

Evaluation of H&M Compliance with Safety Action Plans for Strategic Suppliers in Bangladesh

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*Cover photo: Interior of Garib & Garib, an H&M supplier factory
in Bangladesh where a fire in 2010 killed 21 workers.*

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Introduction

The following report evaluates and analyzes publicly available information regarding the level of progress H&M has achieved in addressing safety hazards in its factories in Bangladesh. The data is derived from factory inspection reports and Corrective Action Plans (CAPs) publicly disclosed by the Accord on Fire and Building Safety in Bangladesh and posted on the organization's website.¹

The analysis shows that H&M is dramatically behind schedule in correcting the dangers identified by the Accord's inspectors, thereby putting tens of thousands of workers' lives at risk. Even more disturbing, these negative results derive from an analysis focused exclusively on H&M's "Platinum" and "Gold" suppliers, the subset of contract factories that H&M has deemed the best performers in its supply chain on labor and environmental issues.²

Background

On April 24, 2013, the Rana Plaza building collapsed, killing 1,138 garment workers and injuring 2,500 more. It was the deadliest disaster in the history of the global apparel industry. In the wake of the tragedy, international media attention focused on the Western apparel brands and retailers sourcing from Bangladesh and the need for dramatic reforms in the way these companies address workplace safety in their overseas supply chains.

In an effort to address the fundamental issues that led to the Rana Plaza collapse and previous deadly disasters, an international coalition of labor rights advocates, including IndustriALL Global Union, UNI Global Union, Bangladeshi trade unions, and the NGOs, Clean Clothes Campaign, International Labor Rights Forum, Maquila Solidarity Network, and Worker Rights Consortium, helped form the Accord on Fire and Building Safety in Bangladesh ("the Accord"), a legally-binding agreement in which signatory brands and retailers have committed to require their factories to undergo essential safety renovations, to provide financial assistance to factories that need it, and to stop doing business with factories that fail to undertake renovations by deadlines established by the Accord's independent inspectorate. An agreement that holds signatory companies legally responsible for the commitments they make to worker safety is unprecedented in the modern global apparel industry. Brands and retailers have been promising for years to protect workers' rights and safety in their supply chains, but in reality their own low-price, high-pressure sourcing model has created overwhelming incentives for factories to hold down cost and speed production by ignoring labor standards.

¹ Accord inspection reports and CAPs are posted at <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>. The Accord does not disclose which brands and retailers are using each particular factory. To its credit, however, H&M provides a public list of the contract factories it uses, in Bangladesh and globally, and this public list is the basis for connecting H&M to the group of factories discussed in this report.

See: <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>.

² H&M Supplier List, see: <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>.

As a result of public pressure, H&M, the single largest buyer from Bangladesh, became the first company to sign the Accord. To date, more than 200 companies have joined the program.³

At the same time, several North American brands, led by Gap and Walmart, formed their own program, claiming that they too sought to address worker safety in Bangladesh. While this alternative scheme, the Alliance for Bangladesh Worker Safety (“the Alliance”), is ostensibly designed to inspect and remediate safety problems in Bangladeshi garment factories, it failed to include many of the most critical elements adopted by the Accord. The Alliance does not require its members to ensure financial support for critical safety repairs at factories and, as we note below, it lacks sufficient transparency for the public to track each factory’s progress. Also, the Alliance lacks any form of meaningful worker participation and, most critically, cannot be legally enforced by worker representatives. As such it recreates the fundamental flaws in the previous voluntary industry initiatives that failed to prevent disasters such as Rana Plaza.

Accord requirements for signatory companies

Since the Accord formed more than two years ago, it has conducted independent

fire, structural and electrical safety inspections at over 1,300 factories⁴ and has carried out follow-up inspections at more than 650 factories⁵ to monitor remediation progress. Unlike previous industry audits which ignored the most critical safety issues, Accord inspections are carried out by qualified safety engineers with in-depth expertise in fire, building and electrical safety.

