COMPANY: H&M Hennes & Mauritz AB
COUNTRY: China
FACTORY CODE: 440015829G
MONITOR: Level Works Limited
AUDIT DATE: September 11 – 12, 2008
PRODUCTS: Garments
PROCESSES: Cutting, Sewing, Pressing, Inspection, Packing
NUMBER OF WORKERS: 135
CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses ___________ 3
Wages, Benefits and Overtime Compensation: Minimum Wage _______________________________ 4
Wages, Benefits and Overtime Compensation: Payment for All Hours Worked _______________ 6
Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments ________ 7
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation __________ 8
Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness ___________ 10
Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation ___________________________________________ 11
Wages, Benefits and Overtime Compensation: False Payroll Records ________________________ 12
Wages, Benefits and Overtime Compensation: Record Maintenance __________________________ 13
Forced Labor: Other - Forced Labor ________________________________________________________ 15
Freedom of Association: Right to Freely Associate ___________________________________________ 17
Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs ___________________________________________________ 18
Freedom of Association: Other - Freedom of Association and Collective Bargaining ___________ 19
Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers ___________ 20
Harassment or Abuse: Discipline/Monetary Fines and Penalties ____________________________ 21
Harassment or Abuse: Other - Harassment or Abuse __________________________________________ 22
Child Labor: Employment of Young Workers ________________________________________________ 23
Child Labor: Young Worker Identification System ____________________________________________ 24
Child Labor: Other - Child Labor __________________________________________________________ 25
Non-Discrimination: Other - Non-Discrimination _____________________________________________ 26
Code Awareness: ______________________________________________________________________ 27
Code Awareness: ______________________________________________________________________ 28
Health and Safety: Health and Safety Management System ___________________________________ 29
Health and Safety: Communication to Workers _____________________________________________ 30
Health and Safety: Permits and Certificates ___________________________________________________________________________________________ 31
Health and Safety: Evacuation Requirements and Procedure __________________________________ 33
Health and Safety: Safety Equipment and First Aid Training ________________________________ 36
Health and Safety: Personal Protective Equipment ____________________________________________ 37
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance ________________ 38
Health and Safety: Machinery Maintenance and Worker Training ____________________________ 39
Health and Safety: Drinking Water _________________________________________________________ 40
Hours of Work: Rest Day ________________________________________________________________________________ 41
Hours of Work: Time Recording System ____________________________________________________ 43
Hours of Work: Overtime/Reduced Mandated Overtime ______________________________________ 44
Hours of Work: Annual Leave/Determination ___________________________________________________ 45
Hours of Work: Other - Hours of Work ________________________________________________________ 46
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." As per document review and management interview, it was noted all workers participated in disability caused by work-related injury or occupational disease insurance. However, only 32 of 135 workers participated in childbearing, retirement and unemployment insurances. Furthermore, there were no workers who had participated in illness or injury insurance. As per 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 that factories manufacturing H&M products to follow the law in all aspects of their operations. This includes following national and local regulations on social benefits. We work continuously with these factories in order to ensure that the workers are provided with the social benefits they are entitled to. Our minimum requirement is that all workers are at least covered by injury insurance. Furthermore we will ask the factory to draft a correction plan on how to gradually increase the number of workers covered by full social insurance.

Deadline Date: 02/20/2009

Supplier CAP: Injury insurance should cover all employees accordingly. The factory will make improvements ASAP. As for the other forms of insurance, we have already met the local government's requirements for 2008.
Wages, Benefits and Overtime Compensation: Minimum Wage

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

Noncompliance

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

Deadline Date: 11/20/2008
Starting from July 2008, all the payrolls were kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Wages, Benefits and Overtime Compensation: Payment for All Hours Worked
WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

Deadline Date: 11/20/2008

Supplier CAP: Starting from July 2008, all the payrolls were kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP Date: 11/20/2008

Action Taken:

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

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

Noncompliance

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

Deadline Date: 11/20/2008
Starting from July 2008, all the payrolls were kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP Date: 11/20/2008
Action Taken:
Plan Complete:
Plan Complete Date:

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation
WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.
Plan Of Action: H&M is first and foremost interested in being shown the true situation in the factory and requires the factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or false documents is a violation of H&M’s basic requirements of transparency. The workers should be ensured minimum wages for normal working hours, be provided enough time to rest between each work shift and have at least one day off per week. All overtime should be voluntary, and compensated according to the law. We have requested the factory provide us with a corrective action plan on how to, in a sustainable manner, reduce the overtime and ensure correct compensation for all working hours.

