

FLA Audit Profile		
Country	China	
Factory name	440015476E	440015476EV
H&M	SGS-CSTC Standard Technical Services Co., Ltd	Independent External Verification (IEV) conducted by ALGI
Date(s) in facility	December 21 & 22, 2006	March 31 & April 1, 2008
PC(s)	Hennes & Mauritz AB	Hennes & Mauritz AB
Number of workers	398	470
Product(s)	Apparel	
Production processes	Cutting-Sewing-Ironing-Metal detection-Packing	

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	IEM Findings				PC Remediation plan	Remediation		[Status]	Updates (6-March-2007)		Updates (2-January-2008)		Updates (20-May-2008)		Third-Party Verification		Company Verification Follow up						
				Risk of Non-compliance	Evidence of Non-compliance (unsubstantiated)	If not corroborated, explain why	Sources/Documentation used for corroborating		Notable Features implemented by Factory Management or Company	Target Completion Date		Factory Response (Optional)	Completed; Pending; On-going	Company Follow up	Documentation	Company Follow up	Documentation	Company Follow up	Documentation	External Verification (March 31 & April 1, 2008)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation	Target Completion Date		
1. 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.	The PC company (H&M) did not post its Code in the factory.				Based on on-site observation and interview with workers and management, it was identified.	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									Corrective action plan has not been completed: H&M Code of Conduct has been provided to the factory but it is still not posted in the factory.	Factory tour/Management interview/Worker interview	Generally H&M does not require factories to post our Code of Conduct, since it might be confusing for the workers if the factory produces for different buyers. Rather we work long term with the factories and encourage them to develop internal regulations and routines in line with our Code of Conduct. We will continue communicating with the Supplier and factory about this and stress the importance of setting necessary regulations and communicate these to all workers.					
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.	The PC company (H&M) did not put in place a confidential non-compliance reporting mechanism that allows workers to report complaints directly to the FLA affiliated company.				Based on on-site observation and interview with workers and management, it was identified.	In our dialogue with the factories H&M primarily encourage 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.		On-going									Corrective action plan has not been completed: Based on management and worker interviews, the auditors from H&M CSR department left the name card which listed H&M contact telephone number to the interviewees each time they conducted worker interviews. The workers were told to reach them directly if they want to raise complaints. However, this contact information is only available to the workers who have been interviewed, not to all workers.	Factory tour/Management interview/Worker interview	During our audits we regularly conduct interviews with the workers, during which we hand out our business card with a confidential non-compliance number to be spread among the workers.	Worker interview				
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.																										
Other										Jun 30 2008	Written policy will be declared	On-going								New Finding: Risk of Non-compliance: Facility fails to adopt written policy or procedures related to prohibition of forced labor.	Management interview/Document review	During our internal audits and discussions with the factory, H&M primarily encourages the factory to develop and deepen its own compliance system. We support the factory in building a system to prevent forced labour within the factory.	Document review/management interview	Jun 30 2008		
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.																										
Other										Jun 30 2008	Written policy will be declared	On-going								New Finding: Risk of Non-compliance: Facility fails to adopt written policy or procedures related to prohibition of child labor.	Management interview/Document review	During our internal audits and discussions with the factory, H&M primarily encourages the factory to develop and deepen its own compliance system. We support the factory in building a system to prevent child labor within the factory.	Document review/management interview	Jun 30 2008		
Employment of young workers	Art. 9 of Regulations on Special Protection of Juvenile Workers: Employment of juvenile workers should be under registration.	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.								Jun 30 2008	The registration for the juvenile worker will make in one month.	On-going								New Finding: Non-compliance: Juvenile workers are not registered under local labor bureau.	Management interview/Document review	H&M require the production unit set up a functional recruitment system. We encourage the factory to secure continuous employment registration for the juvenile worker according to the law.	Document review/management interview	Jun 30 2008		
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.																										
Other										Jun 30 2008	Written policy will be declared	On-going								New finding: Risk of Non-compliance: Facility fails to adopt written policy or procedures related to prohibition of harassment or abuse.	Management interview/Document review	During our internal audits and discussions with the factory, H&M primarily encourages the factory to develop and deepen its own compliance system. We support the factory in building a system to prevent harassment and abuse within the factory.	Document review/management interview	Jun 30 2008		
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.																										
Other										Jun 30 2008	Written policy will be declared	On-going								New Finding: Risk of Non-compliance: Facility fails to adopt written policy or procedures related to prohibition of discrimination.	Management interview/Document review	During our internal audits and discussions with the factory, H&M primarily encourages the factory to develop and deepen its own compliance system. We support the factory in building a system to prevent discrimination within the factory.	Document review/Management interview	Jun 30 2008		
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.																										
