

FLA Audit Profile	
Country	China
Factory name	440015386E
IFEM	TUV Rheinland Hong Kong Ltd.
Date(s) in facility	August 17-18, 2006
PC(s)	Hennes & Mauritz AB
Number of workers	130
Product(s)	Umbrella
Production processes	Cutting, sewing, silkscreen printing, packaging and inspection

FLA Code/ Compliance Issue	Country/Law/Legal Reference	FLA Benchmark	EM Findings					Remediation				Status		Updates		Updates		Updates		Third-Party Verification		Company Verification Follow up			
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncomorbated)	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)	Company follow up (July 18, 2007)	Documentation	Completed, Pending, On-going	Company Follow up (Jan 9, 2008)	Documentation	Company Follow up (Jan 9, 2008)	Documentation	Company Follow up (Oct 22, 2008)	Documentation	External Verification (Date)	Documentation	Company Follow up (Site date of planned or follow up visit, if appropriate)	Documentation
2. Code Awareness																									
Code posting information		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	COC was not posted.				H&M COC was not found in production areas or dormitory.		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.	Sep. 2008		No further progress was noted for this finding. H&M will continue following up on the issue during coming visits.	Document review	On-going		Still some necessary internal regulations were missing. H&M have addressed this issue to the factory and will follow it up in future audit.	Document review		This issue was not followed up during this audit.						
Confidential non-compliance reporting channel		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	Workers did not know they have the right to report their feedback to FLA-affiliated company.				Workers interview		In our dialogue with the factory, H&M primarily encourages the factory to develop and deepen its own confidential non-compliance system. We support the factory in building a dialogue system within the factory in order to have a forum for the workers to communicate grievances to the management. During our audits we regularly check the function of these systems. At all H&M audits we conduct worker interviews. During these confidential, one-to-one interviews, our contact information is provided to the workers in order for them to be able to contact with us to put forward their grievances directly to us. We have decided to establish a hotline in order to ensure that the workers can put forward confidential complaints directly to H&M. It will be a mobile number that the workers can call or SMS. The mobile number will be printed on business cards that will be provided to the workers during worker interviews.	Open		Business cards with a mobile number are provided to the workers during worker interviews. We encourage the business cards to be placed among all the workers in the factory.								We keep doing workers interviews at all internal audits during which contact information is conveyed to the workers with our business cards that they can spread amongst themselves. In this way, a confidential contact channel has been secured between H&M and the workers.					
Other			One complaint was received in July 2006, but the handling record was not kept.				Management interview		We will follow up on the factory remediation plan at next audit.	Sep. 2008	Records of complaints and follow up will be kept in the future.		It was found that no systematic grievance system was running in the factory and no relevant records had been kept. We have addressed this issue to the factory and make sure the factory makes sustainable improvement in this area.	Management interview	Pending	No systematic grievance system was running in the factory and no relevant records had been kept. We have addressed this issue to the factory, and require they set up such system and keep records in future.	Management talk		There is no comprehensive grievance system in the factory.						
			No training on COC was provided to workers				Management interview		Please see above.	Sep. 2008			No further progress was noted for this finding. H&M will continue following up on the issue during coming visits.	Document review	On-going				Still some necessary internal regulations were missing. H&M have addressed this issue to the factory and will follow it up in future audit.	Document review					
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.																									