Deadline Date: 11/20/2008

Supplier CAP: Starting from July 2008, all the payrolls were kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness

WBOT.11 Workers shall be informed, orally and in writing, about overtime compensation rates prior to undertaking overtime. (P)

Noncompliance

Explanation: The workers were not informed about overtime compensation rates prior to undertaking overtime.

Plan Of Action: H&M requires factory to inform all workers in advance about the salary calculation. It is important that correct wages paid on time and at a fixed date. Workers should always be given a clear and correct pay slip in order for them to be able to verify their wages.

Deadline Date: 02/20/2009

Supplier CAP: The factory will revise the employee manual to include the details on overtime compensation.

Supplier CAP Date: 02/20/2009

Action Taken:

Plan Complete:

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

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

Noncompliance

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

Deadline Date: 11/20/2008

Supplier CAP: Starting from July 2008, all payrolls kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP Date: 11/20/2008

Action Taken: Plan Complete:
WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

**Noncompliance**

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

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

**Deadline Date:** 11/20/2008

**Supplier CAP:** Starting from July 2008, all payrolls kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.
**Supplier CAP**  11/20/2008

**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:** 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 his/her payroll when they pay wages. It was noted that factory did not provide payroll records before July 2008 (Remarks: Factory stated that payroll records before July 2008 had been bound into factory account book, so these records could not be provided to auditor for review.) and piece rate records (Remarks: Factory stated these records were their confidential commercial information, so could not be provided to auditor for review.) to auditor for review, and factory had not kept attendance records before June 2008 in factory.

**Plan Of Action:** H&M always requires that the true and accurate documents, such as payrolls and attendance records, are provided to auditors for review, and that these are kept for at least one year. Not providing these documents during an audit is seen as a serious violation of H&M's Code of Conduct, and as a case of non-cooperation. This will be addressed with the supplier as well as the factory management.

**Deadline Date:** 07/31/2008
Starting from July 2008, the factory has kept the payroll records and was requested to keep 2 years at least.

Supplier CAP: 07/31/2008
Action Taken:
Plan Complete:
Plan Complete Date:
Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: It was noted that all interviewed workers were not aware of the legal mandated benefits and 9 out of 25 interviewees were not aware of their wages and benefits.

Plan Of Action: H&M requires the factory to inform all workers about their legal rights and responsibilities, as well as the wage calculation method and employee benefits. This training can be conducted orally, but the factory should also provide a written version. Contracts should clearly indicate the wages, and all workers should be given a clear and accurate pay slip each month.

Deadline Date: 12/01/2008

Supplier CAP: We will start giving each worker a pay slip that is to be signed by the worker.

Supplier CAP Date: 12/01/2008

Action Taken: 

Plan Complete: 

Plan Complete Date:
Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: The factory did not have a prohibition of forced labor policy.

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

Deadline Date: 11/20/2008

Supplier CAP: We now have a policy prohibiting forced labor. This has been posted in the workshop.

Supplier CAP Date: 12/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members’ assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

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

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken:
Plan Complete:

Plan Complete
Date:

Freedom of Association: 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: Trade union representative candidates were assigned by management, and then factory workers elected trade union representatives from these candidates, but the factory could not provide relevant election documents. Trade union was newly founded, and all procedures had not been finished yet. The factory stated that all documents were sent to be censored. All interviewees reported that they know nothing about trade union.

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

Deadline Date: 03/31/2009

Supplier CAP: Trade union representatives and the committees will be elected freely by the workers. Factory has a voting system that has been given to the workers for review. We will keep the relevant records in the future. The next vote will be arranged in March 2009.

