COMPANY: H&M Hennes & Mauritz AB  
COUNTRY: China  
FACTORY CODE: 440015827G  
MONITOR: ALGI  
AUDIT DATE: November 17 – 18, 2008  
PRODUCTS: Knitwear  
PROCESSES: Yarn Spinning, Knitting, Hand Sewing, Washing, Ironing, Inspection, Packing  
NUMBER OF WORKERS: 715  

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

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

Noncompliance

Explanation: 1. The factory does not provide paid legal holiday to piece rate workers.

2. 56 out of 80 local employees are covered with pension, medical, unemployment, work injury and child-bearing insurances; 495 out of 635 migrant employees are enrolled in Comprehensive which only covers 3 kinds of insurances: 260 employees are covered by accidental work injury.

3. The factory does not communicate benefits system such as sick, marriage, maternity leaves to workers.

Law: Art. 2 of Measures on Having Holiday for National Annual Leaves and Memorial Days: 1) 1 day holiday New Year (January 1); 2) 3 day holiday Spring Festival (lunar New Year's Eve, 1st 2 days of lunar January); 3) 1 day holiday Tomb-Sweeping Day (lunar Tomb-Sweeping Day); 4) 1 day holiday Labor Day (May 1); 5) 1 day holiday Dragon-boat Festival (lunar Dragon Boat Festival); 6) 1 day holiday Mid-Autumn Festival (lunar Mid-Autumn Festival); 7) 3 day holiday National Day (October 1, 2, 3) Art. 6 of Measures on Having a Holiday for National Annual Leaves and Memorial Days: Where the vacations having a holiday for all citizens happen to be on Saturday or Sunday, they shall have additional holiday with working days. Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefit): Management and employees must participate in social insurance programs. Art.73 PRC Labor Law: Workers shall be provided with social insurance benefits under the following circumstances: a) retirement; b) illness; c) disability caused by work-related injury or occupational disease; d) unemployment and e) childbearing. Art. 73 of PRC Labor Law (Chapter 9 Social Insurance and Welfare): Social insurance contribution shall be fulfilled in full and in time.

Plan Of Action: H&M requires that the workers' legal right of leave should be respected and protected. The factory should provide legal holidays to all workers, in accordance with the law. H&M always requires that factories purchase industrial injury insurance that covers the whole workforce. We also require that the workers are covered by all forms of social insurance that they are entitled to by national and local legislation.

Deadline Date: 01/20/2009
1. We provide extra subsidy to piece rate workers as compensation of paid legal holiday.

2. Our factory has a high turnover. Once the workers steady in our factory, we would provide the social insurance to them as soon as possible.

3. We will show benefits system to all workers appearing on fixed TV through well-done DVD.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009):

1. Factory still didn't provide paid legal holiday to the worker.

2. Only 8% workers are covered by social insurance.

3. RMB15/day is paid to workers as sick leave compensation which is below the law requirement. Annual leave granted but not paid for according to law. No paid maternity leave happened in factory until now. According to factory management, if workers can come back within maternity leave law stipulate, factory will pay them on basis of their minimum wage 2 months after they return. In actuality, there are no workers that come back punctually.

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:** 1. As per piece rate output and payroll review, factory does not compensate workers for overtime work.

2. Factory fails to pay workers in warehouse extra 0.5 hour's overtime compensation.

**Law:** Art. 44.1 of PRC Labor Law: The employer shall pay workers no less than 150% of their regular wages if they are required to work overtime. Art. 44.2 of PRC Labor Law: Payment of wages to laborers should be no less than 200% of the normal wage if the employees are required to work on a day of rest and no deferred rest can be taken. Art. 44.3 of PRC Labor Law: Payment to workers should be no less than 300% of the normal wage if they are required to work during a legal holiday.

