

FLA Audit Profile		
Country	China	H&M comment: This factory has been phased out and all production has been merged with a larger unit belonging to the same owner. It will therefore not be possible to follow up on any further remediation of the findings at this factory. H&M will continue its monitoring and remediation programme at the expanded unit which is the result of this merge, focusing on the risks of excessive overtime which was a major issue at this former factory.
Factory name	050215391E	
IEM	A.L.G.I	
Date(s) in facility	August 28-30, 2006	
PC(s)	Hennes & Mauritz AB, Liz Claiborne, Inc.	
Number of workers	1,400	
Product(s)	Apparel	
Production processes	cutting, sewing, ironing, inspection, packing	

			IEM Findings				
FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating
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.	Code of Conduct of H&M was not posted in the factory.				Factory tour and management interview
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.	H&M has not established a confidential noncompliance reporting mechanism in the factory for workers to report complaints.				Factory tour and employee 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.							
4. Harassment or Abuse							

Notable Features implemented by Factory Management or Company	Remediation			
	PC Remediation plan	Target Completion Date	Company follow up (July 29, 2008)	Documentation
	<i>H&M's comment:</i> H&M does not encourage its factories to post H&M's Code of Conduct on the walls. In the case a factory produces for different buyers it might be contradictory among different Codes, which would be confusing for the workers. Instead factories are encouraged to set up internal regulations that are in compliance with Chinese Law and H&M's CoC and make sure that these regulations are clearly communicated to the workers.		Documents stating factory regulations and routines for communicating these to workers were not checked during this audit.	
	<p><i>H&M's comment:</i> H&M primarily encourages the factory to develop and deepen its own confidential non-compliance system. During worker interviews, conducted as a part of H&M audits, the contact information to a mobile number managed by H&M's local CoC team is provided on business cards. H&M encourage workers to spread these business cards among themselves in the factory to enable all workers to call or SMS this number to put forward directly to H&M grievances that are not handled properly by the factory.</p> <p><i>Liz's comment:</i> The factory should post the contact information of both Liz' and H&M's local offices at the prominent areas of the facility and undertake efforts to educate employees about the Code on a regular basis.</p>		Due to lack of time no worker interviews were performed during this audit.	

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Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or 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.							
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							
7. Freedom of Association and Collective Bargaining							
Employers will recognize and respect the right of employees to freedom of association and collective bargaining							
Freedom of Association: FLA Comment		FLA Comment: <i>The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could</i> <i>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-</i>					

	Remediation			
Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date	Company follow up (July 29, 2008)	Documentation
	<p><i>H&M comment:</i> H&M requires that workers should be free to form associations of their own choosing and to bargain collectively. We do not accept any disciplinary actions from the factory against workers who choose to peacefully and lawfully organise or join an association. In addition, during our audits we put effort on building effective communication channels between workers and management.</p> <p><i>Liz's comment:</i> The factory should set up a policy to clearly express that the factory respects workers' right on freedom of association.</p>			

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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							
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		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. Production workers had 62 hours work per week. In June and July 2006, total overtime hours reached 88 hours per month. 2. Production workers did not receive one day off after 7-9 continuous working days in the months of May, June and July 2006.				Document review and 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		The factory shall comply with applicable law for premium rates for overtime compensation	1. 20 gatekeepers work in two shifts (7:00am-7:00pm, 7:00pm-7:00am), 12 hours per shift. They were not compensated for regular overtime hours. 2. Cleaning workers were not compensated for 4 overtime hours performed every Saturday (8:00am-12:00am). They were paid fixed salary (700 Yuan) per month.				Document review and employee interview
Miscellaneous							
Illegal subcontracting			Factory has not signed contracts with subcontractors (washing and embroidering).				Documentation review and management interview

	Remediation			
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	<p><i>From the supplier's CAP:</i> In order to reduce the overtime the factory will increase efforts to balance the production plan and promote operators skills and productivity. The factory will also ensure that the workers receive 1 day off per week. During busy weeks when a day-off is not possible, the workers will be compensated with a day-off the following week.</p>		<p>Production workers had 60 OT hours in March 2008, and 80 hours in April and May of the same year.</p> <p>In May and June 2008 a few workers on one occasion worked for 7-8 consecutive days without rest.</p> <p>We urged the supplier to keep up efforts further implementing their CAP.</p>	Review of attendance records.
	<p><i>From the supplier's CAP:</i> The factory will make sure that the gate keepers and the cleaning workers punch time cards regularly, and calculate salary based on their actual working hours</p>		The scope of review of payrolls and production records was focused on the garment workers during this audit.	Document review.
	<p><i>From the supplier's CAP:</i> The factory will sign contracts with washing and embroidery subcontractors.</p>		Contracts and receipts between factory and subcontractor for 2008 were kept by factory and could be reviewed during this audit.	Document review.