Supplier CAP Date: 03/31/2009

Action Taken:
Noncompliance

Explanation: The factory did not have a written policy recognizing and respecting freedom of association and collective bargaining.

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

Deadline Date: 11/20/2008

Supplier CAP: We have posted freedom of association and collective bargaining procedures on bulletin board in factory. In addition, we will make necessary communication with workers for their understanding they have right to freedom of association and collective bargaining.

Supplier CAP Date: 11/20/2008
Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: It was noted that no records of disciplinary procedures were kept on the premises.

Plan Of Action:

- H&M requires factory to inform all workers about their legal rights and responsibilities.
- This training should be conducted orally, but factory should also provide workers with a written version of these policies. We encourage factory to create a clear policy and procedures to ensure a system of progressive discipline in factory. All disciplinary actions should be clearly recorded and documented. Under no circumstances do we accept that our suppliers or their subcontractors use corporal punishment or other forms of mental or physical disciplinary actions.

Deadline Date: 11/20/2008

Supplier CAP: We will keep the relevant records from now on.

Supplier CAP Date: 11/20/2008

Action Taken:

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: The factory is using monetary fines as a means to maintain discipline. For example, anyone who is late for work would be fined RMB 5.00 to RMB 20.00; anyone who brings children to factory would be fined RMB 50.00.

Plan Of Action: H&M never accepts any unfair salary deductions. When salary deductions are used as disciplinary actions, these should be within legal limit and based on formal, written factory rules and regulations. It is factory's responsibility to ensure that rules are clear, fair, and properly communicated to all employees in factory. We encourage factory to work with incentive based systems rather than maintaining labor discipline through a system of deductions.

Deadline Date: 12/20/2008

Supplier CAP: The factory will guarantee that in case where monetary fines are used as a disciplinary measure. These will be reasonable and not exceed 20% of worker's wage.

Supplier CAP Date: 12/20/2008

Action Taken:

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

Other

Noncompliance

Explanation: The factory did not have a harassment and abuse policy.

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

Deadline Date: 11/20/2008

Supplier CAP: We have posted the harassment and abuse policy on bulletin board.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Child Labor: Employment of Young Workers

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

Noncompliance

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

Plan Of Action: We require factory to follow all relevant laws concerning protection of juvenile workers. We encourage factory to write a 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 order to implement these measures, we always require factories producing garments for H&M to separate juvenile workers personnel files from the rest. We will urge factory to register all juvenile workers at local labor department. During our next audit, we will verify whether this has been done. We will also review factory’s internal systems for managing juvenile workers.

Deadline Date: 12/20/2008

Supplier CAP: All juvenile workers will be provided physical exam. ID card copies and employment contracts will be sent to local labor department for registration. Registration record will be sent to head of labor department for their record, and 1 copy is to be kept in factory.

Supplier CAP Date: 12/20/2008

Action Taken: Plan Complete: Plan Complete Date:
Child Labor: Young Worker Identification System

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

Noncompliance

Explanation: The factory did not have a system for identifying work stations and operations that are inappropriate for young workers, according to applicable laws.

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

Deadline Date: 11/20/2008

Supplier CAP: We will develop the system to ensure suitable positions for juvenile workers. They will be assigned with light and simple tasks.

Supplier CAP Date: 11/20/2008
Child Labor: Other - Child Labor

Other

**Noncompliance**

**Explanation:** The factory did not have a child labor policy.

**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. During our audits and follow ups we continuously check the factories' progress regarding improving management systems such as recruitment and HR systems.

**Deadline Date:** 12/20/2008

**Supplier CAP:**
We will set up an employment system. New workers will be required to submit the original ID card for age check up before employment.

**Supplier CAP Date:** 12/20/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**
Non-Discrimination: Other - Non-Discrimination

Noncompliance

Explanation: The factory did not have a non-discrimination policy.

