



COMPANY: H & M Hennes & Mauritz AB, Cutter & Buck
COUNTRY: China
ASSESSMENT DATE: 10/29/15
MONITOR: Social Compliance Service Asia Ltd. (SCSA)
PRODUCTS: Apparel
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 1909
NUMBER OF WORKERS INTERVIEWED: 50
ASSESSMENT NUMBER: AA0000001888

FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

What's Included in this Report

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

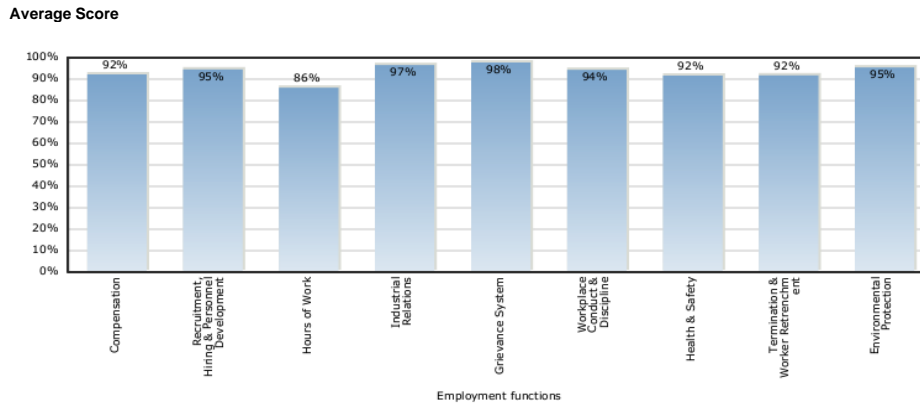
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

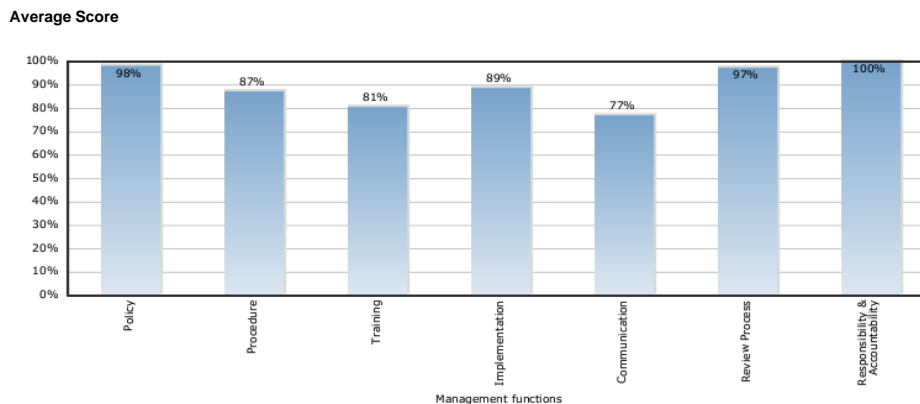
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	100%	100%	100%	100%	100%	100%	91.67%	100%	100%
Procedure	100%	100%	75%	100%	100%	83.33%	62.5%	83.87%	100%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	100%	100%	100%	75%	100%	100%
Training	92.31%	66.67%	66.67%	50%	66.67%	75%	50%	95.38%	66.67%
Implementation	89.68%	88.65%	61.54%	95.65%	100%	92.86%	100%	90.57%	88.89%
Communication	66.67%	100%	100%	50%	75%	75%	50%	83.33%	50%

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	1	General Compliance Compensation
Child Labor	1	Employment of Young Workers
Employment Relationship	9	General/Human Resource Management Systems Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	1	General Compliance Freedom of Association
Harassment and Abuse	1	General Compliance Harassment or Abuse
Hours of Work	4	General Compliance Hours of Work Rest Day Protected Workers (Women and Young Workers)/Record Keeping Overtime/Calculation over Period Longer than One Week
Health, Safety and Environment	7	General Compliance Health, Safety, and Environment Machinery Safety, Maintenance and Workers Training Proper Use of Machinery Document Maintenance/Workers Accessibility and Awareness Food Preparation Drinking Water Evacuation Requirements and Procedure

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not hired any disabled workers but has contributed to the Employment Security Fund in lieu of employing disabled workers in the factory. Although the current practice complies with legal requirements, it carries the potential risk of discrimination based on the FLA Workplace Code and Benchmarks.
2. According to legal requirements, the factory should conduct a health check for juvenile workers when they reach the age of 18 years if the last health check was more than half a year ago. However, the factory has not provided a health check for two juvenile workers when they reached 18 years and their last physical examination was more than half a year ago.

Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; Circular of the Ministry of Labor on Issuing the Provision on Special Protection for Juvenile Workers, Article 6; FLA Workplace Code (Nondiscrimination Benchmarks ND.1 and ND.2; Employment Relationship ER.14; Health, Safety & Environment Benchmark HSE.1)

Recommendations for Immediate Action

1. Provide the legally required health check to the two juvenile workers.

FINDING NO.2

TERMINATION & RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The wages for resigned employees were paid on the 10th day after they left the factory. However, according to local law wages shall be paid in full within five working days from the date of termination of the labor relationship.
2. The factory does not have clear procedures in place for calculating final payouts, in accordance with legal requirements.

