

FLA Audit Profile	
Country	China
Factory name	08021539C
IEM	ICO & Kenan Asia Institute
Date of audit	July 12 - 13, 2004
Days in the facility	2 days
PC(s)	Puma; Nordstrom, Inc.
Number of workers	240
Product's)	Sweaters
Production processes	Assembly line

		Findings				Remediation					Updates	
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation	Best Practice	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date of Follow Up)	Documentation	Company Follow Up (Cite Date of Follow-up Visit)	Documentation
1. Code Awareness												
Worker/management awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of 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.	Most of workers even don't know what the union is.	workers interview		1) Provide training to management representatives and some workers on all items covered by the codes of conduct (COC) including the applicable laws of country; 2) Develop a time plan such that all present workers shall be trained on this; 3) Include code of conduct as one of the topics in the briefing/orientation of incoming workers.	Mar. 31, 2005	Workers were educated on unions and could explain the purpose.	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Worker interview
Confidential noncompliance reporting channel		FLA Principle of Monitoring, Obligation of Companies: 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.	The suggestion book and box are not effective because workers interviewed did not get responses from management for issues raised in the book and box. Because there is no effective communication channel, there is a risk of misunderstanding between management and workers.	workers interview		Develop a system, which sets the day and frequency of opening the suggestion box (at least once a week) and the period within which to answer the suggestion. Management replies should be communicated to the workers and, together with the workers' suggestions, must be kept on file.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Worker 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.												
Freedom in Employment	Opinions of the Ministry of Labor on Matters Concerning the Implementation of the Labor Law: The employing unit shall not in any form collect deposit, guarantee money and pledge from an employee when concluding a labor contract.		The factory allows workers to terminate their contract with 30 days advance notice, but at peak season, it is not so easy for workers because of the delayed payment.	workers interview		Adjust policies and procedures to ensure that workers have the right to terminate employment at will after following the legal requirements for giving notice and accomplishing clearance for any accountability with factory. Workers should be paid full wages and earned benefits after accomplishing clearance requirements. Brief all management and supervisory staff and workers on the resignation policy.	Jan. 31, 2005		3/31/2005: Memo stating improved policy posted in factory and training provided to supervisors who relayed new policy to workers.	Worker interviews; document review; visual inspection		
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 15.												
Age verification	Child Labor & Age verification Article 4 of Regulation Banning Child Labor (effective on Dec 1, 02) The employer shall verify the identity cards of the persons to be employed at the time of hiring. Any minors who are below 16 years old shall not be employed. The employer shall properly maintain the hiring and verification records for the employees.		The factory cannot provide any directive regulations that aim to distinguish the fake IDs from the true because it is popular that child labor use fake IDs in order to get job.	document checking		Issue directive to all staff involved in recruitment that only IDs with the government security mark should be accepted. In case of doubt on the authenticity of the ID, it must be referred to the local government agency concerned.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Management interview & document review
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 of abuse.												

Freedom of Movement	Notice of Ministry of Labor, Ministry of Public Security and the All-China Federation of Trade Unions Concerning Strengthening Labor Management in Foreign Investment Enterprises and Private Enterprises and the Effective Safeguarding of the Legal Rights and Interests of Employees Document No 118 (1994), Sec 8: An enterprise shall be strictly forbidden from administering corporal punishment, beatings, conducting body searches, ridiculing its employees, or from locking workplaces or communal living quarters, thereby limiting the personal freedom of employees.	Employers will not unreasonably restrain freedom of movement of workers, including movement in canteen, during breaks, using toilets, accessing water, or to access necessary medical attention.	The time and frequency of toilet trips are restricted at work time.	visual inspection, managers and workers interview		Workers must be allowed freedom of movement for the reasonable use of restrooms and to leave the facility at anytime after giving proper notice to supervisors when leaving before break times or end of work day. Formulate policy and implementing guidelines and brief workers, supervisors and management staff on this.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005. The factory memo and record of workers' training were checked. This was also confirmed during workers' interviews.	Worker interviews, document review
5. Nondiscrimination												
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												
Employers 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												
