



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** H & M Hennes & Mauritz AB

**COUNTRY:** China

**FACTORY CODE:** 4400151025I

**MONITOR:** Level Works Limited

**AUDIT DATE:** September 7, 2010

**PRODUCTS:** Woven Garments

**PROCESSES:** Cutting, Embroidering,  
Sewing, Pressing, Inspection and Packing

**NUMBER OF WORKERS:** 477



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

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

**Noncompliance**

**Explanation:** Insufficient social insurance coverage: Only 405 out of 507 employees in the factory are covered with all 5 kinds of social insurances.

Sources: document review and management and worker interviews

Legal Reference: PRC Labor Law, Article 72

**Plan Of Action:** H&M requires all factories 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 about social security. We encourage the factory to provide training in the factory on the contents of the factory's policies and regulations. We also require the factory to have a practical plan to increase social security coverage in the long run. This issue will be followed up on in future audits through management interviews and document review.

**Deadline Date:** 12/31/2014

**Supplier CAP:** HR department will mobilize every worker and encourage him or her to participate in social insurance and encourage him or her to buy it. If workers don't want to participate, they need to sign a confirmation form. For those unwilling to participate in social insurance, they will all be covered by work related injury insurance.

**Supplier CAP Date:** 12/31/2014

**Action Taken:** There was a recent audit by H&M in October 2012. It is observed that 90% of the workers were paid social insurance including retirement, employment, medical, industrial injury and maternity insurance.

**Plan Complete:** No

**Plan Complete Date:** 05/08/2013

**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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/08/2010	External	FLA Independent External Monitoring	Level Works	1

**Explanation:** Insufficient hourly wages: The wages of 1 out of 25 randomly selected workers were as low as RMB 2.23 per hour in April 2010, and the monthly wage of around 48% of the workers did not meet the local minimum wage standard (RMB 5.52 per hour).

Sources: document review (payroll and time/attendance records), and management and worker interviews

Legal References: PRC Labor Law, Article 48 and Opinion of the Ministry of Labor on Several Questions concerning the Implementation of the Labor Law (1995), Article 57

**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 1 day off per week. All overtime should be voluntary, and compensated according to the law. We have requested the factory to 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:** 05/31/2012

**Supplier CAP:** Group leaders are asked to improve the technique guide for new workers and urge them to improve their skills continuously in their daily work. When arranging the working procedures, the factory will take such workers' conditions into account and then let them learn things, starting with the easiest techniques and moving on to more difficult techniques, and gradually adapt the work. They will supply small tools to workers to reduce the difficulty of the technique and improve efficiency.



**Supplier CAP** 03/22/2011

**Date:**

**Action Taken:** The most recent audit was in October 2012. Based on payroll from February 2012 to July 2012, it was found that lump sum minimum wage was paid to all workers. And based on wage and overtime data sent by the factory from November 2012 to January 2013, 95% of the workforce was paid the minimum wage per hour. The factory has revised the standard piece rate so it meets the legal minimum wage. They designed a basic piece rate score, which meets the legal minimum wage, based on the general capability of workers and the local minimum wages, and the extra scores will be paid 1.5 times the piece rate. Furthermore, the factory has succeeded in reducing OT hours through improving the production technology, updating equipment, improving workers' skills, etc. The OT hours have been reduced about 40% compared with 2010 through these efforts.

**Plan Complete:** No

**Plan Complete Date:**

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### **Wages, Benefits and Overtime Compensation: Payment for All Hours Worked**

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

#### **Noncompliance**

**Explanation:** The workers' overtime hours are not accurately calculated. The factory only calculates overtime working hours according to a shift schedule instead of actual hours worked. For example, if the factory sets a night overtime shift schedule starting from 6:00pm and ending at 9:00pm, then whenever workers start overtime at 5:30pm or end at 10:00pm, the factory only calculates 3 hours overtime for workers. In reviewing workers' attendance records, there is a maximum of 2 hours of differences in a day.

