



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: H&M Hennes & Mauritz AB

COUNTRY: China

FACTORY CODE: 440015965G

MONITOR: Global Standards

AUDIT DATE: October 29 – 30, 2008

PRODUCTS: Garments

PROCESSES: Cutting, Sewing, Checking,
Packing

NUMBER OF WORKERS: 266



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Wages, Benefits and Overtime Compensation: Timely Payment of Wages

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

Noncompliance

Explanation: Whether workers submit resignation application 1 month in advance or not, factory will pay workers wages on next payday. Management explained that because most workers were paid by a collective piece rate, so it was very difficult to isolate 1 workers' wage in advance.

Law: Temporary regulation for wage payment Article 9: Laborers end labor contracts with working units as per law, working units should pay all wages to laborers for one time at the time contracts end.

Plan Of Action: H&M requires that workers should at all times be guaranteed correct wages for work performed. These should be calculated and paid in accordance with relevant laws, and paid in a timely manner. We do not accept that wages are subject to unfair deductions or withheld without fair or legal reasoning.

Deadline Date: 11/01/2008

Supplier CAP: Our factory will make payment according to the payment regulation about employment contracts by Chinese law when workers resign within 30 days prior notice.

Supplier CAP Date: 11/01/2008

Action Taken:

Plan Complete:

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Posting Notices

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

Noncompliance

Explanation: No labor laws or regulations are posted in the factory.

Law: Article 4, Employment Contract Law: Rules and regulations, and decisions on material matters, that have a direct bearing on the immediate interests of employees shall be made public or be communicated to the employees by the employer.

Plan Of Action: H&M requires factory to inform all workers about their legal rights and responsibilities. This training should be conducted orally, but factory can also provide workers with a handbook where they can read about these issues.

Deadline Date: 01/20/2009

Supplier CAP: Factory will post the PRC labor law before 20 Jan. 2009.

Supplier CAP Date: 01/20/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: There is no procedure on forced labor.

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

Deadline Date: 01/06/2009

Supplier CAP: The factory has established a procedure on forced labor.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Freedom of Association: Right to Freely Associate

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

Noncompliance

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

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

Deadline Date: 01/08/2009

Supplier CAP: Our factory established a Personnel Representative Committee on January 8, 2009, which will take the function of labor union.

Supplier CAP Date: 01/08/2009

Action Taken:

Plan
Complete:

Plan
Complete
Date:

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

Other

Noncompliance

Explanation: There is no policy and procedure on 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 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: 01/06/2009

Supplier CAP: Factory has established a procedure on freedom of association and collective bargaining.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: The disciplinary system does not allow worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action is being imposed.

Plan Of Action: H&M requires factory inform all workers about their legal rights and responsibilities. This training should be verbal, but factory should also provide workers with a 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 that our suppliers or their subcontractors use corporal punishment or other forms of mental or physical disciplinary actions.

Deadline Date: 01/06/2009

Supplier CAP: Factory has amended and consummated the disciplinary system in order to ensure worker's rights.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

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

Noncompliance

Explanation: Workers did not sign the written records of disciplinary action against them. These records were not maintained in workers' personnel files.

Plan Of Action: H&M requires factory to inform all workers about their legal rights and responsibilities. Oral training is recommended, but factory should also provide workers with a handbook where they can read about these issues. We encourage factory to create clear policies 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: 01/10/2009

Supplier CAP: Factory will keep workers signed written records of disciplinary action against them together with records maintained in worker's personnel file. This corrective plan will be finished before January 10, 2008.

Supplier CAP Date: 01/10/2009

Action Taken:

Plan Complete:

Plan Complete Date:



Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers

H&A.16 Management shall discipline anyone (including managers, supervisors or fellow workers) who engages in any physical, sexual, psychological or verbal violence, harassment or abuse, regardless of whether such action was intended as a means to maintain labor discipline. Such discipline could include (combinations of) compulsory counseling, warnings, demotions and termination. (P)

Noncompliance

Explanation: There is no discipline procedure in place for those who engage in any harassment and abuse.

Plan Of Action: H&M requires all factories to develop internal regulations in line with our code of conduct and local legislation. Factory should communicate these regulations to all workers and management in factory. These should include policies against sexual harassment, abusive behavior, forced labor and discrimination. Cases of harassment or abuse should, if they occur, be dealt with in a fair and constructive way, for example through a progressive disciplinary system.

Deadline Date: 01/06/2009

Supplier CAP: Factory has posted discipline procedure, and if anyone is found engaging in harassment and abuse, we will provide training for those employees, and personnel representative will be present as third party.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: There is no procedure on harassment and abuse.

