



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H &M Hennes & Mauritz AB

COUNTRY: China

FACTORY CODE: 440015964G

MONITOR: Level Works Ltd

AUDIT DATE: October 30 – 31, 2008

PRODUCTS: Garments

PROCESSES: Cutting, Sewing, Buttoning,
Pressing, Inspection, Packing

NUMBER OF WORKERS: 361



CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____	3
Wages, Benefits and Overtime Compensation: Minimum Wage _____	4
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation _____	5
Forced Labor: Worker Ability to Terminate/Freedom of Movement _____	6
Freedom of Association: Right to Freely Associate _____	8
Freedom of Association: Other - Freedom of Association and Collective Bargaining _____	10
Harassment or Abuse: Discipline/Progressive Discipline _____	11
Harassment or Abuse: Other - Harassment or Abuse _____	12
Child Labor: Young Worker Identification System _____	14
Child Labor: Other - Child Labor _____	15
Non-Discrimination: Other - Non-Discrimination _____	17
Code Awareness: _____	18
Code Awareness: _____	20
Health and Safety: Evacuation Requirements and Procedure _____	21
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance _____	23
Hours of Work: Rest Day _____	25
Hours of Work: Overtime/Calculation Over Period Longer Than One Week _____	26

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

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

Noncompliance

Explanation: In accordance with PRC Labor Law article 72, employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with law; and according to article 73, laborers shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment; and e) childbearing. Therefore, according to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory. It was noted that only 124 out of 361 workers had participated in retirement, illness or injury, disability caused by work-related injury or occupational disease, unemployment insurance. Furthermore, there was no worker who had participated in the childbearing insurance.

Note: As per the factory management, it was noted that all workers (both local and migrant workers from other provinces) could participate in all 5 types of social insurance.

Plan Of Action: H&M always requires factories producing H&M garments to follow the law in all aspects of their work. This includes following national and local requirements concerning insurance and social welfare. Our minimum requirement is that all workers are covered by at least injury insurance. Furthermore, we have required factory to draft a correction plan on how to gradually increase number of workers covered by full social insurance.

Deadline Date: 08/31/2009

Supplier CAP: Total amount of workers is 363; now 255 workers with commercial insurance and 157 workers with social insurance which includes retirement, illness/injury or unemployment insurance. We will increase number to 190 with social insurance by March 31, 2009 and to 220 with social insurance by August 31, 2009.

Supplier CAP Date: 08/31/2009

Action Taken:

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: In accordance with PRC Labor Law article 48 and Opinion of Ministry of Labor on Several Questions concerning Implementation of Labor Law (1995) article 57, employees, including those who are in probationary, training or internship period, shall not be paid lower than local minimum standard set at RMB 700 per month, equivalent to RMB 4.18 per hour before January 1, 2008, and RMB 4.02 per hour since January 2008. It was noted that 10% of workers in factory paid below legal minimum wage rate (most of these underpaid workers in sewing and packing section, and most of them were new workers). The lowest wage was RMB 2.99 per hour.

Plan Of Action: H&M requires factories to record all working hours and pay minimum wage and overtime payment in accordance with law. During 2009 we will further monitor that factories producing our garments pay all workers, whether they have full attendance or not, at least minimum wage per hour.

Deadline Date: 01/01/2009

Supplier CAP: Since the number of those workers whose wage rate below the legal minimum is small, the remaining part of the wages will be paid by factory to workers with full attendance, so they will reach minimum wage, and this will be implemented from December 2008.

Supplier CAP Date: 01/01/2009

Action Taken:

**Plan
Complete:**

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

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

Noncompliance

Explanation: In accordance with PRC Labor Law article 44, overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal workdays, rest days and official public holidays respectively. It was noted that only normal piece rates paid to workers for all overtime hours. Remark: As per documents review and management interview, factory will provide overtime premium (RMB 2.10 per hour for overtime hours on normal days, RMB 4.20 per hour for overtime hours on rest days, and RMB 8.20 per hour for overtime hours on public holidays) to workers starting from November 1, 2008.)

