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 Audit Profile	
Country	China
Factory name	12021551B
IEM	BVCPS (HK), Shen Zhen Office
Date of audit	June 23 & 24, 2003
PC(s)	Reebok International Ltd. & New Era Cap Company Inc.
Number of workers	727
Product(s)	caps
Production processes	Sewing, cutting and packaging
Other brands in factory	

	Findings				Remediation						Verification
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 (October 14th, 2003, January 8, 2004)	Monitor Verification Findings (December 14th, 2003)
1. Code Awareness											
Code posting	**FLA Principles of Monitoring, Obligation of Companies:** FLA-approved PC's COC were posted at all production buildings and all dormitory buildings. The content of the COC shall be written in one of the languages that the workers understood.	Reebok's (the participating company) code was posted in the notice board (in Chinese version) and the other one was posted in the conference room (in English version). However, the notice board was only located on the passage between the 2-story and the single-story production buildings. Moreover, no COC was posted in the 8-story female dormitory building and the 2-story male dormitory building. So, auditor considered the factory not posting the Code of Conduct throughout the factory	Visual inspection	Nil	**(a)** Participating Company will provide factory with two new Reebok code of conduct (e.g., "Notice to Worker") posters, for posting in the female and male dormitories. Once posted, please submit to Reebok pictures of the posters posted, and indicate on the picture where they have been posted in the factory. **(b)** However, Reebok recommends that all workers receive information about Reebok's Human Rights Production Standards in order to help create an informed workplace. Please submit to Reebok a plan for how the factory intends to educate both existing workers and new workers (as part of their orientation), on a regular basis, about the Reebok Standards.	11-Aug-03	(a) Reebok's code of conduct posters were posted in the female and male dormitories on 16/8/03, and photos of the postings were submitted to Reebok. (b) Factory conducted trainings for all existing employees in three batches on Aug 27, 28 & 29. Factory will implement this kind of lesson on a quarterly basis after this training.	(a) 16-Aug-03 (b) On going	(a) Pictures of the posted code of conduct posters were submitted to Reebok as verification and are maintained in Reebok's internal files. (b) Documentation indicating the factory conducted trainings for existing employees was submitted to Reebok as verification and is maintained in Reebok's internal files.	Reebok's monitor confirmed that the code of conduct poster was posted inside the factory, and that the factory conducted trainings to all existing employees. Factory will continue to train new workers about the Reebok Standards on an ongoing basis. Reebok's monitor will continue to monitor the factory's efforts in this regard to determine continued compliance. On October 14, 2003 NEC monitor confirmed that Reebok Code not posted in Male Dormitories as previously reported. NEC monitor reconfirmed that the Reebok code of conduct poster is posted throughout the factory. Digital Photos taken. Upon follow-up by Reebok in December / January, the factory explained that the poster was placed inside the factory because only a few workers lived in the dormitory. Nevertheless, the factory complies with Reebok's Standards in this regard because five Reebok code posters are posted in prominent locations inside the factory (in both production buildings, in the notice board and conference room). Moreover, the code of conduct is included in the worker hand book, and training is a part of the factory's efforts to create an informed workplace. Nonetheless, the factory has agreed to place an additional poster inside the male dorm in light of previous commitments made under this audit. New Era Cap Code of Conduct provided to supplier on laminated paper in simplified Chinese, Additionally, provide both PDF and .doc files to supplier who shall produce larger posters for conspicuous display in factory buildings and dormitory.	Reebok's COC (in Chinese version) was still not posted in either the female dormitory or male dormitory. However New Era's COC (in Chinese version) was posted throughout the factory including dormitories. The factory representative explained that Ms. (X, Staff) of Reebok just gave them 5 COC posters. Two were posted in the 2-storey production building, one was posted in the single storey production building, notice board and conference room respectively. The number of posters was not enough. They had requested Ms. (X) to send at least another 2 COC posters.
