FAIR LABOR ASSOCIATION
INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H&M Hennes & Mauritz AB
COUNTRY: China
FACTORY CODE: 440015999G
MONITOR: ALGI
AUDIT DATE: December 22 – 23, 2008
PRODUCTS: Sweaters
PROCESSES: Yarn Spinning, Knitting, Linking, Sewing, Inspection, Washing, Ironing, Packing
NUMBER OF WORKERS: 1600

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. Piece rate workers are not provided with paid legal holidays.

2. 281 employees are enrolled in all 5 kinds of social insurance; 5 rural residents are all enrolled in social insurance for rural residents, which only covers pension insurance. Migrant workers are covered by commercial accidental injury insurance. As per FLA requirements, factories must pay ALL workers the required 5 social insurances in China.

3. Factory fails to provide paid sick, marriage, mourning, maternity leave to workers.

Law: Art. 2 of Measures on Having a 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, first 2 days of lunar January); 3) 1-day holiday on 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 vacations for 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. Art. 59 of Implementation of PRC Labor Law: Employees who were ill or hospitalized must be paid no lower than 80% of the Local Minimum standard during their legal healing period.

Plan Of Action: H&M requires the factory to provide all workers with leave according to the law. H&M requires that all workers are covered by industrial injury insurance and all forms of social insurance they are entitled to according to national and local legislation and we encourage the factory to make a sustainable plan in order to gradually fulfill national and local legal requirements connected to leave and insurance.

Deadline Date: 02/20/2009
**Supplier CAP:**

1. The factory will try to offer the paid legal holidays.

2. The factory has a system for paid sick, marriage, mourning and maternity leave, but the system is not yet functional. The factory will strengthen their attempts to make these systems more functional.

**Supplier CAP Date:** 02/20/2009

**Action Taken:** 2nd Full Audit (Unannounced), March 30 – April 1, 2009:

1. Based on the payroll record, it was observed that the factory still didn't pay workers for legal holidays.

2. Based on the insurance receipt, it was observed that only 10% of workers were covered by social insurance including retirement, injury, childbearing, medical and unemployment insurances.

3. Based on factory rules and worker interviews, it was found that although rules state that workers can get relevant paid leave, in actuality, no workers get compensation for paid leave.

**Plan Complete:**

**Plan Complete Date:**
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 fails to pay all workers a minimum wage. For factory #2, 20% of workers did not receive minimum wage in August. 15% of workers did not receive minimum wage in September. 12% of workers did not receive minimum wage in October. For factories #1 and #3, 20% workers did not receive minimum wage in August. 18% workers did not receive minimum wage in September. 35% of workers did not receive minimum wage in October. Especially hand sewing, packing, finishing and logistics workers, 70% of who got far underpaid. For example, they got around 1000RMB for working 31 days in August; 1100RMB for 31 days in September; and 750RMB for 29 days in October.

Law: Art. 48 of PRC Labor Law (Chapter 5 Wages and Salaries): Employer shall pay workers wages no lower than government established minimum. Article 12 of Regulation for Minimum Wage: Providing employee worked normally, payment they could get should be no less than minimum wage except for following times: a) overtime payment; b) special allowance for middle shift, night shift, working under high/low temperatures, mine or toxic environment; and c) other benefit regulated by law and regulations.

Plan Of Action: H&M requires all factories producing our garments to pay their workers no less than the legal minimum wage for normal working hours. We have stressed the importance of complying with national and local law and demanded that the factory will work on systems to ensure all workers are paid, as a minimum, legal minimum wage per hour.

Deadline Date: 02/20/2009
1. Ad department will analyze salary status of these 3 months with the accountant and production managers, and define that 90% of workers will receive the minimum salary standard. About 10% workers cannot be reached, including new workers and training workers. Factory will list names of workers that did not receive a minimum wage and arrange training sessions for them. Factory will compensate training fee according to the work difficulty, e.g., factory will compensate RMB30/day for computer knitting worker, and about RMB 20/days for other department. It has started from May 1, 2009.