Employment Records		Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	Some labor contracts were not available. Workers' terminated/resigned records after February 2006 were not maintained. One of the workers joined in April 2006, was not found in the factory name list.				Reviewing factory records and interview with Administration officer.		We require the factory to establish clear systems for hiring of new personnel.	Sep. 2008		It was found that 1) contracts had not been renewed in time; 2) personnel files and contracts had not been maintained for temporary workers; and 3) personnel files had been separated and kept only for workers resigned with resignation letters but not for those quitting without prior notice. H&M will continue to monitor this issue.	Factory tour and review of personnel files.	Pending	It was found that the factory had not signed contracts with some workers within deadline of the legal permit. We have addressed this issue to the factory, and required that they sign contracts with workers within legal limit.	Factory tour and review of personnel files.		It was found that there were still some workers going in and out of the factory without any personnel records or contracts.	Factory tour and review of personnel files.		Not all the workers have an employment contract.	Employment contracts & personnel files			
			Workers' personnel records for those reported duty before June 2006 were not available. Factory explained all these records were sent to Hong Kong (one of their customer, [non-FLA company], needed to review them).				Review of factory records		We require the factory to ensure that there is at least a copy of relevant documentation for workers available in the factory.	Sep. 2008		Personnel files for temporary workers were not kept properly. We will keep monitoring the issue and follow up on the factory's measures to fulfill compliance.	Factory tour and review of personnel files.	Pending	A worker who has been working in the factory since July 2007 was found without any personnel profile, contract, attendance record and payment docs. We have addressed this issue to the factory and required they keep personnel files properly for all workers. We will continue to follow up this issue in future visit.	Factory tour and review of personnel files.		It was found that there were still some workers going in and out of the factory without any personnel records or contracts. This is a serious violation, and we will keep pushing the factory to take measures to fulfill compliance.	Factory tour and review of personnel files.		Not all the workers have an employment contract.	Employment contracts & personnel files			
			In those cases where proof of age documentation is not readily available, employees 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.	In the staff name list, (one worker) reported duty on 20th February 2006, her date of birth was 3rd August 1990. At that time, [she] was less than 16 years old. Factory could not produce her personnel record, resignation record or child labor remediation record.			Review of factory records		We have initiated a dialogue with the factory regarding the importance on clear recruitment procedures as a must in order to ensure no one under the legal age limit for working is employed. We will follow up on the factory remediation plan at next audit.	Sep. 2008	From now on we will: 1. Check ID in recruiting; 2. Not employ juvenile workers; 3. Establish step individual personnel files; 4. Keep records of acquaintances' introduction, in which case age verification was still not in tight control and workers' personnel files were not kept properly sometimes. H&M will continue to monitor this issue and push the management to make sustainable improvement in its recruitment system.	Factory tour and review of personnel files.	Pending	It was found that there were still some workers going in and out of the factory without any personnel records or contracts. This is a serious violation, and we will keep pushing the factory to take measures to fulfill compliance.	Factory tour and review of personnel files.		No such finding during this audit.	Personnel files							
			Employers will comply with applicable laws that apply to young workers, i.e. those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	There are three young workers but they were not registered with local labor bureau. One of the young workers was working in silkscreen printing workshop, one of them without the medical check record.			Review of factory records		The factory has been asked to set up a system in order to ensure that juvenile workers receive the special treatment that is stipulated by law.	Sep. 2008	We will: 1. Require health certificate for all new staff; 2. Not employ juvenile workers.	It was found that one worker under 18 years old was working in the silk screen printing section, and no yearly physical check-up was provided for that worker and other workers in printing section. After this visit, the factory had promptly assigned this worker to the packing section. H&M will continue to monitor this issue and make sure factory take action to ensure steps towards compliance.	Factory tour and review of personnel files.	On-going	It was found that juvenile workers had still not been provided with physical check-up every year. We have addressed this issue to the factory and will keep checking it in future audits.	Factory tour and review of personnel files.		No such a finding during this audit.	Factory tour & personnel files						
			Employers will ensure that all workers engaged in operating or working close to hazardous equipment, working at dangerous heights or lifting heavy loads, or exposed to hazardous substances, are above the legal age for such work.	One of the young workers was working in silk screen printing workshop.			Review of factory records		Please see above.	Sep. 2008	The young worker has been transferred to packing section.	One worker under 18 years old was found working in the silk screen printing section. And after the visit, the factory had assign this worker to the packing section properly. H&M will keep monitor this issue and make sure it will not happen again.	Factory tour and review of personnel files.	Completed											

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					Evidence of Non-compliance (unaccommodated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company			PC Internal audit findings (Optional)	Factory Response (Optional)	Company follow up (July 19, 2007)	Documentation	Completed, Pending, Ongoing	Company Follow-up (Jan 2, 2008)	Documentation	Company Follow-up (Jan 29, 2008)	Documentation	Company Follow-up (Oct 22, 2008)	Documentation	External Verification (Date)	Documentation	Company Follow-up (Date of approval)	Documentation				
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 or abuse.																													
