



COMPANY: **H & M Hennes & Mauritz AB**
COUNTRY: **Turkey**
ASSESSMENT DATE: **10/03/12**
MONITOR: **FLA Assessor Team (Turkey)**
PRODUCTS: **Other**
PROCESSES: **Other**
NUMBER OF WORKERS: **1538**
ASSESSMENT NUMBER: **AA0000000006**

FLA Comments

Company notified FLA that they have decided to end business relationship with the factory and therefore will not be able to follow up on remediation. Company will be sending FLA a detailed explanation of the circumstances of their exit, which will be placed here as soon as received.

What's Included in this Report

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- Score by Employment Function
- Score By Management Function
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- Summary of Code Violations Table
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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

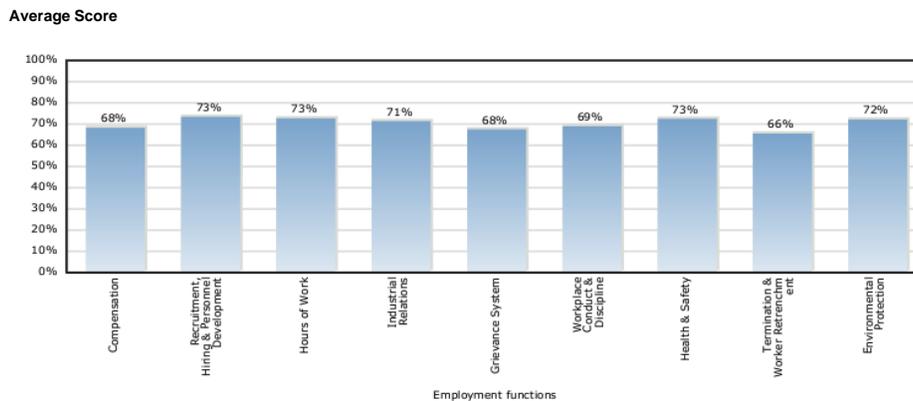
Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

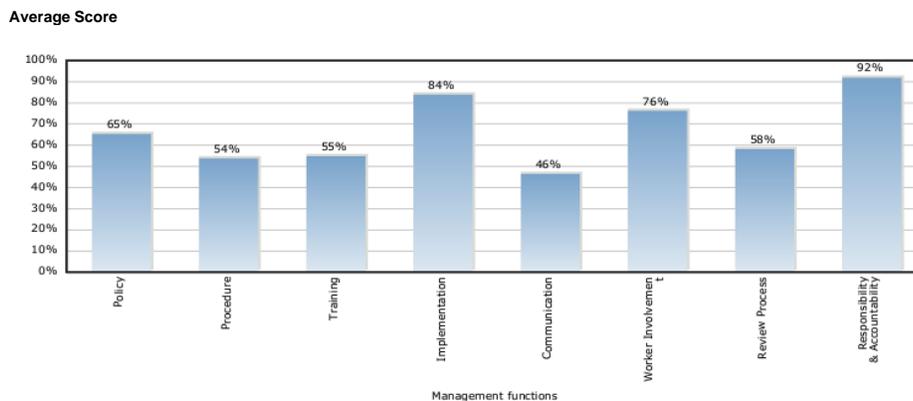
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	85.71%	87.5%	80%	8.25%	64.29%	38.89%	0%	66.67%	75%	56.26%
Procedure	68.75%	27.91%	56.67%	50%	50%	50%	39.39%	57.89%	68.89%	52.17%
Responsibility & Accountability	85.76%	100%	100%	100%	100%	100%	100%	100%	75%	95.64%
Review Process	80%	70%	80%	90.91%	63.64%	75%	80%	70%	78.57%	76.46%
Training	68%	37.88%	61.54%	47.37%	47.5%	52.38%	45.45%	66.08%	52.68%	53.21%
Implementation	85.19%	87.74%	90.43%	82.76%	72.22%	80%	76%	83.26%	81.36%	82.11%
Communication	0%	50%	45.83%	0%	27.78%	50%	46.67%	83.33%	70%	41.51%
Worker Involvement	100%	N/A	N/A	100%	0%	N/A	N/A	87.5%	100%	77.5%
Aggregate Score	71.68%	65.86%	73.49%	59.91%	53.18%	63.75%	55.36%	76.84%	75.19%	

