

FLA Audit Profile		Independent External Verification	
Country	China	China	
Name of Factory	440015701F	440015701FV	
Independent External Monitoring Organization	TUV Rheinland	Verite	
Date(s) in Facility	October 8, 2007	September 4, 2009	
FLA Affiliated Compan(ies)	H&M	H&M	
Number of Workers	64 (39 workers, some workers worked for 2 shifts)	Company Comment: This factory has been phased out in September of 2009 due to the following reasons: the factory and supplier organization has shown little commitment and ability to control maintain and improve the conditions along with H&M's requirements; the factory is not able to produce for the domestic market.	
Product(s)	Hair accessories		
Production Processes	Injection molding, Assembly, Painting		

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GEN 1: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	Noncompliance	Completed	Management have no idea about FLA.			Completed ***Name of a supervisor*** reported that he has been working at the factory for more than 4 years and the factory moved to this location ***Location name*** in 2001. According to him, H&M has informed the factory of their affiliation with FLA, and has required the factory to sign H & M CoC. According to him, the factory receives three or four audits each year from different brands and the factory always provides necessary access to the auditors of their facilities and documents. The supervisor reported that the factory is doing business with H&M through a trading agent called ***Name of Agent***. During the interview, the supervisor showed the understanding of social compliance standards, which deal mostly with workers' welfare and wellbeing.	Management interview		
GEN 2: 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.	Noncompliance	Ongoing	Factory cannot provide H&M CoC during audit			Ongoing A copy of H&M Code of Conduct was provided to the auditors by the management. The supervisor reported that they have verbally communicated relevant CoC requirements to workers during their regular meetings. The auditors noticed that there are some postings of laws and regulations at the factory, for instance, the Production Safety Law of China was posted on the first floor of the production building. During worker interviews, we were informed that they know that clients sometime perform CoC audits in their factory, but none were able to describe the CoC requirements clearly.	Management & Worker interview Document review Visual inspection		
GEN 3: 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.	Noncompliance	Ongoing	The communication channel only accessed to factory management. Workers did not know the channel to communicate to Company.			Ongoing The workers make complaints through verbal reporting to workshop supervisors and the suggestion box which was installed at the cafeteria. Mr. One of the supervisors reported that they open the suggestion box once a month and receive written complaints about 3 or 4 times a year. The issues raised are about worker welfare such as food quality in the cafeteria. The factory has grievance procedures formally written down in the factory's personnel policies (Chapter 7), which states that the suggestion box will be opened by the administrator every three days. The policies also outline that under certain situations employees can report to GM directly, such as when managerial misconducts were found. The factory takes immediate actions to follow up with any complaints but they did not keep written records of the handling process and the final solutions for the issues raised. Workers interviewed reported that they would talk to their supervisors if they have concerns or complaints but none of them have used the suggestion box.	Management & Worker interview Document review		

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F.4 Employment Terms/Prohibitions	Noncompliance	Pending				<i>New non-compliance</i> During worker interviews, some workers were not aware if they have labour contracts with the factory, and some workers reported that they were not provided a copy of labour contract they have signed. The auditor checked the factory's personnel files, and found that all workers have a contract with the factory. Management reported that they will look into the issue and take measures to make sure that workers have a copy of the signed contract.	Worker interview Document review		
F.14 Forced Overtime	Uncorroborated noncompliance	Completed	Factory did not keep any document showing worker are voluntary worked overtime			<i>Completed</i> The auditors reviewed the records of OT (Overtime) application forms which required the workers to sign before each OT schedule. The Supervisor stated that all OT hours were voluntary at the factory. The application records provided were pretty updated, for instance, they showed that some workers worked 3 OT hours on August 31 of 2009 four days before the audit. During worker interviews, the auditors found no evidence showing that any workers were forced to work OT at the factory.	Management & Worker interview Document review		
F. Other	Risk of noncompliance	Ongoing	Factory did not collect relevant local laws and regulations			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of **Name of Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive.	Management interview Document review		
C. Other	Risk of noncompliance	Ongoing	Factory did not collect relevant local laws and regulations			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of **Name of the Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive.	Management interview Document review		

