obligations to management and workforce. H&M did not inform workers and management of factory's association with FLA. Workers were not aware of H&M’s Code of Conduct.

**Plan Of Action:** All suppliers are informed of our code of conduct both through individual meetings with our CoC Department, through workshops and through CoC Guidance we distribute to all our suppliers. Through these channels, our suppliers are also informed of our affiliation with FLA and requirements for IEM process. It is the responsibility of supplier to ensure all subcontractors informed of our code requirements. All production units where the processes of refining H&M products take place must pass compliance audit prior to receiving first order. During this occasion, the subcontractor is further informed of our requirements, and has the opportunity to ask questions for clarification. Generally we do not require our CoC to be posted in factory. In case factory produces for different buyers it might be confusing for workers. Instead we encourage the factories to develop internal regulations in line with our CoC and local legislation and to clearly communicate these to all workers, for example, through a handbook for workers or on the notice board. During follow-up visits we continuously evaluate 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 CoC. In our meetings with supplier and factory management we will bring up our association with FLA, and the implications of this for the factory.

**Deadline Date:** 11/26/2008

**Supplier CAP Date:** 11/26/2008

**Action Taken:** 2nd Full Audit (March 25-27, 2009): The factory rules about code of conduct were not well communicated with workers.
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: The factory workers were not provided with a noncompliance reporting mechanism which allows them to contact the company.

Plan Of Action: During our audits and discussions with the factory, H&M primarily encourages the management to develop and deepen the factory's own confidential noncompliance system. We support factory in building a communication/dialogue system within factory in order to have a forum for workers to communicate grievances to management. At all H&M audits we conduct worker interviews. During these confidential, one-to-one interviews, business cards with a mobile number are provided to workers in case they need to forward their grievances directly to us. We encourage the business cards to be spread among all the workers in the factory.

Deadline Date: 11/26/2008

Supplier CAP:

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): 17 workers were interviewed this time. The card with H&M contact telephone number also was provided to the worker.
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: The health and safety policy did not contain framework for a comprehensive health and safety management system with employers' responsibilities; workers' rights and duties; various responsibilities of designated personnel; procedures that enable workers to raise health and safety concerns; procedures for reporting death, injury, illness; and other health and safety issues (for instance, near-miss accidents).

Plan Of Action: H&M requires factory set up efficient health and safety system. First, clear and complete policy should be in place. Secondly, clear procedures and responsibilities to maintain working conditions in good conditions should be formulated and communicated. The relevant training should be provided to all workers to enhance the awareness of health and safety.

Deadline Date: 11/26/2008

Supplier CAP: According to FLA's instruction, the factory will rewrite the health and safety policy to enable workers to raise health and safety concerns and protect all the workers.

Supplier CAP Date: 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009): There is a clear written policy that the factory strives to provide the workers with healthy and safe working conditions. There are also complete routines covering maintenance of fire fighting equipment, emergency exits, evacuation plan, water fountains, canteen issues, first aid equipment, evacuation drill and health issues. The routine was not well communicated and fully implemented. The feedback and control is incomplete also.

Plan Complete:

Plan Complete Date:

Health and Safety: Communication to Workers

H&S.6 The health and safety policy shall be communicated to all workers in the local language or language(s) spoken by workers if different from the local language. (P)

Noncompliance

Explanation: The health and safety policy was not communicated to workers.

Plan Of Action: H&M requires that safety in factory maintained according to local law and our CoC. The health and safety policy should be communicated to workers in order to enhance the workers' awareness.

Deadline Date: 11/26/2008

Supplier CAP: We will hold meeting so that we can educate workers about health and safety policy.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): Based on worker interviews, it was still found that the health and safety routine and policy wasn't well communicated to workers.
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: In accordance with PRC Fire Service Law article 10, fire services department shall conduct inspection of building when construction completed. Building shall not be used, if inspection has not been conducted or when a building has not passed inspection. It was noted that there was no fire service inspection certificate provided by factory.

Plan Of Action: H&M requires that safety in factory maintained according to local law and our CoC. During our audits we regularly check all relevant permits and certificates.

Deadline Date: 11/26/2008

Supplier CAP: We will try to get the inspection certificate as soon as possible.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The factory still didn't provide a fire service inspection certification.

Plan Complete:
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 light shall be installed on wall or ceiling. It was noted that no emergency light was installed at the emergency exits in products warehouse, the pressing section and packing section.

Plan Of Action: H&M requires that safety in factory maintained according to local law and our CoC. We suggest factory set up a complete health and safety system, which includes checking that emergency exits are clear, that all the fire prevention equipment is maintained in good condition and that workers receive regular fire evacuation drills.

Deadline Date: 11/26/2008

Supplier CAP: The factory will install the emergency lights at the emergency exits in products warehouse, the pressing section and the packing section within 1 month.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The emergency lights had been installed in the exits of all the workshop and warehouse.
Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: 1. In accordance with Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005) article 5.1.1, Fire extinguisher shall be installed in distinct and easily accessed location, and shall not hinder safety evacuation. It was noted that 2 fire extinguishers (in products warehouse) and 2 fire hydrants (1 in products warehouse, 1 in knitting section) were blocked by goods.

2. In accordance with Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005) article 5.1.3, portable fire extinguishers shall be installed in a way that the height from top of extinguisher to floor should be less than 1.50m, and height from the bottom of extinguisher to floor should not less than 0.15m. Box for containing fire extinguisher should not be locked. It was noted that 2 fire extinguishers were installed on the floor in sewing section.