Disciplinary Practices		Employers will utilize consistent written disciplinary practices that are applied fairly among all workers.		Disciplinary measures were not defined.			Management 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.	Sep 2008		No further progress was noted for this finding. H&M have readdressed this issue to the factory and required all related regulations and disciplinary records should be properly documented and could be provided for us to check during future visits.	Document checking	Pending										This issue was not followed up during this audit.					
Other				There was no harassment procedure.			Management interview		Please view above.	Sep 2008		No further progress was noted for this finding. H&M have readdressed this issue to the factory and required all related regulations and procedures should be set up and properly documented and could be provided for us to check during future visits.	Document checking	Pending										This issue was not followed up during this audit.					
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.		There was no anti-discrimination procedure.			Management interview		Please view above.	Sep 2008		No further progress was noted for this finding. H&M have readdressed this issue to the factory and required that discrimination procedures should be set up and documented and could be provided for us to check during future audit.	Document checking	Pending										This issue was not followed up during this audit.					
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		Employer will comply with applicable health and safety laws and regulations. In any case where laws and codes of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.		Construction safety proof of production building and dormitory were not available.			Review of factory records		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 safely evacuate the premises in case of emergency, and the building is to be considered as safe.	Jul 2007		It was found that construction safety proof had been obtained from competent authority in September 2006.	Safety proof	Completed															
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.		Routine inspection of fire extinguishers was not conducted since May 2006. One of the emergency lamps at dormitory 2F was plug off.			During visual inspection, routine inspection records hanging on fire extinguishers were checked, and found emergency lamp was unplugged.		Please view above.	Sep 2008	We will: 1. Create a checking routine. 2. Replace the broken fire extinguishers.	It was found that the factory had spent 200000/year for the local fire safety authority to check and maintain their fire safety system twice a month.	Management interview	Completed	Fire safety system found well-maintained during this audit.	Visual inspection								No such violation has been found during this audit.	Factory tour				
Chemical Management		All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training appropriate to their job responsibilities, in the safe use of chemicals and other hazardous.		No health and safety training items were found in the training plan.			Review of factory records		Please view above.	Sep 2008		No further progress was noted for this finding. H&M will continue following up on the issue during coming visits.	Document checking	Pending										Workers were found not aware of and not trained in fire fighting and evacuation.	Management talk				
Chemical Management for Pregnant women and juvenile workers		To prevent unsafe exposure to hazardous chemicals, appropriate accommodations shall be made for pregnant women and minors as required by applicable laws in a manner that does not unreasonably disadvantage employees.		One of the young workers is working in silk screen printing workshop.			Review of factory records		The young worker has been transferred to packing section.	Sep 2008	The young worker under 18 years old was found working in the silk screen printing section. And after the visit, the factory had assign this worker to the packing section promptly. H&M will keep monitor this issue and make sure it will not happen again.	Factory tour and employment records	Completed																
Other				Annual renewal of hygiene certificate was not done.			Review of factory records		We will follow this up according to factory remediation plan at next audit.	Jan 2008	The certificates are now renewed.	During 2nd follow up visit on January 2, 2008, it was found that hygiene certificate had been renewed and issued on August 20, 2007.		Completed	It was found that hygiene certificate had been renewed.	Hygiene certificate													
				Return receipt of empty chemicals containers to supplier was not kept.			Review of factory records		We will follow this up according to factory remediation plan at next audit.	Sep 2008	The receipt will be kept in the future.	It was found that no qualification certificate of the chemical supplier was obtained and no return receipt of empty chemical containers and chemical waste to supplier had been kept. H&M will keep monitoring this issue and take appropriate measures to ensure steps towards compliance.	Document checking	Pending	No further progress was noted for this finding. H&M will continue following up on the issue during coming visits.	Document checking								The Hazardous waste is not disposed in a proper way.	Factory tour & management talk				
				Training of first aider should be enhanced, right now there is only one worker trained in first aid, and he received the training back in 2006.			Review of factory records		The factory should ensure that in each workshop there is a sufficient number of staff present during working hours who are trained in first aid.	Sep 2008	Three workers have now been trained in first aid.																		