For every factory that has been inspected, the Accord has published a copy of the inspection report, available in both English and Bangla, on its website.⁶ The Accord has also posted a Corrective Action Plan (CAP), which outlines the specific actions that the factory must take in order to address the hazards identified by the inspection, and establishes a deadline by which each action must be completed. The Accord’s engineers monitor the extent to which factories have implemented the various actions required in the CAP by the relevant deadline. The Accord regularly updates the progress status of each required action for each factory on its website, designating each item as “in progress,” meaning that the factory has not reported completion of that item, “pending verification,” meaning the factory has reported the issue to be corrected but the Accord has not yet verified it, or “corrected,” meaning the Accord has verified that

³Accord on Fire and Building Safety in Bangladesh. “Company Signatories.” <http://bangladeshaccord.org/signatories/> (Accessed September 11, 2015). An earlier version of the agreement, known as the Bangladesh Fire and Building Safety Agreement, was signed, prior to the Rana Plaza collapse, by two other clothing companies, PVH Corp. and Tchibo.

⁴Accord on Fire and Building Safety in Bangladesh. “Progress.” Given that this progress report was released on May 31, 2015, we have assumed that the “17 new factories scheduled for inspection,” have been inspected by the date of this analysis. <http://bangladeshaccord.org/progress/>.

⁵Accord on Fire and Building Safety in Bangladesh. “Monthly Update July 2015.” <http://bangladeshaccord.org/2015/07/monthly-update-july-2015/>.

⁶Accord on Fire and Building Safety in Bangladesh. “Inspection Reports and Corrective Action Plans.” <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx> (Accessed during August 24 to September 1, 2015).

correction of the item is complete. Thus, it is easy for workers, consumers, and the general public to determine how much or how little each factory has done to address the safety violations uncovered by the Accord inspections.

The Accord's company signatories are responsible for ensuring that their factories meet the CAP deadlines. According to Article 12 of the agreement, "Where corrective actions are identified by the Safety Inspector as necessary to bring a factory into compliance with building, fire and electrical safety standards, the signatory company or companies that have designated that factory as a Tier 1, 2, or 3 supplier, *shall require that factory to implement these corrective actions, according to a schedule that is mandatory and time-bound, with sufficient time allotted for all major renovations*" (italics added).⁷ Further, Article 21 states, "Each signatory company shall require that its suppliers in Bangladesh participate fully in the inspection, remediation, health and safety and, where applicable, training activities, as described in the Agreement."⁸ Per Article 22, "In order to induce Tier 1 and Tier 2 factories to comply with upgrade and remediation requirements of the *program, participating brands and retailers will negotiate commercial terms with their suppliers which ensure that it is financially feasible for the factories to maintain safe workplaces and comply with upgrade and remediation requirements instituted by*

the Safety Inspector (italics added). Each signatory company may, at its option, use alternative means to ensure factories have the financial capacity to comply with remediation requirements, including but not limited to joint investments, providing loans, accessing donor or government support, through offering business incentives or through paying for renovations directly."⁹

Articles 12 and 21 make clear that the responsibility for ensuring that factories carry out remediation on schedule rests with the brands and Article 22 requires brands to ensure that it is financially feasible for the factories to comply with the remediation requirements. Thus, if a particular factory has failed to meet a CAP deadline, this represents a failure by the buyer to comply with its obligations under these Articles.

We note that the Alliance's lack of transparency means that an analysis similar to the one reported in this document is not possible, with respect to the performance of any Alliance brand. Although the Alliance posts copies of its initial inspection reports and action plans online, transparency ends there. Unlike the Accord, the Alliance does not update the CAPs with each factory's progress (or lack thereof) or provide any other information concerning what happens in a factory after the original inspection.¹⁰ It is thus impossible to determine, for the factories of any given Alliance brand, whether safety renovations have

⁷ Accord on Fire and Building Safety in Bangladesh, Article 12. May 13, 2013. http://bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf.

⁸ Accord on Fire and Building Safety in Bangladesh, Article 21. May 13, 2013. http://bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf.