Evacuation Procedure	Fire Prevention Law of the People's Republic of China, Article 14, Part 6 Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities: ... (6) Ensuring that evacuation channels and safety exits are unblocked and putting up signs for fire prevention safety evacuation in keeping with the state provisions; Fire Prevention Law of the People's Republic of China, Article 14 Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities: ... (5) Deploying fire-fighting facilities and equipment, putting up fire prevention safety signs pursuant to relevant state provisions, and organizing inspection and maintenance at regular intervals to ensure that fire-fighting facilities and equipment are in perfect condition and effective.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	1) During the on-site observation, we found one fire exit stair of main workshop building without fire emergency light equipped. 2) During the on-site observation, part of fire extinguisher and hydrant route were blocked by the semi-products.				It was confirmed through interview with the on-site observation.	We require the factory to ensure that the safety in the building is maintained according to the 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. In order to check the safety in the factory we will carry out both announced and unannounced audits.	1/7/2007	Will install fire emergency light immediately. Factory will appoint a responsible person to make sure that no fire extinguishers or hydrant route ways are blocked by semi products at any time.	On-going								1. Fire emergency light has been installed. 2. During the on-site checking, it was noted that some fire hydrants were still blocked	Factory tour	The fire hydrants were not blocked in workshop. Supervisor in workshop monitors the fire hydrants.	1) Corrective action plan has been completed: As per factory walkthrough, each exit stair of main workshop building is equipped with emergency light. 2) Corrective action plan has not been completed: As per factory walkthrough, two hydrants in packing workshop on the first floor are blocked by table. One fire extinguisher is blocked by products in the packing workshop on the second floor.	Factory tour	We will communicate with the factory management that all applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety measures, first aid, and evacuation procedures. We will monitor this issue in the future during announced and unannounced audits.	Factory tour	Jun 30 2008

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				Risk of Non-compliance	Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroboration	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date		Factory Response (Optional)	Completed/Pending/On-going	Company Follow up	Documentation	Company Follow up	Documentation	Company Follow up	Documentation	External Verification (March 31 & April 1, 2008)	Documentation	Company Follow up (Site date of planned or follow up visit, if appropriate)	Documentation	Target Completion Date
Safety Equipment	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. Construction Law of the People's Republic of China, Article 61 - A construction project may only be handed over for use upon passing the acceptance checks; no construction project shall be handed over for use without going through the acceptance checks or passing the acceptance checks.	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.	The factory did not obtain fire safety inspection certificates and building structure safety certificate for the factory building and accommodation building.				Based on document check and interview with workers and management, it was identified.		Please view above	4/7/2007		Pending	The application for safety inspection certificates and building structure safety certificate for the workshop and dormitory are being processed.	Factory tour	The application for safety inspection certificates and building structure safety certificate for the workshop and dormitory are still being processed.	Factory tour	The application for safety inspection certificates and building structure safety certificate for the workshop and dormitory are still being processed.	Factory tour	Corrective action plan has not been completed: The factory has not obtained fire safety inspection certificates and building structure safety certificate for the factory building and accommodation building.	Management interview	We will communicate with the factory management that the workshop and dormitory should be maintained in safe condition. The safety certification for the building should be available for inspection according to the law. We will continue communicating the importance of this to the supplier during future audits.	Management interview	Jun 30 2008	
Other	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. Construction Law of the People's Republic of China, Article 61 - A construction project may only be handed over for use upon passing the acceptance checks; no construction project shall be handed over for use without going through the acceptance checks or passing the acceptance checks.		The factory did not obtain the elevator operator permit for the elevator operator.				Based on document check and interview with workers and management, it was identified.		Please view above	4/7/2007		Completed	Elevator operator permit is under applying	Document review	Still no elevator operator permit for the elevator operator	Document review	Still no elevator operator permit for the elevator operator	Document review	Corrective action plan has been completed: According to the factory management, facility stopped using boiler last June.	Management interview/Document review				