2. Ad department will continue to analyze salary status of last few months with accountant to see if worker salaries are rising. In addition, factory will find names of workers who did not receive a minimum salary and forward their names to production department. Production manager will be very clear about whose salary is lower than minimum salary. Production manager and directors of workshop will discuss this issue with workers. We hope that 99% of workers will be able to earn a minimum wage.

3. If after training and communication, workers still cannot reach minimum salary, factory will consider moving them to other department.

Supplier CAP: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Based on payroll record from December 2008 to February 2009, it was found that workers were not guaranteed minimum wage and some workers didn't get minimum wage with full attendance.
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. The factory fails to pay overtime compensation correctly. Factory pays 0.8RMB per hour for regular overtime; 100% piece rate wage for weekend overtime.

2. As per time records, some workers punched time card before 7am (i.e., 5:44 or 6:30). The factory shall pay overtime compensation for these hours.

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 the factory to record all working hours and to pay overtime compensation according to the law. Transparency is one of our key principles and we expect our suppliers to provide true documentation on salaries and working hours. We have initiated a dialogue with the factory to analyze the cause of excessive overtime and how to reach legal requirements regarding overtime compensation. 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 to pay overtime compensation according to the law. In the short term we require the factory to ensure workers one day off per week, steadily reduce the number of overtime hours in the weekdays and to pay overtime compensation to the workers accordingly.

Deadline Date: 02/20/2009

Supplier CAP: The factory is purchasing more efficient equipment and hiring workers with better in order to raise the production output. This will allow more workers to get the correct overtime compensation. In addition we will improve our attendance checking system to ask workers not to punch time card earlier. And factory will regard the early punched time as overtime.

Supplier CAP Date: 02/20/2009
Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: It was observed that factory didn't pay enough OT compensation to all the workers. The hourly rate workers were only paid RMB2 per hour extra for the OT in evening and the piece rate workers were only paid RMB0.8 per hour extra for the OT in evening.

Plan Complete: 
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: Workers have no knowledge of their wages, including calculation of wages, incentives systems, benefits and bonuses they are entitled to in factory and under applicable laws.

Plan Of Action: H&M encourages the factory to develop internal regulations in line with our code of conduct and national and local law. These regulations should also state terms for wages and benefits and be communicated to all workers through, for example, a handbook, a posting on notice board and/or through training. We require factory explain to workers how the wage is calculated and that the factory provides all workers with a pay slip.

Deadline Date: 02/20/2009

Supplier CAP: Will announce the detailed knowledge about calculation of wages on factory announcing board column to make all workers understand. And if workers have some questions about their own wages, the workers could consult our accountant department to make all workers to realize their own wages more clearly.

Supplier CAP Date: 02/20/2009
Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Based on the worker interviews, it was observed that workers didn't understand clearly how to calculate their wages and workers didn't get a pay slip for their payment.

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Pay Statement

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

Noncompliance

Explanation: Employee payrolls fail to state assessment of total hours worked; no distinction between basic hours and overtime pay or description of individual piece performance.

Law: Art. 6 of the Interim Regulations on the Payment of Wages: Company shall provide workers with a detailed pay stub.

Plan Of Action: H&M requires the factory to inform all workers about the terms for wage calculation. The payroll should include normal working hours, normal wages and overtime compensation. The factory is requested to start providing workers pay slips that include necessary information and enable workers to verify their wages.

Deadline Date: 02/20/2009

Supplier CAP: The factory is planning to offer the pay slips to workers. The factory is considering a workable method to offer the pay slips to the worker.

Supplier CAP Date: 02/20/2009
Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: There is still no clear itemization of working hours and OT compensation in the payroll record. The factory still didn’t provide pay slips to the worker.

Plan Complete:

Forced Labor: Freedom in Employment
F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Uncorroborated Evidence of Noncompliance

Explanation: 14 workers said that they were not given a copy of their labor contract after signing it.