**Plan Of Action:** H&M requires factory to provide true documentation on salaries and working hours. Transparency is one of the most important principles. The factory should pay at least the minimum wage to workers according to the law. We have initiated a dialogue with the factory on cause of excessive overtime. The aim is for 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 the overtime hours in order to meet the legal limit of overtime hours per month and pay OT compensation according to the law. In the short term, we require the factory to make sure that they can ensure that the workers may have one day off per week, steadily reduce the number of overtime hours in the weekdays and pay OT compensation to the worker accordingly.

**Deadline Date:** 01/20/2009

**Supplier CAP:** We have been working hard to improve this situation, but we failed to meet all requirements at this moment. We must make massive efforts in future until we completed. Currently, in some sections, such as packing and finishing checking departments, we will assign a production task to each group, once they can complete task assigned, they can get off work in advance. In this way, workers will be motivated and work in a team, this will raise efficiency. Starting from next year, we will set up a target for all piece-rate workers, for each process. If workers can make pieces over target, unit price will be increased with number of pieces made. It is a good way to motivate workers to work more and more efficient. We will sort out workers who are paid least salaries. Their line supervisors will talk to them and ask why?
Purpose is to:

1. Alert these workers to put their attention on the production floor.
2. Help them raise productivity by strengthening production skill training.

Supplier CAP 01/20/2009

Date: 

Action Taken: 2nd Full Audit (February 25-27, 2009): The workers are paid on basis of piece rate. There is no OT compensation at present. Therefore, OT isn't compensated to the workers according to the law. The factory now reports working hours and wages monthly to H&M, in order to ensure transparency, start to collect data for analysis and write a realistic and constructive action plan how to how to tackle these issues.

Plan Complete:

Plan Complete Date:
Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

**Noncompliance**

**Explanation:** Factory fails to maintain payroll records available for 2 years or more for checking.

Law: Art. 6 of Interim Regulations on Payment of Wages: Company shall record, in writing, amount of wages paid to workers, date of payment, names and signatures of the person receiving wages. Company shall have these records available for 2 years or more for checking.

**Plan Of Action:** H&M requires the factory to provide true documentation on salaries and working hours. Transparency is one of the most important principles. Factory should maintain complete relevant document for reference.

**Deadline Date:** 01/20/2009

**Supplier CAP:** We will maintain payroll records for 2 years in future.

**Supplier CAP Date:** 01/20/2009

**Action Taken:** 2nd Full Audit (February 25-27, 2009): Factory has provided complete payroll records for review.

**Plan Complete Date:**
Wages, Benefits and Overtime Compensation: Worker Wage Access to Information

WBOT.25 Workers shall have access to understandable information from their employer about their wages and benefits. (P)

Noncompliance

Explanation: The workers have no idea of how to calculate wage and overtime compensation.

Plan Of Action: Factory should set up a clear payment system. A pay slip should be provided to all workers.

Deadline Date: 01/20/2009

Supplier CAP: We will train them about how to calculate wage and overtime compensation before they come to work.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): Based on the worker interviews, it was found that several workers still don't know how to calculate their wages.

Plan Complete: 

Plan Complete Date:
Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Noncompliance

Explanation: The employment contracts don’t indicate the working time.

Law: Article 17 of law of PRC on employment contracts: An employment contract shall specify the following matters: (1) Name, domicile and legal representative or main person in charge of Employer; (2) Name, domicile and number of resident ID card or other valid identity document of Employee; (3) Term of employment contract; (4) Job description and place of work; (5) Working hours, rest and leave; (6) Labor compensation; (7) Social insurance; (8) Labor protection, working conditions and protection against occupational hazards; and (9) Other matters which laws and statutes require to be included in employment contracts. In addition to the requisite terms mentioned above, an Employer and Employee may agree to stipulate other matters in the employment contract, such as probation period, training, confidentiality, supplementary insurance and benefits, etc.

Plan Of Action: H&M requires the factory set up complete recruitment system. The factory should provide legal labor contracts to the workers, in accordance with local law.