Local Law or Code Requirement

Regulations of Jiangsu Province on Wage Payment, Article 15; FLA Workplace Code (Compensation Benchmarks C.1 and C.4)

Recommendations for Immediate Action

Adopt practices and measures to ensure that the last payment of resigned workers are paid in full within 5 working days.

FINDING NO.3

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. According to the social insurance contribution of September 2015, the factory provides only 1302 out of 1662 employees with the five types of insurances: work related injury insurance; medical insurance; maternity insurance; unemployment insurance and pension insurance. Based on interviews with factory management, 360 employees were not willing to participate in social insurance and the factory has required them to participate in social insurance within two months. In addition, the factory does not provide commercial injury insurance to the 360 workers who were not willing to participate in the five social insurances.
2. The factory does not provide 77% of the workers (1559 out of 2022) with the Housing Provident Fund.

Local Law or Code Requirement

Labor Law of the PRC, Article 73; Regulation on the Housing Provident Fund Management (2002); FLA Workplace Code (Employment Relationship Benchmark ER.22.2; Compensation Benchmarks C.1 and C.10)

Recommendations for Immediate Action

1. Provide commercial injury insurance to all workers.

FINDING NO.4

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

There were discrepancies between the submitted time records and the information and records collected from various channels, such as worker interviews. The production related time records showed that 10 workers worked on September 27, 2015, September 6, 2015, September 3, 2015, August 29, 2015, August 2, 2015, and July 12, 2015; however, the time and payment record and interviews with workers showed that respective workers were off on the mentioned dates. Factory management stated that these discrepancies were caused by workers' mistakes on making the production related records. Having verified through verified channels, there was no corroborated evidence to conclude that there was a non-transparent practice.

Local Law or Code Requirement

Labor Law of the PRC, Articles 41, 44, and 48; FLA Workplace Code (Employment Relationships ER.23.2, ER23.3, ER.23.4, and ER.23.5; Compensation Benchmark C.16.1)

Recommendations for Immediate Action

1. Adopt practices and controls to ensure that the time records at the facility contain accurate and complete information, which are able to reflect the actual Hours of Work at the facility.

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on time records from October 2014 to October 2015, approximately 80% of the workforce's monthly overtime working hours exceeded 36 hours per month throughout the past one year with highest monthly overtime working hours being 109 hours in June 2015.
2. The factory's regular production plan was based on 60 hours per week including overtime.
3. Approximately 10% of the workers occasionally worked more than 60 hours a week (5-6 times in the past one year) with maximum weekly working hours reaching 70 hours in the week from Feb 2-8 2015. However, most of the workers' weekly working hours maintained within 60 hours a week throughout the past one year.
4. Approximately 10% of workers occasionally worked more than seven days consecutively without one rest day (5-6 times in the past one year). For instance, 10% of workers worked consecutive 13 days from July 20,2015 to August 1, 2015.
5. Working hours' records do not contain identification of pregnant/lactating women and identification of workers under age 18. The factory does not have a system to: a) collect information regarding employees who are pregnant or nursing, b) take proper measures to control their work hours in accordance with legal requirements.

Local Law or Code Requirement

Labor Law of the PRC, Articles 38 and 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1.1, HOW.1.2, HOW.1.3, HOW.2, HOW.5.1, and HOW.7)

Recommendations for Immediate Action

1. Adopt practices and controls to ensure that employee overtime hours do not exceed the statutory limits. Ensure workers do not work more than the legal limit of 36 hours of overtime per month.
2. Ensure that workers' weekly working hours do not exceed 60 hours.
3. Ensure that workers receive at least one day off for every 7-day working period.
4. Ensure that working hours' records contain identification of pregnant/lactating women and identification of workers under age 18. Establish a system to identify employees who are pregnant or nursing and provide them the legally required protection.
5. Ensure that the production plan does not include overtime as a regular practice. FLA affiliate Company's Sourcing and Social Compliance teams should a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
6. a) How to provide better order forecasts to the factories;
b) Possible workshops/consultancy for the factory on how to improve productivity/quality;

- c) Clear guidelines on how to extend shipment deadlines in case of contingencies;
- d) Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
- e) Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
- f) Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

FINDING NO.6

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding 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.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2; ER 25 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.15, FOA.17, and FOA.21)

FINDING NO.7

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The current disciplinary system does not include a third party witness during imposition, and an appeal process. In addition, the procedures do not include the requirement to record all warnings and disciplinary actions into workers' personnel files.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationships Benchmark ER.27.4)

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. One emergency sign and safety sign located at boiler room were not illuminated due to a failure of the battery. In addition, two safety signs located at the workshops were not illuminated and therefore malfunctioning.
2. 70% of all safety exits located at roof top were locked, posing a risk for a safe evacuation.

