



Memo

May 2, 2016

From: Clean Clothes Campaign, International Labor Rights Forum, Maquila Solidarity Network, and Worker Rights Consortium

To: Interested Parties

Re: **Three Years After Rana Plaza, H&M Factories Still Not Safe**

An analysis of the latest safety action plans for H&M's strategic suppliers in Bangladesh reveals that three years after the Rana Plaza building collapse, which killed 1,134 workers producing apparel for global brands and retailers, the majority of H&M's factories are still not safe. There are some signs of progress: almost all of H&M's suppliers now have some fire doors installed and H&M has increased the level of detail it provides in its public reporting. However, H&M is still not indicating acceptance of real responsibility, continues to provide its customers with misleading information and, according to the company's own data, 61% of the company's supplier factories still do not have all required fire doors installed – this means that hundreds of thousands of workers in these factories are at risk of injury or death should a major fire occur.

Background

During August 24 to September 1, 2015, the Clean Clothes Campaign, International Labor Rights Forum, Maquila Solidarity Network, and Worker Rights Consortium reviewed the Corrective Action Plans (CAPs) posted on the website of the Accord on Fire and Building Safety in Bangladesh (“the Accord”). This website contains a comprehensive repository of publicly-available data on the pace of progress on safety renovations at each factory covered by the Accord.¹ Our report focused on H&M's strategic suppliers, the so-called Gold and Platinum factories that should be the top performers on safety, studying each of the 32 Accord CAPs available for these factories, in order to assess the progress that had been made in implementing the repairs mandated by Accord inspectors. The analysis eight months ago revealed that the majority of the required repairs listed in the CAPs were far behind schedule. In particular, we found that 61% of the factories did not have adequate fire exits.

Between January 11 and 16, 2016, the four NGO witness signatories to the Accord conducted a new review of CAPs for the same 32 H&M strategic suppliers, in order to determine whether H&M had fundamentally improved its performance over the last quarter.² This analysis found that all but one of the 32 factories remained behind schedule, relative to deadlines mandated by the Accord, nearly one thousand required renovations had still not been completed, and H&M

¹ CCC, ILRF, MSN and WRC. “Evaluation of H&M Compliance with Safety Action Plans for Strategic Suppliers in Bangladesh,” September 2015, <http://laborrights.org/hmcapsreport>

² For all factories covered by the Accord, Corrective Action Plans are updated on an ongoing basis. They are available at <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>

had made insufficient progress in correcting the most life-threatening safety violations such as the installation of adequate fire exits.³

For this current update, as Accord witness signatories, we have again reviewed the most recent corrective action plans and progress reports for the same set of 32 factories along with the latest corrective action plans for 22 additional H&M strategic supplier factories.⁴ These additional factories are also Gold and Platinum factories and are, on the whole, factories also used by members of the Alliance for Bangladesh Worker Safety (“the Alliance”).⁵ These “joint” factories were initially inspected by the Alliance; the Accord carried out follow-up inspections at a later date. This meant that Accord CAPs for these factories were not available at the time of our original research. Given that the Alliance does not report on the progress of completion of renovations, we were unable to assess the level of progress at these factories until Accord CAPs were produced for them, as is the case now.

Findings

According to Article 12 of the Accord, which H&M signed in May 2013, company signatories have a duty to require their supplier factories to “implement these corrective actions, according to a schedule that is mandatory and time-bound.”⁶ Of the 54 strategic suppliers that we assessed, five of the factories were inspected in 2013, 44 were inspected in 2014, and five were inspected during the first half of 2015. Each factory was inspected by the Accord or the Alliance’s safety engineers and provided with corrective action plans for structural, fire and electrical repairs and renovations. The original mandated deadlines for performing repairs were primarily in the range of one month to six months, with very few timelines extending beyond one year. As such, each of these factories should have already completed *all* required renovations that were identified in the original inspection reports long ago, with minimal exceptions.

The data set used in this review, available on the Accord’s website,⁷ is very recent. All factories have had updated CAPs published since our previous report in January. Four factories had CAPs that were updated in February and the remaining 51 were updated either in March or April. Our analysis is based on those CAPs available on April 26.

Our analysis of the latest data for the 32 suppliers covered in our previous reports shows that, as of April 26, 2016, 9% had still not removed all sliding doors or collapsible gates, and 84% had yet to install all required fire-rated doors. These are essential measures to ensure workers are not trapped in a burning building. Lockable features have, however, finally been removed from

³ CCC, ILRF, MSN and WRC, “Ongoing Safety Delays at H&M Suppliers in Bangladesh,” January 2006, <http://www.laborrights.org/hmcapsmemo12016>

⁴ Of the 229 manufacturing factories listed on H&M’s website on April 1, 2016, 56 were either Gold or Platinum factories. Two of these factories did not have an Accord CAP available. This may be because an inspection of the factory was carried out together with an adjacent factory that is part of the same factory group and was reported in one CAP, rather than in two distinct CAPs, or for a different reason.

⁵ The Alliance is a safety scheme set up by North American brands, with 26 company signatories, with similar aims as the Accord, but with considerably less transparency, no third party enforceability, and no meaningful union representation in its governance.

