

FLA Audit Profile	Independent External Monitoring		Independent External Verification	
Country	China		China	
Facility name	39015513E		39015513E.V	
IRM	Global Standards		Local Works Ltd.	
Date in facility	January 24, 2007		July 27-29, 2010	
Client	Twins Enterprise, Inc.		Frory-Seven Brand	
Number of workers	262		262	
Product(s)	Caps		Caps	
Production processes	Cutting, Sewing, Embroidery, Packing		Cutting, Sewing, Embroidery, Packing	

FLA Code/ Compliance Issue	Country/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncomorbate)	If not corroborated, explain why	Sources/Documentaion used for corroborating	Notable Features implemented by facility	PC Internal audit findings	PC Remediation plan	Target Completion Date	Facility Response	Corrective Action	Compliance	Documentation	External Verification (July 27-29, 2010)	Notes	Documentation	Company Follow up (Date of planned or follow up visit, if appropriate)	Comments (to Internal/External)
1. Code Awareness																				
Confidential non-compliance reporting channel		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 facility management on non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	No CoC of TWINS provided to the factory. TWINS has never told the factory any issues about CoC.				Visual inspection, management interview, worker interview		The Twins Enterprise CoC has been sent to the factory. They will post the CoC in the local language and educate supervisors and workers on the meaning of these standards.	6/15/2007						Completed. Through factory tour and management interview, the CoC of the Twins was posted on the notice board of production areas.		factory tour, management interview		
2. Forced Labor																				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise																				
Employment Terms		Employment terms shall be those to which the worker has voluntarily agreed.	Contract Article 2.3. The factory can rearrange workers' posts according to actual needs of production or operation and workers' performance and capability without amending the contracts.				Records review		The factory will review the terms and conditions that employees agreed to when hired and will adhere to those conditions.	6/15/2007						Completed: All new workers had signed the agreement of deference the arrangement of factory before starting work in the factory.		Records review and management & worker interviews		
3. Child Labor																				
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 14.																				
Legal compliance for juvenile workers		Special protection for juvenile workers. Article 5. Adopt registration system for the recruitment and special protection of juvenile workers. (1) The working units should make registration in local labor bureau whose authority is above county level. The labor bureau issues "registration certificate of juvenile workers" according to "physical examination papers of juvenile workers" and "registration of juvenile workers". (3) Juvenile workers should have "registration certificate of juvenile workers" for working.	No registration and working certificates for juvenile workers. The management interviewed explained that they applied for the registration and working certificates every year, but local government did not provide the factory with a permit (appears to be bureaucratic problem).				Records review, management interview		The factory will follow-up with the local government to acquire the certificates that they applied for.	6/15/2007						Completed: The juvenile workers working in the factory had been registered at the local labor bureau with written permit available for review.		Records review and management & worker interviews		
4. Harassment or Abuse																				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																				
Other			The factory doesn't have a policy for termination/rehiring for operational purposes.				Records review, management interview		Factory must create a policy for termination/rehiring for operational purposes.	6/15/2007						Completed: The written policy was provided for review during this assessment.		Records review		
			In cases where the disciplinary process results in termination, no policy provides workers with an opportunity to reply, challenge or make appeals against the termination.				Records review, management interview		Factory must create a policy for which provides workers with an opportunity to reply, challenge or make appeals against the termination.	6/15/2007						Completed: The termination policy was available and provides workers with an opportunity to reply, challenge or make appeals against the termination.		Record review		
5. Non-discrimination																				
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																				
6. Health and Safety																				
Employees 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.																				