Informed Workplace	**FLA Principles of Monitoring, Obligation of Companies:** Factory shall put in place a confidential non-compliance reporting mechanism	No confidential non-compliance reporting mechanism was in place for workers to file the complaints directly to Participating Company.	Nil	Nil	As part of Reebok's efforts to create an informed workplace in our supply chain, Reebok's "Notice to Workers" posters will be posted in the factory. This poster contains contact information on how to reach Reebok's local human rights monitor.	11-Aug-03	Reebok's "Notice to Workers" posters were posted in the factory and dormitories and photos of the postings were submitted to Reebok. As part of the training program detailed above, the factory will also provide workers with information on how to contact Reebok.	16-Aug-03	Pictures of the posted "Notice to Workers" code of conduct posters were submitted to Reebok as verification and are maintained in Reebok's internal files.	Reebok's monitor confirmed that the code of conduct poster was posted inside the factory, and will continue to assist the factory's efforts to provide workers with information about the Reebok Standards and how to contact Reebok directly. NEC's monitor verifies that code is posted that directs employees to report non-compliance.	(1) Reebok's COC (in Chinese version) contains contact information on how to reach Reebok's local human rights monitor. The contact information is as below: (Tel No.:**********Cell phone No.:******** Email:*********) Contact person: Ms. (X). All reported complaints will be kept confidential. (2) All interviewed workers knew this information.
2. Forced Labor											
3. Child Labor											
4. Harassment or Abuse											
5. Nondiscrimination											
6. Health and Safety											
Machine guards	**Country Law:** According to Article 32 of Factory Safety and Health Rules: Protection devices shall be mounted on dangerous parts, e.g. driving belt, open gear, grinding wheel, electric saw, axial ring that is close to the ground, rotary axle, belt pulley and flywheels. **FLA Benchmark, Health and Safety:** All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner	Some sewing machines were not equipped with pulley guards.	Visual inspection	Nil	All sewing machines inside the factory must have needle guards and pulley guards. **(a)** Factory must conduct an inspection of all sewing machines to determine which machines are missing (or have broken) safety devices, and then equip any machines needing new guards with the necessary guards. Please submit to Reebok (i) a list of the total number of machines needing safety guards and (ii) documented proof (purchase receipts, pictures, etc.) that the guards were installed. **(b)** Factory should also develop and document a process for the regular inspection of sewing machines by a qualified person to ensure that machines are equipped with the proper safety devices on an ongoing basis. Please submit to Reebok a copy of this documented process/plan.	11-Aug-03	(a) Factory has completed its investigation of all sewing machines, and has installed pulley guards where missing. (Factory found the needle-broken protections missing on one of special stitching machine and repaired it). Factory submitted photos to Reebok showing the devices have been repaired. (b) Factory has created and implemented a register book for the mechanic-in-charge to record regular inspections.	14-Aug-03	Factory submitted photos of the repaired machines and a copy of the register to Reebok as verification and documents are maintained in Reebok's internal files.	Reebok's monitor verified all actions were taken by the factory, and will continue to monitor the factory's efforts to determine continued compliance with operation safety standards. On a follow-up visit, NEC's monitor had determined that most machines still lack safety guards on motor drive pulleys (located below table surface). Reebok's standards required the factory to install needle guards and pulley guards on sewing machines above the sewing table, which was done, but NEC asked the factory to include safety guards on pulleys located below the table surface as well. The facility developed a prototype pulley guard and consulted with local fabricator(s) to manufacture approximately 600 units for all guards for pulleys located below table surface for installation. Subsequent visit on December 10 by New Era Internal Staff indicated that all machinery has been properly guarded and this noncompliance is satisfied.	All missing pulley guards were installed except one sewing machine in the sewing section on the 1st floor of the 2-storey production building. The factory has a register book to keep inspection records of sewing machines.
First Aid procedure	**FLA Benchmark, Health and Safety:** 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 procedures that deal with first aid were posted in the factory.	Visual inspection	Nil	Factory should develop and post procedures dealing with first aid by the first aid boxes in the factory. Please submit to Reebok copies of the first aid procedures, and pictures of all areas where they are posted.	11-Aug-03	Factory developed first aid procedures, and posted them near each first aid box in all production areas and dorm.	11-Aug-03	Copies of procedures and photos were submitted to Reebok as verification and are maintained in Reebok's internal files.	Reebok's monitor verified all actions were taken by the factory, and will continue to monitor the factory's efforts to determine continued compliance with first aid, health & safety standards. October 14, 2003, NEC monitor reconfirmed that first aid procedures are posted next to first aid kits in dormitories.	(1) Procedures dealing with first aid were posted in the factory. (2) Fifteen (15) employees were trained in first aid. They were familiar with the first aid procedures.