Fire Safety Health and Safety legal compliance	2. China Safety Production Code, Article 29 Design, manufacture, installation, utilization, inspection, maintenance, alternation and disposal of devices should meet national and industrial standards. Facility should regularly and periodically maintain, repair and inspect safety equipments and to ensure all machines are safely operated. All repair, maintenance and inspection should be recorded in a log signed by appropriate personnel. 3. Article 10.2.6 and 10.2.9 of PRC Fire Service Law Emergency lights shall be installed in public building and shall be installed on walls or the top of exit.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	1) No central fire alarm system in factory. 2) Lacks a fence for keeping person from the generator. 3) Emergency light not installed in the work place.	Visual inspection		1) Install central fire alarm system with sound different from meal or break time. Regularly check and use the system in conjunction with a fire drill. 2) Enclose generator with fence and restrict access thereto. Clean generator regularly and oil for generator should be stored and handled properly. 3) Install emergency lights above every exit and stairwell and inside big working areas to provide enough light leading to the exits. Provide inspection tags on all units to record regular inspection.	Jan. 31, 2005		March 31, 2005	Verified complete in March re-audit.	Was verified again during scheduled 3rd Party Reaudit October 2005.	Visual tour
Sanitation in Facilities	Regulations on Safety Sanitation in Factories, Article 68. The toilets must be maintained in functional condition and clean.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	The toilet and washing room have offensive smell that is caused by lack of cleanliness.	Visual inspection		Ensure that toilets and washrooms are clean at all times. Implement a regular cleaning and disinfecting schedule. Educate workers on the observance of cleanliness and its importance.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Visual tour
Sanitation in Dormitories		All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills should also be conducted at least annually.	There is the problem of the sanitation within the dorm. The toilet and washing room have offensive smell that is caused by lack of cleanliness.	management and workers interview ,documentation review.		Ensure that toilets and washrooms are clean at all times. Implement a regular cleaning and disinfecting schedule. Educate workers on the observance of cleanliness and its importance.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Visual tour
Worker Participation		Workers should be involved in planning for safety, including through worker safety committees.	There is not a health and safety committee within the factory.	management and workers interview ,document checking.		Organize a health and safety committee with workers' participation. Committee must have defined duties and responsibilities and should meet regularly with minutes of the meeting recorded and kept on file. Committee should develop a yearly plan of activities to address the health and safety concerns in the factory.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005 through Committee minutes of meeting, management and worker interviews	Worker interviews, document review
PPE		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.	Management should measure risks of exposure to chemicals for workers using them in order to determine if PPE is required and what PPE is appropriate. Monitors recommend that cleaning procedure of sewing department needs to use gloves that are made of PVC (polyvinyl chloride), polyethylene, or polyester. Besides, they need protective glasses that can keep the volatilization of compounds of glycol and others from eyes, besides, ventilation conditions need improvement.	visual inspection; workers interview		Ask the local environmental agency or get the services of a professional agency to measure the level of risk of chemical exposure. If over the acceptable level, provide carbon type mask, plastic or latex gloves and protective glasses. If possible, relocate the cleaning process to an area near the window or install suction or exhaust system.	Feb. 28, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Visual tour

PPE		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.	The factory doesn't provide adequate PPE, and in the last 12 months, there were more than 10 accidents, though these accidents are not serious.	management and workers interview, document checking.		Provide protective equipment according to the need in a particular work area. Give briefing to supervisors and workers on the importance of regularly using the PPE. Include use of PPE as part of briefing incoming workers and supervisors as well. Supervisors should set an example in the use of protective equipment. If available, post illustrations on the dangers to health and safety if PPE is not used.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Visual tour
Sanitation in Dining Area		All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	There is no storage facility for plates and cutlery.	visual inspection; workers interview		Provide a clean storage cabinet for plates and other dining utensils. The cabinet should be properly protected from pests and rodents and should be regularly cleaned and disinfected.	Feb. 28, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Visual tour
7. Freedom of Association and Collective Bargaining												
Employers will recognize and respect the right of employees to freedom of association and collective bargaining												
		FLA Comment: <i>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 (ACFTU). 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.</i>				Workers must be given adequate representation in the Welfare Committee. Workers' representatives to be selected by workers and to serve for a fixed term unless recalled or replaced at the workers' initiative. There should be a fixed schedule of regular meetings of the Welfare Committee with the minutes of meeting to be recorded, approved by members and kept on file.	Jan. 31, 2005		3/31/2005		Was verified during scheduled 3rd Party Reaudit October 2005. Interviewed employees reported that there is a trade union founded at the facility and they are free to join the union or other legal organizations. The selection of workers for Welfare Committee by workers is still pending.	Worker interviews, document review
		<i>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-negotiated administrative agreements.</i>										
8. Wages and Benefits												
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits												