3. In accordance with PRC Fire Service Law article 14(5), enterprises and business units shall be responsible for installation of appropriate fire service equipment and facilities, posting fire safety signs and arranging regular inspections and maintenance to ensure all equipment and facilities operate properly and are in good condition. It was noted that no fire extinguisher installed in materials and chemicals warehouses.

Plan Of Action: H&M requires that safety in factory maintained according to local law and our CoC. We suggest factory should set up complete health and safety system, which includes checking emergency exits are clear, that all fire prevention equipment maintained in good condition and that workers receive regular fire evacuation drills.
Deadline Date: 11/26/2008

Supplier CAP: The factory will install the fire extinguishers within 2 months.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): Based on factory tour, it was found that the fire extinguishers and fire hydrants in the warehouses were kept in good condition.

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 include 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 factory using ordinary fluorescent lights in materials warehouse and products warehouse.

There was no handrail installed at 1 staircase in 2-story production building.
Plan Of Action: H&M requires that safety in factory maintained according to local law and our CoC. We suggest factory set up system to ensure there are no H&S hazards in factory. Factory is encouraged to review premises to ensure that proper fire safety measures are taken.

Deadline Date: 11/26/2008

Supplier CAP: We will ask the factory use the standard lights in the materials warehouse and products warehouse, and install the handrail at 1 staircase in the 2-story production building.

Supplier CAP Date: 11/26/2008

Action Taken: It was still found that factory used ordinary fluorescent lights in materials warehouse and products warehouse. No handrail installed at 1 staircase in 2-story production building.
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: It was noted that 90% of workers worked 26 consecutive days without 1 rest day from April 5 - 30, 2008; 75% of workers worked 31 consecutive days without 1 rest day from July 1 - 31, 2008; 65% of workers worked 31 consecutive days without 1 rest day from August 1 - 31, 2008.

Plan Of Action: 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. We aim to keep up transparent dialogue with factory and support them to take necessary steps to increase productivity in order to decrease OT hours and enable proper compensation to workers. Target for 2009 is to measure first steps to making progress.

Deadline Date: 11/26/2008

Supplier CAP: During peak season factory should intensify workers' skills training. Through this training, workers will be able to increase their productivity and lessen their OT. If workers do not wish to work OT, manager will respect their decision.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): It was observed that regular workers hours aren't within legal limits, as regular working days are from Monday to Saturday during peak season.

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:** 1. Workers only recorded times twice a day - morning in and afternoon out, and if OT, night out. About 5% of attendance records only recorded workers time in or time out. And about 5% of workers always forgot to record their in/out time each day.

2. In accordance with Provisional Regulations for Payment of Wages article 6, employing units shall record in writing amount of wages paid to workers, date of payment, names and signatures of persons who receive wages, and units shall keep them for 2 years or more for examination. Employing units shall provide workers with a copy of their payroll when they pay wages. It was noted that factory had not kept attendance records of workers in pressing section. Workers were also sewing buttons and hemming cloth manually in the factory.

**Plan of Action:** H&M is first and foremost interested in being shown the true situation in the factory and require factories to always provide correct attendance records and salary lists. 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 the factory to ensure workers may have 1 day off per week and reduce number of OT hours on weekdays.

**Deadline Date:** 11/26/2008

**Supplier CAP:** We will tell all workers to scan time cards by themselves. We will arrange for some responsible persons to make sure that employees scan their time cards on site.

**Supplier CAP Date:** 11/26/2008
Action Taken: 2nd Full Audit (March 25-27, 2009) According to time records from November 2008 to March 2009 provided for review, observed that workers punched time card 4 times per day and may 6 times per day if OT is arranged. CoC monitor will check if there are any workers who don't punch card once every month. If there is anyone who forgets to punch their card, monitor will check with line supervisor and workers to see what went wrong. Nonetheless, according to time record, it still can be found that several workers forget to punch their time card.

Plan Complete:

Plan Complete Date:

Hours of Work: Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Noncompliance

Explanation: Between September 2007 and August 2008, it was noted that 95% of workers worked more than 60 hours per week. Total weekly working hours were up to 92 hours per week (Week of July 7, 2008).

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and require factories to always provide correct attendance records and salary lists. 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: 11/26/2008
During peak season, factory should intensify workers' skills training. Through this training, workers will learn to increase their productivity and lessen their need to work overtime. If workers do not wish to work OT, the manager will respect their decision.

**Supplier CAP**

**Date:** 11/26/2008

**Action Taken:** 2nd Full Audit (March 25-27, 2009): It was observed that regular workers hours aren't within legal limits, as regular working days are from Monday to Saturday in peak season. Average monthly OT hours of October and November 2009 are 108 and 86, respectively. These OT hours exceed the legal limit.

**Plan Complete:**

**Noncompliance**

**Explanation:** In accordance with Regulations on Employee's Paid Annual Leave article 3, employees who work full 1 year but less than 10 years have annual leave for 5 days. Those who work full 10 years, but less than 20 have annual leave for 10 days, and those who work full 20 years have annual leave for 15 days. State statutory holidays and rest days are excluded from annual leave. It was noted factory only provided 5 days annual leave to all workers who had worked more than 1 year in the factory.

**Plan Of Action:** H&M requires factory provide all legally required benefits to workers. Workers should have right to take annual leave at any time with formal announcement in advance.

**Deadline Date:** 11/26/2008
Supplier CAP: We will provide the legally required annual leave to the worker. The leave days workers can take will depend on time they worked in the factory.

Supplier CAP Date: 11/26/2008

Action Taken: 2nd Full Audit (March 25-27, 2009): The factory usually arranges for all workers to take 10-15 days holiday during New Year. Therefore, annual leave is granted, but not paid for according to the law.

Plan Complete: 

Plan Complete Date: 