

FLA Audit Profile																				
Country	China																			
Factory name	440015388E	440015388E																		
IEM	A.L.G.I. China	Independent External Verification (IEV) by SGS-Shenzhen Branch																		
Date(s) in facility	August 22nd and 23rd, 2006	23-Apr-08																		
PC(s)	Hennes & Mauritz AB	Hennes & Mauritz AB																		
Number of workers	1,300	589																		
Product(s)	Apparel																			
Production processes	Sewing, cutting, quality inspection, finalizing, ironing																			

FLA Comment: In situations where an FLA-affiliated Company is no longer sourcing from a factory that has received an Independent External Monitoring visit, the Company shall submit information on (a) the reason for exiting; (b) the status of compliance and summary of efforts to remediate noncompliances in the factory; and (c) plans to follow up on critical issues. The FLA-affiliated Company in this case has submitted the following information, which has not been verified by the FLA:

H&M note: From the time that H&M's business relationship started with this supplier, to which company this factory belongs, we have seen some gradual improvement on compliance issues in the factory. In the middle of May 2008 this supplier declared bankruptcy, and informed H&M that it would stop all production. Our business relationship with this supplier was thus ended. Apart from the efforts to follow up on the child labor case found during the IEV, no further remediation of non-compliance findings can take place in this factory.

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation				[Status]	Updates (Cite Date of Follow up)	Third-Party Verification		Company Verification Follow up					
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up			Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation			
1. Code Awareness																					
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 noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	No confidential non-compliance reporting mechanism has been established at the facility by H&M.					Document review and worker interviews	During our audits and discussions with the factory, H&M primarily encourage them 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, business cards with a mobile number are provided to the workers in order for them to be able to contact and put forward their grievances directly to us. We encourage the business cards to be spread among all the workers in the factory.	Holline June 2007	H&M contact information will be placed as a placard in the workplace.	Day off in the factory and no workers were present in the workshop during this visit. We will follow up this finding in next FUP.	On-going	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.	Worker interviews	Corrected: According to the management and some workers interviewed, brand's auditors would give name cards to workers interviewed. And these name cards listed the confidential contact information. But no brand's contact information posted in workplace.	Management and worker interview and factory tour				
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.	1) Code posting: H&M has provided COC to the factory, but the factory has not posted it. 2) Code information: As per management and worker interviews, the code obligations were communicated to management, but not to the workforce.					Document review and Management interview	All suppliers are informed of our Code of Conduct both through individual meetings with our CoC Department, and through workshops. It is the responsibility of the supplier to ensure that all subcontractors are informed of our Code requirements. All subcontractors must pass a compliance audit prior to receiving the first order, during this occasion, the subcontractor is further informed of our requirements, and has the opportunity to ask questions to clarify if they have any questions. 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.		H&M Code of Conduct will be posted in the workplace.		On-going	Not Corrected: No H&M Code of Conduct was posted. The management confirmed that H&M trained the management on Code of Conduct. A few of workers also appeared to have limited knowledge on Code of Conduct.	Management and 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																					
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.																					
Child Labor		Employers shall not employ children 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.																			
Registry of Underage Workers	Art. 9: Regulations for Special Protection of Juvenile Workers (Document No.498): Employment of juvenile workers should be under registration.		Facility failed to register employment of juvenile workers with local labor bureau.					Document review and worker interviews	H&M requires all factories to register juvenile workers in accordance with local labor law	Before 10th Oct	Employment of juvenile workers will be registered at the local labour bureau.	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.	Completed	All the juvenile workers in this factory have registered in the local labour bureau and the related records were presented for reference.	Document review	New Finding: One of the temporary workers in the factory is a child. In total, there were 21 temporary workers working in the factory but the factory did not maintain any documents for them. Furthermore, these workers had direct access to the workshop and were able to start work with the permission of security guards and workshop supervisors. During the walkthrough of the facility, focusing on the young worker issues identified in the previous FLA IEM audit, the auditor noticed a young-looking worker and interviewed her. According to her Identity Card, she was born on June 28, 1992. During the interview, she appeared to be quite alert and did not want to say anything about her family, entry date, working hours or payment. She only told the auditor that she entered the factory in April 2008. Later, the factory management provided attendance sheets (recorded by supervisors) of the 21 temporary workers, from which, the name of the child laborer was found. It appeared that she entered the factory on April 17, 2008 (the earliest possible entry date).	ID card review, attendance records review and worker interview	The use of child labor is a serious violation of H&M's Code of Conduct. After being notified of this finding, H&M's compliance team arrived in the factory the day after the FLA audit (24th April 2008) to find a suitable solution for this worker. It became clear that the girl did not wish to return to her home province for schooling. Therefore, we offered her vocational schooling locally, alternatively vocational training in the factory. This was, however, also denied by the girl. Instead a written agreement was reached where the girl would leave the factory and be compensated with full salary for the two months remaining until her 16th birthday. Through a follow up with the girl it was confirmed that the agreement had been respected.			
Physical Examination for the Underage Workers	Art. 65 of PRC Labor Law (chapter 7): Employer shall carry out regular physical examinations for underage workers. Regulations for Special Protection of Underage Workers, Art.6: Employer shall carry out regular physical examinations for underage workers as required by follows: a) Before arrangement of working positions; b) working for 1 year; c) an employee just over 18 shall take physical examination if it has been more		Although facility carried out regular physical examinations for young workers, the physical examination sheet was not the correct format as stipulated by law, which should be specially designed for young workers with comprehensive checking items.					Document review and worker interviews	H&M requires all factories to register juvenile workers in accordance with local labor law, and make sure that the working conditions for juvenile workers are in accordance with local labor law. This includes offering all juvenile workers regular health checks.	Before 10th Oct	The factory will update the physical examination sheets in order to carry out the comprehensive physical examination required for juvenile workers.	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.	On-going	The physical examination sheet was changed to the corrected forms, it has been approved and issued by the local government hospital, these documents were presented for reference.	Document review	Not Corrected: 14 young workers who entered the factory more than 30 days, did not receive any health examinations.	Document review and management interview				
Policy		Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	Facility does not have internal policy regarding juvenile workers. There is no system established to monitor young workers.					Document review and management interview	H&M will urge the factory to establish a policy for juvenile workers for to protect them from over time work, hazardous and harmful work and to include all other issues according to the law of juvenile workers of the PR of China.	Before 10th Oct	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.	Pending	The internal policy with regards to juvenile workers has been set up. The factory held a meeting with the production supervisors instructing them how to pay attention to protection of juvenile workers.	Document review	Not Corrected: Young worker policy was available yet it appeared that the policy was not carried out properly. Young workers were still found working up to 6 hours of overtime (up to 0:00am) in a day in violation of child labor laws.	Document review and management interview					
Overtime of Underage Workers		Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	Young workers were restricted from dangerous or hazardous positions, but sometimes worked overtime.					Document review and worker interviews	H&M will encourage the factory to implement the policy and create a mechanism for control and feedback of the policy.	Continuous improvement	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.	On-going	Some of juvenile workers were still working OT hours.	Document review	Not Corrected: No young worker was posted in hazardous jobs. But excessive overtime was found up to 6 hours a day.	Document review and management interview					
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.																					
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.																					

