

## FLA Audit Profile

Factory Code	<b>440015818G</b>
Country	<b>China</b>
FLA Affiliate	<b>H&amp;M</b>
Monitor	<b>Global Standards</b>
Audit Date	<b>September 12, 2008</b>
Products	<b>Shoes</b>
Processes	<b>Punching, injection, manual work, sewing, shaping, packing</b>
Number of Workers	<b>310</b>



**FAIR LABOR**  
ASSOCIATION™

### Table of Findings

Wages, Benefits and Overtime Compensation: A. Holidays, Leave, Legal Benefits and Bonuses	2
Wages, Benefits and Overtime Compensation: O. False Payroll Records	2
Wages, Benefits and Overtime Compensation: R. Worker Wage Awareness	3
Wages, Benefits and Overtime Compensation: S. Posting Notices	4
Forced Labor: B. Freedom in Employment	4
Forced Labor: R. Other - Forced Labor	5
Freedom of Association: Z. Grievance Procedure	6
Freedom of Association: ZB. Other - Freedom of Association and Collective Bargaining	6
Harassment or Abuse: B. Discipline/Progressive Discipline	7
Harassment or Abuse: C. Discipline/Review of Disciplinary Action	8
Harassment or Abuse: F. Discipline/Worker Awareness and Participation of Workers	8
Harassment or Abuse: G. Discipline/Training of Management	9
Harassment or Abuse: H. Discipline/Monetary Fines and Penalties	10
Harassment or Abuse: P. Punishment of Abusive Workers/Supervisors/Managers	10
Harassment or Abuse: Q. Other - Harassment or Abuse	11
Child Labor: D. Other Means of Age Verification	11
Child Labor: M. Other - Child Labor	12
Non-Discrimination: O. Other - Non-Discrimination	13
Miscellaneous: A. Code Awareness	13
Health and Safety: I. Evacuation Requirements and Procedure	15
Health and Safety: J. Safety Equipment and First Aid Training	16
Health and Safety: M. Chemical Management and Training	17
Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance	17
Health and Safety: U. Medical Facilities	18
Hours of Work: B. Rest Day	19
Hours of Work: F. Time Recording System	19
Hours of Work: R. Annual Leave/Wage Payments	20

## Wages, Benefits and Overtime Compensation: A. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, the factory does not buy (procreation) insurance to workers. Local labor bureau issued a certificate saying that procreation insurance is not in place in most of \*\*\*City Name\*\*\* yet.

Labor law: Section 73. Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: (1) retirement; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) child bearing. The survivors of the insured laborers shall be entitled to subsidies for survivors in accordance with the law. The conditions and standards for laborers to enjoy social insurance benefits shall be stipulated by laws, rules and regulations. The social insurance amount that laborers are entitled to must be timely paid in full.

**Plan Of Action:** H&M requires the factory comply with local legal requirements for participation in social and accident insurance schemes. We will address this issue to the factory, and encourage them to make a plan to fulfill the legal requirements step by step.

**Deadline Date:** 09/20/2010

**Supplier CAP:** Workers can choose voluntarily whether to get enrolled in Social Security Fund or not. Supplier would take responsibility to encourage more and more workers to enroll in such fund, and the factory will comply with requirement of the local labor bureau.

**Supplier CAP Date:** 09/20/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Wages, Benefits and Overtime Compensation: O. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA	Global	2 (out of 5)

Independent Standards  
External  
Monitoring

**Explanation:** Uncorroborated non-compliance: According to records review and workers interview, wages workers in sewing department report for this July are different from payroll.

**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 fake documents is a violation of H&M's basic requirements of transparency. The workers should be ensured minimum wages for normal working hours, be provided enough time to rest between each work shift and have at least one day off per week. All overtime should be voluntary, and compensated according to the law. 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:** 04/11/2008

**Supplier CAP:** Supplier claimed that they fully understood H&M Code of Conduct and all documents shown were true and valid. They will try to control overtime hours and pay OT compensation step by step.