Deadline Date: 01/20/2009

Supplier CAP: We will indicate the working time in the new employment contracts.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory has two versions of the contracts; one is for workers who can get social insurance, another is for workers who can only get industrial injury insurance. But there is no major difference between those two versions. The working hours are mentioned in all labor contracts now.

Plan Complete:
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: 1. As per disciplinary policy review, a worker who resigns without the permission from the factory shall bear 200RMB as liquidation damages.

2. Factory will not return the air conditioner advancement to workers until July 2009, even if the workers leave the factory before July 2009.

Law: Article 25 of PRC Labor Contract Law With the exception of the circumstances specified in Articles 22 and 23 hereof, an Employer may not stipulate with Employee provisions on the bearing of liquidated damages by the Employee.

Plan Of Action: 1. H&M requires factory to set up efficient system of progressive discipline. Disciplinary actions should follow legal requirements and should be clearly communicated to all workers in writing.

2. Factory procedures must respect workers' basic rights. H&M does not accept any kind of illegal deduction or deposit from the worker.

Deadline Date: 01/20/2009
1. We will cancel this form of discipline in the disciplinary guidelines.

2. This is worker's voluntary advancement and the agreement is also signed by the both sides. The agreement showed that the factory installed air conditioning in the dormitory at the workers' request; this cost will be shared with by the workers and the factory.

**Supplier CAP Date:** 01/20/2009

**Action Taken:** 2nd Full Audit (February 25-27, 2009):

1. Rules and regulation management system of factory is incomplete. Some factory rules didn't reflect the reality. The discipline rules about worker resign didn't actually put into practice. Factory management explained that they will re-write the factory rules soon.

2. Based on interviews with factory management and workers, it was observed that the factory had gotten agreement with worker, that worker paid the cost for the air condition of dormitory in advance, and factory will return cost to worker in July 2009.

**Plan Complete:**

**Plan Complete Date:**
Forced Labor: Other - Forced Labor

Noncompliance

Explanation: Facility does not have a written policy on prohibition of Forced Labor.

Plan Of Action: H&M requires the factory set up an efficient system to prevent forced labor. The workers should have the freedom to choose to work overtime and all the rights should be clearly communicated to all workers in writing.

Deadline Date: 01/20/2009

Supplier CAP: We have a form for voluntary overtime which workers sign. We also have a new labor discipline procedure with policy on prohibition of forced labor.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): There is still no written policy on prohibition of forced labor. However, the responsible person can state the factory's worker's basic right policy in verbal.

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 the factory to ensure that workers' right to freedom of association follows legal requirements and that it is clearly communicated to all workers in writing.

Deadline Date: 01/20/2009

Supplier CAP: We will post our new labor discipline with information on workers' rights including freedom of association in our dining room.

Supplier CAP Date: 01/20/2009
2nd Full Audit (February 25-27, 2009): We encourage factory to set up its own grievance/dialogue system and worker's basic right system. Now there are 3 channels for the workers put forward their complaints:

1. Workers can talk to their supervisors if their problems can't be solved.
2. Workers can also talk with the trade union.
3. Workers now have access to suggestion box. There is a written routine for suggestion box which states it should be opened. According to management, trade union should survey the workers' opinions weekly and randomly, but no written routines mention this.

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

Other

Noncompliance

Explanation: Factory does not have policy on freedom of association.

Plan Of Action:

H&M requires the factory to ensure that workers' right to freedom of association follows legal requirements and that it is clearly communicated to all workers in writing.

Deadline Date: 01/20/2009

Supplier CAP:

We will post our new labor discipline with information on workers' rights including freedom of association in our dining room.

Supplier CAP Date: 01/20/2009
Action Taken:

2nd Full Audit (February 25-27, 2009): We encourage factory set up its own grievance/dialogue system and worker’s basic right system. Now there are three channels for the workers put forward their complaints:

1. Workers can talk to their supervisors if their problems can’t be solved.
2. Workers can also talk with the trade union.
3. Workers now have access to suggestion box. There is a written routine for suggestion box which states it should be opened. According to the management, trade union should survey the workers’ opinions weekly and randomly, but no written routines mention this.