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H&A. Other	Risk of noncompliance	Ongoing	Factory did not collect relevant local laws and regulations			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of **Name of Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive.	Management interview Document review		
D. Other	Risk of noncompliance	Ongoing	Factory did not collect relevant local laws and regulations. Also, no policy was set.			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of **Name of Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive. The factory has not set a formal written policy about discrimination. The auditors found no evidence through both management and worker interviews that the factory discriminates its workers based upon factors such as age, gender or ethnicity.	Management & Worker interview Document review		
H&S.1 General Compliance Health and Safety	Noncompliance	Completed	Factory did not collect relevant local laws and regulations and some H&S requirements were not complied.			<i>Completed</i> The factory has displayed posters and policies related to Health & Safety on production floors. For example, the Production Safety Law of China was posted on the first floor of the production building.	Visual inspection		
H&S.2 Document Maintenance/Worker Accessibility and Awareness	Noncompliance	Completed	Factory did not collect relevant local laws and regulations			<i>Completed</i> The factory has displayed posters and policies related to Health & Safety on production floors. For example, the Production Safety Law of China was posted on the first floor of the production building.	Visual inspection		
H&S.3 Written Health and Safety Policy	Noncompliance	Pending	No Health & Safety policy was defined			<i>Pending</i> Management reported that they have not established a written Health & Safety policy. As an alternative, the factory have displayed relevant posters and policy attained from the competent government authority. However, the auditors judged that general descriptions of legal requirements can not serve as their own Health & Safety policy which has to be established based upon the factory's own assessment of their operational risks in terms of H & S.	Management interview Visual inspection		

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H&S.4 Worker Consultation	Noncompliance	Pending	No Health & Safety policy was defined			<i>Pending</i> Management reported that they have not established a written Health & Safety policy. As an alternative, the factory have displayed relevant posters and policy attained from the competent government authority. However, the auditors judged that general descriptions of legal requirements can not serve as their own Health & Safety policy which has to be established based upon the factory's own assessment of their operational risks in terms of H & S.	Management interview Visual inspection		
H&S.5 Health and Safety Management System	Noncompliance	Pending	No Health & Safety policy was defined			<i>Pending</i> Management reported that they have not established a written Health & Safety policy. As an alternative, the factory have displayed relevant posters and policy attained from the competent government authority. However, the auditors judged that general descriptions of legal requirements can not serve as their own Health & Safety policy which has to be established based upon the factory's own assessment of their operational risks in terms of H & S.	Management interview Visual inspection		
H&S.6 Communication to Workers	Noncompliance	Pending	No Health & Safety training records were found			<i>Pending</i> Through management interview, the auditors found that no systematic H&S trainings were provided to the employees at the factory. Furthermore, only records of fire drills with photos were provided to prove that workers had participated in the fire drills. As per management interview, the factory conducts fire drill once a year.	Management interview & document review		
H&S.8 Permits and Certificates	Noncompliance	Ongoing	There was no permit for pressure vessel (special equipment). Building construction and fire inspection permits were not obtained from owner			<i>Ongoing</i> The factory had obtained building construction and fire inspection permits already, and the permits were provided to the auditors for reviewing at the time of audit. During factory tour, auditor noticed that two pressure vessels were being used in this factory. However, management reported that the factory had not obtained relevant licenses from local bureau.	Visual inspection Document review Management interview		
H&S.10 Safety Equipment and First Aid Training	Noncompliance	Pending	No first aid training conducted in factory			<i>Pending</i> The reviews of record showed that the factory had made no progress in this area. According to management, one worker had been trained at the nearby hospital last year for first aid but had not obtained relevant certificate.	Management interview		
H&S.11 Personal Protective Equipment	Noncompliance	Ongoing	PPE provided to workers in painting workshop was not appropriate. In addition, no PPE provided to worker working in plastic grinding workshop (earplug, glasses) and plastic injection molding workshop (safety shoe)			<i>Ongoing</i> During factory tour, the auditors noted there were some activated charcoal masks in the painting workshop, but no workers were working there. Management reported that they are installing anti-explosion lights in the workstation, and the production was suspended that day, and the painting workers helped to do other works in other sections. The auditors noticed that maintenance people are installing the lights on-site. During worker interviews, workers reported that these activated charcoal masks were used while they do painting work.	Visual inspection & worker interview		