**Supplier CAP Date:** 04/11/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Wages, Benefits and Overtime Compensation: R. Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to workers interview, management interview, workers are not aware of the legally mandated benefits. Root cause: Not enough training to workers on related areas.

**Plan Of Action:** We encourage the factories to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these legal rights and responsibilities to all workers, for example, through a handbook for the workers or on the notice board or with training at regular intervals.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will document all legally mandated benefits properly and post them publicly in the factory so that workers can have access to the

information. Also training on legal benefits is arranged when a new worker enter the factory.

**Supplier CAP Date:** 11/28/2008  
**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

### Wages, Benefits and Overtime Compensation: S. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to factory walkthrough and management interview, no laws and regulations are posted in the factory. Root cause: The management is not properly aware of this area. They feel that posting factory regulations is sufficient. 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:** Generally we do not require our Code of Conduct to be posted in the factory. 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 or with training at regular intervals.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will revise their internal regulation where all relevant laws will be included, and then they will hand it out to workers and provide training for new comers.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

### Forced Labor: B. Freedom in Employment

F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA	Global	1 (out of 5)

Independent Standards  
External  
Monitoring

**Explanation:** Non-compliance: According to records review and management interview, workers need to get management's approval for resignation. Root cause: The management is not clear about legal regulation. Law: Section 31. A laborer who intends to revoke his laborer contract shall give a written notice to the employing unit 30 days in advance.

**Plan Of Action:** HM requires that all work should be voluntary and that the factory sets up its internal regulations in line with the Labor Contract Law and H&M's Code of Conduct. The regulations should include procedure for cancellation and termination of contracts and this procedure should be clearly communicated to all workers.

**Deadline Date:** 10/31/2008

**Supplier CAP:** It should be the obligation of workers to inform factory management of their resignation with 30-day notice in advance. Workers can quit of their own free will.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Forced Labor: R. Other - Forced Labor

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no policy and procedure on forced labor.

**Plan Of Action:** HM requires that all work is voluntary. We will address this issue to the factory, and recommend they set up a policy and procedures to prevent forced labor.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will revise its internal regulation and include the procedure on force labor, stating that no forced labor is acceptable and anyone involved therein would be fired.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Freedom of Association: Z. Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, there is no written grievance procedures in place.

**Plan Of Action:** H&M requires factories producing H&M products to establish functioning grievance systems. All workers should be able to present their grievances without having fear retribution. The grievance process should be detailed and fair and clearly communicated to all workers. We encourage the factory to provide training on grievance systems to all levels of the factory and include this information in a handbook for all employees.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Supplier has set up grievance system and dialogue channel to facilitate workers to put forward their grievance and suggestion. And Supplier will document properly all the information workers bring up and all relevant follow up action.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Freedom of Association: ZB. Other - Freedom of Association and Collective Bargaining

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, 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 factories producing H&M products against workers who choose to peacefully and lawfully organize or join an association. In addition, during our audits we put emphasis on building effective communication channels between workers and management.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Supplier has set up grievance system and dialogue channel to facilitate workers to put forward their grievance and suggestion. And Supplier will document properly all the information workers bring up and the follow up action.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

### Harassment or Abuse: B. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, the factory does 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 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:** 12/31/2008

**Supplier CAP:** Supplier is working on a system of progressive discipline, which will ensure that factory's internal disciplinary rules are clearly communicated to all workers and management and that workers can appeal and question any disciplinary action to the factory management.

**Supplier CAP Date:** 12/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:****Comments:****Harassment or Abuse: C. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, the disciplinary system does not 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.

**Plan Of Action:** We encourage the factory to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers. These should include all disciplinary procedures as well as the procedure of appealing disciplinary actions taken. Under no circumstances do we accept that our suppliers or their subcontractors use corporal punishment or other forms of mental or physical disciplinary actions. Records of disciplinary actions should be kept in the factory for review.

**Deadline Date:** 12/31/2008

**Supplier CAP:** Supplier is working on a system of progressive discipline, which will ensure that factory's internal disciplinary rules are clearly communicated to all workers and management and that workers can appeal and question any disciplinary action to the factory management.