Local Law or Code Requirement

Code for Design of Building Fire Protection and Prevention, Articles 11.3.1 and 11.3.4; Fire Control Law of the PRC, Article 28; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.5.1)

Recommendations for Immediate Action

1. Adopt practices and controls to ensure that emergency lights are installed along all evacuation passages/above all exits/in all stairwells.
2. Ensure that all exit signs are fixed and regularly inspected. Ensure that exit signs are properly functioning and illuminated at all times.
3. Ensure that all safety exits within the factory, including the rooftop are unlocked for a safe evacuation.

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Protective guards of sewing machines (eye shields) in the sewing department were not properly used by around 5% of workforce.
2. There is a construction on the rooftop of the one block of the 4-storey production building. However, Personal Protection Equipment (PPE) (such as safety belts and self-retracting devices) in case of falling was not properly used by approximately 5% of the construction workers who worked at a height higher than two meters.
3. Construction workers who operate the digging machine with high noise were not using earplugs as proper Personal Protective Equipment (PPE).
4. There are two construction sites for replacements of water valves without warning signs or safety signs to caution passersby.

Local Law or Code Requirement

Law of the PRC on Production Safety; FLA Workplace Code, Article 37; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.7. and HSE.8)

Recommendations for Immediate Action

1. Ensure that all machines are equipped with proper protective guards and properly used by workers.
2. Ensure that necessary PPE and fall protection equipment are provided to relevant employees and contractors. In addition, provide training to ensure that employees use such PPE appropriately.
3. Place warning signs on the construction site to prevent any unauthorized access and potential risk.

FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Health certificates for 2 out of 22 canteen staffs were expired on Aug 11, 2015.
2. One out of two drinking testing reports was expired on Jun 25, 2015.
3. The factory uses asbestos in steam ducts from the ironing section for insulation. The factory has neither performed an asbestos exposure assessment nor taken proper steps to ensure that workers are not exposed to asbestos. The factory does not have any labels on materials containing asbestos and for asbestos exposure areas.

Local Law or Code Requirement

Article 34 of the Law of the PRC on the Food Safety; Article 7.3.2 of Health Standard for Design of Industrial Enterprise; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.4 and HSE. 9.1)

Recommendations for Immediate Action

1. Obtain and renew the health certificates of the two canteen staff members.
2. Ensure that drinking water tests are carried out on periodically basis.
3. Conduct an asbestos exposure assessment at the facility. Establish procedures on preventing workers being exposed to asbestos and post warning sign in respective areas. Provide periodic trainings to workers on asbestos.

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory was established in 2005 but has not carried out the assessment of occupational health control prior to the production or the assessment for occupational health impacts on the current condition of occupational health impacts at the facility.
2. There are four workers from the spot removing section who have not received any occupational health checks. These four workers are exposed to the potential risk of occupational disease. However, the facts, harmful effects, consequences, protective measures and necessary treatment of occupational diseases were neither communicated to relevant employees nor indicated in their employment contracts as required by local law.

Local Law or Code Requirement

Law of the People's Republic of China on Occupational Disease Control & Prevention, Article 28 of Safety Monitoring Regulation of Special Equipment; Article 17 of Prevention of Occupational Health; Article 30 on the Prevention and Treatment of Occupational Diseases; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Arrange for a certified third party to carry out the assessment on the current condition of occupational health impact at the facility and register the results at the respective safety production monitoring bureau.
2. Include and communicate potential candidates and workers on the potential risk of occupational health hazards in employment contracts for workers that are potentially exposed to the hazardous materials.

FINDING NO.12

WORKER INTEGRATION & COMMUNICATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The worker integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input and feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1, ER.25.2, ER.27.3, and ER.30.2)

FINDING NO.13

POLICIES & PROCEDURES (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have procedures and policies on working hours of special categories of employees.

2. The factory does not have a written policy and procedure on Retrenchment.
3. The factory does not have the requirement to record all warnings and disciplinary actions, and filing requirements in its procedure on Workplace Conduct & Discipline
4. The factory does not have steps on how to ensure that all personnel, visitors, contractors, service providers safely evacuated in its emergency plan.
5. The factory does not have steps on how to ensure that all special categories of workers and children in childcare facilities are safely evacuated in the case of an emergency.
6. The factory does not have procedures for managing (entry into) confined spaces
7. The factory does not provide any policies, procedures and guidance documents for external contractors/service providers, such as construction workers concerning Health and Safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER.27.1, ER.31.1, ER.31.2, and ER.32.1)

FINDING NO.14

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The factory has not provided specific training for relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations & Freedom of Association, Workplace Conduct & Discipline, Grievance System, and Environmental Protection.

The factory has not provided training on principle of non-retaliation against workers who make complaints for supervisors and production managers on grievance system.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.17.1 and ER.27.2)