Accurate recording of wage compensation		All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	The computer does not record accurate payment records. All hourly wages, piecework, bonuses, and other incentives should be calculated and recorded accurately.	Workers interview, documentation review		Review computer program to ensure that the system is free of any error so as to consistently calculate wages accurately. Payroll record and pay slip should reflect details of all regular and overtime hours and the corresponding wages and other earnings such as paid leaves, public holidays, allowances, incentives and the applicable deductions.	Jan. 31, 2005	Factory advised that due to the poor performance of their 1 st computer payroll system, they installed a 2 nd system early 2005. The new system is a tailor-made and under a pilot period. The factory plans to complete the pilot period by end of this year 2005.	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Document review
Payment of Legal Benefits		Legally mandated benefits will be provided or paid in full within legally defined time periods.	A pregnant worker said she would receive pregnant compensation. However, the calculation and the unrecorded work hours proved that they have violated the FLA benchmarks.	management and workers interview, document checking		Formulate policy and implementing guidelines to ensure maternity leave benefit for workers. The policy and guidelines should ensure that pregnant workers are not discriminated against, and that the legal requirements to adequately protect their health and safety are followed. Payment of the leave benefit must be in accordance with the law.	Jan. 31, 2005	9/7/05 Pending. Factory advised they did not have pregnant workers in 2004, but had 1 pregnant staff employee. Need 3rd Party Audit	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Document review

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.	The workers interviewed do not know how to calculate their wages.	workers interview.		Develop a system of wage calculation that is simple and easy to understand. Brief all workers on how to calculate regular and overtime wages and on all legal benefits. Post the system of wage calculations on the bulletin boards at the production areas.	Jan. 31, 2005	The revised method was announced and made effective from March 1, 2005. Factory communicated the new method to workers by posting on notice boards. When workers have problems of understanding wage calculation or have queries on the wages calculation method, they go to their supervisors or to the HR Dept for explanation & clarification.	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Factory Memos, management and worker interviews
Time-recording system		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.	1) 2 security guards worked for 12 hours per day, without a day off within 1 month. 2) As the workers are paid on a piece rate, the overtime hours are not recorded in the timecard.	document checking.		1) Get additional security guards to ensure that they do not work beyond legal working hours and they get weekly rest days. 2) All working hours and days must be recorded on timecards. Factory must formulate and enforce a regulation that workers should use timecards properly to record the actual working hours and days.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Document review and worker interviews
Legal benefits	PRC Labor Law Article 70: The State shall promote development of cause of social insurance, establish a social insurance system, and set up social insurance funds so laborers can receive help and compensation when they become old, suffer diseases or work-related injuries, lose their jobs, and give birth. PRC Labor Law Article 71: The level of social insurance shall be brought in line with the level of social and economic development and social sustainability.	Employers will provide all legally mandated benefits to all eligible workers.	With regards to the social security, only 25% of employees have social security.	management interview, document checking		Develop a program or schedule to gradually increase the number of workers to be covered by social insurance until all workers will eventually be included in the coverage.	Jan. 31, 2005	Waiver is received, but maternity insurance is still pending	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Labor bureau waiver, document review
Accurate recording of wage compensation		All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	New employees do not receive the minimum wages in salary if they do not work overtime; however, records reviews indicated that wages had been calculated as per local law.	document checking		All working hours must be properly documented and all workers who work overtime, whether new or old, must be compensated according to law. (PC shall make factory aware that there is indication that the payroll reflects figures higher than actual amounts paid to workers.)	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Document review
Voluntary Use of Benefits		All workers have a right to use or not to use employer provided services, such as housing or meals.	With regards to deductions, it is found that the fee for meals of 70 Yuan per month is deducted from the wages. It is not clear that workers gave consent.	management and workers interview, document checking		Develop a system for the deduction of the cost of meals availed of by the workers. Inform all workers about the system and make it also a part of the briefing of incoming workers. Post system on the bulletin boards.	Jan. 31, 2005		3/31/2005: Meal Deduction System has been added to the factory personnel policy and posted for the workers.	document review, visual inspection	Was verified during scheduled 3rd Party Reaudit October 2005 that a meal subsidy was provided for workers and no deductions were listed in the payroll journals. The former deduction for meals is no longer reflected.	Document review