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Employment Relationship
Freedom of Association and Collective Bargaining
Harassment and Abuse
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

ENVIRONMENTAL PROTECTION

FINDING TYPE: Notable Feature

Finding Explanation

1. The factory runs a Carbon Footprint study on their products according to ISO 14064 standards. They conducted trainings July - September 2012. Field study and data collection results are due in October. They plan to report on the results during the 1st quarter of 2013. The factory prepared a Clean Production Plan in July 2012. They conserve natural resources and energy on various projects, such as:
 - a) Collection of condensed water (from steam line) = daily savings of 100 tons of water;
 - b) Reuse of cooling water as hot water supply = monthly savings 7000 m3;
 - c) Regeneration in water softening towers = daily savings of 200 kg salt and 30 tons of water;
 - d) Lighting systems = savings of 35 kW electricity;
 - e) Co-generation facility (the factory is an auto-producer for its own steam and electricity needs);
 - f) Lowering of tank volumes on dyeing tanks = monthly savings of 85 tons of water.

FINDING NO.2

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a separate and extensive training building; all trainings are provided to workers by specialized trainers in this building. The factory has an annual training plan with a schedule. Orientation training is given to all employees every Tuesday and Thursday and includes the history of the company; its vision and mission; working hours; health and safety; environment; factory rules; regulations; and information on childcare and other social facilities. The information included on the pay slips provided to workers is also covered in the trainings. However, this information is not detailed and worker interviews revealed that they have difficulty understanding the pay slips. There are no trainings provided to HR personnel and supervisors regarding recruitment & hiring; grievance system; termination; and wages & benefits.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.1 and ER.17.1)

Root Causes

1. As there are no detailed questions about the issue in the questionnaire given to workers after the trainings in order to assess their effectiveness, factory management was not aware that workers have difficulty understanding the pay slips.
2. Factory management was not aware that HR staff and supervisors should be provided with regular trainings on workplace policy and procedures.

COMPANY ACTION PLANS

1. As per feedback from the inspections/audits, the factory has started giving specific trainings to our employees about how to read the payroll. At the end of the trainings, there is a Q&A section to make sure that workers understand all of the details about the training content. Since February 2014, the factory is using a post-training assessment tool for all of their training programs, including the training about payroll, in order to measure the training's effectiveness.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.3

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. It was observed that more than half of the workers have not used their annual leaves/holidays for several consecutive days at a time. The common practice is to use 1 or 2 days of annual leave. Factory counts casual or sick leave towards annual leave to make up for the difference.
2. During the record review, it was observed that some workers in the cutting department worked on Saturdays and Sundays for several consecutive weeks in July 2012, without having a weekly day off. It was observed that 1 cutting department worker worked the full month of July 2012 without a rest day.
3. The Annual Leave Committee, which is a legal requirement, was not available in the factory.

Local Law or Code Requirement

Turkish Labor Law, 4857, Article 54: Entitlement for Annual Paid Leave and Period of Using the Leave, 56: (Annual Leaves); FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1.1, HOW.1.2, HOW.11, and HOW.12)

Root Causes

1. Based on management interviews, annual leaves are not included in long-term planning; consequently, the employer's flexibility to provide workers their legally mandated leaves is severely limited.
2. Although the factory is cautious about excessive overtime, management did not perform a special study regulating working hours for the busier departments, such as the cutting department.
3. Management tries to decrease leaves by having workers use 1 or 2 days of annual leave within a year; however, this is not enough to accumulated leave, which, in some cases, is more than 60 days.
4. The factory has annual leave policy and procedure; however, they are not fully implemented or enforced.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. In 2003, factory employees used their annual leave collectively for a block period of 2 and a half weeks. As of 2014, the factory has decided to give a collective annual leave for a block period of 2 weeks. The Annual Leave Committee was re-founded in April 2012 and has been actively working since then. They had their last meeting in February 2013. The factory does not count sick leave as annual leave; however, casual leave is counted in case workers prefer this practice. If this is the case, written approval is taken from the worker. Over 441 workers deserve annual leave: 95 workers have 0 - 5 days of accumulated annual leave; 52 workers have 6 - 10 days of accumulated annual leave; 91 workers have 11 - 15 days of accumulated annual leave; 107 workers have 16 - 20 days of accumulated annual leave; 15 workers have 21 - 30 days of accumulated annual leave; 30 workers have 31 days or more accumulated annual leave. The factory has made plans to make use of the accumulated leaves listed above.