Document Maintenance/ Accessibility		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 MSDS for the cleaning solvent.				Visual inspection, document review		Factory will review the procedure for utilizing MSDS for all employees who come in contact with cleaning solvents.	6/15/2007						Completed: MSDS for cleaning solvent were available and posted in the storage and use area during this assessment.		Factory tour and records review		
PPE		Health & safety regulation #74. Factory must provide appropriate personal protective equipment.	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.	Some of the worker does not use relevant PPE during production.			Visual inspection		Factory will monitor all employees to ensure the use of PPE in all areas of the factory in which it is applicable. Additional training with applicable employees will also be scheduled.	6/15/2007						Completed: All workers were observed to be wearing PPE correctly if need during operation.		Factory tour and records review		
Chemical Management		Health & safety regulation #6 point 3. All chemical should have clear Chinese label on container.	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.	No Chinese labeling at some of the chemicals used by workers.			Visual inspection		The factory will inspect all solvents used and ensure proper labels are displayed and not obscured.	6/15/2007						Completed: All chemical containers were properly labeled with the local language and diagram during this assessment.		Factory tour		
Ventilation/Electrical/facility maintenance		Fire safety law regulation#1 and 45. All electrical wires, junction boxes and appliances must be connected safe.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Some of the electrical wires and junction boxes are poor and unsafe connected inside the workshop.			Visual inspection		The factory will conduct an inspection of all electrical wires and junction boxes and make a list of those that need to be replaced.	6/15/2007						Completed: All the electrical wires and junction boxes were properly joined and covered during this assessment.		Factory tour		
Machinery Maintenance		Industrial safety regulation #32. Machinery should should protective cover or guard for protection.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	No properly use the machine guard and protective cover.			Visual inspection.		All employees will be retrained on how to utilize protective materials at all machines.	6/15/2007						Completed: Machine guard and protective cover were used by the workers during operation.		Factory tour		

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					Evidence of Non-compliance (uncomorbate)	If not corroborated, explain why	Sources/Documentaion used for corroborating	Notable Features/Implemente d by factory	PC Internal audit findings	PC Remediation plan	Target Completion Date	Fac tory Res pon	Co mpla ncy follo	Co mpla ncy	Co mpla ncy	Co mpla ncy			
A. Freedom of Association and Collective Bargaining																			
Employers will recognize and respect the right of employees to freedom of association and collective bargaining																			
Freedom of Association: FLA Comment		<p>FLA Comment: 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 (AFCFTU). 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.</p> <p>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-</p>																	
B. 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																			
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.			1/2 piece rate workers interviewed do not know how to calculate their wages.	There are detailed wage calculation methods in workers' handbook. The factory also	Records review, management interview, workers interview		The factory will review the workers handbook with the 1/2 piece rate workers to ensure their understanding of how their wages are calculated.	6/15/2007						Completed: All interviewed workers were well informed about their wage calculation method.	Records review and worker interviews		
Legal benefits	Article 72, PRC Labor Code, the sources of social insurance funds shall be determined according to the branches of insurance, and an overall raising of social insurance funds shall be practised step by step. The employing unit and labourers must participate in social insurance and pay social insurance premiums in accordance with the law.	Employers will provide all legally mandated benefits to all eligible workers.	The factory only buys social insurance for 1300 out of 4000 employees. The management interviewed explained that the government adopted new policies that insurance fee cannot be transferred to other cities, and workers can only withdraw their own part of the fee. So, many workers do not want to buy social insurance.				Records review, management interview, workers interview	Ensure that all employees have legally required insurance coverage. All local and county laws needs to be followed as they apply to insurance requirements.	6/15/2007						Ongoing: Through review of the payment receipt made on July 15th, 2010, it was noted that only 2300 out of 2932 workers had participated in retirement insurance, illness insurance, unemployment insurance, work-related injury or occupational disease insurance and child-bearing insurance. The factory also bought a group commercial accident insurance for 2000 factory workers.	Records review		Company Follow-up: After much communication with factory, they have agreed to boost their workers insurance for retirement, illness, unemployment, work related injury, and child bearing. This will be reflected beginning January 2011. They are going to begin a training class for all employees to help them better understand their benefits and their rights. Update (12/2011): Factory to report list of steps taken to boost workers' insurance effective January 2011 along with plans to achieve full compliance with legal requirements over time (if a gap between current practice and legal requirement remains). In accordance with FLA guidance, local waivers to these obligations are not recognized. Factory to report on each required type of social insurance; commercial injury/accident insurance is not a substitute for industrial insurance required by law. Factory Response: Kindly note we are making progress on the social insurance and have established a three-year program to complete the full coverage of social insurance by July 1st, 2014.	