⁹ Accord on Fire and Building Safety in Bangladesh, Article 22. May 13, 2013. http://bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf.

¹⁰ The authors of this report have reviewed the Alliance CAPs extensively and have not found anything that constitutes an apparent update, and have written to the Alliance to seek clarification but haven't received a reply.

taken place or not. While there is reason to be concerned, as documented in this report, about delays in safety renovations at Accord factories, the Accord is providing essential public disclosure that allows problems to be identified and, hopefully, addressed. More troubling is the situation at Alliance factories, where the public has no way of knowing what conditions prevail and, therefore, no way of holding Alliance brands accountable.

Research method

During August 24 to September 1, 2015, we reviewed a set of publicly-available Corrective Action Plans (CAPs) posted on the Accord website. We focused our review on H&M suppliers, for several reasons. As the largest apparel buyer in Bangladesh, H&M's decisions and actions affect the greatest number of workers. H&M is also highly influential in the industry, both with factories and with other brands. Through its leadership, H&M can help to increase brand compliance with the terms of the Accord and provide both the carrots and sticks necessary for factories to complete required repairs in a timely manner. H&M has also made public claims to the effect that it is fulfilling its Accord obligations, yet fails to disclose the major delays in safety renovations with which this report is concerned. In its Sustainability Report 2014 and on its website, H&M lists "follow up on initial inspections as per the Bangla-

desh Accord on Fire and Building Safety" and "*ensur[ing] remediation*" as tasks that are already "done" (italics added).¹¹

H&M has 229 manufacturing factory suppliers in Bangladesh.¹² Of those, 56 are graded by H&M as Platinum or Gold, meaning that they are H&M's strategic partners and preferred suppliers – the factories with which H&M has the closest relationship. According to H&M, the Platinum and Gold suppliers make around 60% of H&M's products in Bangladesh and benefit from a long-term partnership with the company. Because H&M states that "only suppliers with the best performance in all areas, including sustainability, can become such strategic partners,"¹³ one would expect that these factories should be at a higher level of compliance with safety standards than the average H&M supplier or than the average factory in Bangladesh.

Of the group of 56 factories, 36 have Accord CAPs, 17 have Alliance CAPs and three have no CAP at all.¹⁴ Four of the Platinum and Gold factories with Accord CAPs had completed initial inspections less than a year ago. We decided to exclude those factories from our research analysis and focus on the 32 factories with Accord CAPs where inspections were completed over 12 months ago because these are the factories where H&M has

¹¹ H&M. "Choose and reward responsible partners – our Conscious Actions," 2.7.

<http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/about.html> (Accessed September 11, 2015).

¹² H&M. "Our supplier factory list – Bangladesh."

<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html> (Accessed August 24, 2015).

¹³ H&M. "Our supplier factory list – Platinum & gold." See,

<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html> (Accessed August 24, 2015).

¹⁴ Some of H&M's suppliers in Bangladesh produce for both Accord-listed and Alliance-listed brands. In the cases where the Alliance performed initial inspections and has published CAPs, the Accord is currently in the process of doing its own follow-up inspections and will be publishing its own CAPs on these factories, with regular updates.

had the longest amount of time to ensure the completion of renovations. Our analysis focused on evaluating the extent to which the repairs and renovations are being made as required under the Accord. For the purpose of our analysis, we are assuming that in those cases where factories have reported the completion of an item, that the item is complete, even when the Accord has not yet verified the completion of the renovation (since renovations reported as complete will not always prove, upon Accord inspection, to be complete, this report may understate the extent of safety and give the brand and factory the benefit of the doubt).