Action plan status: Planned

Planned completion date: 03/31/16

FINDING NO.4

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. During the factory tour, it was observed that:

- a) A list of the items in the first aid kits is not posted on the kits themselves. Additionally, the person in charge of the regular maintenance of the first aid kits is not indicated on the kits.
- b) The fly-screen doors fitted to the front side of the canteen's emergency exits may block evacuation in cases of emergency.
- c) There is no hand guard on one of the fusing presses.
- d) The needles used for holding fabric on the cutting tables present a injury hazard for cutting workers.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5.1, HSE.6.1, and HSE.7)

Root Causes

1. There is a lack of knowledge regarding first aid kit requirements, such as the content list and noting the responsible person; this issue has not been previously addressed in H&S Committee meetings.
2. Fly-screen doors and the missing hand guard on the fusing press machine have not been addressed during the risk assessment.
3. The factory does not have a "Metal Contamination" procedure that prohibits needles to be in production areas.
4. These issues have not been brought to factory management's attention during previous external audits.

Recommendations for Immediate Action

1. Fly-screen doors fitted to the front of the canteen's emergency exits shall be removed;
2. The missing hand guard shall be placed on the respective fusing press.

COMPANY ACTION PLANS

1. A list of the items in the first aid kits is now posted on the kits themselves. Additionally, the person in charge of the regular maintenance of the first aid kits is indicated on the kits.
Sensors have been added to the Fusing Process section.
Tables in the Cutting Department have been renewed according to workplace health standards.

Action plan status: Planned

Planned completion date: 03/31/14

2. The fly screen door has been removed from the canteen's emergency exit. At the moment here is no such door at any of the fire exit doors.

Action plan status: Completed

Planned completion date: 03/01/14

Progress update: 05/14/14 : The fly screen door has been removed from the canteen's emergency exit. At the moment here is no such door at any of the fire exit doors.

Completion date: 03/01/14

FINDING NO.5

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Review of disciplinary procedure revealed that a monetary fine of a 3-day pay cut as a second step after a warning can be implemented in the following cases: stealing; sleeping while working; smoking in prohibited areas; or disobeying fire or H&S rules.

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmark H/A.2)

Root Causes

1. Factory management was not aware of the FLA Workplace Code and Benchmark on the prohibition of any monetary fines.

Recommendations for Immediate Action

1. Factory should cease the practice of monetary fines immediately.

COMPANY ACTION PLANS

1. Factory has reviewed the statement in their documents regarding 'fining employees – deducting from their salaries', which was never in practice, and they removed this statement from the document. Factory has prepared and published a Code of Ethics, describing employees' rights and responsibilities. They will be sharing this with their employees in 2014 and we will conduct trainings to explain their rights and responsibilities. They has also prepared an employee hand book in 2013, which covers all worker rights about labour code, collective bargaining principles and company ethic codes. In the beginning of 2014 this booklet was revised with the changes coming with collective bargaining decisions. The new version of employee handbook was also distributed to all workers.

Action plan status: Completed

Planned completion date: 02/28/14

Progress update: 05/14/14 : Statement about monetary fine in the disciplinary procedure was removed.

Completion date: 02/28/14

FINDING NO.6

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has various policies and procedures in place that cover compensation, recruitment, termination, labor rights, workers' responsibilities, prohibited behaviors, disciplinary measures, health & safety, and environmental protection; however, the grievance system, which currently involves the open door policy, use of complaint boxes, and the participation of union representatives, is not defined in any of them.
2. The complaint boxes have instructions on them regarding how often the boxes are opened and the person(s) in charge. However, there is no information or system in place for communicating feedback to workers on the outcome.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.1.1 and ER.25.3.2)

Root Causes

1. As management believes that the existing grievance system functions well, they have overlooked the need for adding certain aspects of the system to the written documents.
2. Management was not aware that there should be a procedure in place to provide feedback to workers on complaints received.