	Findings				Remediation						Verification
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 (October 14th, 2003, January 8, 2004)**	**Monitor Verification Findings (December 14th, 2003)**
First Aid Kit in Dormitory	**FLA Benchmark, Health and Safety**: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees	No first aid kit was found in the dormitory	Visual inspection	Nil	**(a)** Factory must have first aid kits installed which are sufficient for workers. A working guidelines is one first aid for every 100 workers in the dormitory. First aid kits should contain, at a minimum: adhesive bandages, antiseptic, sterile absorbent pads, latex gloves, burn treatment, medical tape, scissors, and tweezers. First aid kits must be also placed in the dormitory in prominent locations that are accessible at all times. Please submit to Reebok pictures of all installed first aid kits, and indicate on the picture where inside the factory the picture is located. **(b**) Moreover, a person (preferably from a Health Safety Committee) should be designated by the factory to be responsible for the ongoing inspection of first aid kits on a regular basis to ensure kits are restocked as needed. Each kit should be labeled with minimum fill contents and quantity, so that it can be easily rechecked and refilled. A picture of the person in-charge should be posted by the first aid kits. Please provide Reebok with a picture of a sample first aid kit where the photo of the person-in-charge was posted.	11-Aug-03	(a) Factory has installed First Aid box(es) on all floors (F/2 to F/8) of dormitory on 25-7-03. Pictures were submitted to Reebok auditor. (b) Factory has assigned a person for each first aid box to manage it. They are responsible for determining use and regularly checking and refilling supplies.	(a) 25-July-03 (b) 30-Aug-03	Pictures of the first aid boxes and the persons who are in charge of them were submitted to Reebok, and are maintained in Reebok's internal files.	Reebok's monitor verified that all first aid kits are with sufficient supplies inside, and will continue to monitor the factory to determine continued compliance with first aid standards. October 14, 2003, NEC monitor confirms that first aid boxes exist on every floor of female dormitories and have assigned a person with responsibility to maintain first aid kits. Facility has also developed a procedure for treating injured workers and have provided training by (*******an orgnization) to the first aid responders. No first aid boxes or treatment procedures are installed in the male dormitories at this time. Factory manager has indicated that they plan to install first aid boxes and provide written procedures with responder pictures in the male dormitories. Factory already posted first aid procedures in male dorm and will add the first aid box by this week. (Dec 30, '03)	(1) Fully stocked first aid kits were installed in the female dormitory, but not in the male dormitory. The factory representative explained that they were in the process of installing first aid kits in the male dormitory. (2) The factory had assigned a person responsible for each first aid box. She/he is responsible for checking and refilling supplies of the first aid box.
PPE sign	**FLA Benchmark, Health and Safety:** 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 signs or diagrams in the language spoken by workers indicating the need for personal protective equipment were found in the factory.	Visual inspection	Nil	In all areas where activities are conducted where PPE is required, factory should post, in the language spoken by workers, a "poster" which details the factory's policy on PPE. Reebok recommends that the poster should address each type of activity where PPE is required, and should also include the following: (i) encourage workers to use PPE where required, and any factory disciplinary policies for failing to use PPE, (ii) instruct on the reasons for PPE and risks for not using it, and (iii) how to use the PPE properly.	11-Aug-03	Factory has posted the factory's policy on PPE, which encourages workers to use PPE where required and disciplinary policies for failing to use PPE per Reebok's requirements i-iii. Included were instructions for workers on the reasons for PPE and on their proper use. Factory has submitted to Reebok pictures of the instructions and diagrams posted on the machines.	14-Aug-03	Pictures of the posted PPE policies were submitted to Reebok as verification, and are maintained in Reebok's internal files.	Reebok's monitor verified the posting of PPE policies, and will continue to monitor the factory's PPE policies to determine continued compliance. NEC's monitor verified that PPE is adequately posted and is compliant with FLA requirement.	(1) Signs of wearing PPE were posted in areas where PPE is required and employees were wearing PPE properly in these areas. (2)Training on PPE was provided to employees, which included (i) encouraging workers to use PPE where required, and factory disciplinary policies for failing to use PPE,(ii) instruction on the reason for PPE and risks for not using it and (iii) how to use PPE properly.
