



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H &M Hennes & Mauritz AB

COUNTRY: China

FACTORY CODE: 440015832G

MONITOR: Level Works Limited

AUDIT DATE: July 24 – 25, 2008

PRODUCTS: Garments

PROCESSES: Cutting, Sewing, Pressing,
Inspection, Packing

NUMBER OF WORKERS: 576



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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: Not all workers in factory are entitled to the 5 types of social insurance schemes. The details are as below: all workers had participated in disability caused by work-related injury or occupational disease insurance; only 143 out of 576 workers had participated in injury insurance; only 20 out of 576 workers had participated in retirement insurance and unemployment insurance. Furthermore, there were no workers who had participated in childbearing insurance.

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

Deadline Date: 09/30/2008

Supplier CAP: The factory has always provided the "Disability caused by work related in injury or occupational disease" insurance for all workers. The factory will also offer other kinds of insurance for some workers, based upon the factory's economical situation. The factory will try to prepare a list of workers covered by insurance. The list will be provided to H&M once the factory get the names are compiled from the local labor bureau.

Supplier CAP Date: 09/30/2008

Action Taken: The factory has a document issued and signed by the local labor department stating that they have bought occupational accident insurance for 597 workers. Bank receipts indicated that factory also bought pension insurance, medical care insurance and unemployment insurance. However, the factory couldn't show any documents verifying how many workers are covered by these insurance policies.

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: False Payroll Records

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: The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Supporting evidence/sources: Production records (such as, Metal Detecting Machine Testing Records, Metal Detecting Records, Manual Needle Using Records, Broken Needle Records and Machine Repairing Records) showed workers from metal detecting workshop, sewing section and maintenance section worked February 24, March 1, 2, 8, 15, 22, 29, 30, 2008, April 12, 2008 (Saturdays and Sundays); but these Saturday and Sunday working hours not indicated on workers' time attendance records. Moreover, there is no information on payroll records to demonstrate these working hours were 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 factory. H&M requires factories to always provide correct attendance records and salary lists. Providing incomplete or fake documents is a violation of our basic requirement of transparency. Only after learning correct overtime are we able engage in dialogue with factory to establish system to reduce overtime in a sustainable manner. Long-term aim is to steadily reduce overtime hours in order to meet legal limit of overtime hours per month. In the short term, we require the factory to a) ensure that workers may have 1 day off per week and b) reduce the number of overtime hours in the weekdays.

Deadline Date: 09/05/2008

Supplier CAP: We shall provide the proper attendance records and payroll records in order to verify the status of minimum wage and overtime wage and overtime hours.

Supplier CAP Date: 09/05/2008

**Action
Taken:**

As a result of discussions H&M have been having with factory, true and actual time and wage records shown during follow-up audit September 11, 2008. After review of this second set of records, it was found that wages and working hours differed from what we have seen during earlier audits, and that working hours and compensation do not meet legal requirements. Overtime hours could not be verified for the time up to August 2008 since factory by that time have been using handwritten attendance records indicating only days worked, not hours. They are in the process of switching to a swipe-card system, which have been in use since August 2008.

April 1, 2009: Factory now uses both swiped card system and handwritten attendance system. During this audit we could not access swiped card system, since factory claimed it had been attacked by a virus mid-March, handwritten records available for review, however (which only show days worked, no exact in/out times). We reviewed print outs from swiped card system, which were available up to February 2009, and watched handwritten records. According to a later email sent by supplier, the data lost was for parts of the workforce or the whole workforce during 4 days in late March.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to issues found in factories producing our garments. Recently we have therefore launched capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on how to establish reliable and transparent attendance records in garment factories. Part of trainings will also deal with how to write clear action plans, which will include how to address underlying root cause by strengthening relevant management system. Shortly after these trainings, H&M CoC team will visit the factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

**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: No pay stubs were provided to workers when they received their wages.

Plan Of Action: H&M requires factory to pay legal wages in accordance with local stipulations on minimum and overtime wages. The factory must inform all workers in advance about the salary calculation method. Workers should be able to verify their wages by cross by checking the corresponding pay slip.

Deadline Date: 10/10/2008

Supplier CAP: The factory will provide the pay stubs to all workers from August salary payment.

Supplier CAP Date: 10/10/2008

Action Taken: Factory still does not provide workers with pay slips.

Plan Complete:

Plan Complete Date:



Forced Labor: Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Uncorroborated Evidence of Noncompliance

Explanation: One worker reported involuntary overtime hours. However, as per the documents review, the factory had a policy that banned any kinds of forced labor.

Plan Of Action: H&M requires our factories to establish a system to make sure that overtime work is voluntary at all times.

Deadline Date:

Action Taken: July, 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. Recently, we have therefore launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on workers basic rights. These trainings will be based on ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. Part of trainings will also deal with how to write clear action plans, which will include how to address underlying root cause by strengthening relevant management system. Shortly after these trainings, H&M CoC team will visit factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

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: Workers should be free to form associations of their own choosing, and to bargain collectively. We don't 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: 09/05/2008

Supplier CAP: The factory had set up the policy recognizing and respecting workers' right of freedom of association and collective bargaining.

Supplier CAP Date: 09/05/2008



Action Taken: Factory has now established a written policy guaranteeing collective bargaining and freedom of association within the existing legal framework. Collective bargaining is encouraged to take place through the trade union.

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: The factory trade union representatives were all management staff or supervisors and did not include any production workers. At the same time, the factory trade union representatives were assigned by factory management and were not elected by workers.

Plan Of Action: Workers should be free to form associations of their own choosing, be guaranteed the right to freely choose their representatives, and to bargain collectively. We don't 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: 09/30/2008

Supplier CAP: The factory trade union will hold a meeting voting for the trade union chairman. And will vote for some representatives from workers.

Supplier CAP Date: 09/30/2008



Action Taken: At the time of this follow up audit, the union still consists of management only. Factory plans to hold a new election of trade union representatives in October 2008.

Plan Complete:

Plan Complete Date:

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

Other

Noncompliance

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

Plan Of Action: Workers should be free to form associations of their own choosing, and to bargain collectively. We don't 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: 09/05/2008

Supplier CAP: The factory has set up the policy recognizing and respecting workers' right of freedom of association and collective bargaining.

Supplier CAP Date: 09/05/2008

Action Taken: Factory has now established a written policy guaranteeing collective bargaining and freedom of association within the legal framework. Collective bargaining is encouraged to take place through the trade union.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to issues found in factories producing our garments. Recently we have therefore launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on how to establish working grievance and management worker dialogue systems. Part of the trainings will also deal with how to write clear action plans, which will include how to address the underlying root cause by strengthening relevant management system. Shortly after these trainings, an H&M CoC team will visit factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

Plan Complete:

Plan Complete Date:

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 mean to maintain labor discipline. For example, anyone who violated the factory rules would be fined RMB 5.00 to RMB 100.00.

Plan Of Action: H&M never accepts any unfair salary deductions. When salary deductions are used as disciplinary actions, these should be within the legal limit and based on formal, written factory rules and regulations. It is the factory's responsibility to ensure that the rules are clear, fair, and properly communicated to all employees in the factory. We communicated these requirements to the supplier and the factory management during our meeting after the FLA audit at this factory.

Deadline Date: 09/30/2008

Supplier CAP: We shall set up a clear and detailed monetary fines system, and make sure that the fine policy is valid for every worker and make sure the highest fine amount is less than 20% of the worker current monthly salary.

Supplier CAP Date: 09/30/2008

Action Taken: These rules are still in place, but are too vague. Factory needs to clearly define the range of fines and responsibilities (for employer as well as employee, who decides on fines, which violations of factory rules can lead to which fines etc), and guarantee that any monetary fines are fair and within legal limit.

Plan Complete:

Plan Complete Date:

Child Labor: Child Labor

CL.2 Employers shall not employ children younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. (S)

Uncorroborated Evidence of Noncompliance

Explanation: One interviewee reported that he was below 16 years old when he joined the factory. Another 2 workers in the same section confirmed this.

Plan Of Action: H&M require the factory to write a clear policy against use of child labor and establish recruitment routines in order to make sure that all new workers are above legal age. We will, together with the supplier and factory, thoroughly evaluate the factory's recruitment policy and routines to identify and remediate reasons for this historical underage recruitment and to prevent similar situations from occurring in the future.

Deadline Date:

Action Taken: July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. Recently we have therefore launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on recruitment procedures, and how to set up a clear and functioning recruitment system that includes age verification and introduction training to new workers. Part of the trainings will also deal with how to write clear action plans, which will include how to address the underlying root cause by strengthening the relevant management system. Shortly after these trainings, a H&M CoC team will visit the factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

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: No registration had been done for juvenile workers from local labor department.

Plan Of Action: We require the factory to follow the local laws regarding protection of juvenile workers. We will encourage the factory to set up a policy and procedures on how to meet legal requirements regarding juvenile workers, including proper and timely registration, physical examinations, working hours and suitable workstations. During our next follow-up visit, we will, together with the supplier and factory, evaluate all relevant procedures and documents and closely monitor the situation of the juvenile workers in the factory.

Deadline Date: 09/05/2008

Supplier CAP: The factory has registered for juvenile workers in local labor department.

Supplier CAP Date: 09/05/2008

Action Taken: Factory registered all 28 juvenile workers currently employed on September 10, 2008.

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 the local laws regarding protection of juvenile workers. We will encourage the factory to set up a policy and procedures on how to meet legal requirements regarding juvenile workers, including working hours, suitable workstations as well as proper and timely physical examinations. During our next follow up we will, together with supplier and factory, evaluate all relevant procedures and documents and closely monitor the situation of the juvenile workers in factory.

Deadline Date: 10/15/2008

Supplier CAP: The factory will set up a system for identifying work stations and operations so as to avoid inappropriate jobs for juvenile workers. And we will post the current valid laws for juvenile workers.

Supplier CAP Date: 10/15/2008

Action Taken: According to factory management these regulations are not applicable to the factory, since none of the work situations mentioned by the regulations exist at the factory. During our supplier meeting however, we stressed the need to identify work situations that might not be suitable for juvenile 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: The factory did not post the Company Code of Conduct or any its own standards; At the same time, the Company (H & M) had not communicated its association with FLA with the factory.

Plan Of Action: All suppliers are informed of our Code of Conduct, both through individual meetings with our CoC Department, and through workshops. It is the responsibility of the supplier to ensure that all subcontractors are informed of our Code requirements. All subcontractors must pass a 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 to clarify if they have any questions. Generally we do not require our Code of Conduct to be posted in the factory. In the 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 next follow-up audit, we will evaluate the factory's internal regulations via 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. We will also hold a meeting with the supplier and factory management about our association with FLA, and the implications of this for the factory.

Deadline Date: 09/11/2008

Supplier CAP: We will post the factory own requirements in the workshop. And make sure the factory own requirement is in compliance with the Chinese labor law and other laws. And both H&M and supplier communicated fully with factory of association with FLA.

Supplier CAP Date: 09/11/2008

Action Taken: July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to issues found in factories producing our garments. Recently we have therefore launched capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on recruitment procedures, and how to set up a clear and functioning recruitment system that includes age verification and introduction training to new workers. Part of the trainings will also deal with how to write clear action plans, which will include how to address underlying root cause by strengthening the relevant management system. Shortly after these trainings, an H&M CoC team will visit the factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

Plan Complete:

Plan Complete Date:

Code Awareness:

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

Noncompliance

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

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

Deadline Date: 09/11/2008

Action Taken: During the interviews conducted with the workers during our audits, we handed out business cards with our mobile numbers.

Audit, April 1, 2009: During this audit we conducted a number of worker interviews, during which we handed out business cards with our mobile numbers to all workers interviewed.

Plan Complete:

Plan Complete Date:

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: No fire service inspection certificate was available in factory. The factory did not have an effective inspection certificate of competency on boiler for workshop 2.

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

Deadline Date: 09/05/2008

Supplier CAP: The factory could not get fire service inspection certificate from the local fire safety government. The factory did, however, receive the appropriate inspection certificate of competency on boiler for workshop 2.

Supplier CAP Date: 09/05/2008

Action Taken:

1. The factory has not been able to obtain this certificate because it is not offered by the local fire inspection brigade, according to factory management.
2. The Factory has now obtained certificates for both boilers.