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H&S.13 Chemical Management and Training	Noncompliance	Pending	No chemical training record was found			<i>Pending</i> Management reported no chemical safety trainings were provided to the workers who handle chemicals. <i>New non-compliance</i> There are no secondary containers provided for the chemical containers stored in the spraying and painting workshop on the second floor of the production building, and the spilling and leaking spots were clearly noticed on the floor. The storage area was a real mess with chemical barrels and bottles randomly placed on the ground without clear labels and separation.	Management interview & visual inspection		
H&S.14 Material Safety Data Sheets/Worker Access and Awareness	Noncompliance	Ongoing	MSDS were not collected			<i>Ongoing</i> Management reported they have collected MSDS for the thinner and it was posted in the workshops. This was confirmed through on-site inspection. However, no MSDS were obtained for other chemicals such as painting ink and alcohol.	Visual inspection Management interview		
H&S.15 Chemical Management for Pregnant Women and Young Workers	Risk of noncompliance	Pending	No such policy was defined			<i>Pending</i> The factory had created a policy regarding chemical management, but it does not state specific restrictions on pregnant women and young workers on working in hazardous place.	Management interview Document review		
H&S.21 Medical Facilities	Noncompliance	Completed	No first aid box provided to warehouse			<i>Completed</i> The auditors noticed during the factory tour that the first aid box had been provided in the warehouse with easy access to workers.	Visual inspection		
H&S. Other	Noncompliance	Ongoing	No regular health check arranged for workers working in workshop with potential hazardous. Noise & air quality test was not conducted			<i>Ongoing</i> Management reported that the workers in painting section had been provided a medical check last year. Worker interviews confirmed this as well. The auditors observed that the noise levels are quite high in the molding injection work area. Management reported there were no test conducted for the noise levels there. According to management, no air quality test had been conducted in the factory.	Visual inspection Management & worker interview		
FOA.2 Right to Freely Associate	Noncompliance	Ongoing	Employers will recognize and respect the right of employees to freedom of association and collective bargaining. FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); 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 FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates 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. Trade unions also have an			<i>Ongoing</i> Management reported that the factory does not have a union and worker representatives. One of the supervisors reported that the factory has a total of 43 employees currently among them 24 are production workers. Management reported that they always encourage workers to communicate with management of any issues they are concerned of and they feel their workers are well represented as they have such a small workforce, everybody knows each other. The auditors observed during both management and worker interviews that no evidence was found showing that the factory has interviewed workers' right for free association.	Management & worker interview		

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FOA. Other	Risk of noncompliance	Ongoing	Factory did not collect relevant local laws and regulations			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of ***Name of Agent*** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive. The factory has not set a formal written policy about discrimination. The auditors found no evidence through both management and worker interviews that the factory discriminates its workers based upon factors such as age, gender or ethnicity.	Management interview Document review		
HOW.1 General Compliance Hours of Work	Noncompliance	Ongoing	Factory did not collect relevant local laws and regulations and some working hour requirements were not complied.			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel** of **Name of Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive. The factory has not set a formal written policy about discrimination. The auditors found no evidence through both management and worker interviews that the factory discriminates its workers based upon factors such as age, gender or ethnicity. During the interviews with the supervisor shows a clear understanding of Chinese legal requirements of work hours and rest days, and he knows the clients' requirement of work hours as well, for instance, he knows that	Management interview Document review		
HOW.2 Rest Day	Noncompliance	Ongoing	Injection molding workers and security guards cannot obtain one rest day for every 7 days. From May to August, 2007, most workers in these two departments worked for 28 to 30 days / month.			<i>Ongoing</i> The auditors reviewed the time card records for May, June and July, and found that workers were not guaranteed one day off per week, however, things are gradually improving. Most workers were provided with 2-3 days of rest in May, and 3-4 days in June and July. However, for injection molding workers, they are more likely to work more hours than other employees, for instance, injection molding workers typically worked a full month in June without a single day off, and they were given one day off per week in July. Management reported that they've taken actions to remediate this since last July, and they have changed from two shifts to three shifts for injection molding workers, and every shift will be 8 hours instead of 12 hours under two shift system. According to management, there are four security guards working at the factory, and they work three shifts with 8 hours per shift, and they typically work a full month without days off, time card records for May, June and July indicate that these security guards work full month in these months.	Document review Management interview		