				Monitoring of air quality at 2F (Silk-screen printing) and noise from power generator was not done.			Review of factory records		We will follow this up according to factory remediation plan at next audit.	Sep 2008	The supplier will contact the local government agency to conduct the monitoring.	It was found that ventilation in the silk screen printing section was very poor, and exhaust fans there were not turned on. H&M will keep monitoring this issue.	Factory tour	Pending	No work was going on at the silk screen printing section during this audit. So ventilation could not be verified. H&M will continue to monitor this issue in future audit.	Factory tour									This issue has not been followed up during this audit.				
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: 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 Labor 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 2007 also stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility 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.																											

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					Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why						Company follow up (July 19, 2007)	Company Response (Optional)			Company Follow up (Jan 2, 2008)	Company Follow up (Jan 29, 2008)		Company Follow up (Oct 22, 2008)	External Verification (Date)		Documentation	Company Follow up (Give date if appropriate)	Documentation		
Employer Interference/Elections		Workers' organizations have the right to elect their representatives and conduct their activities without employer interference.	There was no worker representatives.				Management 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.	Sep 2008		It was found that no worker representatives had been elected and no relevant docs had been kept. H&M will continue to monitor this issue and encourage the factory set up comprehensive dialogue system between workers and management.	Management interview	Pending	No further progress was noted for this finding. H&M have readdressed this issue to the factory and encourage they set up versatile and effective channels that can facilitate workers to communicate freely with the management.	Management talk				There is no a dialogue system between the workers and management in place at the factory.	Management talk					

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				Evidence of Non-compliance (un corroborated)	If not corroborated, explain why						Factory Response (Optional)	Company follow up (July 19, 2007)	Documentation	Completed, Pending, Ongoing	Company Follow up (Jan 2, 2008)	Documentation	Company Follow up (Oct 22, 2008)	Documentation	External Verification (Date)	Documentation	Company Follow up (Date, date of planned or follow up visit, if appropriate)	Documentation
8. Wages and Benefits																						
Employers recognize that wages are essential to meeting employees' basic needs. Employees 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.																						
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.	Workers did not know about minimum wage at [factory].			Workers interview			We will encourage the factory management to regularly inform the workers on the updates on the legal minimum wage by, for example, posting it on the notice board.	Sep 2008	No further progress was noted for this finding. H&M have readdressed this issue to the factory.	Management interview	Pending					There is no true documents to verify if the employees are ensured minimum wage.	Payrolls & management interview			
Voluntary Use of Benefits		All workers have a right to use or not to use employer provided services, such as housing or meals.	3 RMB per day will be deducted even if workers do not have meal in the factory but reported duty on that day.			Management interview			We will follow-up on factory remediation plan, and ask the factory for more explanation on how long in advance the worker should give notice.	Sep 2008	If workers give advance notice when not having meals in the factory, we will deduct number of meals provided to workers could be recorded correctly so as to avoid unfair deduction of meals fee in the future.	Management interview	Pending					There is no true documents provided by the management, so wage system and production items could not be verified during this audit.	Payrolls & management interview			
Payment of Legal Benefits		Legally mandated benefits will be provided or paid in full within legally defined time periods.		Only 23% of the employees covered by social security insurance (30 people) social insurance, unemployment insurance and retirement insurance.		Review of factory records			All workers should be covered by relevant social insurance depending on local regulation.	Sep 2008	No further progress was noted for this finding. H&M have readdressed this issue to the factory and required they buy insurance for workers according to our Code and local law.	Document checking	Pending					No progress.	Documentation			
Legal Compliance for holiday/leave		Workers will be paid for holidays and leave as required by law.		When workers will get the annual leave payment was not clear.		Review of factory records			We will follow-up according to the factory remediation plan.	Sep 2008	The workers will be given their annual leave in accordance with the Lunar New Year, and the annual leave payment will be displayed on the payroll of the Lunar New Year month.	Document checking	Pending					Annual leave is not granted and paid to workers according to the law.	Payrolls, factory policies & management interview			