Chemicals in use	**FLA Benchmark, Health and Safety** 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	Tri chloroethylene was found to be improperly stored (mislabeled containers, opened containers) and in use by personnel as a cleaning agent for removing material stains.	Visual inspection	Nil	Chemical should be stored in an approved container properly labeled. Workers who use chemical should be trained in the proper use of personal protective equipment as well as awareness training about the chemical and its effects on workers.	14-Dec-03				During the October followup visit, New Era identified an additional area of non-compliance to New Era's standards for chemical use. On December 10, New Era internal staff visited the site to inspect for completion of open remedial action items. At this time, the noncompliance for chemical use has not been cleared. Additional follow-up by Reebok and New Era compliance staff is expected.	
7. Freedom of Association and Collective Bargaining											
Documented policy	**Recommendation:** There shall be a written policy on independent worker representation.	No written policy on independent worker representation was found in the factory.	Nil	Nil	Factory must implement a problem-solving mechanism. This system must be based upon the principle of non-retaliation, have the option of anonymity, and offer a reporting option other than direct supervisor. Please note that the system will only function properly if it is taken seriously by factory management, and workers know that their problems and suggestions will receive a response. Workers ought to be represented when resolving workplace disputes. Please submit to Reebok written documentation describing your grievance procedure and how disputes will be handled. Please also submit to Reebok a copy of your non-retaliation policy.	11-Aug-03	Factory is in the process of implementing a problem-solving mechanism, and will submit documentation to Reebok once completed.		Written documentation describing the factory's internal problem-solving mechanism has been requested from the factory.	Reebok's monitor has provided the factory with guidelines for their use in developing an internal problem solving mechanism, and will continue to assist the factory as they develop the internal system. NEC's monitor verifies through review of documentation that the procedure is in place. Facility has communicated to employees that they have the right to select workers (5) from their group to elect them to the workers Problem Solving Committee. Facility has also provided workers with an election form by which they can use to make the election. The Human Resources officer has the responsibility to collect forms and tally votes. There has not been any meeting conducted up to this time. First meeting is pending outcome of the voting. Timing on collection of forms was October 23 and first meeting was planned for November 1, 2003. Facility shall provide feedback to NEC monitor of persons selected and meeting minutes. Upon follow-up with the facility, it was determined that the factory does have an implemented problem-solving mechanism. The system has the option of anonymity and includes a non-retaliation principle.	(1) The factory revised the problem-solving mechanism on Oct 30, 2003. This system provides the option of anonymity (through the use of suggestion boxes) and included a non-retaliation principle. (2) All interviewed workers indicated that they had been informed of this system. Workers used this system to raise issues of concern. (3) The factory will handle the raised issues and have a sound response in two weeks.
8. Wages and Benefits											
Local minimum wage not guaranteed	**Country Law:** According to Article 48 of the Labor Law of the People's Republic of China: The state practices the system of minimum wage guarantee. The wages paid by employing units to laborers shall not be lower than the local minimum wage limit.	11 out of 25 sample workers were paid RMB 2.57/hour in Apr 2003, which was lower than the current local minimum wage of RMB 2.69/hour.	Payroll records of Apr 2003	Nil	Factory must pay its workers the current legal minimum wage, from Mar 1 2003 when the new minimum wage went into effect. Factory must **(a)** investigate payroll records from Mar 2003 to May 2003 to determine which workers received wage payments which were lower than the current minimum wage of RMB 2.69/hour, and **(b)** factory must retroactively pay workers all differences in wage payments during Mar 2003 to May 2003. Please submit to Reebok (i) a list of all workers who are owed wages, and (ii) copies of payroll records demonstrating wages were retroactively paid to each of these workers, then (c) factory must guarantee the current legal minimum wage from the payroll of June 2003 and on.	31-Aug-03	(a) & (b-i,ii) Factory is in the process of investigating payroll records of March, April and May 2003 and calculation of the underpayments. Once we finished the calculation, factory will pay the money to all relevant employees, separately from the distribution of monthly wages. We'll provide all relevant documentation to Reebok once we finished all actions. (b-iii) Factory already implemented the current legal minimum wage as of the payroll of June 2003.	(a)&(b-i,ii) target completion of Sept-03 (b-iii) 30-July-03	List of workers and copies of payroll records have been requested from the factory once the investigation and payments are completed.	Reebok auditor verified that factory already implemented the current legal minimum wages from payroll of June 2003. Regarding retroactive calculation, factory is in process of calculating payments and has been requested to finish all action and submit all necessary documentation by the end of September.NEC's monitor followed up in the factory later in the fall. NEC's monitor has reviewed payroll records and have conducted sampling interviews with workers to determine that the factory has a) paid back wages to employees affected by minimum wage law increases and b) facility is currently paying minimum wage as required by local law. Monitor verifies through this testing and corroborating interviews that a and b above are both complied with.	(1) Auditor selected 25 sample employees from the most recent paid month (Oct 2003) for compensation review. The lowest wage paid was RMB 2.69/hour, which meets the current local minimum wage of RMB 2.69/hour. The factory started to pay employees at least RMB 2.69/hour from Jun 2003 onwards. (2)The factory retroactively paid employees the minimum wage for the month of Mar, Apr and May 2003 in separate payrolls in Aug 2003. (3) The factory representative claimed that the minimum wage was not guaranteed for these three months because of the late announcement of the change of minimum wage from the local labor bureau. Factory was informed of the new minimum wage in May 2003. Once the factory receives the information of the change of minimum wage, it will start to back-pay all the differences.