Law: Article 16 of law of the PRC on employment contracts: An employment contract shall become effective when Employer and the Employee have reached a negotiated consensus thereon and each of them has signed or sealed the text of such contract. The Employer and the Employee shall each hold one copy of the employment contract.

Plan Of Action: H&M requires that all work is done voluntarily. H and M encourages factory to develop internal regulations in line with our code of conduct and national and local legislation. These regulations should include procedures for cancellation and termination of contracts and should be clearly communicated to all workers. Furthermore, H&M encourages factory to improve procedures regarding their recruitment system and requires factory to provide all workers with a copy of their labor contract. The contract should state the terms of employment required by law.

Deadline Date: 02/20/2009

Supplier CAP: The factory will improve this issue. Factory will sign the labor contracts with our factory, and workers will get their own labor contract and factory will keep one accordingly.
Supplier CAP  02/20/2009
Date:

Action Taken:  2nd Full Audit (Unannounced), March 30 – April 1, 2009: It was found that the worker still didn't get a copy of the labor contract.

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 do not reference working hours, rest and leave.

Law: Article 17 of law of the 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 a Employee may agree to stipulate other matters in employment contract, such as probation period, training, confidentiality, supplementary insurance and benefits, etc.
Plan Of Action: H&M requires that all work is performed voluntarily and encourages factory to develop internal regulations in line with our code of conduct and national and local legislation. These regulations should include procedures for cancellation and termination of contracts and should be clearly communicated to all workers. Furthermore, H&M encourages factory to improve procedures regarding their recruitment system and requires factory to provide all workers with a copy of their labor contract that states all terms for employment required by law.

Deadline Date: 02/20/2009

Supplier CAP: Content of labor contract will contain 9 main items of Labor Law to make the content of factory labor contract complete, especially remark on working hours and rest and leave in factory labor contracts.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The labor contract is issued by factory and approved by labor department of local government. Leave, working hours and OT compensation are covered by the factory's rules.

Plan Complete: Yes

Plan Complete Date: 02/20/2009
Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: The facility does not have a written policy on the prohibition of forced labor.

Plan Of Action: H&M requires that all work in the factory is performed voluntarily. We encourage the factory to adopt a policy on the prohibition on forced labor and to work on ways to implement this policy through procedures to ensure absence of forced labor.

Deadline Date: 02/20/2009

Supplier CAP: The factory will create a policy on prohibition of Forced Labor. In this policy, it will stipulate a No Forced Labor policy during working hours and voluntary overtime. For the voluntary overtime, the factory will arrange the overtime after workers sign up for it.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Factory had set up a clear policy against forced labor; this policy covered voluntary overtime and the freedom to resign from employment.

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 don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We encourage the factory to set up internal grievance system and dialogue channel. Processes should be fair and workers should be able to present their grievances and opinions without having to fear retribution. We encourage the factory to provide training on grievance and communication system at all levels of the factory and to include this information in a handbook for all employees.

Deadline Date: 02/20/2009

Supplier CAP: The factory will announce that there is the union. The factory will post information on the union on the bulletin board and allow workers to know the union's function and their rights as workers.
Supplier CAP: 02/20/2009

Date:

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: There is no policy on freedom of association in the factory.

Plan Complete:

Plan Complete Date:

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

Other

Noncompliance

Explanation: The facility has not established a written policy on freedom of association (FOA).

Plan Of Action:

H&M requires that workers should be free to form associations of their own choosing. We do not accept any disciplinary action from factories producing H&M products against workers who choose to peacefully and lawfully organize or join an association. In addition, during our audits we put emphasis on building effective communication channels between workers and management.

Deadline Date: 02/20/2009

Supplier CAP: The factory will establish a written policy on the freedom of association. In this policy, the union needs to hold the meeting twice a year; make detailed and definite responsibilities for Chair of Union; and stipulate that the workers are free to join the union. Any person or organization does not have the right to punish anyone in the union.
Supplier CAP 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: There is no policy on the freedom of association in the factory.