In addition to examining the overall rates of compliance with the mandated fire, electrical and structural repairs under the Accord, we evaluated, individually, the extent of completion of some of the most urgent and lifesaving fire safety require-

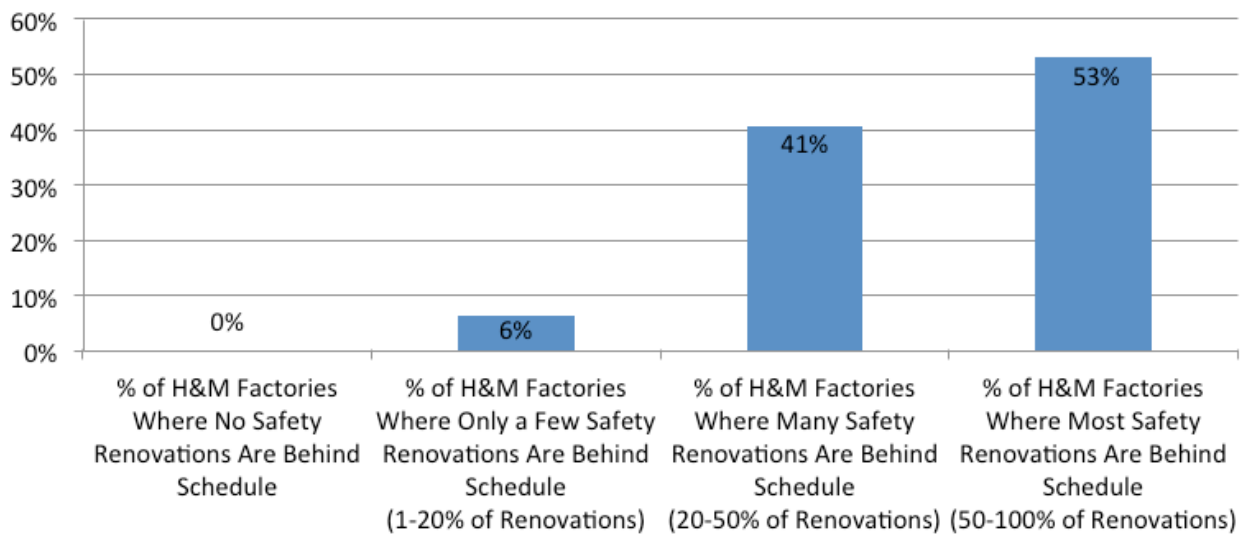
ments, such as the removal of locking mechanisms from fire exits and the installation of fire-proof doors. Unfortunately, it was not possible to perform the same analysis for Alliance factories, due to the lack of transparency by the Alliance discussed above.

Findings¹⁵

The safety inspections conducted by Accord engineers in 32 H&M Platinum and Gold factories uncovered a total of 518 violations of structural safety requirements, 836 fire safety violations and 650 electrical safety violations, all requiring correction, an average of 62 safety violations per factory. The Accord identified the specific corrective action required for each violation and a deadline for the completion of that action.

Of all required corrective actions at H&M’s Gold and Platinum factories, the major-

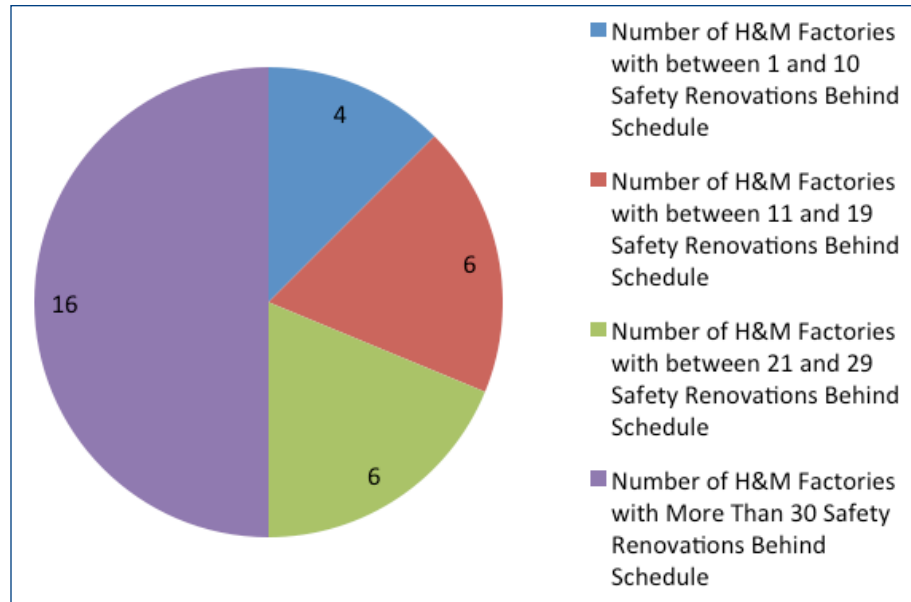
Figure 1: Safety Renovation Delays at H&M “Gold” and “Platinum” Factories¹⁶



¹⁵ A spreadsheet of our analysis is available upon request.

