

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

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

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

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

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

- An exhaustive assessment of factory conditions

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

- A pass or fail evaluation

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

- A one-time event

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

**Note on Language**

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

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

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

**Instructions for Printing**

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

<b>Country</b>	China
<b>Factory name</b>	12001511B
<b>IEM</b>	SGS
<b>Date of audit</b>	26-27 May 2003
<b>PC(s)</b>	Reebok International Ltd.
<b>Number of workers</b>	736
<b>Product(s)</b>	T-Shirts
<b>Production processes</b>	Cutting, Sewing, Embroidering, Ironing, Finishing, Packing

Findings					Remediation					
FLA Code/ Compliance issue	Benchmark or legal reference	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	Factory Response	Completion Date	Documentation	PC Follow-Up & Verification
<b>1. Code Awareness</b>										
<b>2. Forced Labor</b>										
<b>3. Child Labor</b>										
<b>4. Harassment or Abuse</b>										
<b>5. Nondiscrimination</b>										
<b>6. Health and Safety</b>										
<b>7. Freedom of Association and Collective Bargaining</b>										
<b>8. Wages and Benefits</b>										
Minimum wage not verified	Minimum wage must be provided for employees, Clause 19 of Minimum Wage Provision and Clause 48 of China Labour Law. <b>Per FLA Compliance Benchmark Wages and Benefits</b> 1. Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher. 2. All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	Due to inconsistent attendance records between production records and computer time records on working rest days particular from February to May 2003, there was lack of evidence to demonstrate that the factory had provided adequate minimum wage to workers. For example: 23/02/2003; 02,16/03/2003;13/04/2003; 04,11, 18/05/2003 (Day/Month/Year), the above dates indicated on computer time records provided by factory were rest days (Sundays). However, those dates were working days indicate on daily production records of cutting & sewing, and the incoming material receipt records of warehouse.	Finding from production record reviews at workshops and no pertinent attendance records on Sundays (rest days) were recorded at computer time card system.		(a) Factory management must explain the inconsistencies between the various time records and payroll, and must commit to Reebok in writing that going forward it will maintain and provide Reebok with only one set of records that is reliable and accurate of all hours worked, including overtime hours, both in time cards and payroll records. This commitment letter should reflect an understanding that inaccurate or falsified payroll or time records, as well as inaccurate payment, will result in reduced or terminated business. Please submit to Reebok this commitment letter.  (b) Factory must pay workers the proper minimum and overtime wages for all hours worked. Factory must investigate whether proper wage payments were made for all hours worked from February - May 2003. Please submit to Reebok the results of your investigation, and provide Reebok with payroll records demonstrating proper payment for all hours worked.	01-Jun-03	Factory management has explained to Reebok's monitor the inconsistencies between the various time records and payroll, and has provided Reebok's monitor with the accurate records for verification. Factory management committed in writing to only keep one and only one set of records, and has an understanding of the consequences of inaccurate or falsified records in the future. Factory has paid workers the correct wages.	25-Jul-03	Supporting documentation was verified by Reebok's monitor, during a follow-up audit of the facility. Commitment letter and copies of the worker handbook were also submitted to Reebok, and are maintained in Reebok's internal files.	Factory management has committed to Reebok in writing to good record keeping practices, with one only one set of records moving forward. <b>Interview of workers demonstrates that the factory has kept only one set of attendance records and payroll since June '03.</b> Reebok's monitor will continue to monitor the factory to determine ongoing compliance with its record keeping commitments.  The factory is paying workers the appropriate wages as per law. Reebok's monitor re-audited the factory and conducted extensive records review and some worker interviews to confirm proper wage payments.