**Supplier CAP Date:** 12/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Harassment or Abuse: F. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External	Global Standards	1 (out of 5)



Monitoring

**Explanation:** Non-compliance: According to records review and management interview, self-criticism letters are not kept in workers' profile.

**Plan Of Action:** We encourage the factory to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers. These should include all disciplinary procedures as well as the procedure of appealing against disciplinary actions. Under no circumstances do we accept that our suppliers or their subcontractors use corporal punishment or other forms of mental or physical disciplinary actions. Records of disciplinary actions should be kept in the factory for review.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Supplier will start to keep records of all disciplinary actions.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Harassment or Abuse: G. Discipline/Training of Management**

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no training provided to management on disciplinary procedures and how to apply appropriate disciplinary practices.

**Plan Of Action:** H&M requires the factory inform all employees about their legal rights and responsibilities. This training should be verbal, but factory should also provide workers with a handbook where workers can read clearly about these issues. We encourage the factory to create a clear policy and procedures related to discipline and include these in the training given to all levels of 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:** 12/31/2008

**Supplier CAP:** Supplier is working on a system of progressive discipline, which will ensure that factory's internal disciplinary rules are clearly communicated to all workers and management and that workers can appeal and question any disciplinary action to the factory management.

**Supplier CAP Date:** 12/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

---

## Harassment or Abuse: H. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review, workers interview and management interview, monetary fines were used for workers who mis-punch time cards or do not punch time cards during fixed time frame, which is 10RMB each time.

**Plan Of Action:** We encourage the factory to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers. These should include all disciplinary procedures as well as the procedure of appealing these procedures. For the deduction issue, we encourage the factory to strengthen education for workers and work with incentive based systems. While \*\*\*Monitor Name\*\*\* found necessary at the present stage to have monetary deduction, relevant regulation should be communicated clearly to and be agreed by workers. And records of deduction actions should be kept in the factory for review.

**Deadline Date:** 09/20/2010

**Supplier CAP:** Based on the situation in the factory, Supplier prefers to keep the current regulation for the time being, and they will keep records of the deduction properly.

**Supplier CAP Date:** 09/20/2010

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

---

## Harassment or Abuse: P. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External	Global Standards	1 (out of 5)

Monitoring

**Explanation:** Non-compliance: According to records review and management interview, no discipline procedure in place for those who engage in any harassment and abuse.

**Plan Of Action:** H&M does not accept harassment or abuse in any form. We will require the factory create and publish a policy and procedures on the prohibition of harassment and abuse, including the disciplinary actions that will be taken if the policy is breached.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will revise the internal regulations and include the discipline procedure against those involved in harassment and abuse.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Harassment or Abuse: Q. Other - Harassment or Abuse**

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no policy and procedure on non-harassment and abuse

**Plan Of Action:** H&M does not accept harassment or abuse in any form. We will require the factory create and publish a policy and procedures on the prohibition of harassment and abuse.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will revise the internal regulations and include the discipline procedure against those involved in harassment and abuse.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Child Labor: D. Other Means of Age Verification**

CL.4 In those cases where proof of age documentation is not readily available or unreliable, employers shall take all necessary precautions which can reasonably be expected of them to ensure that all workers are at least the minimum working age, including requesting and maintaining medical or religious records of workers, or through other means considered reliable in

the local context. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no other methods to prove workers' ages when age documents are not readily available or unreliable. Root cause: The management never thought about this situation.

**Plan Of Action:** H&M require the factory 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. Since checking ID and birth certificate is the main way to verify age in china, we have required the factory take measures to have strict control on fake of ID card and birth certificate.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Besides checking ID information, Supplier verbally asks applicant different questions to verify their age, when documents are not readily available or unreliable.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Child Labor: M. Other - Child Labor

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no procedure on child labor. Root cause: The management thinks that since they do not recruit child labor, and they have policy for child labor, their procedures are sufficient.