Plan Of Action: H&M requires factories producing H&M garments to guarantee their workers' full legal compensation for all working hours. We have requested the factory provide us with a remediation plan on how to, in a sustainable manner, reduce the overtime and ensure correct compensation for all working hours.

Deadline Date: 11/25/2008

Supplier CAP: We have canceled original full attendance award (10RMB per day), lunch food allowance (2.5RMB per day), supper food allowance (1.5RMB per day), as well as seniority bonus (30RMB per month) and replaced these with OT compensation and 50RMB in full attendance award per month. This is a little higher than before. Starting in November 2008, workers can get OT compensation of 2.15RMB per hour if their working hours exceed 8 hours per working day. For weekends, compensation is 4.30RMB per hour, while for statutory holidays OT compensation is 8.60RMB per hour.



Supplier CAP 11/25/2008

Date:

Action Taken: Audit, 15 April 2009: The factory has now implemented their correction plan and restructured their wages. It was found that they now compensate the workers for all overtime working hours in full compliance with the law.

Plan Complete:

Plan Complete Date:

Forced Labor: Worker Ability to Terminate/Freedom of Movement

F.13 Employers shall not utilize practices that restrict a workers' ability to terminate his or her employment or freedom of movement. Examples of such practices include, but are not limited to: (the threat of) physical or mental coercion; requiring deposits; imposing financial penalties; requiring recruitment fees; setting production targets or piece rates at such a level that workers need to work beyond normal working hours (excluding overtime) as set under the FLA Code in order to make the legal minimum wage or the prevailing industry wage; and denying and hampering access to, and renewal of, identity papers and/or work permits or any other personal legal (identification) documents. (S)

Noncompliance

Explanation: In accordance with PRC Labor Contract Law Article 9, when an employer hires an employee, it shall not detain his identity card or other certificates, nor may it require him to provide a guaranty or collect property from him under any other excuse. It was noted that workers in the factory need to pay for scissors they used at work.

Plan Of Action: Any form of forced or compulsory labor is a very serious violation of H&M Code of Conduct, as well as Chinese law. H&M never accepts that factories make any unfair deductions of wages, detain ID cards or require deposits of other forms. We have demanded that the factory abolish this practice immediately.

Deadline Date: 02/10/2009



Supplier CAP: Our factory will provide scissors freely to new workers who will be employed at the beginning of 2009.

Supplier CAP Date: 02/10/2009

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

Freedom of Association: Right to Freely Associate

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

Noncompliance

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

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

Deadline Date:

Action Taken: Audit, 15 April 2009: During this audit we evaluated the factory's procedures for grievance handling as well as worker management dialogue. The factory does have a clear policy, but still needs to work on improving these procedures.

July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

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

Other

Noncompliance

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

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

Deadline Date: 01/20/2009

Supplier CAP: We will establish a policy recognizing workers' right of freedom of association and collective bargaining.

Supplier CAP Date: 01/20/2009

Action Taken: Audit, 15 April 2009: During this audit we evaluated the factory's procedures for grievance handling as well as worker management dialogue. The factory has a clear policy, but still needs to work on improving these procedures.

July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:**

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 did not have a written system of progressive discipline.

Plan Of Action: H&M requires the factory inform all workers about their legal rights and responsibilities. This training should be conducted verbally, but factory should also provide workers with a written handbook where they can read clearly about these issues. We encourage the factory to create a clear policy and procedures to ensure a system of progressive discipline in the factory. Under no circumstances do we accept the use corporal punishment or other forms of mental or physical disciplinary actions.

Deadline Date: 01/20/2009

Supplier CAP: We will establish a system of progressive discipline.

Supplier CAP Date: 01/20/2009

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

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

Plan Of Action: H&M requires factory inform all workers about their legal rights and responsibilities. This training should be conducted verbally, but factory should also provide workers with a handbook where they can read clearly about these issues. We encourage factory to create a 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: 01/20/2009



Supplier CAP: We will establish a harassment and abuse policy.