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

Deadline Date: 11/20/2008

Supplier CAP: We have posted the non-discrimination policy on bulletin board.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
**Code Awareness:**

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

**Noncompliance**

**Explanation:** The company did not provide a Code of Conduct to the factory, and the factory did not post any of its own standards; at the same time, Company (H&M) had not communicated Code obligations to management and workforce or the association with FLA with the factory; workers were not aware of H&M and its 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 the CoC Guidance that we distribute to all our suppliers. Through these channels, our suppliers are also informed of our affiliation with the FLA and the requirements for the IEM process. It is the responsibility of the supplier to ensure that all subcontractors are 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 the 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 Code of Conduct to be posted in the factory. In the case that a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers, for example through a handbook for the workers or on the notice board. During follow-up visits we continuously evaluate the factory’s internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if these comply with local legislation and our Code of Conduct. In our meetings with the supplier and factory management we will bring up our association with FLA, and the implications of this for the factory.

**Deadline Date:**

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:**
Plan
Complete:

Plan
Complete
Date:

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

Noncompliance

Explanation: The factory workers were not provided a noncompliance reporting mechanism which allows them to contact the Company.

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

Deadline
Date:

Supplier
CAP:

Supplier CAP
Date:
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 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).

Plan Of Action: H&M requires the factory to develop policies and systems to ensure health and safety conditions 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, for example through a handbook. This should include a system to ensure that a safe working environment without risks for health implications is provided for all workers.

Deadline Date: 02/20/2009

Supplier CAP: The system is under arrangement. We will make improvements ASAP.

Supplier CAP Date: 02/20/2009
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 the factory to develop policies and systems to ensure health and safety conditions in the factory are in accordance with local law and our Code of Conduct. The factory must make sure these laws are clearly communicated to the workers. The factory should include a system to ensure that a safe working environment, one without risks for health implications, is provided for all workers.

Deadline Date: 02/20/2009

Supplier CAP: We will hold the training to the workers and establish the health and safety policy ASAP.
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. In accordance with PRC Fire Service Law article 10, “Fire services department shall conduct inspection of building when construction is completed. Building shall not be used, if inspection had not been conducted or when such building had not passed the inspection.” It was noted there was no fire service inspection certificate provided by factory. (Remarks: Factory stated production building rented from village committee, and village committee could not provide fire service inspection certificate to them.)

2. In accordance with Special Appliance Quality Safety Monitoring Regulation article 25, operating unit with special appliance shall apply registration for special appliance from Special Appliance Quality Safety Monitoring Department of municipality city or above, before they are used or after they have been used for 30 days. The approved registration certificate/letter for special appliance should be affixed at relevant special appliance. It was noted factory did not register its boiler at the local Special Appliance Quality Safety Monitoring Department.

3. In accordance with Special Appliance Quality Safety Monitoring Regulation article 28, operating unit with special appliances should follow requirements of Quality Technical Monitoring Administration Department, to apply for regularly inspection at Special Appliance inspection unit 1 month before expiry date of safety inspection approval. After application, Special Appliance inspection unit shall follow requirements of Quality Technical Monitoring Administration Department to carry out inspection on time. Special Appliance shall not be used when it has not undergone regular inspection or if it failed inspection. It was noted that factory did not have an effective inspection certificate of competency on boiler.
4. In accordance with PRC Food Hygiene Law article 26, staff working in connection to food, must obtain related training and pass health exam and obtain health certificates before starting work. It was noted that health certificate of staff working in kitchen expired April 29, 2008.

5. In accordance with Environmental Impact Assessment Law of PRC Article 16, state conducts systematic management over environmental impact assessment of construction projects in accordance with degree of impact on environment. Construction units shall compile Environmental Impact Report, Environmental Impact Report Form or fill out Environmental Impact Registration Form (hereinafter referred to as Environmental Impact Assessment Documents) under the following rules: (1) For those that may cause heavy environmental impact, Environmental Impact Report shall be compiled, and the environmental impact produced shall be fully assessed. (2) For those that may cause slight environmental impact, Environmental Impact Report Form shall be compiled, and the environmental impact produced shall be analyzed or specially assessed. (3) For those that have very little environmental impact and do not need any environmental impact assessment, Environmental Impact Registration Form shall be filled out. Construction projects' systematic management directory of environmental impact assessment made and published by environmental protection administration agency under State Council. It was noted that construction units did not fill out Environmental Impact Registration Form as per above mentioned rules.