Other	Regulations on Safety and Supervision of Special Equipment, Article 39 - The operators and management staff of boiler, pressure vessels, elevators, and passenger tram rails shall first acquire qualification from the safety and supervision administrative department in charge of special equipment and obtain the unified special equipment operator certificates before they fulfill their jobs.		1) The factory did not obtain the license of the electrician. 2) The factory did not obtain the boiler operator permit of the boiler operator.				Based on document check and interview with workers and management, it was identified.		Please view above	4/7/2007		Completed	Elevator operator permit is under applying	Document review	1.The license of the electrician should be kept for interview. 2. The factory uses steam instead of boiler. No boil at present.	Document review	1.The license of the electrician should be kept for interview. 2. The factory uses steam instead of boiler. No boil at present.	Document review	The application for the license of the electrician is being processed.	Document review	Corrective action plan has been completed: 1) As per documentation review and manager interview, the electrician license is presented and checked valid. 2) According to the factory management, facility stopped using boiler last June.	Management interview/Document review		
Sanitation in Factory Facilities		All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations.								Jun 10 2008		On-going	We will improve fabric storage.						New non-compliance finding: 1) Leftover fabric is scattered in the cutting workshop on the 1st floor. 2) Piles of leftover fabric and cartons are placed around the stairways.	Factory tour	We will communicate with the factory management that all applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. We will monitor this issue in the future announced and unannounced audit.	Factory tour	Jun 30 2008	
Evacuation Requirements and Procedure	Art. 43. of Fire prevention and safety rules of Textile mills. There must be no obstruction around the fire extinguishers or fire hydrant.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually.								Jun 30 2008		On-going	We will add lines and arrows, yellow boxes. We will clear aisles.						New non-compliance finding: 1) Main aisles were not marked with lines or arrows in every workshop 2) No yellow boxes are marked under the fire extinguishers in sewing workshop No.4 and the cutting workshop on the 3rd floor. 3) Four sewing workers are blocking the access to the evacuation aisles.	Factory tour	We will communicate with the factory management that all applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. We will monitor this issue in the future announced and unannounced audit.	Factory tour	Jun 30 2008	
Machinery Maintenance and Worker Training	Art. 32 Factory Safety Regulations: Hazardous parts like conveyor belt, gear, abrasive wheel, flywheel, sewing machine, etc., shall be equipped with protective devices.	All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers.								Jun 3 2008		On-going	We will add needle guards						New non-compliance finding: Sewing machine are not equipped with needle guards.	Factory tour	We will communicate with the factory management that the machines should be equipped with all necessary protection devices and be kept in good condition.	Factory tour	Jun 30 2008	
Safety Equipment and First Aid Training	Art. 31 of PRC Factory Safety and Sanitary Regulations: Production areas must have first aid kits.	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques.								Jun 17 2008		On-going	We will add supplies.						New non-compliance finding: 1) The first aid supplies are not adequately stocked. Forceps, scissors and Latex Gloves are missing. 2) Aque hydrogen dioxide, iodine, gentian violet, burn cream and eye drops in the first aid kits are expired.	Factory tour	We will communicate with the factory management that first aid kits should be available in the workshop and dormitory and be sufficiently supplied.	Factory tour	Jun 30 2008	
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 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. 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 2002, the																						

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				Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why			PC Remediation plan	Target Completion Date		Factory Response (Optional)	Company Follow up	Documentation	Company Follow up	Documentation	Company Follow up	Documentation	External Verification (March 31 & April 1, 2008)	Documentation	Company Follow up (Site visit, if appropriate)	Documentation
Right to Freely Associate		Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment.	It was confirmed through interview with the management and documents checking that the trade union was established in the date of Nov 22, 2004 and obtained the approval of trade union of local "name" town. The chairman of the trade union was not elected by the workers themselves, but selected by management. No relevant documents of regular meeting between representatives and workers were provided during the audit.			It was confirmed through interview with the management, workers, and documents checking.		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.	Jun 30 2007	The union will have meetings every month. Minutes from the meetings will be recorded and communicated to all workers in the factory.	On-going					The chairman is still elected by management and proved by local government. Trade union has organized two activities: 1.) On January 28, 2008, the trade union organized the worker to take the public service for the community hood. 2.) On May 15, 2008, the trade union organized a worker donation for the earthquake area.	Trade union document and meeting minutes	Corrective action plan has not been completed: 1) As per documentation review and management interview, no proof that the union chairman was elected democratically is found. 2) No relevant documents of regular meeting between representatives and workers were recorded.	Documents review/Management interview/Worker interview	H&M requires that the workers should be free to form associations of their own choosing, and to bargain collectively. During our internal audits and discussions with the factory, we encourage the factory to set up well functioning communication channels between workers and management.	Document review/Management interview	Jun 30 2008
Other									Jun 30 2008	Written policy will be declared	On-going							New finding: Risk of Non-compliance: Factory has not adopted written policies or procedures related to freedom of association.	Documents review/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.	Document review/Management interview	Jun 30 2008
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.																						