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: The factory failed to provide training to managers and supervisors on applying appropriate disciplinary practices.

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

Deadline Date: 01/20/2009

Supplier CAP: Our general manager held a meeting to inform managers and supervisors about applying appropriate discipline practices. Next year this will be made into factory policy.
Supplier CAP 01/20/2009
Date:

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory didn’t provide sufficient training to relevant persons on applying disciplinary practices.

Noncompliance

Explanation: The facility uses monetary fines as a means to maintain labor discipline.

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

Deadline Date: 01/20/2009

Supplier CAP: We will remove this from our new labor discipline.

Supplier CAP 01/20/2009
Date:

Action Taken: 2nd Full Audit (February 25-27, 2009): It was found that some items in factory rules still use monetary fines as a means to maintain discipline in the workplace. Based on interviews with factory management and workers, the rules were never put into practice. The factory should set up practical factory rules.
Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: Factory does not establish written policy on anti-harassment and abuse.

Plan Of Action: H&M requires factory set up an efficient system of anti-harassment and abuse. System should follow legal requirements and be clearly communicated to all workers in writing.

Deadline Date: 01/20/2009

Supplier CAP: Our new labor discipline includes a policy on anti-harassment and abuse.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): There is still no written policy on harassment and abuse.

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: The factory does not register juvenile workers under labor bureau upon hiring

Law: Art. 9 of Regulations on Special Protection of Juvenile Workers: Employment of juvenile workers should be under registration.

Plan Of Action: H&M requires factory to set up an efficient recruitment system. Factory should set up complete personnel files for all the workers, ensure correct registrations are made in time and provide suitable working conditions for the juvenile workers according to law.

Deadline Date: 01/20/2009

Supplier CAP: We will register juvenile workers with labor bureau upon hiring from now on.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory still didn't make the employment registration for juvenile worker in local labor bureau.

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: The facility has no system for identifying work stations and operations that are inappropriate for young workers according to local laws.

Plan Of Action: H&M requires the factory to set up an efficient recruitment system. The factory should provide suitable working conditions for the juvenile workers. In this kind of factory set up, the machinery is not hazardous and all work stations can be occupied by juvenile workers if they are given appropriate training.

Deadline Date: 01/20/2009

Supplier CAP: We supply training to young workers and have them pass an exit exam.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory still didn't set up the system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.

Plan Complete:

Plan Complete Date:
**Child Labor: Other - Child Labor**

Other

**Noncompliance**

**Explanation:** The facility has not established a child labor policy or age verification procedure.

**Plan Of Action:** H&M requires the factory to set up an efficient recruitment system. The factory should not hire any underage workers. The factory should set up complete personnel files for all the workers and provide suitable working conditions for the juvenile workers according to the law.

**Deadline Date:** 01/20/2009

**Supplier CAP:** We will release our new labor discipline, with references to a policy on child labor and age verification procedure.

**Supplier CAP Date:** 01/20/2009

**Action Taken:** 2nd Full Audit (February 25-27, 2009): The factory had set up a clear policy about no hiring underage workers. But the written routine for recruitment is incomplete.

**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. (S)

**Noncompliance**

**Explanation:** Factory sets age limitation (16 to 45) in the recruitment policy.

Law: Art. 12 of PRC Labor Law: Laborers shall not be discriminated against in employment due to their nationality, race, gender or religious belief.

**Plan Of Action:** H&M requires the factory to set up an efficient recruitment system. The recruitment procedure should respect the people's basic right of work and ensure that no workers are discriminated due to gender, age or ethnic background.