Plan Of Action: H&M requires all factories to develop internal regulations in line with our code of conduct and local legislation. Factory should communicate these regulations to all workers and management in the factory. These should include policies against sexual harassment, abusive behavior, forced labor and discrimination. Cases of harassment or abuse should, if they occur, be dealt with in a fair and constructive way, for example through a progressive disciplinary system.

Deadline Date: 01/06/2009

Supplier CAP: Factory has established the procedure on harassment and abuse.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Child Labor: Employment of Young Workers

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

Noncompliance

Explanation: There is no juvenile worker registration certificate provided to juvenile workers. There are no physical examinations provided to juvenile workers after they turn 18 years old. The last physical examination was provided more than 6 months ago.

Law: Special protection for juvenile workers. Article 9. Adopt registration system for the recruitment and special protection of juvenile workers. (1) Working units should make registration in local labor bureau whose authority is above county level. Labor bureau issues "registration certificate of juvenile workers" according to "physical examination papers of juvenile workers" and "registration of juvenile workers". (3) Juvenile workers should have "registration certificate of juvenile workers" for working. Protection regulation for juvenile workers Article 6. Employers should provide physical examinations for juvenile workers as per below requirements: before pre-employment; being in service for a year; reach 18 years old, and over half a year to last physical examination. 2. Article 10. Employers should process and bear all fees for physical examinations and registration for juvenile 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.

Deadline Date: 12/20/2009

Supplier CAP: Factory has established rules regarding protection of juvenile workers, and appointed 1 person in charge of monitoring and checking. This individual will ensure that all juvenile workers have physical examinations regularly according to labor law requirements. Juvenile workers will be offered physical examinations when they are 18 years old if they haven't had one during last 6 months, as well as 1 per year before they are 18 years old.

Supplier CAP Date: 12/20/2009

Action Taken:

**Plan
Complete:**

**Plan
Complete
Date:**

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: There is no procedure on non-discrimination.

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

Deadline Date: 01/06/2009

Supplier CAP: The factory has established the procedure on non-discrimination.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

**Plan
Complete
Date:**

Code Awareness:

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

Noncompliance

Explanation: No code of conduct was provided to the factory by the company.

**Plan Of
Action:** Generally we do not require our code of conduct to be posted in factory. In case that a factory produces goods for different buyers, it might be confusing for 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 notice board. During follow-up visits we continuously evaluate factory's internal regulations, through worker and management interviews as well as document review and workshop inspection, to ascertain if these comply with local legislation and our code of conduct. In our meetings with the supplier and factory management we will bring up our association with FLA, and the implications of this for the factory.

**Deadline
Date:**

**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**

Code Awareness:

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

Noncompliance

Explanation: Training on the Code of Conduct was not provided to workers.

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

Deadline Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Code Awareness:

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

Noncompliance

Explanation: There is no noncompliance reporting mechanism which allows factory workers to contact the company in this factory.

Plan Of Action: During our audits and discussions with the factory, we primarily encourage the management to develop and deepen factory's own confidential grievance system. We support factory in building a dialogue system within factory in order to have a forum for workers to communicate grievances to management. During our audits, we regularly check 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 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:

Plan Complete:

Plan Complete Date:

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation: There is no written comprehensive health and safety system.

Plan Of Action: H&M requires the factory to develop policies and systems to ensure health and safety conditions in the factory always are in line with local law and our code of conduct and make sure these are clearly communicated to the workers, for example through a handbook. This should include a system to ensure that a safe working environment without risks for health implications is provided for all workers.

Deadline Date: 01/06/2009

Supplier CAP: The factory has made the rules of comprehensive health and safety system.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Inspection records of 2 fire extinguishers in chemical warehouse were not updated. No first aid guide was posted nearby first aid box. No appropriate eye wash equipment is provided on the second floor.

Plan Of Action: H&M requires the factory to develop policies and systems to ensure health and safety conditions in the factory always are in line with local law and our code of conduct and make sure these are clearly communicated to the workers, for example through a handbook. This should include a system to ensure that a safe working environment without health risks is provided for all workers. Where needed all relevant personal protective equipments should be provided to the workers, and these should be given education on how to use them.

Deadline Date: 02/28/2009

Supplier CAP: Factory has changed the two fire extinguishers in the chemical warehouse, and will check all fire extinguishers every month and keep the records. Factory posted a first aid guide nearby the first aid box. Factory is contacting the supplier to buy eye-wash equipment.