Holidays, Leave, Legal Benefits and Bonuses	Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefit); Management and employees must participate in social insurance programs. Art.73 PRC Labor Law: Workers shall be provided with social insurance benefits under the following circumstances: a) retirement; b) illness; c) disability caused by work-related injury or occupational disease; d) unemployment and e) child bearing. Art. 73 of PRC Labor Law (Chapter 9 Social Insurance and Welfare): Social insurance contribution shall be fulfilled in full and in time. Art. 51 of PRC Labor Law (Chapter 5 Wages and Salaries): Wages and salaries shall be paid to laborers when they have legal holidays or	Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly.									On-going							New non-compliance finding: 1) Only 46% of workers are enrolled in the 5 kinds of social insurances including: pension, unemployment, child bearing, occupational injury and medical care. All other employees are covered under the commercial accident insurance. 2) Facility fails to provide workers with paid leave for medical treatment, maternity, marriage, mourning or annual leave.	Document review/Management interview/Worker interview	1.H&M require that the factory should provide the social insurance to all workers according to the law. 2. H&M require that the factory ensure that all legally required benefits are provided to the workers, including sick leave, marriage leave, maternity and paternity leave, annual leave and bereavement leave. We will communicate with the factory on the above issues and follow up the progress in future audits.	Document review/Management interview/Worker interview	Jun 30 2008
Timely Payment of Wages	Provisional Regulation for the Payment of Wages, Art. 7: Wages should be paid on the date agreed by both the employer and employee. If it happens to be holidays or rest days, wages should be paid ahead on the latest working day. Wages should be paid monthly. Weekly, daily or hourly pay are also acceptable with corresponding system.	All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month.									On-going							New non-compliance finding: Monthly wages are calculated from 20th of one month to the 20th of the next month, and are paid on the 10th of the following month. As per payroll review, employees' salary for November were paid on December 20, 2007; employees' salary for December were paid on January 22, 2008; employees' salary for January were paid on March 3, 2008. The salary pay date for January and February exceeds one month.	Documents review/Management interview/Worker interview	H&M require that the factory pay wages to the workers correctly and on time. According to the law, the factory should pay wages to the worker in 30 days after the pay cycle cut off date. We will communicate with the factory the importance of maintaining a functioning system of wage payment. We will follow up on the factory's measures to secure that correct wages are paid on time.	Document review/Management interview/Worker interview	Jun 30 2008
Public Holiday	Art. 2 of Measures on Having a Holiday for National Annual Leave and Memorial Days:1) Having a one-day holiday on New Year (January 1) (2) Having a three-day holiday on Spring Festival (the Lunar New Year's Eve, the first two days of lunar Jan.) (3) Having a one-day holiday on Tomb-Sweeping Day (the lunar Tomb-Sweeping Day) (4) Having a one-day Holiday on Labor Day (May 1) (5) Having a one-day holiday on Dragon-boat Festival (the lunar Dragon Boat Festival) (6) Having a one-day holiday on Mid-Autumn Festival (the lunar Mid-Autumn Festival) (7) Having a three-day holiday on National Day (October 1-3)	Employers shall provide workers with all official public holidays as required under local laws, regulations and procedures.									On-going							New non-compliance finding: Piece rate workers did not receive wages for legal holidays.	Document review/Management interview/Worker interview	H&M require that the factory pay wages to the piece rate workers for the public holiday according to the law. We will communicate with the factory the importance of maintaining a functioning system of wage payment. We will follow up on the factory's measures to secure that wages are paid according to the law.	Document review/Management interview/Worker interview	Jun 30 2008
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.	1) Based on attendance records checked and cross check with the production record, in the peak season, such as Dec 2006, the factory didn't provide consecutive 24 hours rest for about 20% employees in the factory cutting workshop. The maximum consecutive working day was 26 days/month, which violated the Clause 38 of China Labour Law; the employer shall guarantee that its employees have at least one day off in a week (one day off means consecutive 24 hours rest). 2) Based on the document check and cross check with the production record etc., it was noted that in the peak season, such as Dec 2006, the maximum overtime hours was about 134-143 hours/month, which violated the Clause 41 of China Labour Law; the total extension in a month shall not exceed thirty six hours.			Based on document check and interview with workers and management, it was identified.		We require the factory to provide true documentation on salaries and working hours. We have initiated a dialogue with the factory on the cause of the excessive overtime. The aim is for the factory to establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of 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 week, and reduce the number of overtime hours in the weekdays.		On-going	Factory had already bought new equipment & facilities to enlarge its capacity and will recruit new workers. The factory also will reasonably arrange the production planning in the future.	Time card	It was observed that Oct. and Nov. are low seasons for this factory, then the overtime level is about 40hours per month. But from Dec 27, 2007, it was observed that the worker continuously worked 11 days without one day off.	