Findings					Remediation					
FLA Code/ Compliance issue	Benchmark or legal reference	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	Factory Response	Completion Date	Documentation	PC Follow-Up & Verification
										Manual attendance sheets (which shows all overtime on Sunday) and the accurate payroll system indicates all overtime hours in Mar '03 and April '03 were properly paid (with wages 2 times of normal wages, as per law). Hours recorded in the manual attendance sheets were consistent with the clinical records, material distribution records, and with worker's personal piece work records. Worker interviews also confirmed the proper payment of wages. Moreover, to help create an informed workplace, the factory's handbook clearly states the proper wage rates for OT in regular working days, rest days and statutory holidays.
Inadequate social security program commitment	100% of total workforce should join the social security program, Clause 70 & 72 of PRC Labor Law <b>FLA Benchmarks, Wages and Benefits:</b> 1. Employers will provide all legally mandated benefits to all eligible workers.	Records showed that pension, injury and unemployment insurance were provided for [some] employees (a percentage) of 736 employees). No medical and maternity insurance was provided for employees.	Finding from document review on social security program and from interviews with workers		Reebok's requirement on social insurance is that factories must participate in social insurance according to the specific requirements of their local social insurance bureau. So, factory must obtain a letter or other certified documentation explaining the percentage of their workforce which must be covered, the types of insurance that must be included, etc. Factory must then comply with the obligations outlined in the letter.	01-Jul-03	Factory has obtained clearly defined requirements from the local social insurance bureau as to the types of benefits to be offered and the number of workers to be covered, and has social insurance purchased (covering the area of pension, unemployed & injury) in accordance with these defined requirements. Please note that the local bureau still does not require non-state-owned enterprises for maternity insurance. In addition, the medical insurance management structure is not implemented yet in the local bureau as well.	24-Jun-03	Certificate from local insurance bureau submitted to Reebok as verification, and is maintained in Reebok's internal files.	Factory received a certification from the local social insurance bureau on May 31 '03, which states that the factory has participated in the social insurance program according to their requirements. The letter also proves that the district where the factory is located has not yet implemented medical and maternity insurance, and the factory is therefore not required by local law to provide such benefits.
<b>9. Hours of Work</b>										
Lack of one day off in seven	At least one day off per seven day period, Clause 38 of PRC Labor Law <b>Per FLA Compliance Benchmark:</b> 1. Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Based on production records and the incoming material receipt records of warehouse, workers at cutting & sewing, and the warehouse worked on some Sundays in February, March, April and May. Such as, 23/02/2003; 02,16/03/2003;13/04/2003; 04,11, 18/05/2003 (Day/Month/Year).	Finding from production record reviews at workshops and no pertinent attendance records on Sundays (rest days) were recorded at computer time card system.		The factory must develop and implement a policy of providing workers with one day off per week. Management should also describe how they will communicate this policy to workers, and submit the policy and communication strategy to Reebok. In the rare instances when the factory may have to work on a rest day, management must provide this information to Reebok, and must endeavor to provide one compensatory day off in the following week.	01-Jun-03	Effective on June 1, 2003, factory management has strictly enforced the policy of "one day off in seven". Whenever overtime on Sundays is needed, overtime work will be voluntary based & compensation leave will be arranged in following week. Also, overtime payment for Sunday work, and on rest day will be 2 times of normal wages. A unique time record will be kept in computer record system.	25-Jul-03	Copies of the commitment letter and worker handbook were submitted to Reebok as verification, and are maintained in Reebok's internal files	In June 2003, factory management developed and implemented a policy to guarantee one day off in any given seven-day period. To inform workers, the policy was included in the worker handbook which is distributed to workers. Reebok's monitor re-audited the factory and the review of attendance records revealed that workers are being provided one day off in a seven day period. Workers did work two Sundays (June 2 and July 6), but the factory arranged for rest days within a seven day period as compensation. Moreover, Wages for this Sunday work were paid at the proper overtime rate of 2X normal wages. Interviews with workers confirmed the voluntary nature of overtime, the day off and proper wage payments. Interviews also demonstrated that workers understand the policy of "one day off in seven". Factory management also submitted to Reebok a written letter of commitment, stating it will continue to provide one day off in seven. Reebok's monitor will continue to monitor the factory in order to determine continued compliance with the factory's rest day policy.