Supplier CAP Date: 02/28/2009

Action Taken:

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 goggles were provided to workers who used the buttoning machines. Workers using glue did not wear masks the factory provided.

Plan Of Action: The workers should be provided with relevant personal protective equipment depending on work process. Workers should also be provided with oral and written education on how to use PPE.

Deadline Date: 01/09/2009

Supplier CAP: Goggles are now provided to workers using buttoning machines. The factory trained the workers on January 9th 2009 to wear active carbon masks when working with glue, and made a sign in the workshop with the details.

Supplier CAP Date: 01/09/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: The chemical warehouse was situated right next to the production building. There was no warning sign posted on the wall. No signs recommending the use of PPEs were posted inside the warehouse. Fire extinguishers were stored on the ground inside the warehouse. These fire extinguishers did not have updated inspection stickers. Empty glue barrels were stored outside the warehouse.

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. We encourage the factory to develop policies and systems for health and safety and make sure these are clearly communicated to the workers, for example through a handbook. 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: 01/09/2009

Supplier CAP: There is warning sign posted on the wall, and a sign of which PPEs should be used inside the warehouse. Fire extinguishers placed on the ground are now fixed on the wall since December 9, 2008, and will now be inspected every month.

Supplier CAP Date: 01/09/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: No sign of using PPE are posted in glue storage room on second floor.

Plan Of Action: The workers should be provided with relevant personal protective equipment, depending on work process. This should be coupled with along with safety education courses conducted in their native language.

Deadline Date: 01/06/2009

Supplier CAP: Factory has made sign indicating which PPE should be used in glue storage room on second floor.

Supplier CAP Date: 01/06/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Hours of Work: Rest Day

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

Noncompliance

Explanation: Workers do not have one day off in every 7-day period. Most workers had 1 day off last August, 2 days off in last September, October, November, December, this April, May, June, July and August.

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

Deadline Date: 12/31/2009

Supplier CAP: The factory will make constant improvements towards workplace efficiency and productivity and arrange training for the workers. We will implement a more reasonable production plan, to ensure that workers can have one day off in every seven-day period. This correction plan will be implemented from January 2009.

Supplier CAP Date: 12/31/2009

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: Workers' daily OT hours exceeded 3 hours. Workers' monthly OT hours from last August to this August (except for January, February and March) exceeded 80 hours. Yearly comprehensive working time certificate factory has is valid from June 2008 to June 2009. No such certificate for last year. Almost all production workers worked 148 to 155 OT hours last August, 132 to 148 OT hours last September, around 135 OT hours last October, around 128 OT hours last November, around 144 OT hours last December, around 142 OT hours this April, from 146 to 159 OT hours this May, around 142 OT hours this June, around 130 OT hours this July, from 146 to 156 OT hours this August.

Law: According to Article 41 PRC Labor Code: Employing unit may extend working hours as necessitated by its production or business operation after consultation with trade union and laborers, but extended working hours per day shall generally not exceed 1 hour; if such extension is needed for special reasons, under condition that health of laborers is guaranteed, extended hours shall not exceed 3 hours per day. However, the total extension in a month shall not exceed 36 hours.

Plan Of Action: H&M requires that 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 and compensated according to law. We have requested factory provide us with a remediation plan on how to, in a sustainable manner, reduce overtime. Our aim is to, through dialogue, encourage factory to establish a system to reduce OT in order to meet legal limit of OT hours per month and provide compensation for all OT hours according to law. Long term aim is to reduce overtime hours through improved production planning and efficiency. In short term, we require factory to ensure workers have 1 day off per week, and reduce number of overtime hours on weekdays.

Deadline Date: 12/31/2009



Supplier CAP: Factory will make improvements by making production more efficient and providing training to workers. We will implement a more reasonable production plan so that we can ensure workers' overtime hours do not exceed 3 hours per day. This correction plan will be implemented from January 2009.

Supplier CAP Date: 12/31/2009

Action Taken:

Plan Complete:

Plan Complete Date:

Hours of Work: Annual Leave/Wage Payments

HOW.18 Employers shall provide workers taking annual leave their normal or average wages for the full period of annual leave in advance, unless specified differently under local laws, regulations and procedures. (S)

Noncompliance

Explanation: The factory did not provide workers taking annual leave with their normal or average wages for the full period of annual leave in advance.

Plan Of Action: H&M will require factory to pay workers all leaves they are entitled to according to law.

Deadline Date: 01/06/2009

Supplier CAP: The factory has established a rule ensuring that workers' receive their normal or average wages in advance for the full period of annual leave.

Supplier CAP Date: 01/06/2009



**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**