⁶ The Accord agreement is available for download at http://bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf

⁷ The regularly-updated list of Corrective Action Plans is available at <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>

doors in all of these facilities. In comparison, we found in January that of these same factories, 38% had sliding doors or collapsible gates, 16% had lockable exit doors, and 55% lacked fire-rated doors and enclosed stairwells.

While we note that there has been progress in removing doors and locks that could prevent workers from exiting these factories in the case of a fire, the fact that the majority of H&M's supplier factories have not yet completed the installation of fire doors is of great concern. There have been too many cases where the open stairwells in these factories fill with smoke and prevent workers' escape.

The percentage increase in the number of factories still requiring fire doors does not reflect a reversal in the number of doors actually installed, but does indicate that a sense of urgency in getting these renovations done is still lacking. There are two main reasons why the figures appear to show that less factories have completed fire door installations. The first is that in January many factories had received extended deadlines from the Accord in which to complete this renovation, in part to account for delays that factories claimed were beyond their control; we therefore did not mark those factories as delayed at that time. Since January, nearly all of these extended deadlines have passed and our understanding from the Accord is that issues relating to lack of on-the-ground capacity are no longer a legitimate reason for delay. Secondly, in both previous reports and in this one, for the purpose of our data analysis, we have assumed that a renovation was complete if it was marked "Pending Verification" in the CAP – meaning the factory had reported it as finished but it had not yet been verified by an Accord engineer. However, when the Accord actually conducted follow-up inspections at these H&M factories, it turned out, in some cases, that the renovations factories were claiming to have completed had not been carried out to the required standard. In these cases, the designation in the CAP had to be downgraded from "Pending Verification" to "In Progress," while further renovations are carried out.

While the results for the additional 22 factories that we analyzed, most of which were initially inspected by the Alliance, performed comparably to the original 32 factories with regards to the installation of fire doors, they performed worse on the removal of sliding doors and of locking features from egress doors. Twenty-seven percent of these factories still had some sliding doors or collapsible gates in place and 9% had some lockable doors. Since these are relatively simple and inexpensive repairs, the key to ensuring they get done is aggressive follow-up by inspectors. The most likely cause of the inferior performance of Alliance-inspected factories in this area is the Alliance's less robust and less transparent follow-up inspection program.

Overall, the pace of structural, fire and electrical renovations is concerning. In January we reported that for the 32 factories, on average, each factory had 31 uncompleted renovations. Currently, on average, these factories have 26.5 uncompleted renovations. The additional 22 factories that we evaluated have an average of 30.5 renovations per factory remaining.

It is important to note that these numbers do not fully capture the extent of progress that is being achieved. During this current review of the CAPs it is clear that while renovations are not yet complete most (although not all) factories have at least started work. In September, when we first looked at the CAPs, most factories had no fire doors installed at all, whereas now almost all have at least some of the required fire doors in place. According to a manager commenting about the progress of repairs in one factory: "Total 125 fire doors are to be installed. Till now we have

installed about 50 doors. We are installing 3 doors every day.”⁸ Even with that caveat, overall the pace of progress remains painfully slow, and urgent renovations continue to be needed.

In the course of this analysis, which was focused on the overall rate of progress on three specific fire safety renovations, we have also observed that some H&M supplier factories continue to have major unaddressed structural integrity issues and/or lack automatic sprinkler systems and adequate fire alarms. As this fell outside the scope of this particular report, we did not conduct a detailed analysis on these issues and are unable to provide an accurate overview of the extent of non-compliance in these areas. We are concerned, however, that H&M suppliers may be lagging even further behind on structural renovations and other fire safety systems than they are in the areas on which we have focused.

H&M’s self-assessment

Since our first report in October 2015, H&M has made a number of public statements relating to the concerns we raised regarding progress of renovations in its strategic suppliers, both through press statements and through emails to concerned customers. Initially its responses were both vague and largely misleading, but in April 2016 H&M did go a step further by publishing a series of charts in which the company reported concrete data relating to progress on renovations by 255 suppliers as of March 31, 2016.⁹

This is the first time that an Accord signatory has produced such a level of detail and does suggest that H&M is at least now collecting data on these delays. It also signals that, if nothing else, the company is now paying attention to the need to monitor progress across its whole Bangladesh supply chain.

H&M still fails, however, to provide concrete information on what the company itself is doing to speed up progress, instead deferring responsibility for progress, or lack of progress, onto its suppliers and the Accord inspectors. Furthermore H&M has not provided any details in response to questions about whether it is fulfilling its obligation to provide financial aid, or other forms of support, to suppliers that need it. H&M also continues to provide information that is somewhat misleading.

Below we review the data and information provided by H&M and compare it to our findings from the latest CAPs review.

Sliding doors, locking doors and collapsible gates

H&M’s self-assessment stated that “[a]s per 31st of March 2016, 100% of the findings on collapsible, rolling shutter, sliding doors and locking features have been reported as completed by our business partners.” Looking at the currently available data, however, we found that nine of the 54 H&M suppliers reported that some sliding doors or collapsible gates remained in their factories and two indicated that at least one lockable door remains that could impede the ability of workers in a part of the factory to exit the building during a fire. Following our review of the

⁸ Accord Corrective Action Plan for A.K.M. Knit Wear Ltd, dated April 19, 2016.

