

FLA Audit Profile								
Country	China							
Factory name	13021536D							
IEM Organization	Global Standards							
Date(s) in facility	11-Jul-05							
PC(s)	Zephyr Graf X and Reebok International, Ltd.							
Number of workers	500							
Product(s)	Caps							
Production processes	Embroidery, Sewing, Finishing, Packing							

In 2005 Reebok helped create and deliver an action plan to this factory. However, in 2007 this facility was deactivated by Reebok's sourcing unit due to production reasons. As a result, the adidas-Group's social and environmental affairs department was unable to ensure a successful completion of the remediation plan.

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Findings					Remediation			[Status]	Updates		Company Re-audit by Third Party Monitor		Company Follow up		Updates		
			Monitor's Findings: Noncompliance or Indicator	Documentation (If finding corroborated, verified by multiple sources, list all)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date		Company follow up (Cite date)	Completed: Pending On-going	Company Follow up (November 2005)	Documentation	External Verification (April 2006)	Documentation	Company Follow up (Cite date, if appropriate)	Documentation	Company Follow up
1. Code Awareness																				
Code posting/information			FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.		visual inspection	Yes		Code clearly posted on all floors of the factory.												
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 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.	Workers do not have a clear understanding of the CoC - need for training.	worker interviews	yes		From internal audit: "All interviewed workers (12) showed a clear awareness of the Zephyr Graf X Code. They also knew how to contact the Zephyr Graf X Code contact person for the name and the contact ways including telephone number and E-mail address were written on the Zephyr Graf X Code and posted publicly for them." Also, "The managers said they did provide training to workers on the Zephyr Graf X Code."	The factory will provide a copy of and educate all employees on the contents of the Code. The Code must be given to and reviewed with each new employee. The factory management will also review the contents of the Code with all employees at least once a year.	11/15/2005	COMPLETED	11/17/2005	The factory showed Zephyr documents that each worker had signed stating that they had attended a training meeting on the Code of Conduct. The factory had taken pictures of this meeting and committed to holding it annually, and individually for every new hire.	4/13/2006	The SGS auditors found that all workers interviewed were aware and understood the Code of Conduct.	5/26/2006	Same findings.			
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.		visual inspection	yes	Best Practice: a telephone number and address of the Reebok contact are listed on the CoC poster.	See above - Auditors stated that the Zephyr Graf-X Code and contact information is posted.	The factory will make sure that the Zephyr Graf-X Code of Conduct contains the telephone number, address, and e-mail address of the Zephyr contact.	11/15/2005	COMPLETED	11/17/2005	The name and number of the Zephyr contact were posted along with the Zephyr Code of Conduct.	4/13/2006	From SGS audit results: "Zephyr Graf X Codes were posted on walls of workshops. And the direct contact phone number of Zephyr Graf X and contact person name were also posted near the Zephyr Code of Conduct."	5/26/2006	The name and number of the Zephyr contact were posted along with the Zephyr Code of Conduct. However, we are trying to work with *** (an NGO based in Qingdao) to provide the workers with a local contact name and number. Workers can send an e-mail to Zephyr in the local language, and it will be translated. The e-mail and an international telephone number are also posted on Zephyr's Code of Conduct.	6/17/2008	Zephyr works with an NGO in Qingdao to provide the workers with a free complaint hotline. Also, Zephyr has handed out business cards to workers during interviews with the NGO organization. Workers can send an e-mail to Zephyr in the local language, and it will be translated. The e-mail and an international telephone number are also posted on Zephyr's Code of Conduct.	
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.																				
Other	China Labor Law, Article 16: Sign contracts as soon as establishing labor relations.	Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	The factory signs contracts with some workers only after passing probation.	management interview, record review, worker interview				The internal audits did not uncover this issue.	The factory will sign contracts with workers as soon as employment begins, not after a probationary period.	11/15/2005	COMPLETED	11/17/2005	The factory management agreed to sign all contracts right away.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	Same findings.			