**Deadline Date:** 01/20/2009

**Supplier CAP:** There is no top age limit actually, so we will cancel it from our discipline.

**Supplier CAP Date:** 01/20/2009

**Action Taken:** 2nd Full Audit (February 25-27, 2009): The age limitation (16 to 45) is still in the recruitment policy.

**Plan Complete:**

**Plan Complete Date:**
**Code Awareness:**

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

**Noncompliance**

**Explanation:** 1. H&M’s Code of Conduct is not posted in the workshop. 2. H&M fails to provide training on Code elements to factory workforce.

**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. It is the responsibility of supplier to ensure all subcontractors informed of our code requirements. All production units where processes of refining H&M products takes place must pass compliance audit prior to receiving first order. During this occasion, subcontractor is further informed of our requirements, and has opportunity to ask questions for clarification. Generally we do not require our Code of Conduct to be posted in factory. In case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers, for example through a handbook for the workers or on the notice board. During follow-up visits we continuously evaluate the factory’s internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if these comply with local legislation and our Code of Conduct.

**Deadline Date:** 01/20/2009

**Supplier CAP:** We have posted an old edition of our disciplinary code in our dining room where all the workers can see it. Next year we will post our new edition as usual.

**Supplier CAP Date:** 01/20/2009

**Action Taken:** 2nd Full Audit(February 25-27, 2009): Factory is working on make a training DVD for the new worker training which will mention some issue about worker's basic right. It is planned to be finished in October 2009.
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: The facility has no policy on Health and Safety.


Plan Of Action: H&M requires that safety in the factory is maintained according to local law and our Code of Conduct. The factory should set up the health and safety policy as a guideline and put it into practice respectively.

Deadline Date: 01/20/2009

Supplier CAP: We will release our new labor discipline with policy on Health and Safety after the holiday.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory has a health and safety policy that it aims to implement two things:

1. Ensure that all workers has a healthy and safe working condition.

2. Cater to the clients' requirements.
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: 1. 1 of 2 exits of the knitting workshop on third floor doesn't have an emergency light.

2. 1 of the 2 exits of the ironing workshop on the fourth floor doesn't have an emergency light.

Law: Art. 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87): Employer shall install emergency lights on evacuation passages, exits and stairwells.

Plan Of Action: H&M requires that safety in the factory is maintained according to local law and our Code of Conduct and we encourage the factory to set up and maintain a comprehensive H&S system. During our audits we regularly check that the H&S routines are followed and that safety requirements are met.

Deadline Date: 01/20/2009

Supplier CAP: The emergency lights on the third and fourth floor were fixed in Nov. 2008. We will check the reliability of all equipment regularly.

Supplier CAP Date: 01/20/2009
**Action Taken:**
2nd Full Audit (February 25-27, 2009): The emergency lights were installed in the exits of the workshop and warehouse accordingly.

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**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:** The factory does not provide training on chemical safety use to workers.

**Law:** Regulations for Safe Use of Chemicals in the workplace, Art.20: The information concerning H&S when utilizing hazardous chemicals shall be open to the employees. And employees shall be trained to recognize safety labels, understand technical directions and master necessary means to deal with emergency and save themselves. Besides, there shall be regular training on how to use chemicals safely in the workplace.

**Plan Of Action:**
H&M requires the factory to develop a system to ensure chemical handling in the factory is always in line with local law and our Code of Conduct and make sure these are clearly communicated to the workers.

**Deadline Date:** 01/20/2009

**Supplier CAP:**
We will train the new workers on chemical safety use.

**Supplier CAP Date:** 01/20/2009
Action Taken: 2nd Full Audit (February 25-27, 2009) e-mail confirmation: The factory has provided the chemical training to workers. Latest training was on March 14, 2009. The factory sent us their related training photos which should be confirmed for next follow up.

Plan Complete:

Plan Complete Date:

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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: The factory does not post MSDS in the washing workshop or chemical storage room.

Law: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe use of chemical materials in Production area: The chemical materials used in factory should have labels. Dangerous chemical materials should bear safety labels. MSDS should be offered to workers who use it.