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HOW.8 Overtime/Reduced Mandated Overtime	Noncompliance	Ongoing	Overtime exceeded law requirement. Accumulated overtime for workers in injection molding workshop and security guards > 180 hours / month			<i>Ongoing</i> The auditors found that, through a review of time card records of May, June and July of 2009. Some workers worked up to 184 OT hours in June, and OT hours were decreased in July with the maximum of 65 in that month. Workers worked more OT hours than the Chinese legal limits on daily (3 hours) and monthly maximum (36 hours).	Document review		
HOW.10 Overtime/Calculation over Period Longer than One Week	Noncompliance	Ongoing	Overtime exceeded law requirement. Accumulated overtime for workers in injection molding workshop and security guards > 180 hours / month			<i>Ongoing</i> The auditors found that, through a review of time card records of May, June and July of 2009. Some workers worked up to 184 OT hours in June, and OT hours were decreased in July with the maximum of 65 in that month. Workers worked more OT hours than the Chinese legal limits on daily (3 hours) and monthly maximum (36 hours).	Document review		
HOW.11 Extraordinary Business Circumstance/Forced Overtime	Noncompliance	Ongoing	Overtime exceeded law requirement. Accumulated overtime for workers in injection molding workshop and security guards > 180 hours / month			<i>Ongoing</i> The auditors found that, through a review of time card records of May, June and July of 2009. Some workers worked up to 184 OT hours in June, and OT hours were decreased in July with the maximum of 65 in that month. Workers worked more OT hours than the Chinese legal limits on daily (3 hours) and monthly maximum (36 hours).	Document review		
HOW.12 Extraordinary Business Circumstance/Overtime Explanation	Noncompliance	Ongoing	Overtime exceeded law requirement. Accumulated overtime for workers in injection molding workshop and security guards > 180 hours / month			<i>Ongoing</i> The auditors found that, through a review of time card records of May, June and July of 2009, some workers worked up to 184 OT hours in June, and OT hours were decreased in July with the maximum of 65 in that month. Workers worked more OT hours than the Chinese legal limits on daily (3 hours) and monthly maximum (36 hours).	Document review		
HOW.14 Annual Leave	Noncompliance	Pending	No annual leave was provided to workers			<i>Pending</i> Management reported that the factory paid workers for 3 national holidays in January of 2008, however, these are not for annual leave, but for legal holidays. According to Chinese law and regulations, the minimum paid annual leave should be 5 days for employees who have worked for a full year with an employer.	Management interview & document review		
HOW.15 Annual Leave/Determination	Noncompliance	Pending	No annual leave was provided to workers			<i>Pending</i> Management reported that the factory paid workers for 3 national holidays in January of 2008, however, these are not for annual leave, but for legal holidays. According to Chinese law and regulations, the minimum paid annual leave should be 5 days for employees who have worked for a full year with an employer.	Management interview & document review		
HOW.16 Annual Leave/Restrictions	Noncompliance	Pending	No annual leave was provided to workers			<i>Pending</i> Management reported that the factory paid workers for 3 national holidays in January of 2008, however, these are not for annual leave, but for legal holidays. According to Chinese law and regulations, the minimum paid annual leave should be 5 days for employees who have worked for a full year with an employer.	Management interview & document review		
HOW.18 Annual Leave/Wage Payments	Noncompliance	Pending	No annual leave was provided to workers			<i>Pending</i> Management reported that the factory paid workers for 3 national holidays in January of 2008, however, these are not for annual leave, but for legal holidays. According to Chinese law and regulations, the minimum paid annual leave should be 5 days for employees who have worked for a full year with an employer.	Management interview & document review		

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HOW.19 Sick Leave	Noncompliance	Ongoing	Sick leave was not paid			<i>Ongoing</i> Management reported that the factory provides workers with paid sick leave if a doctor note is provided by a qualified medical service provider. The factory personnel policies state that anybody asks for sick leave for three days and above has to provide a doctor note, and employees are paid by base wage during sick leave for up to 30 days. However, no workers have asked sick leave so far.	Management interview & document review		
HOW. Other	Risk of noncompliance	Completed	Different probation period, termination notice period etc. were found in different documents			<i>Completed</i> The factory does not have a probation period for new workers as the skill requirements for their work are very simple and new workers can take on the job immediately after hiring. The factory supervisor stated that the personnel policies have been consolidated into a single form and there are no differences among factory documents so that it's assured no misunderstanding is possible during the factory's daily operation.	Management interview & document review		
WBOT.1 General Compliance Wages, Benefits and Overtime Compensation	Noncompliance	Ongoing	Factory did not collect relevant local laws and regulations and some compensation requirements were not complied.			<i>Ongoing</i> It was found that after the initial FLA audit in 2007, **Name of personnel*** of **Name of Agent** has provided the factory with a list of key contents from relevant labor laws and regulations and a copy of the list was provided to the auditors for reviewing at the time of audit. The list covers the areas including child labor, juvenile protection, female worker protection, welfare, work hours, and EHS, etc. According to management, the HR is responsible in collecting relevant laws and regulations. During the interviews, management team showed some level of understanding of relevant Chinese laws and regulations but clearly their knowledge of the laws and regulations were not detailed and comprehensive. The factory has not set a formal written policy about discrimination. The auditors found no evidence through both management and worker interviews that the factory discriminates its workers based upon factors such as age, gender or ethnicity. During the interviews with the factory supervisor shows a clear understanding of Chinese legal requirements of compensations, like the local minimum wage and legal OT rates.	Management interview Document review		
WBOT.2 Minimum Wage	Noncompliance	Completed	Existing calculation method (hourly rated based on 30 days) cannot meet minimum wage requirement			<i>Completed</i> The local minimum wage is RMB770 per month which is converted into an hourly rate of RMB4.43 (RMB770/21.75days/8hours). According to management, the factory pays its workers RMB4.62 per hour. The auditors were provided payroll reports for review, which show that the factory meets the local standards on minimum wage. Worker interviews confirmed this.	Document review Worker interview		
WBOT.10 Premium/Overtime Compensation	Noncompliance	Pending	No overtime payment for security guard			<i>Pending</i> According to management, there are four security guards working at the factory, and they work three shifts with 8 hours per shift, and they typically work a full month. Time card records provided for May, June and July indicate that these security guards work full month in these months. Management reported that these security guards are paid at a set rate of RMB800 for the first three months and then RMB1,000 per month after, no matter how many OT hours they worked. For instance, time card records and payroll reports provided show that the four security guards worked 32 OT hours on weekends in July of 2009.	Management interview Document review		

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WBOT.13 Deposit of Legally Mandated Deductions	Noncompliance	Ongoing	Not all workers were covered by social insurance. E.g. 50% workers covered by injury insurance (should be 100%), 25% covered by retirement insurance. No approval was found.			<i>Ongoing</i> Management reported that all employees are covered by injury insurance through either social security system or commercial coverage. Commercial insurance and social security insurance payment receipts were provided for verification and an official certificate provided by Dongguan Zhangmutou social security fund management agency, dated on July 31, 2009 confirms that the factory has a total of 21 employees enrolled in all four social insurance types (medical, injury, retirement and unemployment), and 16 only enrolled in injury and medical insurance through social security system. All other workers who were not enrolled in any social security insurance are covered by commercial insurance for injury insurance. According to management, the causes for partial social insurance coverage are two-folded, on one hand, they have financial pressure limiting their abilities to provide all workers social insurance coverage; on the other hand, some migrant workers are not willing to be enrolled in retirement insurance, as this insurance is not transferable, they are intended only working at the factory for a few years before going back to their hometowns, so they don't want to bother joining the program.	Management interview Document review		
WBOT.14 Voluntary Wage Deductions	Noncompliance	Completed	Deduction of RMB120 (meal / accommodation) requirement was not defined in any document (shown in payroll)			<i>Completed</i> Management reported that they started indicating the deduction on the payroll reports from June of 2008. The payroll reports of January through July for 2009 provided by management confirmed that this deduction has been shown on the payroll reports.	Document review		
MISC.1 Illegal Subcontracting	Noncompliance	Ongoing	Factory did not monitor / control their subcontractors (electroplating, painting)			<i>Ongoing</i> Management reported that they have 2 electroplating subcontractors, 2 screen printing subcontractors, and 1 color-painting subcontractor. They have visited all five subcontractors and the latest visit was performed in March of 2008. However, no monitoring against CoC standards was performed so far.	Management interview		