Time card	1. Based on time cards from January to March, 2008, it was observed that the worker OT 56 hours in January, 40 hours in February and 52 hours in March, 2008. 2. Based on the May time card, it was observed that the worker had not been given one day off in a week and hence worked for consecutive 20 days.	Time card	Corrective action plan has not been completed: 1) As per time record review, workers worked 15 consecutive days in December 2007; 17 consecutive days in February 2008. Facility fails to provide at least one day off in every seven-day period. 2) As per time record review, weekly working hours exceed 60 hours; 63 hours per week and 71 hours per week in December 2007; 63 hours per week in January 2008.	Management interview/Worker interview/Document review	We will continue the dialogue with the factory on the cause of the excessive overtime hours and ask for a revised corrective action plan from the factory. We will keep following up on this issue.	Payroll and time card	Jun 30 2008	
Payment for All Hours Worked		Workers shall 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.									On-going							New uncorroborated evidence of non-compliance: As per worker interview, workers do not log lunch break or dinner break if OT is assigned. The electronic time recording system is installed at the gate. The gatekeeper is also interviewed by the auditors, and he stated that workers only need to record time cards twice a day: time for work and off work. However, as per time record review, lunch break and dinner break are clearly recorded. Due to the discrepancies found between worker interviews and documentation review, it can not be concluded whether all working hours are properly recorded.	Document review/Worker interview	We require the factory to provide true documentation on salaries and working hours. 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. We will communicate with the factory on implementing proper systems for recording working hours.	Payroll and time card	Jun 30 2008
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.																						

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	IEM Findings				PC Remediation plan	Remediation		Status	Updates (6-March-2007)		Updates (2-January-2008)		Updates (20-May-2008)		Third-Party Verification		Company Verification Follow up		Target Completion Date
				Risk of Non-compliance	Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating		Notable Features implemented by Factory Management or Company	Target Completion Date		Factory Response (Optional)	Company Follow up	Documentation	Company Follow up	Documentation	Company Follow up	Documentation	External Verification (March 31 & April 1, 2008)	Documentation	Company Follow up (Site date of planned or follow up visit, if appropriate)	
OT Compensation for Piece	China Labor Law, Article 44 The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: (1) to pay no less than 150 per cent of the normal wages if the extension of working hours is arranged; (2) to pay no less than 200 per cent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and (3) to pay no less than 300 per cent of the normal wages if the extended hours are arranged on statutory holidays.	Where workers are paid on a piece rate, the payment for overtime work performed shall result in no less payment than the premium pay required by law.	The "time out" and "time in" information of lunch break was "11:03-11:34" or "11:06-11:37" etc, and the overtime hour was "17:32-20:02", "17:39-20:08" etc. In most workers' electronic attendance records, the lunch break was about one hour, such as "11:00-12:00", and the overtime hours was 18:00-20:00, so this half hour attendance information was not marked as overtime. All overtime wages were paid for the named overtime period. No documented shift timing available in the factory policy during the audit. So compared with the premium pay required by law, about 15% of workers the overtime work of that half hour were not paid as the legal rate.			Based on document check and interview with workers and management.	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. H&M will carry out announced an unannounced audits in order to monitor the development according to the factory remediation plan.	March 07	The factory will buy more punch card machines and make sure that the workers use the time to eat and rest.	On-going					It was observed that the factory only paid 10RMB/night/night-piece rate as the OT compensation for the worker which didn't meet the local law requirement for the OT compensation. The factory management claimed that they will arrange more punch card machine to ensure that the workers have enough time for lunch.	payroll and time card	Corrective action plan has not been completed: As per worker interview, workers do not log lunch break or dinner break if OT is assigned. The electronic time recording system is installed at the gate. The gatekeeper was also interviewed by the auditors, and he stated that workers only need to record time cards twice a day: time for work and off work. However, as per time record review, lunch breaks and dinner breaks are clearly recorded. Due to the discrepancies found between work interviews and documentation review, it can not be concluded whether all overtime hours are correctly compensated.	Documents review/Worker interview	We require the factory to provide true documentation on salaries and working hours. We have initiated a dialogue with the factory on the cause of the excessive overtime. The aim is for the factory to establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month and pay enough OT compensation according to the law. In the short term, we require the factory to make sure that they can ensure that the workers may have one day off per week, and reduce the number of overtime hours in the weekdays and pay the OT compensation to the worker accordingly.	Payroll and time card	Jun 30 2008	
Miscellaneous																						