Plan Of Action: H&M always requires that our factories are operating in a legal fashion, and are in possession of all relevant certificates, as required by national law or local legislation. These certificates will be reviewed during our next audit at the factory, and the factory will be urged to apply for any missing certificates.

Deadline Date: 11/20/2008

Supplier CAP: 1: We have applied to the relevant department for fire service inspection.

2, 3: Under application of the certificate of the boiler

4: Under application of the health certificate of the kitchen staff.
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. In accordance with PRC Fire Service Law article 14(6), enterprises and business units shall ensure that all evacuation passages and emergency exits are clear, and posted with fire safety evacuation signs. It was noted that

a) There were too many work materials around workers in finishing section on second floor of production building that blocked passageway of workers in event of evacuation.

b) The aisles in sewing section on the third floor of the production building were blocked by substances between the two production lines.

c) 1 out of the 2 emergency exits on the first floor of the production building was locked.

2. 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 accessories warehouse, cutting section and one out of two emergency exits on each floor of dormitory building.

3. In accordance with the PRC Fire Service Law article 14(6), enterprises and business units shall ensure that all evacuation passages and emergency exits are clear, and affixed with fire safety evacuation signs. It was noted that no exit sign was affixed at the emergency exits in cutting section and one out of two emergency exits on 2/F of dormitory building.
4. In accordance with Fire Safety of Building Design Regulation (GB50016-2006) article 7.4.12, evacuation doors shall conform to the following requirements:

A. Evacuation doors of civil buildings and factory buildings shall open to the direction of evacuation. For those rooms that contain less than 60 persons in a room and the average evacuation capacity for each door of room is not more than 30 persons (except factory buildings of class A and B), there is no limitation in opening direction of the doors.

B. Evacuation doors of civil buildings and factory buildings shall be flush doors. Pulling and pushing doors, roller doors, hanging doors and revolving doors shall not be used.

C. Doors of warehouses shall be flush doors open outward. Pulsing and pushing doors or roller doors may be set up on exterior side of their walls, but pulling and pushing doors or roller doors shall not be used as doors of warehouse storing materials of class A and B.

D. Evacuation doors in densely populated sites where personnel is controlled to enter or exit at the usual time, or outside doors of residential buildings installed with access control systems shall be ensured that they are easy to open from inside without any tools like a key in case of fire, and signs and tips for use shall be set up on the remarkable position. It was noted that one door as emergency exit on the third floor of the production building opened in the opposite direction of evacuation.

**Plan Of Action:**

H&M requires that safety in factory as well as dormitory maintained according to local law and our Code of Conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of, and trained in, fire safety and evacuation. Workers should also have relevant training with fire extinguishers, fire alarms, evacuation plans and emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory. During every audit we perform a factory inspection where all relevant safety aspects are checked. During our next audit we will again address and assess the factory’s internal safety management system.

**Deadline Date:**

11/20/2008
Supplier CAP:

1: Posted fire regulations on bulletin board. Management will pay more attention to make sure that no aisles or exits blocked or locked. We will appoint a responsible person to monitor.

2: Under improvement.

3: Under improvement.

4: This emergency exit will be fixed open when production is taking place in workshop.

Supplier CAP 11/20/2008

Date:

Action Taken:

Plan Complete:

Plan Complete Date:
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: In accordance with the Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005) article 5.1.1, "Fire extinguisher shall be installed in the distinct and easily accessed location, and shall not hinder the safety evacuation." It was noted that 4 fire extinguishers and 3 fire hydrants (2 fire extinguishers and 1 fire hydrant on the 3rd floor of the production building, 1 fire extinguisher and 1 fire hydrant on the 2nd floor of the production building and 1 fire extinguisher and 1 fire hydrant on the 1st Floor of the production building,) were blocked by goods.

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. The workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation, and all relevant equipment such as fire extinguishers, fire alarms, evacuation plans and emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory. During every audit, we perform a factory inspection where all relevant safety aspects are checked.