¹⁶ For this chart and each of the following charts, we analyzed the data for all 32 H&M “Gold” and “Platinum” factories – its most strategic and valued suppliers – that had been inspected at least one year ago.

Figure 2: Number of Safety Renovations Behind Schedule, by Factory



ity (52%) are behind schedule. Structural renovations are most often behind schedule (71.6%), followed by fire safety repairs (50.1%), and then electrical repairs (37.8%). Of the outstanding renovations, 47.1% are at least six months past deadline and 9.8% of items have still not yet been corrected more than 12 months after the deadline required in the CAP.

A significant majority of CAPs require three renovations that are especially criti-

cal for fire safety: the removal of sliding doors and collapsible gates, the removal of locking doors, and the installation of fire-rated doors and enclosure of stairwells. In most cases, the locks that could prohibit workers from exiting the building during a fire have been removed; however, in 16.1% of the factories the deadline for removing the locks has passed and workers still risk being locked inside the building during a fire. The track record for the two other critical fire safety repairs

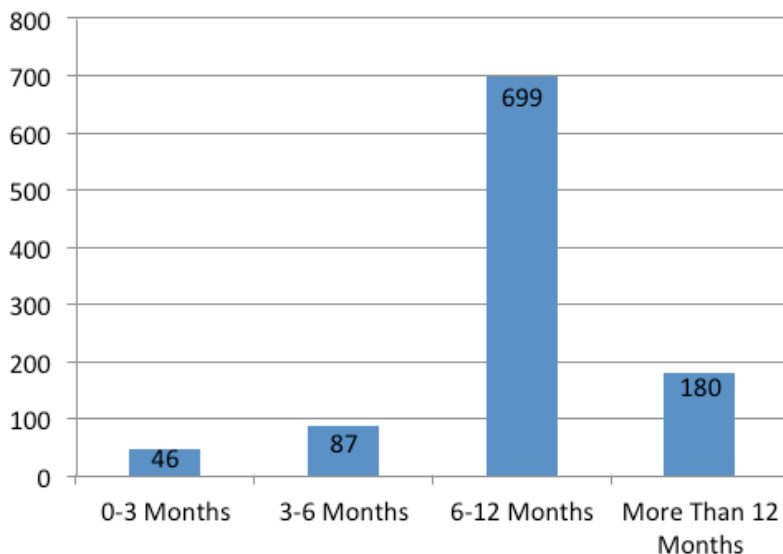
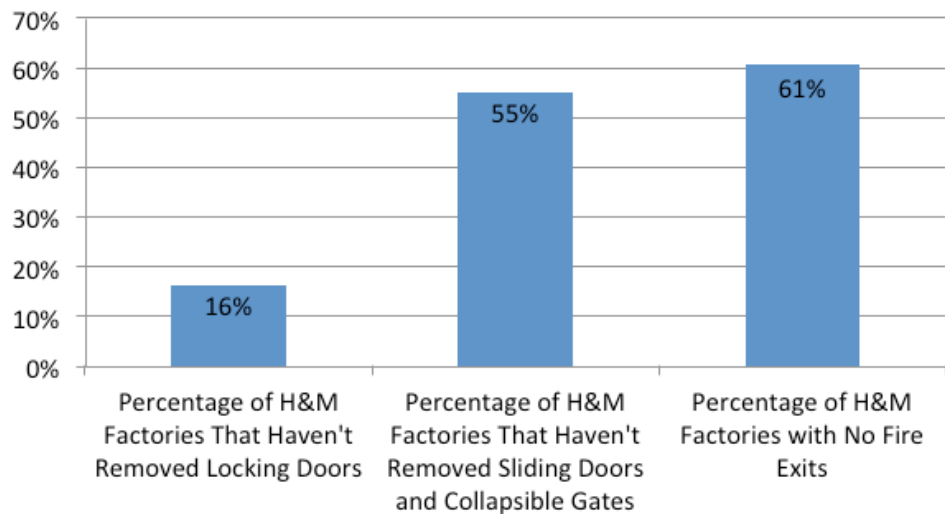