Supplier CAP Date: 01/20/2009

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

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.

Plan Of Action: We require the factory to follow all relevant laws concerning protection of juvenile workers. We encourage the factory to write a policy and create procedures on how to meet legal requirements regarding juvenile workers, including proper and timely physical examinations and registrations, working hours and suitable workstations. In our audits and follow ups we continuously check the progress made on improving management systems in the factory, such as Recruitment and HR systems.

Deadline Date: 01/20/2009

Supplier CAP: We will establish a system regarding juvenile workers.

Supplier CAP Date: 01/20/2009

Action Taken: July, 2009: H&M believe 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 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 the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:**

Child Labor: Other - Child Labor

Other

Noncompliance

Explanation: The factory did not have a written child labor policy and age verification procedure.

**Plan Of
Action:** H&M requires the factory to write a clear policy against the use of child labor and to establish recruitment procedures in order to make sure that all new workers are above legal age. We will address this with the factory and discuss cases of best practice, such as establishing clear procedures to ensure that no new workers enter workshop without proper age verification and registration, in order to ensure no child laborers employed.

**Deadline
Date:**

**Supplier
CAP:** We will set up a child labor policy.

**Supplier CAP
Date:**

Action Taken: Audit, 15 April 2009: The factory has now established a clear and written recruitment policy. This policy clearly states that they will not employ anyone who doesn't meet the legal age requirement. To implement this policy the factory has also established a set of written procedures, which include age verification. Together with factory management we evaluated their recruitment system, and identified areas that still needs strengthening.

July, 2009: H&M believe 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 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 the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

Non-Discrimination: Other - Non-Discrimination

Noncompliance

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

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

Deadline Date: 01/20/2009

Supplier CAP: We will establish a non-discrimination policy and procedure.

Supplier CAP Date: 01/20/2009

Action Taken: Audit, 15 April 2009: The factory has now established a non-discrimination policy, but is still lacking clearly defined procedures.

July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

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.

Plan Of

Action:

Generally we do not require our code of conduct (COC) to be posted in the factory. In the case that a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our COC and local legislation and to clearly communicate these to all workers, for example through a handbook for the workers or on the notice board. During follow-up visits we continuously evaluate the factory's internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if these comply with local legislation and our COC. In our meetings with supplier and factory management we will bring up our association with FLA, and the implications of this for the factory.

Deadline

Date:

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

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

Deadline Date:

Action Taken: Audit, 15 April 2009: During this audit we conducted a number of worker interviews, when we also handed out our business card with a mobile number that the workers can use if they wish to contact us.

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: 1. In accordance with the PRC Fire Service Law article 14(6), enterprises and business units shall ensure that all evacuation passages and emergency exits are clear, and posted with fire safety evacuation signs. It was noted that there were so many materials around workers in sewing section that these materials blocked the evacuation passages. Furthermore, the passages in buttoning section were blocked by products.

2. In accordance with the PRC Fire Service Law article 14(6), enterprises and business units shall ensure that all evacuation passages and emergency exits are clear, and affixed with fire safety evacuation signs. It was noted that no exit sign was affixed on one of the exits in sewing section.

Plan Of Action: H&M requires that safety in the factory as well as the dormitory is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation, and all relevant equipment such as fire extinguishers, fire alarms, evacuation plans and emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory.

Deadline Date: 01/20/2009

Supplier CAP: We will make a standard for raw materials storage which workers must follow. There may be some difficulty because of workers' sitting posture and habits. We are now discussing with H&M how to solve this problem. The exit sign in the sewing workshop has already been installed.