Payment of wages	Temporary regulation for wage payment Article 9 Laborers and labor contracts with working units as per law, working units should pay all wages to laborers for one time at the time contracts end. Shenzhen wage payment regulation Article 13	Legally mandated bonuses (e.g. 13th month payments and severance payments will be paid in full and in a timely manner	Even workers who apply for resignation one month in advance, as required by the contracts, will not receive their last pay until the fixed pay day.				Records review, management interview, worker interview	The factory will ensure that all employees receive pay for all wages when their contract ends.	6/15/2007						Completed: Through management & worker interviews, the factory had changed its payment practice and the payment of resigned workers would be paid at once upon reaching 30 days notification.	Management and worker interviews			
Other	China employees files management regulation #7, 10 and 16. All relevant employees records must be kept by employer, it cannot be destroy ed without any special reason. #9, including the		The factory only keeps the records of terminated/retrnched employees for 1 year.				Records review, management interview	The factory will keep all wage information for 2 years on-site.	6/15/2007						Completed: Through records review and management interview, the records of terminated / retrnched employees for the last two years (2008 & 2009) were provided for review during this assessment.	Records review and management interview			

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			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (uncorroborated)	If not corroborated, explain why	Sources/Document used for corroborating	Notable Features/Implementations by facility	PC Internal audit findings	PC Remediation plan	Target Completion Date	Facility Response	Company Follow up	Company Response	External Verification	Documentation	Company Follow up	Documentation			
8. Hours of Work																					
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off.																					
Other																					
	According to Article 41 PRC Labor Code, The employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborers, but the extended working hours per day shall generally not exceed one hour; if such extension is needed for special reasons, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed three hours per day. However, the total extension in a month shall not exceed thirty six hours. According to Regulations about Employee Work Time by the State Government - May 1, 1997, Article 8 Employees shall work 40 hours per week, overtime is not to exceed 36 hours per month.	Contract Article 3.1. The factory adopts a system of working time which is not in compliance with the China law, the contract states that workers can work up to 60 hours a week including OT (this is CoC-not China Law).				Records review	The factory is reviewing China law which states "all employees work 8 hours per day and generally no more than 44 hours per week. Going forward, they will adhere to the Law. They have implemented that all employees will not work more than 44 hours per week. They also had the local government review records and approve that the working time (including OT) each week was less than 60 hours.	6/15/2007						Ongoing: Through review of the barcode attendance records from July 2009 to July 2010 and based on management & worker interviews, workers had worked a maximum of 80 overtime hours in June 2010. Workers worked for 0-3 hours per day on 0-4 days each week. Around 98% workers had worked overtime hours in excess of 36 hours per month.	Records review	Company Response: The factory has reviewed its workload and is making changes to scheduling and hiring for 2011. Due to the work shortage and the high cost of product and the falling economy, they were caught off guard when predicting business needs. For 2011, they have vowed to increase hiring and how they react to work spikes while cutting back overtime to maintain the 60 hours. Update (1/2/2011) Factory to provide list of steps taken to make changes in scheduling and hiring in order to control hours or work in excess of legal requirements. Note that a 60-hour workweek is in excess of requirement of applicable law that limits monthly overtime hours to 36 hours. Factory to modify worker contracts to reflect the legal requirement. In accordance with FLA guidance, local or regional waivers to working hour requirements are not recognized. Factory to demonstrate that it has a tracking system to record all hours worked for each worker along with a manager who is accountable for the accuracy of the system. Factory to demonstrate that it has policy and procedure for workers to review tracking system to verify that it is correct each payroll period. Factory to demonstrate that it has a system for permitting workers to voluntarily accept (or decline) overtime hours.					
10. Overtime Compensation																					
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly rate.																					
10. Overtime Compensation																					