Sources: document review (payrolls and time attendance records), and management and worker interviews

Legal Reference: Nil



**Plan Of Action:** H&M always requires the factory to establish a well functioning attendance time records system, in which the workers' working hours could be calculated automatically. In any case, the hand-written attendance time records could be good supplementation for the attendance time records system for working hours calculation. We also require that the workers are ensured minimum wages for normal working hours, and are 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 the law.

**Deadline Date:** 12/31/2013

**Supplier CAP:** The factory will change the situation in 1 month's time in order to let workers use the fingerprint machine to record working hours.

**Supplier CAP Date:** 12/31/2013

**Action Taken:** The most recent audit was in October 2012. Based on data from February 2012 to July 2012, it was found that not all workers used the fingerprint attendance system during off-work hours after the factory changed the salary calculation method. So working hours were not completely recorded. This issue was brought to the factory management's attention, and the responsible factory promised to change the situation in 1 month in order to let workers use the fingerprint machine to record working hours. H&M will continue to follow up on the completeness of attendance records and overtime compensation in future audits.

**Plan Complete:** No

**Plan Complete Date:**

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## Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

### Noncompliance

**Explanation:** Piece rate workers are not paid the legal overtime premiums.

1) For night overtime hours, workers are paid 200% the normal piece rate plus RMB 1.5 per hour.

2) For rest day overtime hours (first 8 hours), workers are paid 100% the normal piece rate plus RMB 3 per hour. Under the system, about 25% of piece rate workers' overtime premiums are below the legal overtime premium due to low production efficiency and a low piece rate basis.

Sources: document review (payrolls) and management and worker interviews

Legal Reference: PRC Labor Law, Article 44

**Plan Of Action:** All normal working hours should be compensated according to the law. When workers are working overtime they should be compensated according to the legal overtime rates. This topic will be checked on during the next audit through document review and interviews with workers. H&M has initiated some activities or projects to push production units to provide better working conditions for workers, including less overtime, and more compensation and safety. All overtime should be voluntary, and compensated according to the law. In recent years, H&M has set wage goals for most suppliers, requiring the factory to pay OT compensation according to law in a sustainable way.

Also, H&M has collected wage and overtime data from most factories. The suppliers are required to fill in a sheet designed by H&M and send it back with wage and OT data every month. That way we can keep a close eye on their control of overtime and their control over the percentage of workers who are granted the full legal minimum wage and OT compensation. To ensure the authenticity of the data, the auditor is assigned to verify the data on site at least twice every year. With clear goals and good tools to keep track of factory performance, the wage performance of H&M suppliers is improving year by year. H&M will continue these efforts in the future.

**Deadline Date:** 12/31/2014



**Supplier CAP:** By improving the workers' working efficiency in order to improve the factory's economic returns, they will gradually improve the OT compensation standard.

**Supplier CAP Date:** 12/31/2014

**Action Taken:** H&M is clear that the factory is not paying overtime according to law at present. We will continue to push the factory to meet the legal requirement.

**Plan Complete:** No

**Plan Complete Date:**

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### **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 (FOA); 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 FOA, 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. 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 stipulates 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 of consulting with management on key issues of importance to their members and to sign collective agreements. Trade unions also have 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. Around 84% of the workers are members of the ACFTU. But there aren't any active labor union representatives at the factory. There aren't any other means for worker representation (such as a workers' committee) either.

**Plan Of Action:** H&M requires that the workers 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 into building effective communication channels between workers and management. H&M requires our factories to establish platforms for communication. This could be within the framework of the union or other workers - for example, management committees could be utilized. The records from meetings should be recorded and filed.

**Deadline Date:** 06/21/2012

**Supplier CAP:** 1) The factory will introduce the relevant knowledge of the trade union to workers and let them learn more about it.

2) The factory has organized the election of worker representatives and union elections on October 15th 2011, and 15 workers from each group were elected as worker representatives and participated in the daily union activity and dialogue with factory management.