COMPANY ACTION PLANS

1. With the guidance of H&M, factory will work on management system on grievance and dialogue, which will contain following details:

Dialogue system:

- Policy (aim/ target): Why worker rep system is necessary/ what is aimed/ what are the profits of the system from company's side and from workers' side
- Organization (responsible staff): who will be responsible for each step of the system
- Routines and procedures (way to be followed to reach the aim): Routines and procedures will cover following topics:
 - o Explaining workers about the worker representative system, why it exists, what are the benefits of it/ for which kind of grievances they can use this communication channel.
 - o Election method of worker representative
 - o Period of election
 - o When to renew the election
 - o Number of worker representatives from each department
 - o Responsibility of worker representatives(how to keep notes of coming grievances, how and when to communicate it with factory management)
 - o Period of meetings between factory management and worker representative
 - o Method for keeping minutes of meeting
 - o Taking decisions after meetings
 - o Ways of sharing decisions with workers

Grievance system:

Why grievance system is necessary/ what is aimed/ what are the profits of the system from company's side and from workers' side

Organization (responsible staff): who will be responsible for each step of the system

- o Explaining workers about the ways to reach the management for grievances and the importance of communication
- o which channels exist for individual communication between workers and factory management
- o why they exist
- o what are the benefits of a grievance system
- o which communications channel they can use for which kind of grievance
- o how to record verbal grievances
- o period of checking suggestion box
- o taking decisions after analyzing grievances coming via suggestion box
- o open door system
- o ways of sharing decisions with workers etc.

- Communication and implementation (communication of responsibilities):How and by whom the responsible staff will be informed about their responsibilities
- Feedback and control (control of the consequence and the implementation):How it will be checked if the target is reached/ if all the routines and procedures decided are implemented as it should be by all responsible. How the system will be revised according to feedbacks if needed.

Now it is mentioned on employee handbooks, how feedbacks will be communicated to workers on outcome after analyzing complaints and requests coming via complaint boxes.

Action plan status: Planned

Planned completion date: 03/31/15

FINDING NO.7

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salary is not sufficient enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. Currently, Turkey's apparel industry does not provide wages that allow for the fulfillment of their basic needs plus a discretionary income. One of the main reasons is the low profit margins caused by tense competition in regards to pricing.
2. The chronic high unemployment rate undermines workers' bargaining power for higher wages and benefits.
3. Due to shortcomings in the local law, a very limited number of factories have collective bargaining agreements.
4. According to Ministry of Labor statistics, only 20% of textile industry workers are provided social security benefits.
5. According to calculations by several unions, the starvation line is 1,000 TL/month (USD500) and the poverty line is 3,000 TL/month (USD1,500) for a family of 4; for the second half of 2012, the minimum wage was 739,79 TL/month (USD370) net. More than 18% of the total population is living under the poverty line.
6. These issues have not been brought to factory management's attention during previous external audits.
7. There factory has no wage structure that would enable workers to progressively earn a wage level that meets their basic needs.

COMPANY ACTION PLANS

1. As H&M, we now have a Project about Fair Living Wage. H&M has developed a roadmap based on our vision that a fair living wage should be paid by H&M's strategic suppliers by 2018. For achieving this target, H&M will further improve his purchasing practices to ensure that it enables H&M strategic suppliers to pay their textile workers the true cost of labor. However, by 2014 H&M will implement Fair Wage Method in 3 Model Factories only, and evaluate outcome and transparently report result to selected stakeholders. In conclusion we are not planning to take any further action on this. From company's point of view; a collective agreement with TEKSIF has been signed on August 2013 and according to this there has been a pay rise of between 01.04.2013 -30.09.2013 %5, between 01.10.2013- 31.03.2014 % 3, between 01.04.2014- 30.09.2014 % 3, between 01.10.2014- 31.03.2015 %4, between 01.04.2015-30.09.2015- % 3 and between 01.10.2015- 31.03.2016 %4 in employee salaries, (Such us: the new employe earned 978,60 TL firts mounth now become this amount 1021,50 TL. The number of bonuses was 6 days now become 10 days extra daily paymentand also employees have receiving extra benefits mentioned in collective barganing contract with TEKSIF.

Action plan status: Planned

Planned completion date: 12/31/18