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.
updates

On-going

1) Install a complaint box in the dormitory area.

2) Box opened by Mr. Zhou (factory owner) who's responsible for handling the complaints.

3) Complaints are registered and feedback posted and record kept.

On-going

In our dialogue with the factory H&M primarily encourage the factory to develop and deepen its own confidential non-compliance system. We support the factory in recruiting a third-party verification company which will provide for fourth-party verification of compliance with the FLA's Principles of Monitoring. In addition we will work with the factory to develop a confidential non-compliance reporting channel which will enable complaining employees to report non-compliance with the workplace standards in a confidential and secure manner.

On-going

1) FLA Audit Profile

Country

China

Workers' interview

No

440015385ETUV Rheinland Hong Kong Ltd.

Workers did not know the COC. H&M COC was not found in production areas or dormitory.

On-going

There was no COC training to workers. Workers did not know how to report their feedback to FLA affiliated company.

On-going

2) Workers' interview

We require the factory to sign labour contracts with their workers no later than 30 days after taking up employment in the factory. We will educate the factory in building a system for how and when to check labour contracts. There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or child labor. We will educate the factory in how to confirm that this is the case. Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.

On-going

We will follow up on the factory remediation plan.

- FLA Principle of Monitoring, Obligation of Workplace Standards: Formally convey those workplace standards to Company factories as well as licensees, contractors and suppliers. Clearly articulate your workplace standards in writing to contractors, licensees, and suppliers. In the case of a factory producing for different clients it might be confusing for the workers and managers to understand which workplace standards apply. In that case, we require the factory to clearly communicate these differences to all workers, for example through the application for certification or on the factory's notice board. We encourage the factory to develop and deepen its own confidential non-compliance system. We will work with the factory to develop a confidential non-compliance reporting channel which will enable complaining employees to report non-compliance with the workplace standards in a confidential and secure manner.

- FLA Principle of Monitoring, Obligation of Workplace Standards: Companies: Ensure that all of Company factories as well as licensees, contractors and suppliers inform their employees about the workplace standards. Training of workers can be done through a variety of mediums including communications on posters, or in the trainings of employees, contractors and suppliers. Employees of contractors and suppliers to report to the factory, we communicate with the workplace standards with workers. That they should not be punished or retaliated for whistleblowing.

- FLA Principle of Monitoring, Obligation of Workplace Standards: Companies: Develop a secure communications channel to enable workers to report non-compliance with the workplace standards within the factory. That channel will be independent of the management, to avoid retaliation or punishment for whistleblowing. Employees of contractors and suppliers to report to the factory, we communicate with the workplace standards with workers. That they should not be punished or retaliated for whistleblowing.

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<th>Section</th>
<th>Control</th>
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<th>Document Name</th>
<th>Action</th>
<th>Findings</th>
<th>Corrective Actions</th>
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<th>Status</th>
<th>Remarks</th>
<th>Source</th>
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<td>Nondiscrimination</td>
<td>PC Internal</td>
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<td>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, national origin, or in violation of any applicable law.</td>
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<tr>
<td>Health and Safety</td>
<td>FLA Benchmark</td>
<td>Non-compliance</td>
<td>11/1/2006</td>
<td>MSDS still not</td>
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<td>Fact that the facility is in compliance with the Code of Conduct (Mandated by the factory). The workers have to be trained to be familiar with the emergency in case of emergency and the handling to be conducted correctly. The emergency plan should be enough and well maintained for the employees. The workers should be trained on how to use the fire extinguisher.</td>
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<td>The factory should: 1) Investigate the chemical training said workers have attended a chemical training program provided by H&amp;M together with a consultancy in 2006. 2) Training should be documented.</td>
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<td>The factory have stopped using the hazardous chemical. Safe drinking water should be available in each building.</td>
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<td>There was no evidence of non-compliance. Factory has installed a water filter. Tap water quality certificate provided.</td>
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<td>There were no flies found in the food preparation area.</td>
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<td>The canteen was subcontracted out and the hygiene certificate was not available. Also not all kitchen workers have physical check-up records.</td>
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<td>Visual inspection We suggest the factory to appoint one person who can take the responsibility of the factory (as a safety officer).</td>
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<td>Only 445/775 workers have physical check-up records.</td>
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<td>Document Maintenance/Accessibility</td>
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<td>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.</td>
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7. Freedom of Association and Collective Bargaining

Employers will recognize and respect the right of employees to freedom of association and collective bargaining.

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.

Sources/Documentation

Remediation [Status]

If not features implemented by Factory Management or Company

FLA Benchmark Non-compliance Risk of Non-compliance

Evidence of Non-compliance (uncorroborated) explain why

FLA Code/ Compliance issue Country Law/Legal Reference

We require the factory to ensure that all workers are covered by relevant social insurance depending on local regulation. Workers’ interview All workers should be guaranteed legal wages and legal compensation for redundancy. We will discuss with the management how they could improve this point for the future.