Deadline Date: 11/20/2008

Supplier CAP: We will make sure there is enough space around the fire extinguishers to make sure they are not blocked.

Supplier CAP Date: 11/20/2008
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: No sign or diagrams were posted in the factory to indicate the need for PPE.

Plan Of Action: H&M requires the factory to provide workers with relevant personal protective equipment, depending on work process. In addition, the factory must also provide oral and written training (in the local language) on the use of this equipment.

Deadline Date: 11/20/2008

Supplier CAP: The factory is currently working towards this goal.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance
H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: In accordance with Rules Concerning Warehouse Safety and Fire Control, Article 38, for warehouses that store goods of category C, "High temperature lighting fixtures shall not be used, e.g. iodine-tungsten lamps and incandescent lamps of more than 60W. When low temperature lighting fixtures, e.g. daylight lamps, and other flame-retardant lighting fixtures are 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, herbal medicines, TV sets, recorders, other electronic products, disks with recorded data of computer rooms, fish and meat in refrigerator.)" It was noted factory using ordinary fluorescent lights in the accessories warehouse on the 1st floor of production building.

Plan Of Action: H&M requires that safety in factory, as well as dormitory, maintained according to local law and our Code of Conduct. Workers' safety should be a priority at all times. Factory should establish its own internal fire safety management system, in order to minimize the risk of fire hazards in the production facilities as well as dormitories and canteen. We have raised the issue of the lightning source in the warehouse with the factory.

Deadline Date: 11/20/2008

Supplier CAP: We have installed a different brand of lights.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Health and Safety: Machinery Maintenance and Worker Training

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

Noncompliance

Explanation: In accordance with Safety Manufacturing Law article 29, "The design, manufacture, installation, application, inspection, maintenance, repair of and safety facilities shall comply with the national or industrial standards. Manufacturing units shall maintain and inspect the safety facilities regularly to ensure they are in good working conditions. Maintenance and inspection records should be properly maintained and assigned to relevant staff." It was noted that:

a) No safety belt guards were equipped to 4 sewing machines in sewing section on the 3rd floor of the production building.

b) Safety eye shields were not available for 2 overlocking machines (1 in sewing section and 1 in sample making room.).

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

Deadline Date: 09/13/2008

Supplier CAP: Safety belt guards and safety eye-shields were installed two days after the audit.

Supplier CAP Date: 09/13/2008

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

Noncompliance

Explanation: The drinking water station was installed at an unsanitary location near the toilets.

Plan Of Action: H&M requires factories to maintain clean and healthy working environment. Workers should be guaranteed supply of clean drinking water at all times. If drinking water is too close to toilets, we will urge factory to move water station to a more suitable location.

Deadline Date: 11/20/2008

Supplier CAP: The water station has been moved to another location.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
**Hours of Work: Rest Day**

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

**Noncompliance**

**Explanation:** Factory provided attendance and payroll records were undependable and unverifiable; therefore, compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified. Based on randomly selected time records, it was noted all workers had worked 11 consecutive days without 1 day rest July 28, 2008 to August 7, 2008, and 7 consecutive days without 1 day rest August 10 – 16, 2008. While in other months, all workers' were entitled at least 1 day rest in a 7 day period. However, the provided time records inaccurate and incomplete causing audit team to not fully determine workers' actual overtime hours.

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

**Plan Of Action:** H&M is first and foremost interested in being shown the true situation in the factory and requires the factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or fake documents is a violation of H&M's basic requirements of transparency. Workers should be provided enough time to rest between each work shift, and have at least 1 day off per week. All overtime should be voluntary, and compensated according to law. We have requested the factory provide us with a remediation plan on how to, in a sustainable manner, reduce overtime. Our aim is to, through dialogue with factory, establish a system to reduce the OT to meet legal limit of OT hours per month and provide compensation for all OT hours according to law. Long term aim is to reduce the overtime hours through improved production planning and efficiency. In short term, we require factory to ensure workers have 1 day off per week, and reduce number of overtime hours on weekdays. Target for 2009 is therefore to measure the first steps to making progress.

