

*The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.*

### **What is a Tracking Chart?**

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

### **What a Tracking Chart is NOT -**

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

**Note on Language**

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

**Instructions for Printing**

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

<b>FLA Audit Profile</b>	
Country	China
Factory name	440015477E
IEM	SGS-CSTC Standard Technical Services Co., Ltd
Date(s) in facility	18-19 Dec., 2006
PC(s)	Hennes & Mauritz AB
Number of workers	214
Product(s)	Garments
Production processes	Cutting, Sewing, Iron, Trimming, Packaging

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings				Sources/Documentation used for corroborating	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (Cite date of follow up)	Documentation	(Status)
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncomoborated)	If not corroborated, explain why							
<b>1. Code Awareness</b>													
Worker/management awareness of Code		<b>FLA Principle of Monitoring, Obligation of Companies:</b> Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.		There was no COC of H&M posted on site, and through interview with mgmt representatives and workers, factory didn't have any idea about COC.			Through observation on site and interview with workers & managements.	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				
Confidential non-compliance reporting channel		<b>FLA Principle of Monitoring, Obligation of Companies:</b> 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.		No confidential non-compliance reporting mechanism was set up that allowed workers to raise labor issues to the FLA or PC company such as H&M etc. There was no COC of H&M posted on site, and through interview with mgmt representatives and workers, factory didn't have any idea about COC.			According to site overservation and interview with workers & managements, it was identified that factory did not have sufficient way for workers to report the non-compliance to the FLA or PC company such as H&M etc.	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, 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 hotline June 07				
<b>3. Child Labor</b>													
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.													
Legal compliance for juvenile workers	Regulations for the Special Protection of Juvenile Employees (Document No. 498, 1994) Article 9 Employment of teenager labor should be under registration. (1) An employer who recruits and hires juvenile employees, in addition to complying with general employment requirements, must also undertake registration procedure with the local labor administration department at or above the county level. The labor administration department will then issue the 'Registration Certificate for Juvenile Employees' and the 'Registration Form for Juvenile Employees'. (2) Juvenile employees must first secure the 'Registration Certification for Juvenile Employees' before beginning to work for an employer. (3) All 'Registration Certificate for Juvenile Employees' should be printed by Labor Administrative Department of State Council.	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.	13 young workers of 16-18 years old were identified during the audit, factory didn't register them in Local labor bureau.				Though checking age documents and on-site interview.	We require the factory not only to register these workers with the labour bureau, but to establish a system where all future juvenile worker will be registered in a timely manner. We will follow-up according to the factor remediation plan at next audit.	At next audit	The workers has been registered in local labor bureau and we will update new juvenile workers regularly with the labour bureau.			
Juvenile worker Identification System	China Labor Law, Article 65 The employing unit shall provide regular physical examinations for juvenile workers.	Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws	13 young workers of 16-18 years old were identified during the audit, factory didn't arrange health examination for them.				Though checking age documents and on-site interview.	The factory should arrange medical check for all young workers regularly. This will be checked at next audit.	4/1/2007	We will arrange health examination for the young workers every year.			
Other				No policy and procedure regarding protecting the juvenile workers was established.			Though checking the documents and interview with management.	H&M will discuss this with the factory and encourage the factory to develop a policy for young workers.	At next audit	We will establish a policy for the young workers.			
<b>4. Harassment or Abuse</b>													
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.													
Monetary Fines and Penalties		Employers will not use monetary fines and penalties for poor performance	Through checking the posters on site, workers would be fined RMB10-200 when breaking the factory rules. There was no a record of disciplinary actions kept in factory, and only one interviewed worker confirmed that he had been fined RMB50 for absence from work.				Through checking factory rules and interview with workers.	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, including procedures for hiring and termination in place in the factory. We do not accept monetary penalties but do instead encourage the factory to work with incentive based systems. Records of disciplinary actions should be kept in the factory for review. We have initiated a dialogue with the factory regarding this and it will be systematically checked during coming audits and follow up at the factory.	12/31/2007				
Record Maintenance		Employers will maintain written records of disciplinary actions taken.	There was not a record of disciplinary actions kept in the factory.				Though checking the documents and interview with management.	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, including procedures for hiring and termination in place in the factory. We do not accept monetary penalties but do instead encourage the factory to work with incentive based systems. Records of disciplinary actions should be kept in the factory for review. We have initiated a dialogue with the factory regarding this and it will be systematically checked during coming audits and follow up at the factory.	12/31/2007	We will keep the records of disciplinary actions if any.			
Other				Factory didn't have written policy about harassment and abuse.			Though checking the documents and interview with management.	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 policies to prevent harassment and abuse in the factory. We have initiated a dialogue with the factory regarding this and it will be systematically checked during coming audits and follow up at the factory.	12/31/2007	We will write the policy about harassment and abuse in order to protect the workers rights and safety.			
<b>5. Nondiscrimination</b>													
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				There was no written policy about the non-discrimination established in the factory.			Though checking the documents and interview with management.	Please view factory response	12/31/2007	We will initiate the regulation and announce to all worker to make them know.			
<b>6. Health and Safety</b>													
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													