Plan Of Action: H&M requires factory to develop a system to ensure chemical handling in the factory is always in line with local law and our Code of Conduct and make sure these are clearly communicated to the workers. MSDS, as a professional standard, should be available both in the storage and handling area.

Deadline Date: 01/20/2009

Supplier CAP: We will post MSDS from the supplier in the washing room and chemical storage room.

Supplier CAP Date: 01/20/2009
Action Taken: 2nd Full Audit (February 25-27, 2009): The complete MSDS is available in both workplace and warehouse now.

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: The factory does not provide training on machinery safety for the workers.

Law: Factory Safety Laws: The company should provide training on H&S to all employees.

Plan Of Action: H&M requires factory to provide healthy and safe working conditions to workers. The relevant production machines should be equipped with proper protective devices and workers should be trained how to maintain this equipment and why this is important.

Deadline Date: 01/20/2009

Supplier CAP: We will carry out training on machinery safety use to the new workers.

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory is making a video about machine safety operation for worker’s orientation training.
Plan Complete:

Plan Complete Date:

Hours of Work: Rest Day
HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: As per sampled time record, in August workers from knitting, hand sewing, ironing and packing departments worked consecutively 13 days; workers from material warehouse, finishing departments worked consecutively 15 days. In September, workers from finishing, ironing department worked consecutively 13 days; workers from material warehouse, knitting, hand sewing and packing departments worked consecutively 16 days. In October, workers from material warehouse, knitting, hand sewing ironing, finishing and packing departments worked consecutively 15 days.

Law: Art. 38 of PRC Labor Law: Employer shall guarantee that its laborers have at least one day off per week. Reply to Questions on Working Hours, Art.9: a) The employer shall negotiate with union and employees on how to implement the system of comprehensive calculated working hours; b) taking manual work regulated as the third level or higher level, laborers shall not work consecutively exceeding 11 hours a day, and at least have a day off a week.

Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and requires the factories to always provide the correct attendance records and salary lists. The long-term aim is to through improved production planning and efficiency steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to ensure that workers may have 1 day off per week and reduce the number of overtime hours in the weekdays.

Deadline Date: 01/20/2009
Some ways, as listed below, that we can reduce the overtime in the short and long run:

1. We make sure all overtime on evenings and weekends is voluntary.

2. Evaluate cooperation between different departments, such as cooperation between knitting and linking and finishing, which is to make sure these departments can work together efficiently.

3. Evaluate performance in material sourcing, accessories purchasing, merchandising, production planning, order confirmation so we can minimize amount of time wasted. By doing this, there will be more time for production.

4. In 2009, we will have a new factory with over 1000 workers as we planned, therefore, this new unit will substantially assist to make production for us, we believe that the OT hours can be decreased.

5. Arrange training courses for unskilled worker. This will help reduce overtime to 80-90 hours in the peak months.

6. We will increase production efficiency and decrease OT hours, shorten the overtime to 70~80 hours in the peak months (August to October).

Supplier CAP Date: 01/20/2009

Action Taken: 2nd Full Audit (February 25-27, 2009): The factory now reports working hours and wages monthly to H&M, in order to ensure transparency, start to collect data for analysis and work on realistic and constructive action plans how to how to tackle these issues. Based on the time record from December 2008 to February 2009, it still found workers worked consecutive more than 7 days per week which exceed legal limit.

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:**

1. As per sampled time record from August, workers from material warehouse, finishing and packing departments worked 4 hours daily overtime. In September, workers from the knitting, material warehouse and finishing departments worked 4 to 6.5 hours daily overtime; workers from hand sewing department worked 3.5 to 7 hours daily overtime; workers from packing department worked 3.5 to 6 hours daily overtime; ironing 4 to 6 hours daily overtime; workers from sampling department worked 4 to 5 hours daily overtime.