Interview with management

All workers are guaranteed legal wages, and legal compensation for redundancy. We will discuss with the management how they could improve this point for the future.

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Interview with management

 FLA Comment:

The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole union, which is the Chinese Trades Union and the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. In December 2006, the Chinese government adopted a new version of the Labor Contract Law that expands the rights of trade unions and attempts to create a more balanced relationship between employees and employers. The new law also introduces new regulations on social security and minimum wages and aims to create a real system of collective bargaining and wage determination for the enterprises. The law will come into force on January 1, 2008. The factory has not yet implemented the new regulations on social security and minimum wages. If the implementation of the new regulations is progressed smoothly, we would like to follow up during the coming audit.

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 independent of the sole union, which is the Chinese Trades Union. The government has introduced new regulations that could improve the functioning of labor relations mechanisms. In December 2006, the Chinese government adopted a new version of the Labor Contract Law that expands the rights of trade unions and attempts to create a more balanced relationship between employees and employers. The new law also introduces new regulations on social security and minimum wages and aims to create a real system of collective bargaining and wage determination for the enterprises. The law will come into force on January 1, 2008. The factory has not yet implemented the new regulations on social security and minimum wages. If the implementation of the new regulations is progressed smoothly, we would like to follow up during the coming audit.

Workers will be paid for holidays and leave as required by law.

Paid sick leave should not be limited to two days.

Sick leave was not granted according to law. Sick leave was not compensated for according to law.

Accurate recording of wage compensation will be calculated and recorded accurately.

Monthly paycheck amounted to at least the local piece-rate; the correspondence was noted by interview.

About 10% (67/700) workers were covered by social security insurance (retirement insurance, unemployment insurance and medical insurance). The insurance payment receipt before July was not available as the responsible person was on leave.

The factory should add the service year of those workers who moved to Main Tat. Service year of those workers agreed to move from Shenzhen Jinlida Handbags Co. Ltd. to Dongguan Mingda Handbags Co. Ltd. was not compensated either clear before move or count continual.

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Workers were paid for overtime worked in the previous month.

Factory responses to the FLA benchmark for overtime pay are expected to be compensated on a timely basis. There is no evidence that overtime premium is paid or that all overtime is accounted for in the pay. Workers interviewed.

All workers are guaranteed legal wages, and legal compensation for redundancy. We will discuss with the management how they could improve this point for the future.

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<tbody>
<tr>
<td>FLA Benchmark</td>
<td>Non-compliance Risk of Non-compliance</td>
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<tr>
<td>Evidence of Non-compliance (uncorroborated)</td>
<td>If not corroborated, explain why</td>
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<tr>
<td>Sources/Documentation used for corroborating Notable Features implemented by Factory Management or Company</td>
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<tr>
<td>PC Internal audit findings (Optional)</td>
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<td>PC Remediation plan Target Completion Date</td>
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<td>Factory Response (Optional) Company follow up (Cite date of follow up)</td>
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<td>Documentation Completed; Pending; On-going</td>
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<td>Company Follow up Documentation External Verification (Date)</td>
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<td>Documentation Company Follow up (Cite date of planned or follow up visit, if appropriate)</td>
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<tr>
<td>Documentation Updates (Cite Date of Follow up) Third-Party Verification Company Verification Follow up</td>
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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 on, where the work of each country will refer to the limits of work for that particular week in such country plus 12 hours overtime. 12 hours overtime, and (ii) be entitled to at least one day off every seven day period.

From May to July, general overtime working hours exceeded limits. Factory-old overtime policy was for working 40 hours per week in a typical week. In peak season, working hours exceeded 50 hours per week. In July 2006, some workers in B1 workshop worked consecutively 30 days without rest.

Review factory records. Overtime working hours exceeded the legal limits during peak season and workers didn’t get at least one day off every week. The factory should adopt a long-term strategy to sustainably lower overtime hours. The ultimate goal should be for overtime to fall below maximum legal limits. Additionally, production capacity offered to buyers should be calculated solely on ordinary working hours.

11/16/2006 No significant improvement. Pending

OT Compensation

The factory shall comply with applicable law for premium rates for overtime compensation. Piece-rate workers said when they worked on Saturday, there is no overtime premium.

Workers’ interview All workers should be guaranteed legal wages, including overtime compensation at legal rates. We require the factory to provide accurate documentation on workers’ salaries and communication regarding the true salaries in the factory. This issue will be followed up during the coming audit.

OT Compensation for Piece Workers

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.

Workers’ interview All workers should be guaranteed legal wages, including overtime compensation at legal rates. We require the factory to include correct overtime premium in the agreement to include correct overtime premium.

Other

There is an agreement between factory and the package factory which temporary provide workers to factory. The hourly rate and management fee of the package factory were stated, that is RMB 4.2 per hour and RMB 4.0 per day. Working on rest day will not apply overtime premium.

Agreement documents The factory should amend the agreement to include correct overtime premium. This agreement based on local understanding. But a similar situation would occur in the future, this agreement will be used as a template.