Plan Complete:

Plan Complete Date:



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: Not all workers were participated in evacuation drill. 10 aisles, passages and 1 emergency exit were blocked by goods. No emergency lights were installed at 5 emergency exits. Exit signs were not affixed on 4 emergency exits.

Plan Of Action: H&M requires that safety in factory is maintained according to local law and our Code of Conduct. We will encourage the factory to participate in external training on health and safety. We furthermore require that our factories arrange regular evacuation and fire fighting drills with all workers in the factory. All emergency exits should be equipped with emergency lights and exit signs at all times. Evacuation routes should be clear at all times. This will be followed up through document review and workshop inspection during our next follow up.

Deadline Date: 09/05/2008

Supplier CAP: We have organized an evacuation drill. Worker participation is mandatory. We will set up a monitoring system ensure that the aisles, passages and emergency exits unblocked all the time. We have inspected all the emergency lights and all exit signs at emergency exits and make sure installing emergency lights and exit signs at every exit.

Supplier CAP Date: 09/05/2008

**Action
Taken:**

1. Factory held a fire drill for the whole workforce on September 8, 2008.
2. No aisles or emergency exits blocked during this audit.
3. Emergency exit lights are now installed at all emergency exits.
4. Emergency exit signs are now installed at all emergency exits.

Audit, April 1, 2009: One emergency exit sign blocked by curtains and is not visible; some workstations are blocked by products; one exit in the canteen was blocked by tables and chairs. A fire drill was conducted once since the last audit.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. During this audit cycle we are therefore working with our suppliers and factories producing for us on how to establish or strengthen management systems in the factories. This includes efforts on strengthening H&S management systems. As part of our capacity building effort, an initial assessment of the existing management system will be made, after which H&M CoC teams will continually follow up and offer support on the ongoing remediation work.

**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: About 70% of fire extinguishers and fire hydrants were blocked by goods.

Plan Of Action: H&M requires that safety in the factory is maintained according to local law and our Code of Conduct. We will encourage the factory to participate in external training on health and safety.

Deadline Date: 09/30/2008

Supplier CAP: We shall set up a monitoring system to prevent the blockage of fire hydrants and fire extinguishers. We shall make sure fire extinguishers and fire hydrants unblocked in future.

Supplier CAP Date: 09/30/2008

Action Taken: All fire extinguishers and fire hoses now clear and readily available.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. During this audit cycle we are therefore working with our suppliers and factories producing for us on how to establish or strengthen management systems in the factories. This includes efforts on strengthening Health & Safety management systems. As part of our capacity building effort, an initial assessment of the existing management system will be made, after which H&M CoC teams will continually follow up and offer support on the ongoing remediation work.

Plan Complete:

Plan Complete Date:

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 indicating the need for PPE were posted around the factory.

Plan Of Action: The workers should be provided with relevant personal protective equipment (PPE), along with education both orally and in writing in their native language on how to use it. This issue will be monitored through workshop inspection, as well as worker and management interviews.

Deadline Date: 09/02/2008

Supplier CAP: We shall post signs and diagrams indicating the need for PPE in the cutting workshop and packing machine.

Supplier CAP Date: 09/02/2008

Action Taken: Signs indicating the need for PPE are installed in cutting workshop (metal gloves) and near the buttoning machines (protective goggles).

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. During this audit cycle we are therefore working with our suppliers and factories producing for us on how to establish or strengthen management systems in the factories. This includes efforts on strengthening Health & Safety management systems. As part of our capacity building effort, an initial assessment of the existing management system will be made, after which H&M CoC teams will continually follow up and offer support on the ongoing remediation work.

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: Safety eye shields were not installed for 8 overlocking sewing machines.

Plan Of Action: Workers should be provided with relevant personal protective equipment depending on work process, along with education in their native language on how to use it. During our next audit we will follow up on this issue during the workshop inspection and management interviews.

Deadline Date: 09/02/2008

Supplier CAP: We have installed safety eye shields for the 8 overlocking sewing machines

Supplier CAP Date: 09/02/2008

Action Taken: Eye shields are now installed for all the overlocking sewing machines.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. During this audit cycle we are therefore working with our suppliers and factories producing for us on how to establish or strengthen management systems in the factories. This includes efforts on strengthening Health & Safety management systems. As part of our capacity building effort, an initial assessment of the existing management system will be made, after which H&M CoC teams will continually follow up and offer support on the ongoing remediation work.