2. As per sampled time record from August, workers from the hand sewing and ironing departments worked maximum 68 hours per week; workers from material warehouse, finishing worked maximum 69 hours per week; workers from packing department worked a maximum of 73.5 hours per week. In September, workers from knitting worked maximum of 84 hours per week; workers from hand sewing worked maximum of 95 hours per week; workers from material warehouse worked maximum 84 hours per week; workers from finishing worked maximum of 88.5 hours per week; workers from packing worked maximum of 78.5 hours per week; workers from ironing worked maximum of 81.5 hours per week; workers from sampling worked maximum of 83 hours per week. In October, workers from knitting worked maximum of 84 hours per week; workers from hand sewing, packing and finishing worked maximum of 97 hours per week; workers from material warehouse worked maximum 93 hours per week; workers from ironing worked maximum of 80 hours per week; workers from sampling worked maximum of 66.5 hours per week.
3. As per sampled time records, the amount of quarterly overtime (August to October) reached up to 372 hours, exceeding 108 hours.

Law: Reply to Questions on Working Hours, Art.5: Providing system of comprehensively calculated working hours executed, in period of comprehensively calculated working hours, actual working hours could exceed 8 hours (or 40 hours) on specific day (or week). But total actual working hours shall be no more than total normal working hours regulated by law. The excess part shall be regarded as overtime and paid according to Art.44.1 of PRC Labor Law. If employee asked to work on legal holidays, overtime payment should be paid as regulated by Art.44.3 of PRC Labor Law. Besides, average hours of overtime each month shall be no more than 36 hours. Art. 41 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Employees should not be allowed to work more than 3 overtime hours per day and 36 overtime hours per month.

Plan Of Action: H&M is, first and foremost, interested in being shown the true situation in the factory and requires factories to always provide the correct attendance records and salary lists. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to ensure that workers may have one day off per week and reduce the number of overtime hours in the weekdays.

Deadline Date: 01/20/2009

Supplier CAP:

1. We will ensure that all overtime on evenings and weekends is voluntary

2. Evaluate cooperation between different departments, such as cooperation between knitting and linking and finishing, which is to make sure these departments can have good teamwork and run smoothly.

3. Evaluate the performance in material sourcing, accessories purchasing, merchandising, production planning, order confirmation, for minimizing the time wasted, by doing this, it will leave more time to production.

4. In 2009, we will have a new factory with over 1000 workers. This new unit will substantially assist in making production more efficient. We believe that the OT hours can be decreased.

5. We will arrange training courses for unskilled workers. By doing this we hope to shorten the overtime to 80-90 hours in the peak months.

6. We will increase production efficiency and decrease OT hours, shorten the overtime to 70 to 80 hours in the peak months (August to October).
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Supplier CAP 01/20/2009

Date:

Action Taken: 2nd Full Audit (February 25-27, 2009): Based on their documents and our report on wage and OT analysis, average OT hours of December 2008 and January 2009 exceed legal limits.

Plan Complete:

Plan Complete Date:

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**Hours of Work: Annual Leave**

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

**Noncompliance**

**Explanation:** Workers are not provided with paid annual leave.

Law: Art 3 of Announcement of State Council on Regulations of Paid Annual Leave of Employees: Where employee served 1 full year but less than 10 years accumulatively, he is entitled to 5 days of annual leave. If he has served 10 full years but less than 20 years, annual leave is 10 days. If he has served for 20 full years, annual leave is 20 days.

**Plan Of Action:** H&M requires that workers' basic right of leave is respected, in accordance with the law. The factory should provide legal paid leave to the worker respectively.

Deadline Date: 01/20/2009

Supplier CAP: We will find good way to serve paid annual leave to the workers.

Supplier CAP 01/20/2009

Date:
Action Taken: 2nd Full Audit (February 25-27, 2009): The factory usually arrange the workers about ten days leaves during Chinese New Year, but no annual leave compensation.

Plan Complete:

Plan Complete Date: