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.
### FLA Code/Compliance Issue

| Country | Law/Legal Requirement | Company(s) | Establish and articulate clear, written 
<table>
<thead>
<tr>
<th>Code of Conduct</th>
<th></th>
<th>Companies:</th>
<th>completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>H&amp;M Code of Conduct</td>
<td>Compliance Date 1/31/2007</td>
</tr>
</tbody>
</table>

**FLA Code/Compliance Issue**

- **Country**: Factory location
- **Law/Legal Requirement**: FLA Audit Profile
- **Company(s)**: FLA Code of Conduct
- **Establish and articulate clear, written completion date**: Code of Conduct

---

### FLA Principle of Monitoring, Obligation of Worker/management awareness

**Companies**: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of workplace standards in the workplace. The workplace standards must be available in the workplace for free access by employees and management. The Company will ensure that all employees are aware of the workplace standards and their rights and obligations under them.

- **FLA Principle of Monitoring, Obligation of Worker/management awareness**
  - **Companies**: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of workplace standards in the workplace. The workplace standards must be available in the workplace for free access by employees and management. The Company will ensure that all employees are aware of the workplace standards and their rights and obligations under them.

---

### FLA Principle of Monitoring, Obligation of Confidential non-compliance

**Companies**: Channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report the existence of non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

- **FLA Principle of Monitoring, Obligation of Confidential non-compliance**
  - **Companies**: Channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report the existence of non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

---

### FLA Principle of Monitoring, Obligation of Evidence of Non-compliance

**Companies**: Identify the existence of non-compliance with the workplace standards where and when this becomes public knowledge. Companies may choose to develop confidential non-compliance systems to receive complaints directly from employees. Companies may need to develop internal regulations in line with their Code of Conduct and local law, to clearly communicate these requirements to all workers, for example through a handbook for workers or on the notice board.

- **FLA Principle of Monitoring, Obligation of Evidence of Non-compliance**
  - **Companies**: Identify the existence of non-compliance with the workplace standards where and when this becomes public knowledge. Companies may choose to develop confidential non-compliance systems to receive complaints directly from employees. Companies may need to develop internal regulations in line with their Code of Conduct and local law, to clearly communicate these requirements to all workers, for example through a handbook for workers or on the notice board.

---

### FLA Principle of Monitoring, Obligation of Documentation review

**Companies**: Ensure that all Company factories as well as contractors and suppliers maintain and keep complete, accurate and systematic records of all evidence of non-compliance with the workplace standards. Records should include all disciplinary actions, including time off, monetary penalties, and non-monetary penalties. These should be systematically checked during coming audits and follow up at the factory to ensure that the penalty system is abolished.

- **FLA Principle of Monitoring, Obligation of Documentation review**
  - **Companies**: Ensure that all Company factories as well as contractors and suppliers maintain and keep complete, accurate and systematic records of all evidence of non-compliance with the workplace standards. Records should include all disciplinary actions, including time off, monetary penalties, and non-monetary penalties. These should be systematically checked during coming audits and follow up at the factory to ensure that the penalty system is abolished.

---

### FLA Principle of Monitoring, Obligation of Policy

**Factories**: Have clear, written and comprehensive policies in place to ensure that the workplace standards are met and documented in a systematic manner.

- **FLA Principle of Monitoring, Obligation of Policy**
  - **Factories**: Have clear, written and comprehensive policies in place to ensure that the workplace standards are met and documented in a systematic manner.

---

### FLA Principle of Monitoring, Obligation of Employee interview and management interview

**Factories**: Conduct interviews with employees and managers as part of the audit process, in order to assess the workplace standards and to provide employees with an opportunity to raise concerns about the workplace standards.

- **FLA Principle of Monitoring, Obligation of Employee interview and management interview**
  - **Factories**: Conduct interviews with employees and managers as part of the audit process, in order to assess the workplace standards and to provide employees with an opportunity to raise concerns about the workplace standards.

---

### FLA Principle of Monitoring, Obligation of Policy

**Factories**: Establish and articulate clear, written completion date. The Company will ensure that all employees are aware of the workplace standards and their rights and obligations under them.

- **FLA Principle of Monitoring, Obligation of Policy**
  - **Factories**: Establish and articulate clear, written completion date. The Company will ensure that all employees are aware of the workplace standards and their rights and obligations under them.
# HR Policies

<table>
<thead>
<tr>
<th>Category</th>
<th>Policy Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>First Aid Policy</td>
<td>Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising from, or in the course of, work or as a result of the operation of employer facilities.</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>Drug and Alcohol Policy</td>
<td>The employer shall have a written drug and alcohol policy and distribute it to all employees.</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>Equal Opportunity Policy</td>
<td>All persons employed shall be treated with respect and dignity. No person shall be subject to any form of discrimination, including but not limited to, discrimination based on race, color, sex, religion, national origin, age, disability, pregnancy, or any other status protected by federal, state, or local law.</td>
</tr>
</tbody>
</table>

---

### Employment Practices

- **PLC Remediation Plan**
  - **Target Completion Date**: 10/1/2007

### Record Maintenance

- **Employers will maintain written records of disciplinary actions taken.**
- **Policy**
  - Art. 4 of PRC Labor Law: The employer shall establish and perfect rules and regulations in accordance with law and guarantee that laborers enjoy labor right and fulfill labor obligations.

### Nondiscrimination

- **Facility has no written policy or procedures regarding Non-discrimination.**
- **Policy**
  - Art. 15 of PRC Labor Law: Laborers shall not be discriminated against in employment due to their nationality, race, gender or religious belief.

### Health and Safety

- **Facility has no personnel with first aid certificate.**
- **Policy**
  - Art. 15 of PRC Labor Law: Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising from, or in the course of, work or as a result of the operation of employer facilities.

---

**Note:** All relevant policies and procedures should be communicated to employees, and training programs should be provided to ensure compliance.
Factory tour We require that the restrooms should be kept and maintained clean. Soap should be available. We have suggested the factory to appoint one person to be responsible to ensure that cleanliness is maintained in the restrooms on a daily basis.

Factory tour All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.

Factory tour The machines 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.

FLA Comment:

Freedom of Association: FLA has no specific regulations on freedom of association. However, the Trade Union Act prevents the establishment of trade unions independent of the sole union introduced by the government. The Act stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be democratic in character. To negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. The Act also stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be democratic in character. To negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Remediation IEM Findings

On-going

At next audit.

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.

Art. 51. of PRC Labor Law: The employer shall pay wages to laborers in accordance with law when they have legal holiday, take leaves during periods of marriage or mourning, and participate in social activities in accordance with law.

Art. 14.6 of PRC Fire Safety and Sanitary Regulations: Hazardous parts like mechanical belt, gear, grinding wheel, electric saw, belt pulley and flywheel, etc., shall be equipped with protective devices.
9. Hours of Work

FLA Code/Compliance issue Country Law/Legal regulations were not corroborated.

FLA Benchmark

Non-compliance

Risk of Non-compliance

Evidence of Non-compliance

Features implemented by Factory Management or Company

Explain why used for corroborating evidence.

Sources/Documentation

Internal audit findings

Optional Remediation

IEM Findings

Optional Status

If not corroborated, Sources/Documentation

9. Hours of Work

In average, the overtime hours of the factory are 3.5 to 4 hours per day and 50 hours per month, both of which exceed the legal limitations established by PRC labor laws.

Overtime Limitations

Art. 41 of PRC Labor Law:

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 weekly number of overtime hours in the weekdays. H&M will carry out unannounced audits in order to monitor the development.

Art. 38 of PRC Labor Law:

Employer shall guarantee that its laborers have at least one day off per week.

Production employees worked 20 consecutive days without one day off in July and August 2006.

Overtime Compensation

Art. 13 of Interim Regulation on the Payment of Wages: Piece workers who are required to work overtime after they finished production quotas must be paid no less than 150% (regular work days), 200% (days of rest), or 300% (on statutory holidays) of the normal piece premium rates for overtime compensation.

When working overtime, the workers should be compensated according to the legal overtime rates. We will initiate a dialogue with the factory on how to ensure that overtime compensation will be paid to the workers in the future.

Rest Day

For the purpose of this report, we define the overtime as a temporary period of extra work that could not have been anticipated or alleviated by reasonable efforts.

In the short term, we require the factory to make sure that they can ensure that the workers will not work 20 consecutive days without one day off in July and August 2006. We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.

Employees should not be asked to work more than 3 overtime hours per day and 36 overtime hours per month.

In the short term, we require the factory to make sure that they can ensure that the workers will not work more than 3 overtime hours per day and 36 overtime hours per month.

We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.

We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.

We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.

We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.

We require the factory to develop a system to reduce the overtime in a sustainable manner. The long term aim is to, through improved production planning and efficiency, gradually reduce the overtime in a sustainable manner.

H&M will carry out unannounced audits in order to monitor the development.