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation					Status		
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (Cite date of follow up)		Documentation	Completed; Pending; On-going
Document Maintenance/ Accessibility	Regulations on Safety in Workplaces Where Chemicals Are Used, Article 20. The employing unit shall let safety and sanitary documents of dangerous chemicals known to all employees and educate them to identify the safety labels, understand the safety and technical instructions, master the emergency handling and self-first-aid measures. The employing unit shall also regularly educate and train its employees regarding the safety use of chemicals at the workplaces.	All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language	No Material safety data sheet of the spot cleaning solvent was available at the spot cleaning process during the audit.					It was confirmed according to on-site observation and document review.		All chemicals should be labelled with relevant hazard symbol, and MSDS in local language should be posted both at the storage room and at the workstation. All worker who handle chemicals should receive training on safety measures in the handling process.	4/1/2007	We will provide MSDS and make them available all the time to those workers involved in work with chemicals.			
PPE	Article 54 of China Labour Law: The employing unit must provide laborers with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and provide regular health examination for laborers engaged in work with occupational hazards.	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.	No masks and plastic gloves were provided for spot cleaning workers. And cutting workers did not wear metal gloves during working.					It was confirmed according to on-site observation and interview with management.		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.	4/1/2007	We will provide masks and plastic gloves according to MSDS to workers working in spot cleaning area and educate them to use these PPEs when operating. Also provide more education to cutters and encourage them always to use metallic gloves when cutting.			
Chemical Management	Regulations on Safety in Workplaces Where Chemicals Are Used, Article 12. The chemicals used by the employing units shall have the labels, and the dangerous chemicals should be attached with safety labels. Also, the safety and technical instructions of the chemicals shall be available for operators engaged in the use of the chemical.	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 substances	The containers stored the cleaning solvent were not clearly labeled with their contents.					It was confirmed according to on-site observation.		All chemicals should be labelled with relevant hazard symbol, and MSDS in local language should be posted both at the storage room and at the workstation. All worker who handle chemicals should receive training on safety measures in the handling process.	4/1/2007	We will provide labels with detailed information of the content stored inside to all containers.			
Sanitation in Dining Area	Food Hygiene Law of the People's Republic of China, Article 27 Enterprises engaged in food production or marketing as well as street food peddlers must obtain a hygiene license issued by the administrative department for health before they shall be permitted to apply for registration with the administrative departments for industry and commerce. Any person without a hygiene license may not be engaged in food production or marketing.	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	It was noted that factory didn't obtain the food hygiene license for the internal canteen.					It was confirmed according to on-site observation and interview with management.		The license should be obtained. This will be checked at next audit	4/1/2007	We will apply for the hygiene license.			
Evacuation Procedure		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.	It was noted that factory didn't have trained first aider.					Through checking documents and interview with management.		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.	4/1/2007	We will arrange such training in workshop.			
Machinery Maintenance	Regulations on Safety and Sanitation in Factories, Article 32 Transmission belts, exposed gears, grinding wheels, electric saws, couplings close to the ground level, revolving shafts, pulleys or flywheels and other dangerous parts should all be fitted with protective devices.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	1) There was no needle guards provided for sewing equipments; 2) And there was no transparent plastic baffle for fastener sewing machines as eye protection purpose.					Through on site observation.		The workers should be provided with relevant personal protective equipment depending on work process, along with education both orally and in writing in their native language on how to use it.	4/1/2007	Safety equipment will be installed or provided to the workers.			
Safety Equipment	Code for Design of Extinguisher Distribution in Buildings (GBJ140-90), Article 10.5.1.1 Fire extinguishers shall be installed in a distinct and easily accessible location, and shall not hinder safe evacuation.	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.	Some extinguishers & hydrants in cutting & sewing workshops were blocked during the audit.					Through on site observation.		H&M requires the factory to ensure the safety in the factory is maintained according to local law and our Code of Conduct. The workers should be able to easily evacuate the premises in case of emergency, and the building is to be considered as safe. The factory premises should be equipped with enough and well maintained fire extinguishers. The workers should at regular intervals receive training on how to use the fire extinguishers.	12/31/2006	Factory will make sure all these fire fighting equipments are unblocked and can be accessed easily at any time.			
Other				The factory didn't have Health and safety policies and procedures.				Though checking the documents and interview with management.		Please view factory response	4/1/2007	We will established health and safety policy.			