Findings					Remediation					
FLA Code/ Compliance issue	Benchmark or legal reference	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	Factory Response	Completion Date	Documentation	PC Follow-Up & Verification
Exceeding maximum legal weekly work hours	Not exceeding 40 normal work hours per week and 36 overtime hours per month, Clause 41 of PRC Labor Law; Clause 3 of The State Council Provisions on Working Hours. <b>Per FLA Benchmarks, Wages and Benefits, Hours of Work, Overtime Compensation:</b> 1.Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts. 2. Overtime hours worked in excess of code standard will be voluntary.	Based on findings from interviews with employees, at least 60 - 90 overtime hours per month or at least around 60 - 72 hours per week at peak season.	Finding from interview with workers		As mentioned above, the factory has already acknowledged falsifying time records to hide excessive overtime and some Sunday work. However, after inspecting the real time records, Reebok found that most weekly working hours stayed within 60 hours/week, although a few weeks in April reached 72 hours/wk. Working hours in apparel factories in China typically exceed limits established by Chinese law. We are not aware of efforts by Chinese government authorities to enforce legal working hours requirements. Reebok 's ability to influence these working hours is limited by the fact that factories have multiple buyers. Reebok is engaged in a two pronged strategy to address the working hours issue: a/ requiring that apparel factories limit working hours to 60-hours/week, with limited exceptions, and b/ collaborating with other buyers to obtain commitments for further overtime reductions.	01-Jul-03	Regarding to working hours, the factory has been strictly enforcing working hours according to standard that weekly working hours must stay within 60 hours, with 72 hours/week only in special occasions. Again, only one set of computer record system will be kept.	25-Jul-03	Copies of the commitment letter and worker handbook were submitted to Reebok as verification, and are maintained in Reebok's internal files	In Reebok's follow-up audit of the factory during July 2003, appropriate record keeping was confirmed. Factory submitted to Reebok's monitor a commitment letter to provide workers one day off in seven days, and to abide with the standard of no more than 60 hours per week with the limited exception for 60-72 hours/wk during in peak season for only 3 out 12 weeks. Factory management also included this working hours policy in its worker handbook which is distributed to workers. Reebok's monitor will continue to monitor the factory in order to determine continued compliance with the factory's working hours policy.
					The factory must commit to Reebok in writing to keeping only one set of accurate time records going forward, and must commit to abiding by the Reebok working hours policy described above. Any and all violations of the policy must be discussed with Reebok.					
<b>10. Overtime Compensation</b>										
Wage rate for OT not verified	150% of normal wage at extended work hours on weekdays; 200% on Sundays and 300% on Statutory Holidays, Clause 44 of PRC Labor Law <b>Per FLA Compliance Benchmarks, Wages and Benefits, Hours of Work, Overtime Compensation</b> 1. All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled. 2. Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. 3. All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately. 4. The factory shall comply with applicable law for premium rates for overtime compensation.	Due to inconsistent attendance records between production records and computer time records on working rest days particular from February to May 2003, there was lack of evidence to demonstrate that the factory had provided adequate overtime premium to workers. For example: 23/02/2003; 02,16/03/2003;13/04/2003; 04,11,18/05/2003 (Day/Month/Year), the above dates indicated on computer time records provided by factory were rest days (Sundays). However, those dates were working days indicate on daily production records of cutting & sewing, and the incoming material receipt records of warehouse.	Finding from production record reviews at workshops and no pertinent attendance records on Sundays (rest days) were recorded at computer time card system.		As mentioned above, the factory maintained two sets of time records (manual attendance sheet and computer recording system) and two sets of payroll records. The real payroll records appeared to match the manual attendance sheets that included all overtime and Sunday work. The accurate payroll indicated that all overtime hours on Sunday in Mar '03 and April '03 were paid at 2 times the normal wages rate as required by law.	01-Jun-03	From now on, only one set of computer record system will be implemented. Also, all working hours & payroll calculations will be strictly maintained according to the proper wage standards for minimum wage and overtime wage (1.5 times on weekdays for overtime, 2 times on rest days for overtime & 3 times on statutory holidays for overtime). This policy and commitment has already been stated in the workers' manual and workers are well noted on such arrangements.	24-Jun-03	Commitment letter and worker handbook submitted to Reebok as verification, and are maintained in Reebok's internal files	Reebok's monitor will continue to monitor the factory in order to determine continued compliance with proper wage payments in accordance with local law.