	Findings				Remediation						Verification
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 (October 14th, 2003, January 8, 2004)**	**Monitor Verification Findings (December 14th, 2003)**
Wage Deduction	According to Article 24 of Opinions on Matters of Carrying out Labour Law of the People' s Republic of China of LMI [1995] No. 309: Employers shall not collect or withhold the wages of employees in any form as deposit or for other purpose.	(*****Some) interviewed workers said that they voluntarily paid RMB 15 for swipe card, RMB 2 for factory badge, RMB 25 for two sets of summer uniform and RMB 50 for two sets of winter uniform.	Worker interviews	Nil	The factory returned all charges for uniforms to workers in Dec '02. The factory now offers workers opportunity to buy uniforms voluntarily, and as it is not required this charge is acceptable.(**a**) However, tools, swipe cards, badges, and any other equipment required for work must be the obligation of the employer. The factory may charge reasonable fees for items lost due to worker negligence, but cannot charge workers for the original issuance of these items. Please develop, and submit to Reebok, a factory policy addressing the prohibition of wage deduction for the issuance of work-related equipment moving forward. Policy should address how this will be communicated to factory management and workers. (**b**) Factory must then reimburse workers for any and all charges for tools, swipe cards, badges, and any other equipment required for work.	31-Aug-03	(a) Factory developed a notice stating that swipe cards should be provided free by factory. (b) Factory has refunded affected workers the money in payroll of July 2003 and has submitted to Reebok one copy of payroll for inspection.	(a) 14-Aug-03 (b) 3-Sep-03	Copies of the notice of no deduction policy and copies of payroll payments showing reimbursement of deductions have been submitted to Reebok as verification, and are maintained in Reebok's internal files.	Reebok's monitor verified the factory posted the notice and also received the copy of the payroll sheet indicating the reimbursement of the deduction of swipe cards. NEC's monitor verified by employee interview that facility no longer charges employees for swipe badge or employee ID badge. There are charges made for uniforms but they are so called "voluntary" and the worker pays for two summer and two winter uniforms. The charge is 25RMB for two summer and 50RMB for two winter uniforms, a reasonable amount.	(1) No policy exists prohibiting the deduction of pay for work-related equipment. (2) Existing employees were informed of the reimbursement of swipe card and factory badge through speaker. New employees were informed that the factory would not require them to pay work-related equipment during the induction training. (3) RMB 17 (RMB 15 for swipe card and RMB 2 for factory badge) was reimbursed to employees in the payroll records of Jul 2003. (4) All new employees still said that they voluntarily paid RMB 50 for 2 sets of winter uniform.