		IEM Findings							Remediation					(Status)
FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	PC Internal audit findings Optional	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (One date of follow up)	Documentation	Completed: Pending: On-going
<b>7. Freedom of Association and Collective Bargaining</b>														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining														
Freedom of Association: FLA Comment		<b>FLA Comment:</b> <i>The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.</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-negotiated administrative agreements.</i>												
Employer Interference in registration	Article 7of China Labor Law: Laborers shall have the right to participate in and organize trade unions in accordance with law. Trade unions shall represent and safeguard the legitimate rights and interests of laborers, and stage activities independently in accordance with law. Article 8 of China Labor Law: Laborers shall take part in democratic management through workers congress, workers representative assembly, or any other forms in accordance with law, or consult with the employer on an equal footing about protection of the legitimate rights and interests of laborers.	The employer will not interfere, to the detriment of worker's organizations, with government registration requirements regarding the formation of workers' organizations.	No written factory policy on labor union and independent worker representative was established, there was no labor union and independent worker representative in the factory.				It was confirmed according to worker and management 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. During our audits and discussions with the factory we will encourage the factory to develop a functioning dialogue system between the workers and the management in the factory.	On going					
Compliance to local collective bargaining laws		Employers will comply with all national and local laws and regulations concerning collective bargaining and free association. Where conflicts are known to exist, employers will use the standard that provides the greatest protection for workers.	No collective bargaining agreement was conducted in the factory. No evidence was identified that the factory facilitated parallel means of independent representation for the workers and maintained regular communications in terms of labour issues.				It was confirmed according to worker and management 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. During our audits and discussions with the factory we will encourage the factory to develop a functioning dialogue system between the workers and the management in the factory.	On going					
<b>8. Wages and Benefits</b>														
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits														
Time-recording system		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards	After touring the factory and opening meeting, factory provided the time cards form Dec.2005 to nov.2006. Cross checking the time cards provided by the factory between the original production records on site, it was noted that there were inconsistencies between production records and time cards records. E.g according to Metal detector calibration records & Metal detect records, it indicated that the Metal detector calibration worker worked on 23rd, 24th and 30th of September 2006 & 14th and 15th of October 2006, but the time cards showed he had rested on those days. As a result, it appeared that the factory failed to completely and accurately record all working hours of employees.				Though check the time cards and production records on-site.	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 fake documents and the excessive overtime. The aim is for the factory to establish a system to reduce the overtime in a sustainable manner. The longterm 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	We will check the attendance record system and improve if any deficiencies to prevent the situation of incomplete or discrepancy of attendance record happening again. The working hours will be calculated carefully in order to make the employees salary reach at least local minimum wage. When the workers work overtime we will pay overtime compensation according to the law.				
Minimum Wage	China Labor Law, Article 48 Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher	After touring the factory and opening meeting, factory provided the time cards form Dec.2005 to nov.2006. Cross checking the time cards provided by the factory between the original production records on site, it was noted that there were inconsistencies between production records and time cards records. E.g according to Metal detector calibration records & Metal detect records, it indicated that the Metal detector calibration worker worked on 23rd, 24th and 30th of September 2006 & 14th and 15th of October 2006, but the time cards showed he had rested on those days. Due to the inconsistent findings on time cards records and wages were calculated based on the time cards with discrepancy, it was lack of positive evidence indicate that the workers in the factory were paid at least the local minimum wage.				Though check the time cards and production records on-site.	Normal working hours should be compensated according to the law. As paid minimum wage cannot be verified we have ceased all further order placement until the factory can provide credible evidence that the workers are paid at least legal minimum wage. When working overtime the workers should be compensated according to the legal overtime rates.	on going					
False Payroll Records		Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.	Through checking payroll provided by factory, workers were paid as 100%, 150%, 200% and 300% for normal working hours, and overtime on normal days, rest days and public holidays respectively. However, through interview with workers, all of them stated that they were paid by piece rate even on rest days, and factory could only add RMB1/hour for their overtime at night.				Through pre-investigation before audit date, quickly raid the factory, and interview with workers, review the time cards.	Normal working hours should be compensated according to the law. As paid minimum wage cannot be verified we have ceased all further order placement until the factory can provide credible evidence that the workers are paid at least legal minimum wage. When working overtime the workers should be compensated according to the legal overtime rates.						
Legal benefits	China Labor Law, Article 72. The sources of social insurance funds shall be determined according to the categories of insurance, and an overall pooling of insurance funds from the society shall be introduced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law. Article 73. Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: (1) retirement; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) child-bearing.	Employers will provide all legally mandated benefits to all eligible workers	The factory only provided the social insurance for 14 out of 214 employees.				Through checking the records and interview with mgmt representatives and workers.	All workers should be covered by relevant social insurance depending on local regulation.	4/1/2007	The factory will provide social insurance for all relevant employees that are required by local government to join social security system.				