**Plan Of Action:** H&M encourages the factory to establish clear recruitment routines in accordance with their Child Labor policy in order to make sure that all new workers are above legal age.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier has stated in its recruitment procedure that no one under 16 years old is accepted to work in the factory. When checking age information, besides ID information, verbal questions are asked to clarify the age of questionable applicants.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

## Non-Discrimination: O. Other - Non-Discrimination

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no policy and procedure on non-discrimination.

**Plan Of Action:** H&M does not accept discrimination in any form. We will require the factory create and publish a policy of non-discrimination.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will revise its recruitment procedure, stating clearly that no discrimination against gender, race, region, religion, etc is acceptable during the whole recruitment process. And this policy will be communicated to all concerned personnel.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Miscellaneous: A. 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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no Code of Conduct provided to the factory.

**Plan Of Action:** All suppliers are informed about H&M's Code of Conduct, both through individual meetings with our CoC Department and through workshops, and are required to sign our CoC before orders can be placed. It is the responsibility of the supplier to inform all production units about H&M's CoC requirements, as well as verifying the implementation of the requirements.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will try to improve its internal regulation, covering all that is required by HM Code of Conduct. Then they will hand it out to workers and

provide training for new comers.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review, workers interview and management interview, no training on Code of Conduct provided to the management and workers.

**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 production units in which the processes of refining H&M products takes place must pass an H&M audit before production can start. 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.

**Deadline Date:** 11/28/2008

**Supplier CAP:** Supplier will try to improve its internal regulation, covering all that is required by HM Code of Conduct. Then they will hand it out to workers and provide training for new comers.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, no noncompliance reporting mechanism which allows factory workers to contact the Company.

**Plan Of Action:** 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. H&M have not get suppliers involved in the non-compliance reporting mechanism due to confidentiality of the channel, yet we encourage suppliers to set up grievance system and dialogue channel to facilitate communication channel between workers and management.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Supplier has set up a grievance system and dialogue channel to facilitate workers to put forward their grievances and suggestions. And Supplier will document properly all the information workers bring up and all relevant follow up action.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Health and Safety: I. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to factory walkthrough: 1. The door of the first floor in new factory production building is open from inside. 2. Garbage placed in the stairwell of the first floor in new factory production building.

**Plan Of Action:** H&M requires the factory develop policies and systems to ensure health and safety conditions in the factory is always 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:** 11/28/2008

**Supplier CAP:** 1. Supplier will re-install the door, making it open outwards. 2. The stairwell has been cleaned up, and Supplier will strengthen checking the factory condition and its daily maintenance.

**Supplier CAP Date:** 11/28/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

### Health and Safety: J. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to factory walkthrough: 1. No inspection date signed in inspection tags for all fire extinguishers after this July. 2. No inspection records for all fire hoses. 3. Fire extinguisher at the entrance of the first floor in new production building is blocked. Root cause: There are inadequate resources and no system to manage H & S in the factory. Law: Article 29 of Fire Prevention Regulation for Organ, Group and Enterprise The units should regularly inspect the maintenance and the status of fire extinguisher. The unit should set up the record for fire extinguishers. The record should have the type, quantity, set up location, maintenance person (unit), dose change date etc. of the fire extinguisher.

**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:** 09/30/2008

**Supplier CAP:** 1&2. Supplier will push and monitor the concerned personnel to check all fire safety equipments regularly and make records properly. 3. Supplier will strengthen its inspection of all fire safety equipments.

**Supplier CAP Date:** 09/30/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**



**Action Verified Text:****Action Verified Date:****Comments:**

## Health and Safety: M. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to factory walkthrough: 1. Antiseptic is placed under electrical plug in the second floor of old production building without Material Safety Data Sheets (MSDS) and label. 2. Chemical warehouse in old factory production building is too close to combustible materials. Root cause: There are inadequate resources and no system to manage H & S in the factory.