Downtime wage	**Country Law:** According to Guangdong Province: Article 28 of Regulations of Guangdong Province on Labor Management of Foreign-Invested Enterprises [1989]: An enterprise in downtime shall pay its employees downtime wages, which shall not be lower than 70% of the average wages of the employees.	In reviewing the payroll records of Apr 2003, 4 out of 25 sample workers were not paid downtime wages. The downtime period was about half day.	Payroll records of Apr 2003	Nil	Reebok requires factory to comply with Chinese requirement of downtime wages. If downtime is within a period of payment of wages, factory should pay wage according to the standards prescribed in the labor contract. In case of exceeding a period of the payment of wage, if labor provides normal work, the remuneration paid to labor should not be lower than local minimum wage.	30-Aug-03	Factory is still in the process of determining calculations, as it is a lengthy process to inspect all workers' wages one by one to compare their hourly wages and pieces wages to find out if he/she was underpaid due to the shutdown time in April '03. But, we estimate that we will finish all calculations and needed reimbursements for the owed wages to relevant workers before the end of September.		Documentation of missing downtime wages, as well as copies of payroll records indicating their payment, have been requested from the factory.	Reebok's monitor has explained to the factory the correct calculation of wages as to underpaid wages due to shutdown time in April '03. Reebok's monitor will continue to work with the factory to determine whether workers have been paid the proper wages. NEC's monitor has verified by examination of payroll records and corroboration with workers interviewed that back wages have been paid.	(1) There will be no down-time work from May 15, 2003 onwards as the factory applied the Comprehensive Calculation of Working Hours System for the period from May 15, 2003 to Dec 31, 2003. According to this system, once a worker has 8 hours of down-time, then the factory can cover this 8 hours with 8 hours of overtime. It is until when the factory cannot cover the down-time hours with overtime hours, then the factory should pay down-time wage. However the actual situation is that the factory had too many overtime hours, which is far more than enough to cover down-time hours. The auditors pointed out this issue because the factory implemented the normal working hours system in the previous audit. Once the factory implemented this system, working hours could not be shifted. The factory used overtime hours extension from the local labor bureau to exempt the overtime limit of 36 hours per month. However the local labor bureau no longer approved the overtime hours extension of more than 36 hours per month. Therefore the factory applied the Comprehensive Calculation of Working Hours Sy The factory retroactively paid the down-time wage for the month of Apr 2003 in a separate payroll in Aug 2003. (3) Workers acknowledged down-time wage by by signing on payroll records.
Records keeping	**FLA Benchmark, Wages and Benefits:** The factory shall maintain at least the last 12 months payroll and hour records.	The factory only provided 8 months (Sep 2002 to Apr 2003) payroll and time records for auditors to review. The factory management claimed that the records before Sep 2002 had been sent to its Hong Kong office for storage	Payroll and hour records from Sep 2002 to Apr 2003	Nil	Reebok requires factories to store all records for the last year onsite. Please return any records from July 2002 onward which have been sent to Hong Kong office for storage to the factory premises, and provide documentation to Reebok that this has been done.	31-Aug-03	Factory has obtained on Sept 1 '03 a copy of payroll of July & August '02 from the Hong Kong company. Factory will keep records on site for inspection any time, as requested.	1-Sep-03	Copy of the summary sheet has been submitted to Reebok, and is maintained in Reebok's internal files.	Reebok's monitor will continue to monitor the factory's continued compliance with documentation requirements. NEC's monitor has verified that as of the revisit, 12 months of payroll records are kept on site at the factory.	The factory maintaned the last 12 months (from Nov 11, 2002 to Oct 2003) payroll and attendance records on site.
Voluntary Use of Benefits				Factory provided 100% recreation facilities which were not legally mandated							
Social Security and Incentive Bonus				Factory provided 100% social security (except pension) and 100% incentive bonus which was not legally mandated							
9. Hours of Work											