⁹ “Improved fire safety in Bangladesh,” <http://about.hm.com/en/About/sustainability/hot-topics/fire-safety.html> (accessed April 27, 2016)

data we contacted H&M with a list of factories that still had these renovations outstanding. H&M claimed that we are using outdated information, even though this report is based on publically updated information that was downloaded on April 26.¹⁰

According to H&M, 61% of the company's 255 supplier factories in Bangladesh have not yet completed the required fire door renovations. In contrast, in October 2015 and in emails recently sent to concerned citizens, H&M has said "fire exits are one of the most fundamental requirements for a supplier in order to be allowed to produce for H&M."¹¹

How can H&M have a majority of suppliers lacking sufficient fire doors and at the same time say that it requires all factories to have fire exits in order to qualify as a supplier? This is misleading and leaves us confused as to what H&M defines as a "fire exit". In the process of researching this report we wrote to H&M and requested they clarify this point by providing us with their definition of an adequate fire exit. They did not respond to that question. Similarly, in its 2014 Sustainability Report H&M stated that the company was already "done" with "ensur[ing] remediation". Interestingly, H&M changed the status on this same question to "more to do" in its 2015 Sustainability Report.¹²

H&M's finding that 61% of its 255 factories have not completed fire door installation falls short of the finding from the 54 factory CAPs that we examined. The data for the 54 factories we reviewed revealed that 85% of Gold and Platinum factories still lack fire doors in at least one required place in the building and 70% of them still need fire doors to enclose at least one stairwell. Although a clear like for like comparison with H&M's figures is not possible, given the different data sets used in their own internal review and ours, we believe it is somewhat unlikely that the 200 or so factories excluded from our research – most of which are deemed as less strategic suppliers by H&M's own classification – would be performing significantly better than the sample we reviewed.

In reporting on essential fire safety renovations at 61 strategic suppliers,¹³ H&M states that the majority of those supplier factories still requiring fire doors have received the doors and

¹⁰ Several of the CAPs that continue to indicate that the removal of sliding doors and collapsible gates remains incomplete were updated more recently than March 31, even though H&M claims that its business partners reported those renovations as completed as of that date. In the case of two factories, where H&M provided a more detailed response, we did recheck the CAPs and found one had been updated on April 28 to show the renovation is now pending verification. We have reflected this change in this report.

¹¹ "H&M comments on the report on the Bangladesh Fire and Building Safety," October 6, 2015, <http://about.hm.com/en/news/newsroom/news.html/en/hm-comments-on-the-report-on-the-bangladesh-fire-and-building-safety.html>

¹² "H&M Conscious Actions Sustainability Report 2015," p.39, http://sustainability.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/2015%20Sustainability%20report/HM_SustainabilityReport_2015_final_com_2.pdf

¹³ We have not been able to sort out which factories account for the difference of seven factories between the two lists of strategic suppliers. It could be that some factories with multiple units or neighboring buildings have been counted separately by H&M. The strategic supplier list that we used consisted of the Gold and Platinum factories on the manufacturing factory list available in August of 2015 at www.hm.com/supplierlist. As of April 1, 2016 the length (229 factories) of the list had not changed and the Gold and Platinum suppliers named on the list were the same. In late April of 2016 H&M replaced the manufacturing factory list available at www.hm.com/supplierlist with a new list that discloses which factories are supplying each supplier (totaling 417 rows of data). In its "Improved fire safety in Bangladesh" statement (late April of 2016), H&M said it produced in 255 factories, <http://about.hm.com/en/About/sustainability/hot-topics/fire-safety.html>.

installation is in progress. However, H&M fails to provide any indication of how long it expects it will take until the installation of these life-saving doors is completed.

Conclusion

We appreciate that H&M is now recognizing that it has more to do on remediation, including acknowledging that the installation of fire doors remains incomplete in the majority of its 255 supplier factories – three years after Rana Plaza and *six years* after 21 workers sewing H&M clothes died at the Garib & Garib factory. Combined, these factories employ hundreds of thousands of workers. Until the mandated structural, fire and electrical safety renovations have been completed, all of these workers remain at risk of injury or death in an emergency.

In February 2016, a huge fire broke out at H&M supplier Matrix Sweaters. Luckily it was early in the morning and most of the workers had not yet arrived for their shift. While Matrix had made some progress on safety renovations, these were far from complete. Had the fire started a few hours later, the results could have been catastrophic.

Before there is another major factory fire, it is imperative that H&M put an end to the safety delays. As the largest buyer of clothing made in Bangladesh, and the first company to sign the Accord, other companies look to H&M to set the standard in compliance. We have no doubt that if H&M devotes sufficient resources and attention to the issue of safety the company would have all repairs and renovations completed promptly. Meanwhile, as the delays continue, we ask H&M to provide an honest timeline for the completion of all renovations and to disclose what sort of financing it has provided to factories to enable timely repairs.