Figure 3: Total Number of Safety Renovations Behind Schedule, by Length of Delay, at All H&M "Gold" and "Platinum" Factories

■ Length of Delay

Figure 4: Percentage of H&M "Gold" and "Platinum" Factories That Lack Specific Fire Safety Renovations¹⁷



is even more concerning: in 55.2% of the factories the sliding doors and collapsible gates (which, like lockable doors, can severely impede workers' egress in the case of a fire or other emergency) remain, and in 60.7% of factories fire-rated doors have yet to be installed and stairwells have yet to be enclosed, although the deadlines have passed.

The installation of fire-rated doors and enclosure of stairwells is perhaps the single most important step a factory can take to prevent workers from being killed in a fire. In Bangladesh, most garment manufacturing is performed in multi-story buildings, many of which are six stories high or more. When a fire breaks out in a multi-story building, smoke immediately begins to spread up and out, filling any open area. If, as is the case in most garment factories in Bangladesh, there are not fireproof doors installed at the entrance and exit to each floor, thus isolating the stairwells from other building spaces, the stairwells

will quickly fill with smoke and become impassable, trapping workers on the upper stories. This is the defect that has been the primary culprit in virtually every mass fatality fire in the Bangladesh garment industry, including the Tazreen Fashions fire in November of 2012, which killed more than a hundred workers. Conversely, if a facility has properly enclosed stairwells and fire doors, as required under national law and the Accord's standards, then the exit stairwells are protected from smoke and heat and remain clear, allowing workers to safely exit the building. **Any factory where a lack of stairwell enclosure and fire doors has been identified, but where these hazards remain uncorrected, is effectively a death trap.**

Analysis of the 32 Accord Corrective Action Plans for the factories H&M considers its best suppliers, and where initial inspections were completed over 12 months ago, reveals that all of the factories have at least one required safety renovation behind schedule and that 28

¹⁷ We use the term "fire exit" in this figure and Figure 5 to refer to a system of enclosed stairwells and fire-rated doors that is required by the Accord standards and that makes safe egress possible in the case of an emergency.