3) Since the founding of the new trade union, worker representatives have participated in many activities. For example, they have striven for the support of superior organizations for needy workers and have taken good care of the difficulties that have arisen. They have also actively protected workers' rights and interests and helped them to provide feedback and ask questions, especially related to improving salaries and creating a better rest arrangement, eating better, paying annual leave wages, etc. All of the above mentioned items have now been implemented after communication.

**Supplier CAP Date:** 06/21/2012

**Action Taken:** H&M has conducted audits in the factory 3 times since FLA began monitoring in 2010, including 1 visit in 2011, and 2 visits in 2012. The latest audit was in October of 2012. During these audits, we verified through worker interviews and document review that the factory was utilizing the trade unions and taking active action to resolve issues that came up as a result of workers' feedback.

**Plan** Yes  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **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:** The written records of disciplinary actions taken against workers are not maintained.

Sources: document review and management interviews

Legal Reference: FLA Benchmarks

**Plan Of Action:** H&M encourages the factory to create clear policy and procedures to ensure a system of progressive discipline in the factory. Under no circumstances do we accept our suppliers or their subcontractors to 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:** 05/23/2012

**Supplier CAP:** They will complete the routine before the end of April 2011 and provide training to management. COC responsible will supervise the implementation every month.

**Supplier CAP Date:** 05/17/2011

**Action Taken:** The most recent audit was in October 2012. It is observed that there were no unfair deductions for workers. Regarding records of other disciplinary actions, this issue will be followed up on in coming audits.

**Plan Complete:** No

**Plan Complete Date:**

**Harassment or Abuse: 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)

**Noncompliance**

**Explanation:** The managers and supervisors are not familiar with factory disciplinary system. They are not trained on the appropriate implementation of disciplinary practices.

Sources: document review and management interviews

Legal Reference: FLA Benchmarks

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

**Deadline Date:** 12/31/2014

**Supplier CAP:** The factory supplied a training for management and they plan to re-create the training in May 2011. The responsible HR employee will urge management to implement this policy and give guidelines.

**Supplier CAP Date:** 06/27/2011

**Action Taken:** The most recent audit was in October 2012. It was observed that there was no policy of prevention of abuse and harassment established in the factory. A relevant policy will be established and a training for disciplinary routines for management will be conducted and will be followed up on in coming audits.

**Plan Complete:** No

**Plan Complete Date:**

**Harassment or Abuse: Discipline/Monetary Fines and Penalties**

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

**Noncompliance**

**Explanation:** The document review and interviews revealed that RMB 2 to 200 is deducted from workers' wages for violating factory rules, such as being late for work, leaving earlier than the shift ends, forgetting to swipe bar code cards, smoking in the factory, bringing children into the factory, etc.

Sources: document review and management and worker interviews

Legal Reference: FLA Benchmarks

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

**Deadline Date:** 06/20/2012

**Supplier CAP:** They plan to re-arrange the relevant management policy and inform workers by putting it up on the wall. They plan to organize a training for group leaders regarding the relevant management policy.

**Supplier CAP Date:** 06/21/2011

**Action Taken:** The most recent audit was in October 2012. Based on relevant records and worker interviews, there were no unfair deductions, and workers were clear on the factory rules and regulations.

**Plan Complete:** Yes

**Plan Complete Date:**

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### **Health and Safety: Permits and Certificates**

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

#### **Noncompliance**

**Explanation:** 1) The kitchen staff's health certificates are expired.

Sources: document review and management interview

Legal Reference: PRC Law on food safety, Article 34

2) The factory did not provide occupational disease health checks for workers as necessary. For instance, the workers in the cutting section have not had any health checks, even though it is very hot in the cutting section.

Sources: document review and management and worker interviews

Legal Reference: PRC Occupational Disease Prevention Law, Article 32

3) The catering service license for the kitchen expired.

Sources: document review and management interview

Legal Reference: PRC Law on Food Safety Article 29

4) The electrician's license expired.

Sources: document review and management interview

Legal Reference: PRC Labor Law Article 55

5) The factory's pollutant discharging certificate expired on March 31st, 2009.