**Plan Of Action:** H&M always requires factories to follow local environmental laws and make sure that chemicals are stored and handled in proper way and in accordance with our COC requirements. We encourage the factory to create and implement a H&S policy and procedures which includes safe chemical handling. We also encourage the factory to participate in external training on H&S and chemical handling in order to improve the health and safety awareness in the factory.

**Deadline Date:** 11/28/2008

**Supplier CAP:** 1. Supplier will store all chemicals in a fixed place, and will also strengthen inspection by its safety personnel. 2. Supplier will move the combustible materials and keep certain spare space around the chemical warehouse so as to assure fire safety.

**Supplier CAP Date:** 11/28/2008

**Action Taken:****Plan Complete:****Plan Complete Date:****Action Verified:****Action Verified Text:****Action Verified Date:****Comments:**

## Health and Safety: Q. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent	Global Standards	1 (out of 5)

External  
Monitoring

**Explanation:** Non-compliance: According to factory walk through: 1. No shield provided for moving chain of sterilization machine in the third floor of new factory production building. 2. No shield provided for moving chain of gluing machine in the third floor of old factory production building. Root cause: There are inadequate resources and no system to manage H & S in the factory. Law: Article 41 of Factory Safety and Health Rules: The insulation of electrical equipment and wires must be intact. Bare live conductors should be installed out of reach.

**Plan Of Action:** H&M requires the factory to equip and maintain all hazardous machines with proper safety devices in accordance with local law and our Code of Conduct. The workers should be provided with relevant PPE depending on work process, along with education both verbally and in writing in their native language on how to use the PPE and other safety equipment related to their work.

**Deadline Date:** 12/31/2008

**Supplier CAP:** Supplier has contacted with the machine suppliers to purchase the chain shields.

**Supplier CAP Date:** 12/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Health and Safety: U. Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to factory walkthrough, supplies in the first aid box in the first floor of the old factory production building are not sufficient, only stores wound pastes and wanhuayou ointment. Root cause: There are inadequate resources and no system to manage H & S in the factory.

**Plan Of Action:** H&M require the factory to always have well equipped first aid boxes easily available at each workshop. The factory should ensure that in each workshop there are a sufficient number of staff present during working hours that are trained in first aid.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Supplier will replenish the first aid boxes in time by strengthening its management and inspection.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

## Hours of Work: B. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

**Explanation:** Uncorroborated non-compliance: According to workers interview, here were many orders around this Spring Festival; workers had to work on the weekend. The management asked workers not to record OT on Sundays. Through records review and management interview, no OT at Sundays ever happened. There were Saturday work recorded in last December and this January, and seldom Saturday work after this March.

**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 fake 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:** 04/11/2008

**Supplier CAP:** Supplier claimed that they fully understood H&M Code of Conduct and all documents shown were true and valid. They will try to control overtime hours and paid OT compensation step by step.

**Supplier CAP Date:** 04/11/2008

**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**

## Hours of Work: F. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

**Explanation:** Uncorroborated non-compliance: According to workers interview, here were many orders around this Spring Festival; workers had to work on the weekend. The management asked workers not to record OT on Sundays. Through records review and management interview, no OT at Sundays ever happened. There were Saturday work recorded in last December and this January, and seldom Saturday work after this March.

**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 fake 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:** 04/11/2008

**Supplier CAP:** Supplier claimed that they fully understood H&M Code of Conduct and all documents shown were true and valid. They will try to control overtime hours and paid OT compensation step by step.

**Supplier CAP Date:** 04/11/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Hours of Work: R. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/12/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: According to records review and management interview, the factory does not provide workers taking annual leave with their normal or average wages for the full period of annual leave in advance. Root cause: The management never heard of this issue.

**Plan Of Action:** H&M requires that annual leave shall be granted and compensated for workers as per local laws. According to Chinese Labor Law, there is no stipulation that annual leave shall be compensated in advance. In this

case, H&M accepts that annual leave compensation is paid on the regular pay date.

**Deadline Date:** 10/31/2008

**Supplier CAP:** Factory is following the labor law and pays annual leave compensation for all workers on regular pay date.

**Supplier CAP Date:** 10/31/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

---