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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																		
Machinery Maintenance	Art. 32 of Regulation of Factory Safety and Sanitary: Hazardous parts like mechanical belt, gear, grinding wheel, electric saw, belt pulley and flywheel, etc., shall be equipped with protective devices.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Three sewing machines were missing pulley guards.				Factory tour	H&M requires that safety in the factory is maintained according to local law and our Code of Conduct. We will encourage the factory to participate in external training on health and Safety.	9/1/2006	Pulley guards were installed immediately on the three machines missing them.	Some sewing machines were still missing pulley guards	Factory tour	On-going	Some sewing machines were still missing pulley guards	Factory tour	Not Corrected: 7 sewing machines were missing pulley guards	Factory tour	
Safety Equipment	Art. 43 of Fire prevention and safety rules of Textile mills: Obstructive items such as sundry goods or other items must not be piled up around the fire extinguishers or fire hydrant. Regular service maintenance system must be set up for fire-fighting facilities and equipments to ensure that they are in working conditions.	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.	On the 3rd and 4th floor of production Building A, two fire hoses were blocked by sewing machines.				Factory tour	H&M requires that safety in the factory is maintained according to local law and our Code of Conduct. We will encourage the factory to participate in external training on health and Safety.	On-going	These sewing machines were moved immediately. The factory will implement measures to ensure that safety in the factory is upheld at all times. This includes educating all workers in basic safety.	A fire hose box was blocked by carton boxes at the staircase, and some fire extinguishers were blocked on the floors.	Factory tour	On-going	Again we found some of fire extinguishers were seriously blocked by the products and cartons.	Factory tour	Not Corrected: 4 fire hydrants were blocked by goods and 3 fire extinguishers were not working properly.	Factory tour	
Safety Equipment	Art. 31 of PRC Factory Safety and Sanitary Regulations: First aid kits must be available in working areas.	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 first aid kits on 2nd, 3rd and 4th floor of Production Building A were locked up, and each kit's key was kept by only one staff member.				Factory tour	H&M require the factory to have well equipped first aid boxes easily available at each workshop. 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.	9/1/2006	The first aid kit on each floor have all been unlocked and are now fully accessible for the workers.	First aid boxes were still locked up.	Factory tour	On-going	During the production floor tour, all the first aid boxes were unlocked, the medicines in the boxes were replenished	Factory tour	Corrected: No first aid kit was locked during the factory walkthrough.	Factory tour	
PPE	Art. 37 of PRC Work Safety Law: Production and business units shall provide employees with PPE that meets the national standards or industrial specifications, and they shall give instruction to their employees and see to it that they wear or use these PPE in accordance with the rules for their use.	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.	As per factory tour, 6 workers in the quality inspection were handling chemicals without gloves or masks.				Factory tour	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.	12/20/2006	The first aid kit on each floor have all been unlocked and are now fully accessible for the workers. An education manual should be developed.	Day off in the factory and no workers were present in the workshop during this visit. We will follow up this finding in next FUP.	Factory tour	Pending	It was not possible to follow up on this issue during this visit because there were no worker working in this dept during the inspection	Factory tour	Corrected: All chemical users were wearing the proper PPE.	Factory tour	
7. Freedom of Association and Collective Bargaining																		
Freedom of Association: FLA Comment		<i>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. 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. 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>	Interviews showed that workers had limited knowledge about freedom of association issues. During interviews, they expressed no desire to form a workers organization.				Document review and worker Interviews	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. In addition, during our audits we put effort on building effective communication channels between workers and management. H&M will encourage the factory to inform the workers of Freedom of Association.	Continuous improvement		Day off in the factory and no relevant docs for checking during this visit. We will follow up this finding in next FUP.	Factory tour	On-going	The union no longer exists since the union representatives have already left the factory. Meanwhile, workers are not aware of union issues.	Document review, worker interviews	Corrected: At this time, the workers appeared to have the knowledge of this issue. But they show no interest to form one. Anyway, factory had established appeal procedures and workers knew who they should turn to when they encounter an appeal.	Document review and worker interview	
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																		
Legal benefits	Article 73 of PRC Labor Law (Chapter IX: Social Insurance and Welfare): Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: (1) retirement; (2) illness, injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) child-bearing. The social insurance amount that laborers are entitled to must be paid on time in full.	Employers will provide all legally mandated benefits to all eligible workers. Child-bearing insurance is not legally required in the region at present.	As per review of social insurance receipt for July, facility registered 3% workers (39 out of 1,300) for pension, 100% for medical care and occupational injury. No one is covered under unemployment insurance. According to legal requirement, facility needs to register all workers for pension, medical care and unemployment.				Document review and management interview	At next audit we will follow-up on the factory remediation plan.	At next audit	We will make sure that all workers are covered by the social insurance that the law entitles them. We will also, through information and seminars, raise the workers awareness about their rights regarding social insurance.	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.	Factory tour	Pending	The factory has sent the application letter to the local insurance dept, it stated that the factory won't buy the life/unemployment insurance for workers until the mid of 2008 due to various reasons, like the turnover of workforce was too high and the extra. The social insurance dept has approved it, the paper was presented for reference.	Document review, management interview.	Not Corrected: Up to February 2008, the factory provided social insurance to some of workers. Particularly, retirement: 25; Medical: 1; Injury: 911, maternity: 1; no waiver was obtained from the local administrative department to prove that such percentage meets the local requirement on social insurance.	Document review.	