Supplier CAP Date: 01/20/2009

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: In accordance with the Rules Concerning Warehouse Safety and Fire Control, Article 38, for warehouses that store goods of category C, high temperature lighting fixtures shall not be used, e.g. iodine-tungsten lamps and incandescent lamps of more than 60W. When low temperature lighting fixtures, e.g. daylight lamps, and other flame-retardant lighting fixtures are used, fire prevention measures of heat insulation and heat rejection should be taken for the ballast to ensure safety. (Flammable solids of category C include chemicals, artificial fibers and their fabrics, paper, cotton, fur, silk, hemp and its fabrics, cereals, flour, natural rubber and its products, bamboo, wood and its products, Chinese herbal medicines, TV sets, recorders, other electronic products, disks with recorded data of computer rooms, fish and meat in the refrigerator.) As per factory tour, it was noted that lights in the fabric warehouse were not explosive-proof.

Plan Of Action: H&M requires that safety in the factory, as well as the dormitory, is maintained according to local law and our code of conduct. Workers' safety should be a priority at all times and we require our factories to ensure that emergency exits are clear and unlocked at all times. Workers should be aware of and trained in fire safety and evacuation, and all relevant equipment such as fire extinguishers, fire alarms and evacuation plans. Emergency exit lights should be functioning and properly situated. We also encourage the factory to participate in external training on health and safety in order to improve the health and safety awareness in the factory. We always require that the factory follow all relevant laws and regulations concerning fire safety and that the equipment and handling of such are carried out in a way that minimizes fire hazard.

Deadline Date: 01/20/2009

Supplier CAP: By December 10, 2008, we have replaced one third of the lights in the fabric warehouse, the rest will be replaced by January 20, 2009.

Supplier CAP Date: 01/20/2009

Action Taken: July, 2009: H&M believe 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 launched a capacity building program, which will supplement our regular audits. As part of this program, an initial audit will be followed by training programs for our suppliers and factories on workers basic rights. These training sessions will be based on the ILO core convention and cover areas such as forced labor, harassment and abuse, and discrimination. 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:



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: Around 90% of workers in the factory (happened in each section, and from June 2008 to September 2008) worked for more than 6 continuous days, and the longest continuous days without rest were 16 days.

Plan Of Action: H&M requires that the workers be provided enough time to rest between each work shift and have at least 1 day off per week. All overtime should be voluntary. We have requested that the factory provide us with a remediation plan on how to, in a sustainable manner, reduce the overtime in order to meet legal requirements.

Deadline Date: 09/30/2009

Supplier CAP: We are adding 4 to 6 production lines to increase the production efficiency, and we plan to ensure that workers in the sewing workshop can get 3 or 4 days rest every month, at least 2 or 3 days rest for the finishing department every month.

Supplier CAP Date: 09/30/2009

Action Taken:

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: Between June and September 2008, around 80% of workers in the factory (usually in the sewing, buttoning, inspection and packing sections) worked for more than 60 hours per week, and the longest working hours per week were 85 hours.

Plan Of Action: H&M requires that the workers be provided enough time to rest between each work shift and have at least 1 day off per week. All overtime should be voluntary. We have requested the factory provide us with a remediation plan on how to, in a sustainable manner, reduce the overtime in order to meet legal requirements.

Deadline Date: 09/30/2009

Supplier CAP: We are adding 4 to 6 production lines to help increase the production efficiency and we giving workers some training to improve their skills. Those employees whose skills who can't reach the new standards after training will not be rehired when their contracts expire. The goal is to reduce an average of 5% of working hours each month. In peak season, however, we may not reach the level of reducing the amount of working hours monthly since the factory must finish a considerable amount of products so that we can afford the workers' insurance, OT compensation and production cost as well as other expenses. We will try to achieve a 1% decline in the average amount of working hours every month. Also, we are actively recruiting technicians and management persons, especially clothing mould makers. Once this recruitment is finished, factory can further improve the production efficiency and output, since then factory can reduce the average amount of working hours 4% more monthly.

Supplier CAP Date: 09/30/2009

Action Taken:



**Plan
Complete:**

**Plan
Complete
Date:**