Sources: document review and management interview

Legal Reference: PRC Water Pollution Prevention and Protection Law Article 21

**Plan Of Action:** H&M requires the factory to develop policies and systems to ensure the health and safety conditions in the factory are always in line with the local law and our Code of Conduct and make sure these are clearly communicated to the workers, for example, through a handbook. These policies should include a system for ensuring that a safe working environment without risks for health implications is provided for all workers. We also require our factories to have a proper wastewater treatment system when the factory does washing or printing that creates industrial wastewater discharge.

**Deadline Date:** 06/24/2011

**Supplier CAP:** Factory will supply health checks for staff working in the kitchen. For hot cutting, we will keep the room well ventilated when workers are working, and we will supply workers with the proper PPE. Factory will finish reviewing the catering service license before the end of May 2011. The employee responsible for safety needs to clarify when the electrician's license expires and remind the electrician to review the license. The factory doesn't have washing or printing production, etc.; they only have the living water in the beginning, moreover, this water was discharged from the local municipal pipe.

**Supplier CAP Date:** 06/30/2011

**Action Taken:** The listed issues will be followed up with in coming audits.

**Plan Complete:** No

**Plan Complete Date:**

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### 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:** There are no training records on first aid. (Remark: The factory management reported that 1 employee had been trained in first aid.)

Sources: document review and management interview

Legal Reference: Nil

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

**Deadline Date:** 06/29/2011

**Supplier CAP:** The factory plans to send 2 workers to the medical institution to attend the first aid training and get the certificate in March 2011. Then those 2 workers will come back and give other workers first aid training in April 2011. The employee responsible for the COC (code of conduct) needs to check the implementation of the first aid training in half a year.

**Supplier CAP Date:** 06/22/2011

**Action Taken:** The most recent audit was in October 2012. It is observed that there were a sufficient number of workers trained in first aid in the factory.

**Plan Complete:** Yes

**Plan Complete Date:**

## Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

### Noncompliance

**Explanation:** 1) The workers are not trained in the proper use and safe operation of the machinery, equipment and tools they are operating, and there weren't any safety instructions in place.

Sources: document review and management interview

Legal Reference: FLA Benchmarks

2) Around 20% of the sewing machines were not equipped with a safety belt guard.

Source: factory tour

Legal Reference: Safety Manufacturing Law Article 29

**Plan Of Action:** 1) H&M requires the safety in the factory to be 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.

2) H&M requires the factory to equip and maintain all hazardous machines with the proper safety devices in accordance with local law and our code of conduct. The workers should be provided with the relevant PPE depending on the 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:** 12/31/2013





**Supplier CAP:** The machine technician has posted safety instructions near all machinery. The employee responsible for safety will supply workers with relevant training before the end of March 2011. And in addition, we will gradually phase out some of the old machinery. For the old machine that we can't eliminate at the present moment, the factory will ask someone to make the specific accessory. (June 30th 2011) The person responsible for safety needs to check the improvement of the safety conditions of the equipment every month.

**Supplier CAP Date:** 05/26/2011

**Action Taken:** The listed issues will be followed up with in coming audits.

**Plan Complete:** No

**Plan Complete Date:**

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### Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

#### Noncompliance

**Explanation:** 1) Around 75% of workers worked up to 4 hours of over time daily, and worked from 37 to 156 hours monthly during the months of September 2009, April and July 2010.

Sources: document review (time attendance records), and management and worker interviews

Legal Reference: PRC Labor Law, Article 41

2) Around 65% of workers had worked for 61 to 80 hours a week in the months of September 2009, April and July 2010.

Sources: document review (time attendance records) and management and worker interviews

Legal Reference: FLA Benchmark



**Plan Of Action:** The actual OT hours were verified to be over the legal limit. During the audit, the factory has shown good cooperation and transparency concerning the actual OT hours. The factory's ambition to reduce the OT hours has not been achieved. We have readdressed this issue with the factory. H&M requires that the workers should be provided enough time to rest between each work shift and the overtime working hours during the weekdays should be reduced. We will continue to address the overtime hours with the factory and will follow up on their efforts to control and reduce the overtime hours in a sustainable manner in order to meet the legal limit of overtime hours per month.