Plan Complete:

Plan Complete Date:

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Harassment or Abuse: Discipline/Progressive Discipline

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

Noncompliance

Explanation: The factory does not have a progressive disciplinary policy.

Plan Of Action: H&M requires the factory to set up an efficient system of progressive discipline. The disciplinary actions should follow legal requirements and should be clearly communicated to all workers. We encourage the factory to create clear policy and procedures to ensure a system of progressive discipline in the factory. 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: 02/20/2009

Supplier CAP: The factory will make the policy for disciplinary to ask our workers to abide the each regulation and laws.
Supplier CAP: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: There is still no progressive disciplinary policy in the factory.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: The factory has not established a policy on prohibition of harassment or abuse.

Plan Of Action: H&M requires the factory to establish a policy on the prohibition of harassment and abuse. This policy is to be implemented through all the necessary procedures. This policy should also be communicated to all workers and employees in the factory.

Deadline Date: 02/20/2009

Supplier CAP:

1. Factory will establish policy about prohibition of harassment or abuse. The factory will stipulate that no one has the right to abuse or punish the workers in any way. If there are violations of this policy, workers can file a written complaint with the code of conduct (COC) board. The factory will deal with all infractions in a timely manner.

2. The factory will strengthen training and announcing to all employees of the factory.

3. COC department will periodically monitor each of these departments in order see if the policy is being carried out.
Supplier CAP  02/20/2009
Date:

Action Taken:  2nd Full Audit (Unannounced), March 30 – April 1, 2009: The factory has established a clear policy on prohibition of harassment and abuse.

Plan Complete:

Plan Complete Date:

Child Labor: Other - Child Labor
Other

Noncompliance

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

Plan Of Action:
H&M requires the factory to establish a policy on prohibition of child labor. Furthermore, H&M encourages the factory to strengthen their recruitment routines and procedures, including keeping complete personnel files for all workers and implementing routines to ensure that the factory does not recruit any underage workers.

Deadline Date:  02/20/2009

Supplier CAP:  The factory will require all employees to register with the HR department and have their ages and IDs verified. If the workers are younger than 16, we will not hire them.

Supplier CAP  02/20/2009
Date:

Action Taken:  2nd Full Audit (Unannounced), March 30 – April 1, 2009: Factory has established a child labor policy or age verification procedure, but, written routine of recruitment is incomplete.
Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: The factory has not established a policy on non-discrimination.

Plan Of Action: H&M requires the factory to establish a policy on non-discrimination and work on implementing this policy in the routines and procedures of the recruitment system in order to ensure no workers are discriminated due to gender, age or ethnic background in the recruitment/hiring process.

Deadline Date: 02/20/2009

Supplier CAP: The factory established a policy of non-discrimination. The policy stipulates all workers are equal and no one can discriminate other workers in age, sex, position, or nationality. The factory will study and improve the problems of the non-discrimination policy in order to better protect workers' rights.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The factory has established a policy on non-discrimination. This policy clearly states that the factory should not discriminate any worker due to age, gender, race, etc.

Plan Complete:
Plan
Complete
Date:

Code Awareness:
GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: The H&M Code of Conduct is not posted in the factory compound.

Plan Of Action: All H&M's suppliers are informed about H&M's Code of Conduct, both through individual meetings with our COC department, through workshops and through a guideline on implementation of good labor practice, which we distribute to all our suppliers. It is the responsibility of the supplier to ensure that all production units are informed of our COC requirements and that these requirements are being implemented. Generally we do not require our COC to be posted in the 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 our follow-up visits we evaluate the factory's internal regulations, through worker and management interviews as well as document review and workshop inspection, to determine if these comply with local legislation and our code of conduct.

Deadline Date: 02/20/2009

Supplier CAP: The factory will post the code of conduct in the each unit.

Supplier CAP Date: 02/20/2009
Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Although the factory rules had mentioned some issues about worker's basic rights, this information was not clearly communicated with workers.

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: H&M fails to provide training on code elements to factory employees.