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation					Status Completed: Pending: On-going	
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (Cite date of follow up)		Documentation
Legal Compliance for holiday/leave	China Labor Law, Article 51 The employing unit shall pay wages according to law to laborers who observe statutory holidays, take leaves during the periods of marriage or funeral, or participate in social activities in accordance with the law. China Labor Law, Article 45 The State shall practice a system of annual vacation with pay. Laborers who have kept working for one year and more shall be entitled to annual vacation with pay. The concrete measures shall be formulated by the State Council.	Workers will be paid for holidays and leave as required by law.	It was identified that no paid annual leave, marriage or funeral leave and maternity leave were provided for workers since all workers were paid by piece.				Through checking the policy and interview with workers.		Paid annual leave, maternity leave, sick leave and casual leave should be given to all workers according to the law without discrimination. We will follow-up on this point at next audit.	12/31/2007	We will establish all these paid leave policy as welfare system.			
Timely Payment	China Labor Law, Article 50 Wages shall be paid monthly to laborers themselves in cash. The wages paid to laborers shall not be deducted or delayed without justification.	All compensation shall be paid in a timely manner	Confirmed by the interview with workers and management, it was identified that the workers' wages of October were just paid on 10th of December 2006. It appeared that the factory failed to pay its employees at least once per month.				Through checking payroll and interview with workers.		All wages should be paid regularly, no longer than 30 days after the workperiod ended. We will carry our investigation to find the cause of this delay and discuss with the factory how to adopt measures in order to ensure that future payments can be ensured to be correct and timely.	On going	We will make sure the workers are paid monthly and monthly salary will be paid in time of no more than 1 month.			
<b>8. Hours of Work</b>														
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														
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.	Hours of Work: Except in extraordinary business circumstances, employees will (i)not be required to work more than the lesser of (a) 48hours 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 on day off in every seven day period.	1)Through sampling check 20 workers' time cards of December 2006 at the gate, it was found that maximum overtime from 1st to 18th was 72hours which had exceeded 36hours/month which stipulated by the China Labor law. 2)Through checking the time cards of December 2006 at gate, it was found that average working hours of the 20 selected workers were 72hrs/week (From 4th to 10th) which exceeded 60hours/week. 3)Through checking the time cards of December 2006 at gate, workers worked from 1st to 18th without one day off.				Through quickly raid the time records of December 2006 before opening meeting.		We require the factory to provide accurate documentation on salaries and working hours. The aim is to through dialogue with the factory establish a system to reduce the overtime in a sustainable manner. The longterm 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. H&M will carry out announced an unannounced audits in order to monitor the development according to the factory remediation plan.	On going	We will try to reduce overall working hours through carefully placing orders and production planning, improving work efficiency to increase productivity, to shorten total working time.			
<b>10. Overtime Compensation</b>														
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	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	The factory shall comply with applicable law for premium rates for overtime compensation.	Through checking payroll provided by factory, workers were paid as 100%, 150%, 200% and 300% for normal working hours, and overtime hours at normal days, rest days and public holidays. However, through interview with workers (17), all of them stated that they were paid by piece rate even on rest days, and factory could only add RMB1/hour for their overtime at night. So, no positive evidence indicated that overtime wages paid to workers by the factory could meet local requirement.				Through checking the payrolls and interview with workers.		Normal working hours should be compensated according to the law. When working overtime the workers should be compensated according to the legal overtime rates.	On going	We will compensate the workers correctly of their overtime working according to legal requirement.			
OT Compensation for Piece		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.	Through checking payroll provided by factory, workers were paid as 100%, 150%, 200% and 300% for normal working hours, and overtime hours at normal days, rest days and public holidays. However, through interview with workers (17), all of them stated that they were paid by piece rate even on rest days, and factory could only add RMB1/hour for their overtime at night.				Through checking the payrolls and interview with workers.		Normal working hours should be compensated according to the law. When working overtime the workers should be compensated according to the legal overtime rates.	On going	Please view above			
<b>Miscellaneous</b>														