

FLA Audit Profile	
Country	China
Factory name	440015467E
IEM	SGS-CSTC Standard Technical Services Co., Ltd
Date(s) in facility	November 2 & 3, 2006
PC(s)	H&M
Number of workers	325
Product(s)	Sweater
Production processes	Knitting, Linking, Sewing, Finishing, Packing.

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings						Remediation				
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)	
1. Code Awareness													
Worker/management awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	H&M has gave the factory a written code of conduct, but the manager who got the Code was not informed to post it to let all employees get a awareness of it.					Manager interview and onsite observation.			Generally we do not require our Code of Conduct to be posted in the factory. In the case a factory produces for different buyers it might be confusing for the workers. Instead we encourage the factories to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers, for example through a handbook for the workers or on the notice board.	On going	
Other			Except the local minimum wage standard, the factory did not post other information they got on labor laws and health and safety regulations.					Manager interview and onsite observation			Please view above	On going	All the relevant information about labor laws and health and safety regulations have been already posted in the workshop to announce to all workers.
2. Forced Labor													
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise													
3. Child Labor													
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.													
Age Verification		In those cases where proof of age documentation is not readily available, employers will take precautions to ensure that all workers are at least the minimum working age, including medical or religious records, or other means considered reliable in the local context.	There was no written policy on age verification established in the factory.					Manager interview and worker interview.			We require the factory to establish clear recruitment routines established and communicated to all recruitment personnel. No worker should be admitted to the work floor before an individual personal record, including copies of age verification has been set up. That the factory has got functioning recruitment routines is checked at each audit, both through samples of individual personnel records but also through discussions with the management on their systems.	12/30/2006	
4. Harassment or Abuse													
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.													
Disciplinary Practices		Employers will utilize consistent written disciplinary practices that are applied fairly among all workers	1. No harassment and abuse policy and procedure was established in the factory. 2. No written policy and procedure for handling discipline was established in the factory.					Manager interview and worker interview.			We encourage the factory to develop internal regulations in line with our Code of Conduct and local legislation and to clearly communicate these to all workers. These should include all disciplinary procedures in place in the factory. Records of disciplinary actions should be kept in the factory for review.	12/30/2007	We have initiated policy regarding no harassment and abuse in the work place, worked out a practical disciplinary routine to ensure a fair working environment. All these policies and regulations are posted in the factory to announce to all workers. Continuous education will be provided to existing and new workers as well.
Record Maintenance		Employers will maintain written records of disciplinary actions taken.	No record was kept on disciplinary proceedings.					Based on the management interview, they claimed that there was no disciplinary action implemented since January 2006. And they did not keep the disciplinary records of last year.			Please view above	12/30/2007	We will in the future, keep all relevant records of any disciplinary action that being taken to the workers according to the factory regulations. And keep track of the proceedings of such disciplinary actions, in written records.
5. Nondiscrimination													
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.													
Hiring Discrimination Practices		Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement	No non-discrimination policy and procedure was established in the factory.					Manager interview and worker interview.			Please view above	12/30/2007	We have initiated non-discrimination policy in the work place, and posted in the factory to announce to all workers. Continuous education will be provided to existing and new workers as well.

		IEM Findings							Remediation			
FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)
6. Health and Safety												
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities												
Fire Safety Health and Safety legal compliance	Fire Prevention Law of the People's Republic of China, Article 10 At the time of completion of a construction project the fire prevention design of which is worked out pursuant to the state technical standards for fire prevention of engineering construction, acceptance checks for fire prevention must be carried out by a public security fire-fighting department; a project without completing acceptance checks or failing to qualify in acceptance checks must not be put into use.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	The factory could not provide valid Fire Safety Certificates for the whole production buildings.				Manager interview.			We require the factory to ensure that the safety in the building is maintained according to local law and our Code of Conduct. All locally required permits for safety should be obtained and reviewed regularly. The workers should be able to easily evacuate the premises in case of emergency, and the building is to be considered as safe.	2/1/2007	The application of Fire Safety Certificates has been submitted and waiting for feedback from local department.
PPE		Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	There was no signs or diagrams available in the language spoken by workers, indicating the need for personal protective equipment.				Manager and workers interview and onsite observation.			The workers should be provided with relevant personal protective equipment depending on work process, along with education both orally and in writing in their native language on how to use it.	6/1/2007	
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law	No accident records system implemented in the factory.				Manager and workers interview.			The factory should set up a record on work related injuries in the factory along with measures on how to ensure that relevant measures are taken in order to avoid similar accidents in the future. At the coming audit we will check to ensure that this new system is up and running in the factory.	11/1/2007	We have initiated a workshop accident tracking system, all the accidents happened in the working area and corresponding remediation actions will be documented in the future.
Safety Equipment		All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees	There was no eyes-washing equipment installed in the washing workshop where chemicals were used.				Manager and workers interview and onsite observation.			The workers should be provided with relevant personal protective equipment depending on work process, along with education both orally and in writing in their native language on how to use it. An eye-wash station should be installed where chemicals are used.	12/30/2007	A eye-wash facility has been installed in the washing section.
Safety Equipment	Fire Control Law of the People's Republic of China Article 14 State organs, organizations, enterprises and institutions shall perform the following duties on fire control security: (V) Allocate and purchase fire control facilities and devices, set up fire control safety marks in accordance with relevant state regulations, and organize regular inspection and maintenance to ensure a perfect and effective condition of fire control facilities and device;	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees	There were totally 30 fire extinguishers installed throughout the factory, while the production area is 4359 m2. Based on PRC Fire control laws and relevant regulations, the minimum number fire extinguishers requested to installed in such a factory is 44 (3kg type). There was no procedures posted that deal with first aid.				Onsite observation. Manager interview and onsite observation.			The factory should ensure that the work premises are equipped with enough and well maintained fire extinguishers. The workers should receive regular training on how to use them. The factory should ensure that in each workshop there are a sufficient number of staff present during working hours who are trained in first aid.	30-12-2006 01-02-2007	We have installed extra fire extinguishers, about 54 in total, to meet the requirements of China fire control and preventing laws and relevant regulations.
7. Freedom of Association and Collective Bargaining												
Employers will recognize and respect the right of employees to freedom of association and collective bargaining												
Freedom of Association: FLA Comment		FLA Comment: <i>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.</i>										
Employer control/favoritism		The employer will not interfere with the right to freedom of association by controlling workers' organizations or favoring one workers' organization over another	The union established in the factory was under control of management staff in the factory, the leaders in the union were all management staff in the factory. No worker representative or other parallel means of independent representation for the workers available in the factory.				Manager interview, document review and worker interview.			H&M requires that the workers should be free to form associations of their own choosing, and to bargain collectively. We don't accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organize or join an association. We encourage the factory to develop and maintain well functioning communication channels between workers and management. We will follow on the remediation plan of the factory.	On going	We have initiated relevant policy on independent worker representation and posted in the workshop to let all work know.
Employer Interference/Elections		Workers' organizations have the right to elect their representatives and conduct their activities without employer interference	There was no written factory policy on independent worker representation.				Manager interview and worker interview.			Please view above	On going	