Plan Complete:

Plan Complete Date:

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: Toilets were not clean and no door was installed for about 60% toilets.

Plan Of Action: We will urge the factory to strengthen their cleaning procedures to make sure that all workshops, dormitories and toilets are cleaned on a regular basis. We also encourage factories to have separate toilets for men and women, which should be kept in good condition. This issue will be followed up on during the factory inspection, as well as worker and management interviews, during our next audit.

Deadline Date: 10/20/2008

Supplier CAP: We shall set a clean policy to make sure that the toilets are clean all times and we shall install the doors for all toilets.

Supplier CAP Date: 10/20/2008

Action Taken: The toilets were found to be clean during this audit. Doors now installed at 80% of the women's toilets, but not for the men's toilets. The toilets without doors are temporary shielded off with curtains, until the planned doors have been installed. The toilets by the dorms are too small for doors to be installed.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. During this audit cycle we are therefore working with our suppliers and factories producing for us on how to establish or strengthen management systems in the factories. This includes efforts on strengthening Health & Safety management systems. As part of our capacity building effort, an initial assessment of the existing management system will be made, after which H&M CoC teams will continually follow up and offer support on the ongoing remediation work.

Plan Complete:

**Plan
Complete
Date:**

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 near an unsanitary location (near toilets).

**Plan Of
Action:** H&M require that workers have unlimited access to clean drinking water, which should not be too close to the toilet area. This issue will be addressed with factory management during our next audit.

**Deadline
Date:** 10/15/2008

**Supplier
CAP:** Make a door to isolate the drinking station from the toilets and make sure the drinking water station is clean.

**Supplier CAP
Date:** 10/15/2008

**Action
Taken:** One of the drinking stations in the factory is still outside the toilet. Since in this position it is possible to use the left over steam from the ironing process, factory is not willing to move the drinking station, but plans to erect a wall and a door to separate the toilet from the drinking station.

**Plan
Complete:**

**Plan
Complete
Date:**

Hours of Work: Time Recording System

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

Noncompliance

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

Supporting evidence/sources: Production record (such as, Metal Detecting Machine Testing Records, Metal Detecting Records, Manual Needle Using Records, Broken Needle Records and Machine Repairing Records) showed workers from metal detecting workshop, sewing section and maintenance section worked February 24, March 1, 2, 8, 15, 22, 29, 30, 2008, April 12, 2008 (Saturdays and Sundays); but these 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 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 require the factories to always provide the correct attendance records and salary lists. Providing incomplete or false documents is a violation of our basic requirements of transparency. Only after knowing the real overtime are we able engage in dialogue with the factory to establish a system to reduce the overtime in a sustainable manner. The long-term aim is to through improved production planning and efficiency steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to ensure that workers may have one day off per week and reduce the number of overtime hours in the weekdays.

Deadline Date: 09/05/2008

Supplier CAP: Provide the verified attendance records and payroll records so as to verify the status of minimum wage and overtime wage and overtime hours.

Supplier CAP Date: 09/05/2008

**Action
Taken:**

As a result of discussions H&M have been having with the factory concerning the need of transparency, the true and actual time and wage records were shown during a follow-up audit September 11, 2008, as opposed to faked records shown in the past. After review of this second set of records, it was found that wages and working hours differed from what we have seen during earlier audits, and that working hours and compensation do not meet legal requirements. Overtime hours could not be verified for the time up to August 2008 since factory until then have been using handwritten attendance records indicating only days worked, not hours. They are in the process of switching to a swipe-card system, which has been in use since August 2008.

July 2009: H&M believes that only long term commitment to root cause remediation can bring about sustainable solutions to the issues found in the factories producing our garments. Recently we have therefore launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by trainings to our suppliers and factories on how to establish reliable and transparent attendance records in garment factories. Part of the trainings will also deal with how to write clear action plans, which will include how to address the underlying root cause by strengthening the relevant management system. Shortly after these trainings, an H&M CoC team will visit the factories to provide support and feedback, during which we will together with supplier and factory discuss how their implementation efforts are progressing. This phase will be followed by a second audit, during which we will assess the factory's performance.

**Plan
Complete:**

**Plan
Complete
Date:**