Accurate recording of wage compensation		All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	Date in production records (work-in-progress collection records) did not match with workers' time card. Thus workers' working hours and production quantity shown in the pay slip were in doubt.			Review of factory records at shop floor.			We will request the factory to provide reliable documentation of working hours and accurate documentation of the workers' production quantity for piece-rate compensation calculation.	Sep 2008	Mismatch was found between production records and workers' attendance records. H&M have stressed the importance of authenticity of documents and that such practice will not be tolerated.	Production records and attendance records	Pending	Mismatch was also found between production records and workers' attendance records. This is a serious violation. We have readdressed the importance of transparency, and will keep checking this issue in coming audit.	Review of attendance records and payrolls	Attendance records for some of the workers in packing departments does not reflect the real situation. Workers are found going for work without punching their time cards. Factory explained that the door keeper would help them punch, but we still suspect the working hours shown in their time records are not the true figures. Furthermore, payroll of December has not been provided for check in this audit, so wage could not be verified.	H&M attaches great importance to transparency and cooperation. As a result, this factory has been graded "rejected" due to the above-mentioned condition and it will not receive any future orders until correct documentations are provided. A new meeting is scheduled in September 2008 when the grading may be re-evaluated if the factory can show that substantial actions have been taken to come to terms with this issue.	Review of attendance records and payrolls.	There is no reliable documentation to verify the total working hours.	Attendance records, production records & management talk		
Minimum wage/ Quota		Workers paid on the basis of incentive quota will be paid not less than the minimum or prevailing wage, whichever is higher.		Quota system was used. When quota was met, they will get 2.15 per day. This is 2.15 per hour. The minimum hourly rate in [local area] was RMB 3.43.		Workers interview			We require the factory to pay no less than the legal minimum salary for 40 hours working time per week. Regardless of the daily quota has been fulfilled or not, all working hours above the normal working hours are to be compensated according to the law.	Sep 2008	Mismatch was found between production records and workers' attendance records. H&M have stressed the importance of authenticity of documents and that such practice will not be tolerated.	Production records and attendance records	Pending	Mismatch was also found between production records and workers' attendance records. This is a serious violation. We have readdressed the importance of transparency, and will keep checking this issue in coming audit.	Review of attendance records and payrolls	Attendance records for some of the workers in packing departments does not reflect the real situation. Workers are found going for work without punching their time cards. Factory explained that the door keeper would help them punch, but we still suspect the working hours shown in their time records are not the true figures. Furthermore, payroll of December has not been provided for check in this audit, so wage could not be verified.	H&M attaches great importance to transparency and cooperation. As a result, this factory has been graded "rejected" due to the above-mentioned condition and it will not receive any future orders until correct documentations are provided. A new meeting is scheduled in September 2008 when the grading may be re-evaluated if the factory can show that substantial actions have been taken to come to terms with this issue.	Review of attendance records and payrolls.	There is no reliable documentation to verify if the employees are ensured the minimum wage.	Payrolls & management interview		
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.	Date in production records (work-in-progress collection records) did not match with workers' time card. Thus workers' working hours and production quantity shown in the pay slip were in doubt.			Reviewing production records at shop floor.			We require the factory to set up a true and reliable time record system. All normal working hours should be compensated according to the law. When working overtime the workers should be compensated according to the legal overtime rates.	Sep 2008	Mismatch was found between production records and workers' attendance records. H&M have stressed the importance of authenticity of documents and that such practice will not be tolerated.	Production records and attendance records	Pending	Mismatch was also found between production records and workers' attendance records. This is a serious violation. We have readdressed the importance of transparency, and will keep checking this issue in coming audit.	Review of attendance records and payrolls	Attendance records for some of the workers in packing departments does not reflect the real situation. Workers are found going for work without punching their time cards. Factory explained that the door keeper would help them punch, but we still suspect the working hours shown in their time records are not the true figures. Furthermore, payroll of December has not been provided for check in this audit, so wage could not be verified.	H&M attaches great importance to transparency and cooperation. As a result, this factory has been graded "rejected" due to the above-mentioned condition and it will not receive any future orders until correct documentations are provided. A new meeting is scheduled in September 2008 when the grading may be re-evaluated if the factory can show that substantial actions have been taken to come to terms with this issue.	Review of attendance records and payrolls.	There is no reliable documentation to verify the total working hours.	Attendance records, production records & management interview		