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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	Regulation by the State Council on Working Hours, Art. 3: Laborers shall work for no more than 8 hours a day and not more than 40 hours a week. Art. 41 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Employees should not be allowed to work more than 3 overtime hours per day and 36 overtime hours per month.	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) As per sampling review of time card records for May and June, [several] individuals had worked more than 60 hours in a week: 66 hours maximum. No excessive hours were observed in other months. 2) [Several] workers sampled worked more than 3 overtime hours per day, 4 hours maximum, which exceeded the daily limitation as stipulated by PRC Labor Law.			Worker interviews, review of time records and payrolls	We are working towards building a system to reduce the overtime in the long run in the factory. 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, they will to make sure that we can ensure that the workers may have one day off per week during the coming peak season. When working overtime, the workers will be compensated according to the law. H&M will carry out an unannounced audits in order to monitor the development according to the factory remediation plan.	Continuous	The factory will make sure that the workers can get one day off per week in the coming peak season. The time frame for reducing overtime to meet the legal limit will be 3-4 years.	Day off in the factory and no relevant docs for checking during this visit. However, we have found a whiteboard on a floor saying that workers had OT till 24:00 the night before.	Factory tour.	Pending	Based on the presented true attendance records, we found some workers worked consecutively 31 days in month Dec 2007. the total working hours was as much as 380hours.	Document review.	Not Corrected: Excessive overtime was still identified during the audit, particularly, daily overtime was up to 8 hours and 10% of workers worked 71 hours in a week. And monthly overtime was up to 114 hours in August 2007. The longest consecutive working days were 29 days from May 3 to 31 in 2007. Particularly, the factory obtained a waiver for comprehensive calculation of working hours from March 2007 to February 2008, the limit on working hours within this period was 2440 hours, however, according to the time records provided by the factory, total working hours within this period were up to 3077.5 hours.	Document review		
Day of Rest	Art. 38 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Employer shall guarantee that its laborers have at least one day off per week.		As per time cards review of May and June, all 21 sampled workers were subject to consecutive working. They did not receive at least one day rest per 7 days. At maximum, they worked for 20 days consecutively. No consecutive work was observed in other months.			Worker interviews, review of time records and payrolls	Please view above.	Continuous improvement	Please view above.	Factory closed for day off during visit and no relevant documents available for checking during this visit. We will follow up this finding in next FUP.		Pending	Based on the presented true attendance records, we found some workers worked consecutively 31 days in month Dec 2007. the total working hours was as much as 380hours.	Document review	Not Corrected: The longest consecutive working days were 29 days from May 3 to 31 in 2007.	Document review		
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.																		
Miscellaneous																		