Record-keeping responsibility	**FLA Benchmark, Hours of Work:** All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	The manual attendance records (from Dec 2002 to Apr 2003) were now completed by the supervisors, instead of the workers themselves (REMARK : swipe card printout was not considered as formal attendance records during this audit because the factory claimed that the swipe card system was still in pilot stage and the data was not accurate. Hence, factory did not provide swipe card printout for auditors to review during this audit, but only time cards from Sep to Nov 2002 and manual records from Dec 2002 to Apr 2003)	Hour records from Dec 2002 to Apr 2003	Nil	Until swipe cards are properly functioning in the factory, the factory must implement an accurate and reliable time keeping system where workers themselves are recording the hours they work on a shift/daily basis. Please submit to Reebok an explanation of how the factory will implement this new time keeping system, and copies of the documents used by workers to record their hours worked.	11-Aug-03	The manual attendance sheets used in April 03 were submitted to Reebok for review. However, the new swipe card system is now operational, and will be used moving forward to record all hours worked.	11-Aug-03	Manual attendance sheets used in April '03 were submitted to Reebok as verification, and are being maintained in Reebok's internal files.	Reebok's monitor will conduct ongoing inspections of the factory to determine ongoing compliance with the recording working hours requirements. NEC's monitor has reviewed a 30-day sample of the timekeeping system. Monitor has found that the system is in good working order and captures attendance and overtime hours adequately.	(1) The new swipe system is effective from May 2003 onwards. All working hours were correctly recorded. (2) However one (1) out of 5 sample employees were found that working hours from May 15, 2003 to Dec 27, 2003 was 1,619 hours, which exceeded the legal limit of 1,566 hours. The factory applied the Comprehensive Calculation of Working Hours System for the period from May 15, 2003 to Dec 31, 2003. According to this system, the working hour for these months was as below: May 2003 (from May 15 to May 31): 114 hours (96 hours normal plus 18 hours overtime), Jun 2003: 204 hours (168 hours normal plus 36 hours overtime), Jul 2003: 220 hours (184 hours normal plus 36 hours overtime), Aug 2003: 204 hours (168 hours normal plus 36 hours overtime), Sep 2003: 212 hours (176 hours normal plus 36 hours overtime), Oct 2003: 196 hours (160 hours normal plus 36 hours overtime), Nov 2003: 196 hours (160 hours normal plus 36 hours overtime) and Dec 2003: 220 hours (184 hours plus 36 hours overtime). Therefore the total working hours allowed is 1,566 hours.
10. Overtime Compensation											

	Findings				Remediation						Verification
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 (October 14th, 2003, January 8, 2004)**	**Monitor Verification Findings (December 14th, 2003)**
Incorrect base for calculation of overtime wage	**Country Law:** The normal wage (i.e. base for calculation of overtime wage) shall be at least the local minimum wage standard as per PRC Labor Law : Article 48	Despite the factory paid 150% and 200% of normal wage for overtime on weekdays and rest days respectively, the factory failed to comply because the base to calculate overtime wage was below legal minimum wage for 11 out of 25 samples in Apr 2003. For example, the factory used RMB 2.57/hour as the base to calculate overtime wage rather than RMB 2.69/hour.	Payroll records of Apr 2003	Nil	Factory must pay its workers the current legal minimum wage, from Mar 1 2003 when the new minimum wage went into effect. Factory must **(a)** investigate payroll records from Mar 2003 to May 2003 to determine which workers received wage payments which were lower than the current minimum wage of RMB 2.69/hour, and **(b)** factory must retroactively pay workers all differences in wage payments during Mar 2003 to May 2003. Please submit to Reebok (i) a list of all workers who are owed wages, and (ii) copies of payroll records demonstrating wages were retroactively paid to each of these workers, then (c) factory must guarantee the current legal minimum wage from the payroll of June 2003 and on.	31-Aug-03	(a) & (b-i,ii) Factory is in the process of investigation payroll records of March, April and May 2003 and calculation of the underpayments, with a target completion date of end of September. Once we finished the calculation, we will pay the money to all relevant employees, separately from the distribution of monthly wages. We'll provide all relevant documentation to Reebok once finished. (b) Factory already implemented the current legal minmum wage from the payroll of June 2003.	(a)&(b-i,ii) to be completed (b-iii) 30-July-03	List of workers and copies of payroll records have been requested from the factory once the investigation and payments are completed.	Reebok auditor verified that factory has already implemented the current legal minimum wages from payroll of June 2003. Regarding retroactive calculation, factory is in process of calculating missing payments, and Reebok's monitor will continue to work with the factory to determine whether workers have been paid the proper wages. NEC's monitor verified that facility is paying the current legal minimum wage and has paid workers all back wages for the period of time that the facility was not paying workers minimum wage rates. Reviewed payroll records for the period in question and interviewed sample of workers to corroborate findings.	(1) Auditor selected 25 sample employees from the most recent paid month (Oct 2003) for compensation review. The lowest wage paid was RMB 2.69/hour, which meets the current local minimum wage of RMB 2.69/hour. The factory started to pay employees at least RMB 2.69/hour from Jun 2003 and on. (2)The factory retroactively paid employees the overtime wage for the month of Mar, Apr and May 2003 in separate payrolls in Aug 2003 with the calculation base at least RMB 2.69/hour.(3) All interviewed employees were aware of the legal minimum wage and overtime wage.