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 limit on regular and overtime hours allowed by the law of the country of manufacture or, where the base 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		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 limit on regular and overtime hours allowed by the law of the country of manufacture or, where the base 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.	Date in production records (work-in-progress collection records) did not match with workers' time card. Thus workers' working hours and production quantity shown in the pay slip were in doubt. According to the production record (work-in-progress collection records), sewing workers worked consecutively from 4:00 to 4:00 without rest. The time card of silkscreen printing workers showed they worked consecutively from 1:00 to 1:00 without one-day rest.			Review of factory records at shop floor.			We require the factory to provide true documentation on salaries and working hours. The aim is through dialogue with the factory to establish a system to reduce the overtime in a sustainable manner. The long term aim is through improved production planning and efficiency steadily reduce the overtime hours in order to meet the legal overtime hours per month. In the short term, we require the factory to make sure that they can ensure that the workers may have one day off per weekend and reduce the number of overtime hours in the weekdays.	Sep 2008	Mismatch was found between production records and workers' attendance records. H&M have stressed the importance of authenticity of documents and that such practice will not be tolerated.	Production records and attendance records	Pending	Mismatch was also found between production records and workers' attendance records. This is a serious violation. We have readdressed the importance of transparency, and will keep checking this issue in coming audit.	Review of attendance records and payrolls	Attendance records for some of the workers in packing departments does not reflect the real situation. Workers are found going for work without punching their time cards. Factory explained that the door keeper would help them punch, but we still suspect the working hours shown in their time records are not the true figures. Furthermore, payroll of December has not been provided for check in this audit, so wage could not be verified.	H&M attaches great importance to transparency and cooperation. As a result, this factory has been graded "rejected" due to the above-mentioned condition and it will not receive any future orders until correct documentations are provided. A new meeting is scheduled in September 2008 when the grading may be re-evaluated if the factory can show that substantial actions have been taken to come to terms with this issue.	Review of attendance records and payrolls.	There is no reliable documentation to verify the total working hours.	Attendance records, production records & management interview		
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.																						
OT Compensation for Piece		Where workers are paid on a piece rate, the premium for overtime work performed shall result in no less payment than the premium pay required by law.		In workers interview, workers said quota system was used. If they need to work overtime but quota was not met, no overtime premium will be paid to them. If quota was met, overtime premium is 0.14 times of production value in that day times.		The salary calculation method presented by management was different from the information gathered from workers interview.			The calculation system for piece-rate workers shall be changed so to meet the legal requirements. All normal working hours should be compensated according to the law. When working overtime the workers should be compensated according to the legal overtime rates. Compensation shall be guaranteed according to the law no matter the daily production quota is fulfilled or not.	Sep 2008	Mismatch was found between production records and workers' attendance records. H&M have stressed the importance of authenticity of documents and that such practice will not be tolerated.	Production records and attendance records	Pending	Mismatch was also found between production records and workers' attendance records. This is a serious violation. We have readdressed the importance of transparency, and will keep checking this issue in coming audit.	Review of attendance records and payrolls	Attendance records for some of the workers in packing departments does not reflect the real situation. Workers are found going for work without punching their time cards. Factory explained that the door keeper would help them punch, but we still suspect the working hours shown in their time records are not the true figures. Furthermore, payroll of December has not been provided for check in this audit, so wage could not be verified.	H&M attaches great importance to transparency and cooperation. As a result, this factory has been graded "rejected" due to the above-mentioned condition and it will not receive any future orders until correct documentations are provided. A new meeting is scheduled in September 2008 when the grading may be re-evaluated if the factory can show that substantial actions have been taken to come to terms with this issue.	Review of attendance records and payrolls.	There is no reliable documentation to verify if the employees are ensured the minimum wage.	Payrolls & management interview		
Miscellaneous																						