Wage and Benefits Information Access		In general, workers will have access to understandable information about their wages and benefits, and will not express dissatisfaction with their ability to get information.	Although workers receive the minimum wage and know the amount of minimum wage, the calculation method is very complex, because it is based on the combination of hour rate and piece rate. Risk that workers will not be able to calculate pay and find potential errors.	Payroll review		Develop a system of wage calculation that is simple and easy to understand. Brief all workers of the latest minimum wage and how to calculate regular and overtime wages according to legal requirements and of all legal benefits. Also, post the system of wage calculation on the bulletin boards at the production areas. Include this topic to brief incoming workers.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Document review and worker interviews
Timely Payment		All compensation shall be paid in a timely manner.	Migrant workers who leave the factory state that they cannot receive full payment of wages before leaving. Factory needs a system to make sure migrant workers can receive the final settlement.	Workers interview		Formulate resignation and clearance procedures and ensure all resigning workers are paid full wages and earned benefits after accomplishing the resignation and clearance requirements. Factory to brief all management staff, especially the payroll and finance, and the workers on the resignation policy.	Jan. 31, 2005	Factory issued a memo to all employees saying that all terminated staff would be able to get their pay within 7 days after they leave the factory.	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Worker interviews; document review
9. 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 in every seven day period												
Overtime Limitations	Labor Act, Arts 41, 43: 41. Employing unit may extend working hours due to requirements of its production or business after consultation with trade union and laborers, but the extended working hour for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, extended hours shall not exceed 3 hours a day under condition that the health of laborers is guaranteed. However, total extension in a month shall not exceed 36 hours. 43. The employing unit shall not extend working hours of laborers in violation of the provisions of this Law.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the 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.	Illegal OT (exceeding 3 hours per day) is common.	workers interview: on-site inspection without announcing the factory		Determine possible causes of production delay (in such areas as production planning, manpower and machine capacity or efficiency, materials procurement, etc.) and institute remedial measures to avoid extended hours of work. Observe overtime limitations provided for by law and the code of conduct.	Mar. 31, 2005		March 31, 2005		3rd Party reaudit Oct. 2005	Worker interviews, document review
Legal compliance with protected workers		The factory will comply with all applicable laws governing work hours, including those regulating or limiting the nature and volume of work performed by women or workers under the age of 18.	Juvenile workers do not get special protection. They are compelled to work illegal OT.	workers interview; documentation review;		Juvenile workers should be registered with the legal bureau, provided with regular health check up and not be made to work overtime or be assigned to difficult or heavy jobs. Maintain a register of juvenile workers to keep track of them.	Jan. 31, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Reviewed documented policy, related records and worker interviews
Voluntary OT		Overtime hours worked in excess of code standard will be voluntary.	No policies and procedures ensuring overtime is voluntary.	Management interview		Develop overtime policy and procedure to ensure overtime is voluntary. Factory must educate workers, supervisors and management that workers have the right to refuse overtime. Factory must also devise a form for voluntary overtime.	Jan. 31, 2005	The policy for overtime work asks workers who voluntarily work overtime to sign to indicate their willingness. On notice announcing this new policy, it also emphasizes that all overtime work is voluntarily and all overtime work must be recorded by the workers.	March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Reviewed documented policy and verified through workers interviews
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 compensation rate.												
OT Compensation Awareness		Workers shall be informed about overtime compensation rates, by oral and printed means.	Management said that they followed the procedures; however, workers told us that they were remunerated 80 cents to 1 rmb on OT hours.	workers interview, document checking.		Develop a system of wage calculation that is simple and easy to understand. Brief all workers on latest minimum wage and how to calculate regular and overtime wages according to legal requirements and on all legal benefits. Also, post system of wage calculation on bulletin boards at production areas. Include this topic to brief incoming workers.	Jan. 31, 2005		March 31, 2005		3rd Party Reaudit Oct. 2005; issue still pending	Worker interviews
OT Compensation		The factory shall comply with applicable law for premium rates for overtime compensation.	New workers do not receive overtime compensation. The records of work time of new workers only reserve the normal work time.	document checking		All working hours must be properly documented and all workers who work overtime, whether new or old, must be compensated according to law. (PC shall make factory aware that there is indication that payroll reflects figures higher than actual amounts paid to workers.)	Jan. 31, 2005		March 31, 2005		3rd Party Reaudit Oct. 2005; issue still pending	Worker interviews, document review
Miscellaneous												
Unauthorized subcontracting			Monitors were told that there was no subcontracting, but a subcontracting sheet was found and some workers interviewed confirmed that the embroidery was subcontracted.	visual inspection, management and workers interview, document checking		All subcontracting activities must be disclosed and approved by respective participating companies. Factory must require that subcontractors have necessary government registration/permits; execute a written contract with them and ensure that they also comply with the standards.	Feb. 28, 2005		March 31, 2005		Was verified during scheduled 3rd Party Reaudit October 2005.	Management interview