Plan Of Action:
All H&M's suppliers are informed about H&M's Code of Conduct, both through individual meetings with our COC department, through workshops and through a guideline on implementation of good labor practice, which we distribute to all our suppliers. It is the responsibility of the supplier to ensure that all production units are informed of our COC requirements and that these requirements are being implemented. Generally we do not require our COC to be posted in the 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 our follow-up visits we evaluate the factory’s internal regulations, through worker and management interviews as well as document review and workshop inspection, to determine if these comply with local legislation and our code of conduct.

Deadline Date: 02/20/2009
Supplier CAP: 02/20/2009

Date:

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Although the factory rules had mentioned some issues about worker's basic rights, this information was not well communicated to the workers.

Plan Complete:

Plan Complete Date:

Health and Safety: Notification and Record Maintenance

H&S.7 Employers shall notify the relevant authorities of all illnesses and accidents as required by applicable laws. All illness, safety and accident reports shall be maintained on site for at least one year, or longer if required by law. (P)

Noncompliance

Explanation: The factory does not maintain a log of onsite injuries.

Law: Art. 57 of PRC Labor Law (Chapter 6 Labor Health and Safety): The employer shall maintain statistical reports on accidents, injuries and/or deaths occurred to workers during labor or situations related to occupational diseases.

Plan Of Action: H&M requires the factory to set up an efficient incident prevention system. All injury incidents should be recorded and followed up. Contingent benefits should be provided to the worker according to the law.

Deadline Date: 02/20/2009

Supplier CAP: The factory will keep records of all on-site injuries.
Supplier CAP 02/20/2009

Date: 

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The factory still didn't have an accident record book.

Plan Complete: 

Health and Safety: Permits and Certificates

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

Noncompliance

Explanation: The factory has 4 cargo elevators but there is only 1 elevator operator.

Law: Art. 55 of PRC Labor Law (Chapter 6 Labor Safety and Health): Workers who work in special occupations shall undertake special training and obtain the certificates for such occupations. Regulations for certification of workers operating at special posts in PRC, Art.1 (Definition): Special post means some kind of work which could be potentially very dangerous to others and surrounding facilities, as well as to the operator himself. Art.2 (Category of special posts): 1) electrician; 2) boiler operator; 3) operation on container with pressure; 4) operation with hoist; 5) operation involving explosion; 6) welding (gas cutting); 7) gas detection under mine; 8) auto vehicle driving; 9) vessel and turbine driving; 10) construction in high altitude; and 11) others according with definition of special posts.
Plan Of Action: Safety should be a priority at all times and H&M requires that safety in the factory is monitored and maintained according to local law standards and our COC requirements. We also require that the factory trains workers who are assigned to positions which include particular safety precautions. Relevant permits and certificates should be provided to us for verification in connection to our future audits and visits in the factory.

Deadline Date: 02/20/2009

Supplier CAP: The factory will train more elevator operators, to ensure elevators are used safely.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The cargo elevators operation permit was provided for reference. It was found to be valid upon inspection.

Plan Complete:
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: Workers dealing with chemicals do not receive training on chemical safety.

Law: Regulations for Safe Use of Chemicals in the workplace, Art.20: The information concerning health and safety when utilizing hazardous chemicals shall be open to the employees. And the employees shall be trained to recognize safety labels, understand technical directions and master necessary means to deal with an emergency and save themselves. Besides, there shall be regular training on how to use chemicals safely in the workplace. Art. 60 of PRC Factory Safety and Sanitary Regulations: Poisonous and hazardous goods shall be stored at specific locations separately and shall be managed with stringency. Art. 11.2 and 11.3: Use of Toxic Materials in Production Areas: The area for use of toxic products must be separated from regular work area and must have proper ventilation. Art. 12: Use of Toxic Materials in Production Areas: The area where toxic materials are used must be demarcated with yellow lines with warning signs and warning explanations in Chinese.