FLA Code/ Compliance issue		Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation			
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)
8. Wages and Benefits												
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits												
Time-recording system		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	Inconsistencies between workers interview & manager interview and pre-audit observation & document review were found during audit: All workers said they never worked late than 18:30 p.m. and their working hour records provided by the factory also show no overtime exceed 18:30 p.m. in the factory, but auditors did see them working at 19:30 p.m. on November 1st 2006 (pre-audit day). Moreover, based on the security log of October found in factory, workers took overtime every day, even late to 6:00 a.m. of next morning. So working hour and wage system could not be verified.				Manager interview, worker interview, pre-audit observation, working hour records and payroll review.			Please view above	On going	
Accurate recording of wage compensation		All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately	Inconsistencies between workers interview & manager interview and pre-audit observation & document review were found during audit: All workers said they never worked late than 18:30 p.m. and their working hour records provided by the factory also show no overtime exceed 18:30 p.m. in the factory, but auditors did see them working at 19:30 p.m. on November 1st 2006 (pre-audit day). Moreover, based on the security log of October found in factory, workers took overtime every day, even late to 6:00 a.m. of next morning. So working hour and wage system could not be verified.				Manager interview, worker interview, pre-audit observation, working hour records and payroll review.			Please view above	On going	
False Payroll Records		Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.	Inconsistencies between workers interview & manager interview and pre-audit observation & document review were found during audit: All workers said they never worked late than 18:30 p.m. and their working hour records provided by the factory also show no overtime exceed 18:30 p.m. in the factory, but auditors did see them working at 19:30 p.m. on November 1st 2006 (pre-audit day). Moreover, based on the security log of October found in factory, workers took overtime every day, even late to 6:00 a.m. of next morning. So working hour and wage system could not be verified.				Manager interview, worker interview, pre-audit observation, working hour records and payroll review.			Please view above	On going	
9. Hours of Work												
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period												
Overtime Limitations	China Labor Law, Article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours China Labor Law, Article 38 The employing unit shall guarantee that its staff and workers have at least one day off in a week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts	Inconsistencies between workers interview & manager interview and pre-audit observation & document review were found during audit: All workers said they never worked late than 18:30 p.m. and their working hour records provided by the factory also show no overtime exceed 18:30 p.m. in the factory, but auditors did see them working at 19:30 p.m. on November 1st 2006 (pre-audit day). Moreover, based on the security log of October found in factory, workers took overtime every day, even late to 6:00 a.m. of next morning. So working hour and wage system could not be verified.				Manager interview, worker interview, pre-audit observation, working hour records and payroll review.			Please view above	On going	
Record Maintenance		All legally required payroll documents, journals and reports will be available complete, accurate and up-to date. (In the United States terms this would include W-4s, I-9s, green cards, 941s and supporting material	No attendance records of October 2006 were available for audit.				Manager interview.			H&M requires the factory to maintain a one year record of all working hours always available for review by the auditors.	On going	
10. Overtime Compensation												
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.												
Accurate recording of OT hours worked		Employees will 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	Inconsistencies between workers interview & manager interview and pre-audit observation & document review were found during audit: All workers said they never worked late than 18:30 p.m. and their working hour records provided by the factory also show no overtime exceed 18:30 p.m. in the factory, but auditors did see them working at 19:30 p.m. on November 1st 2006 (pre-audit day). Moreover, based on the security log of October found in factory, workers took overtime every day, even late to 6:00 a.m. of next morning. So working hour and wage system could not be verified.				Manager interview, worker interview, pre-audit observation, working hour records and payroll review.			Please view above	On going	