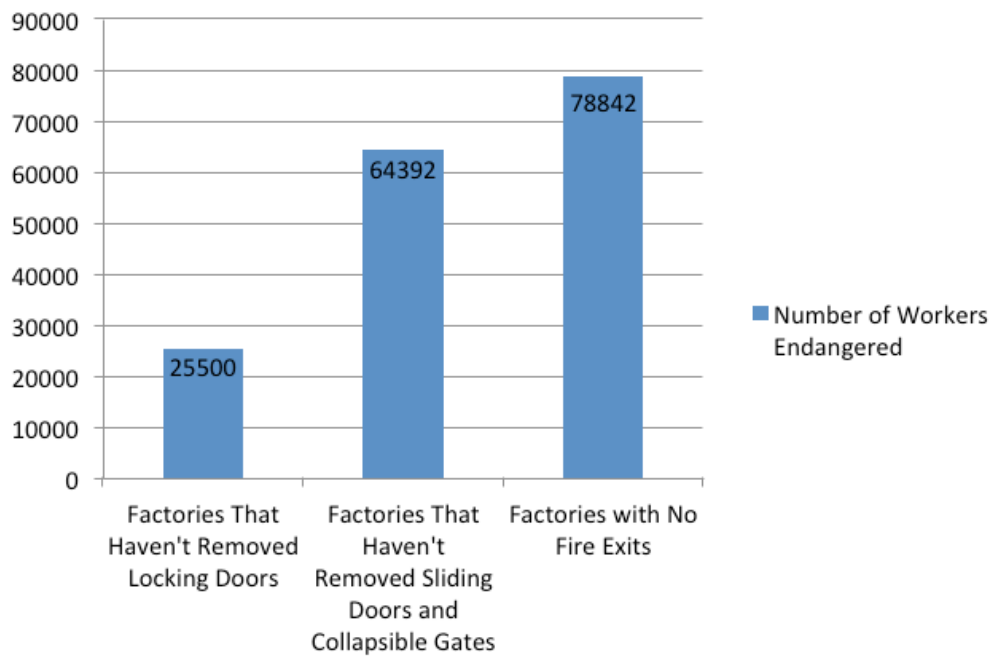


Figure 5: Number of Workers Endangered at H&M "Gold" and "Platinum" Factories That Lack Specific Fire Safety Renovations

of the 32 (87.5%) have between 10 and 89 safety renovations that have still not been completed. These findings are particularly concerning because these are the suppliers that H&M itself describes as its most important, closest and most ethical business partners – yet not a single factory has completed the required renovations on schedule and most are far behind on numerous vital safety repairs. Instead, workers in most of these "Gold" and "Platinum" H&M factories continue to toil in grossly unsafe conditions, without access to viable escape routes – conditions the same as those that killed 112 workers at Tazreen Fashions in 2012; that killed 21 workers at Garib & Garib, an H&M supplier factory, in 2010; and that have killed hundreds of other workers in dozens of

garment factory fires during the past fifteen years.

Given this reality, it is surprising and disturbing that H&M has suggested in its own public reports that safety renovations at its factories in Bangladesh have been completed and that the company has not disclosed any of the delays documented by the Accord.¹⁸ Moreover, H&M has been contacted by the unions that are the labor signatories to the Accord and has been asked to account for the severe delays in safety renovations at its factories by September 1, 2015. The unions have asked H&M to outline the reasons for the delays and to enumerate any steps the company is taking to address the problem. H&M has not responded to this request.

¹⁸ On H&M's "Choose and reward responsible partners – our Conscious Actions" page the company reports that "2.7. Follow up on initial inspections as per the Bangladesh Accord on Fire and Building Safety, ensure remediation and enroll new factories in the Accord Inspection Programme" is "done," <http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/about.html>. H&M also reports the same in its "Conscious Actions Sustainability Report 2014," p.29 and p.35, <http://sustainability.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/reports/Conscious%20Actions%20Sustainability%20Report%202014.pdf>.

Conclusion

Under the Accord provisions reviewed earlier in this report, H&M is obligated to require its supplier factories to undertake the safety renovations deemed essential by the Accord's inspectors and to cease doing business with any factory that does not do so. As the Accord's data shows, H&M has failed to ensure that even its most valued suppliers make their factories safe and yet H&M continues to do business with all of these suppliers.

H&M is also required to extend financial assistance, in some form, to those factories that are willing to renovate, but cannot afford to pay fully for the renovations on their own. We are concerned that H&M may not be fulfilling its obligations in this regard. The Accord has reported significant problems with financing for renovations. Unfortunately, however, the Accord does not provide brand specific data in this regard, so H&M's actions on

renovation financing will remain opaque, unless H&M itself chooses to disclose them, and we can draw no firm conclusions in this area.

H&M, like many other brands, assured the public in the wake of the Rana Plaza collapse that it would take the steps necessary to ensure the safety of the workers in Bangladesh who sew its clothes. Based on the Accord's public disclosure of remediation progress, we must conclude that H&M has failed to honor those commitments. As the largest apparel buyer from Bangladesh, the first signatory to the Accord, and a company that touts itself as a leader in social responsibility, H&M should instead be leading the way in ensuring its suppliers become safe, in accordance with the schedules established by the Accord – before there is another Garib & Garib, Tazreen Fashions or Rana Plaza. ■