Plan Of Action:

H&M always requires factories to follow local environmental laws and to make sure that chemicals are stored and handled properly. We encourage the factory to create and implement H&S policy and procedures which include safe chemical handling and training workers who handle chemicals. We also encourage the factory to participate in external training on H&S and chemical handling in order to improve the health and safety awareness in the factory.

Deadline Date: 02/20/2009

Supplier CAP: The factory will train the workers who are dealing with chemicals, to let them understand how to deal with the chemicals in correct ways and how to take the correct actions when the chemicals touch someone's body.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The factory had provided the necessary training to the workers who handle chemicals.
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: MSDS is not posted in the stain remover operation area in the No. 2 factory.

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

Plan Of Action: H&M requires factory to ensure chemical handling in factory is always in line with local law and our COC and make sure handling instructions are clearly communicated to workers. MSDS, as a professional standard, should be available both in the storage and handling areas; workers handling chemicals should be trained in safe chemical handling.

Deadline Date: 02/20/2009

Supplier CAP: The factory will post the MSDS in the operation area.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: The relevant MSDS of chemicals used by the factory had been posted both in the workplace and warehouse.
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:
1. Workers have not received training in the proper use and safe operation of machinery, equipment and tools they use.
2. 95% linking machines lack pulley guards.
3. None of the sewing machines are equipped with needle guards.

Law: Art. 29 of Safe Production Law: The design, making, installment, usage, checking, maintenance, upgrading and discarding of equipment should comply with national or professional standards. The facility should be responsible for regular maintenance and checking of equipment to ensure their normal function. Art. 21 of Factory Safety Laws: The company should provide training on health and safety to all employees.

Plan Of Action:
A safe and healthy working environment should be a priority at all times. H&M requires the factory to ensure relevant production machinery is equipped with proper protective devices and to train workers in how to maintain equipment and why this is important.

Deadline Date: 02/20/2009
1. When the new workers are employed in our factory, older workers provide training to them. After this training, new employees are allowed to work independently.

2. We will let our linking workers understand the risks of not covering the pulley guards. We will ask all linking workers to cover the pulley guards when they are resting.

3. Will let our sewers understand the risks if not equipped with needle guards and ask all sewers to equip with needle guards when sewing.

**Supplier CAP**

**Date:** 02/20/2009

**Action Taken:**

**2nd Full Audit (Unannounced), March 30 – April 1, 2009:**

1. Usually, the factory didn’t provide formal machine safety training to workers. Only the skilled workers provide on-site training for the new workers one by one. We have suggested to the factory that they also hold formal induction training on safety to ensure all workers are given to same training and information.

2. The pulley guards were installed for the linking machine.

3. Some sewing machines were still not equipped with needle guards.

**Plan Complete:**

**Plan Complete Date:**
**Health and Safety: Bodily Strain**

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

**Noncompliance**

**Explanation:** Factory has no ergonomic programs in place. Factory should provide ergonomic chairs, floor mats and training on healthier practices such as seating positions, movements, etc.

**Plan Of Action:** A safe and healthy working environment should be a priority at all times. Workers should not risk health implications while working. H&M suggests the factory to consider ergonomics when arranging the machines and the workstations in the factory.

**Deadline Date:** 02/20/2009

**Supplier CAP:** The factory will continuously work to improve the work situation. The factory will try to let the standing workers sit when working and let the workers sit more comfortably.

**Supplier CAP Date:** 02/20/2009

**Action Taken:** **2nd Full Audit (Unannounced), March 30 – April 1, 2009:** The factory still has no ergonomic programs in place.

**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 fails to provide workers with at least 1 day off every 7 day period. For factories #1 and #3 in August: 21% of workers worked consecutively 31 days; 16% worked 30 days and 18% worked 29 days. In September: 20% of workers worked consecutively 30 days; 12% worked 29 days and 19% worked 28 days. In October: 1% of workers worked consecutively 31 days; 5% worked 30 days; 25% worked 29 days. For factory #2 in August: 22% of workers worked consecutively 31 days; 17% worked 30 days; 24% worked 29 days. In September: 22% of workers worked consecutively 30 days; 14% worked 29 days; 21% worked 28 days. In October: 2% worked consecutively 31 days; 3% worked 30 days and 31% worked 29 days.