**Deadline Date:** 07/31/2008
**Supplier CAP:**

Starting from July 2008, all payrolls kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

<table>
<thead>
<tr>
<th>Supplier CAP</th>
<th>08/31/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td></td>
</tr>
<tr>
<td>Action Taken:</td>
<td></td>
</tr>
<tr>
<td>Plan Complete:</td>
<td></td>
</tr>
<tr>
<td>Plan Complete Date:</td>
<td></td>
</tr>
</tbody>
</table>
Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

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

Supporting evidence/source: Production records (such as, Broken Needle Records and Daily Production Records) showed workers from sewing, cutting and pressing sections worked June 29, 2008; July 6, 7, 13, 2008; August 9, 24 and 31, 2008 (Monday, Saturday and Sundays); but these Monday, Saturday and Sunday working hours were not indicated on workers' time attendance records; moreover, there is no information showed on payroll records to demonstrate these working hours were been paid by factory. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: H&M is first and foremost interested in being shown true situation in factory and requires factory to record all working hours and provide correct attendance records and salary lists at all times. Providing incomplete or false documents is a violation of H&M's basic requirements of transparency. We continuously work with these issues through communication with our suppliers and factories, and we also perform non-audit activities such as evening visits, pay day visits and Sunday visits to better understand the true situation in the factories.

Deadline Date: 07/31/2008

Supplier CAP: Starting from July 2008, all payrolls kept safely. We will start using both handwritten and electronic attendance records, and these will be checked on a regular basis.

Supplier CAP Date: 07/31/2008

Action Taken:

Plan Complete:
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)

Uncorroborated Evidence of Noncompliance

Explanation: 1 worker reported involuntary overtime hours.

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

Deadline Date: 11/20/2008

Supplier CAP: We now have a policy prohibiting forced labor as well as a policy guaranteeing that overtime is voluntary.

Supplier CAP Date: 11/20/2008

Action Taken:

Plan Complete:

Plan Complete Date:
Hours of Work: Annual Leave/Determination

HOW.15 Employers shall not impose any undue restrictions on workers' use of annual leave. The time at which annual leave is taken is determined by the employer in consultation with the worker, taking into account work requirements and the opportunities for rest and relaxation available to the worker. (S)

Noncompliance

Explanation: Workers could only take annual leave during the Chinese New Year period.

Plan Of Action: H&M requires the factory to grant workers all leaves that they are entitled to according to the law. Any worker that has worked for more than one year should always be entitled to at least 5 days of paid annual leave. We do not accept that annual leave is restricted to Chinese New Year period, and will urge the factory to revise its policy. Workers must be guaranteed their legal right to, in consultation with management, ask for and be granted annual leave throughout the year. We will follow up on how this policy is implemented and communicated with the workforce.

Deadline Date: 02/20/2009

Supplier CAP: The factory arranges annual leave during Chinese New Year because it is easier for the management. However, if any worker wants to take vacation during any other time period, they can apply at anytime. We will add vacation application procedure to the worker handbook in 2009.

Supplier CAP Date: 03/20/2009

Action Taken:

Plan Complete:

Plan Complete Date:
Noncompliance

Explanation: In accordance with Provisional Regulations for Payment of Wages article 6, employing units shall record in writing the amount of wages paid to workers, date of the payment, names and signatures of the persons who receive wages. The units shall keep them for two years or more for examination. Employing units shall also provide workers with a copy of his/her payroll when they pay wages. It was noted that the factory had not kept attendance records before June, 2008.

Plan Of Action: H&M always requires that the true and accurate documents such as payrolls and attendance records are provided to auditors for review, and that these are kept for at least one year. Failure to provide these documents during an audit is seen as a serious violation of our code, and as a case of non-cooperation. This will be addressed with the supplier as well as the factory management.

Deadline Date: 07/31/2008

Supplier CAP: Starting from July 2008, we have kept all the attendance records and will keep them for at least two years.

Supplier CAP Date: 07/31/2008

Action Taken: 

Plan Complete: 

Plan Complete Date: 