**Deadline Date:** 12/31/2014

**Supplier CAP:**

- 1) The production department will improve the working efficiency and reduce OT by making the production schedule more reasonable, improving the workmanship and workers' skill as well as purchasing new equipment, etc.
- 2) The employee responsible for the COC will collect and analyze working hours every month, discussing with the production department to see how to adjust the production schedule and reduce the OT. They will improve workers' skills by offering training especially for those workers with poor skills. Group leaders will strengthen the technique and guide those workers with poor skills, and urge them to improve their skills continuously.

**Supplier CAP Date:** 12/31/2014

**Action Taken:** Based on a recent audit in October 2012, overtime hours in the factory were found to exceed the legal limit. The factory was required to submit a correction plan with detailed actions to achieve sustainable improvement. In the meantime, the factory is required to ensure workers voluntarily choose all overtime hours.

**Plan Complete:** No

**Plan Complete Date:**

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## 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:** Insufficient rest day: Around 80% of workers had worked for 7 to 30 consecutive days without rest in the months of September 2009, and April and July 2010.

Sources: document review (time attendance records) and management and worker interviews

Legal Reference: FLA Benchmark

**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 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 the law. We have requested the factory to provide us with a remediation plan on how to, in a sustainable manner, reduce the overtime. Our aim is to, through dialogue with the factory, establish a system to reduce the OT to meet the legal limit of OT hours per month and provide compensation for all OT hours according to law. The long-term aim is to reduce the overtime hours through improved production planning and efficiency. In the short term, we require the factory to ensure that workers have 1 day off per week, and reduce the number of overtime hours on weekdays.

**Deadline Date:** 12/31/2014

**Supplier CAP:** 1) The production department will improve the working efficiency and reduce OT by making the production schedule more reasonable, improving workmanship and workers' skill, as well as purchasing new equipment, etc.

2) The employee responsible for the COC will collect and analyze the working hours every month, and eventually will discuss the working hours with the production department to see how to adjust the production schedule and reduce the OT.

**Supplier CAP Date:** 12/31/2014



**Action Taken:** Based on the most recent audit in October 2012, the overtime hours exceeded the legal limit in the factory and 1 day off was not ensured for workers every 7 days. The factory was required to submit a correction plan with detailed actions in order to make sustainable improvement. In the meantime, the factory is required to ensure workers voluntarily choose to work all overtime hours.

**Plan Complete:** No

**Plan Complete Date:**

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### Hours of Work: Time Recording System

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

#### Noncompliance

**Explanation:** About 15% of workers' attendance was recorded by section leaders in manual attendance sheets without in and out times or workers' signatures. In and out times for the lunch break and supper break (in cases of overtime) were not shown in the fingerprint attendance records for the rest of the employees.

Sources: document review and management and worker interviews

Legal Reference: FLA Benchmarks

**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. We require the factory to keep the attendance records for 1 year. The factory must also ensure that all workers punch attendance records. H&M requires the factory to implement a system to ensure correct and transparent recording of working hours. We will follow up carefully.

**Deadline Date:** 12/31/2013



**Supplier CAP:** The factory will add a new attendance system to make up for the shortage of fingerprint machines. They plan to appoint 1 attendant to be responsible for monitoring the implementation of the swiping time cards, and they will check and remake the attendance records for the workers who forgot to do them in a timely manner. They will urge group leaders to cooperate by setting up a stimulation system so as to decrease the occurrence of such incidents.

**Supplier CAP Date:** 12/31/2013

**Action Taken:** The most recent audit was in October 2012. Based on data from February 2012 to July 2012, it was found that not all workers used the fingerprint attendance system during off work hours after the factory changed the salary calculation method. So working hours were not completely recorded. This issue was brought up to the factory management, and the factory promised to change the situation in 1 month and promised to let workers use the fingerprint machine to record working hours. H&M will continue to follow up to ensure the completeness of the attendance record.

**Plan Complete:** No

**Plan Complete Date:**

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