Law: Art. 38 of PRC Labor Law: Employer shall guarantee its laborers have at least 1 day off per week. Reply to Questions on Working Hours, Art.9: a) Employer shall negotiate with Union and employees on how to implement system of comprehensive calculated working hours; b) taking manual work regulated as third level or higher, laborers shall not work consecutively exceeding 11 hours a day, and at least have a day off a week.

Plan Of Action: Transparency is one of H&M's key principles and we expect our suppliers to provide true documentation on salaries and working hours. We have initiated a dialogue with factory to analyze cause of excessive overtime. Long-term aim is to, through improved production planning and efficiency, steadily reduce overtime hours per month and reach legal limit regarding overtime. In short term we require factory to ensure workers have 1 day off per week and steadily reduce number of overtime hours on weekdays.

Deadline Date: 02/20/2009

Supplier CAP: Factory now is trying their best to shorten working times. The aim of this year is to raise the production efficiency to make the knitting workers rest 1 day per week.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Factory's normal work days are from Monday to Sunday; this exceeds legal limit. Factory management claimed factory will try to ensure that workers can take 2 to 4 days leave per month.
Hours of Work: Overtime/Reduced Mandated Overtime

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

Noncompliance

Explanation: The factory failed to establish voluntary overtime system.

Plan Of Action: H&M does not accept any kind of forced labor. Factory is required to set up a system for voluntary overtime to ensure workers can freely choose to work overtime or not.

Deadline Date: 02/20/2009

Supplier CAP: Factory will improve overtime system and carry out policy of "no forced overtime" in actual production and will train all directors. Factory will also announce system of voluntary overtime to all employees. COC department will monitor executing in each department about voluntary overtime system. If workers forced to do overtime, they can inform COC department. The COC department will deal with it immediately.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: Based on interviews with workers and factory management, it was observed that only when factory need to produce on weekends that factory would not require overtime. Otherwise workers will work Saturday and Sunday as usual; so, factory didn’t set up voluntary overtime system.

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: Daily OT exceeds 3 hours; weekly working time exceeds 60 hours; quarterly OT exceeds 108 hours. As per sampled time record for factories #1 and #3, maximum weekly working hours in months August, September and October were respectively: In knitting department 83.5, 81.5, 86.5; In linking department 79.5, 84.5; in sewing department 71.5, 75.5, 73.5; in packing and finishing department 83, 86, 87. As per sampled time record, for factory #2, maximum weekly working hours in months of August, September and October were respectively: In knitting and linking departments, 80, 72.5, 76.5; in sewing department 69, 69.5, 71.5; in packing and finishing department 76.5, 78, 80. Workers monthly OT in factories #1, #3 and #2 reached 69.5 to 82. Workers daily OT in factories #1, #2 and #2 reached 4.5 to 6 hours in August to October.

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 OT and paid according to Art.44.1 of PRC Labor Law. If employee asked to work on legal holidays, OT payment should be paid as regulated by Art.44.3 of PRC Labor Law. Besides, average hours of OT 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 OT hours per day and 36 OT hours per month.
Plan Of Action: Transparency is one of H&M's key principles and we expect our suppliers to provide true documentation on salaries and working hours. We have initiated a dialogue with the factory to analyze the cause of excessive overtime. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours per month and reach legal limit regarding overtime. In the short term we require the factory to ensure workers may have 1 day off per week and to steadily reduce the number of overtime hours on weekdays.

Deadline Date: 02/20/2009

Supplier CAP: The factory is planning to use the training and good management to raise production efficiency and reduce overtime.

Supplier CAP Date: 02/20/2009

Action Taken: 2nd Full Audit (Unannounced), March 30 – April 1, 2009: It was observed that worker overtime exceeded legal limit.