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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.																						
Legal compliance for juvenile workers	Regulations for the Special Protection of Juvenile Employees (Document No. 498, 1994) Article 9: Employment of teenager labor should be under registration. (1) An employer who recruits and hires juvenile workers in accordance with general employment requirements, must also undertake registration procedure with the local labor administration department at or above the county level. The labor administration department will then issue the "Registration Certificate for Juvenile Employee" and the "Registration Form for Juvenile Employee".	Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	N/A										COMPLETED			4/13/2006	NEW FINDING - The factory did not obtain juvenile worker registration permit for the 85 juvenile workers in the factory.	5/26/2006	Factory obtained the permit on 5/24/2006.			
Juvenile worker Identification System	No special regulations on overtime of juvenile workers in China.	Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.											COMPLETED			4/13/2006	NEW FINDING - All 85 juvenile workers took overtime as same as adult workers, usually 66 hours per month, and 31 juvenile workers in embroidery workshop took night work.	5/26/2006	Remediation Plan - The factory will attempt to limit the amount of overtime allowed to juvenile workers and make sure that juvenile workers are not allowed to use inappropriate work stations or machinery according to applicable laws.			
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	Constitution, Article 37: Freedom of civil people cannot be offended.	Employers will not unreasonably restrain freedom of movement of workers, including movement in canteens, during breaks, using toilets, accessing water, or to access necessary medical attention.	Workers need to ask for supervisors' worker interviews					Workers did not raise this issue.	The factory will guarantee the workers' rights to drink water and use the restroom. It will allow workers to use these facilities beyond the allotted break time. The management will also educate all supervisors on this Code element so that this infraction does not occur again.	11/15/2005	COMPLETED	11/17/2005	Management confirmed to Zephyr that workers can go to the water cooler or use the restrooms whenever they want. Big jugs of cold, purified drinking water are stationed in several areas, and workers can access these containers at anytime.	4/13/2006	The SGS auditors did not find any evidence of this noncompliance issue.	5/26/2006	Same findings.	9/26/2007	Worker interviews confirmed that supervisors do not restrict workers' access to drinking water and the restroom.			
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.																						
Hiring Discrimination Practices	Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.	The factory hires workers from 16 to 30 years old, and workers who are not married.	worker interview					The internal audits did not uncover this issue.	The factory will base their hiring decisions solely on the basis of education, training, and demonstrated skills or abilities. The factory will make an effort to hire beyond the stated age range and marital status, assuming that they are still hiring workers based on the above criteria.	11/15/2005	COMPLETED	11/17/2005	During Zephyr's verification audit, we specifically chose older workers and married workers as part of the sample. The factory does not discriminate based on age or marital status.	4/13/2006	The SGS auditors did not find any evidence of discrimination.	5/26/2006	Same findings.					
Pregnancy Testing	Employers will not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment. Employers will not require pregnancy testing of female employees, except as required by national law.	Pregnancy testing required before entering the factory.	worker interview, management interview					The internal audits did not uncover this issue.	The Global Standards audit team clarified this point. Because pregnancy testing is required by the local government, and because the factory only used the information for calculating and providing maternity leave, it was determined that this finding is not an indicator of discrimination. No action by the factory is necessary on this point.		COMPLETED	11/17/2005	Management confirmed that information on pregnancy testing is only used to calculate maternity leave.	4/13/2006	SGS found that pregnant workers would go through the following steps in order to acquire maternity leave: 1. Pregnancy worker would inform their supervisor or manager of their pregnancy. Supervisor or management would remember the pregnancy information and arrange the suitable work or rest for them. 2. Pregnancy worker would apply for 3 months paid maternity leave to the management in time of need. The maternity leave records were kept in HR dept.	5/26/2006	Same findings.					

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6. Health and Safety																				
Fire Safety: Health and Safety legal compliance	Fire Control Law of the People's Republic of China Article 14: Organized societies, enterprises and institutions should fulfill the following fire prevention safety measures: 1) setting fire-fighting facilities and equipment, putting up fire prevention safety signs pursuant to relevant state provisions, and organizing inspection and maintenance at regular intervals to ensure that fire-fighting facilities and equipment are in perfect condition; 2) ensuring evacuation channels and safety exits are unblocked and putting up signs for fire prevention safety evacuation in keeping with the state provisions.	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. Emergency exit stairs - COMPLETED 2. Fire extinguishers - COMPLETED	4/13/2006	NEW FINDING - 1. The emergency exit ladders of two dormitory buildings are not suitable for evacuation; it should be stairs with handrails instead of ladders. 2. Fire extinguishers were all directly placed on the ground.	5/26/2006	Remediation Plan - 1. The factory will construct suitable emergency exit staircases with handrails outside of the dormitories. 2. Fire extinguishers are 6' off the ground and well-marked with red tape.	9/26/2007	The factory has constructed emergency exit stairs leading from the second floor of the dormitories.	
Document Maintenance/ Accessibility	All documents related to the organization (including management by applicable laws (olicies, 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.								The factory has posted all relevant information and local labor laws and relevant health and safety regulations. These postings should be in all production rooms and any gathering places, like the canteen or dormitory common rooms.	11/15/2005		COMPLETED	11/17/2005	The factory has posted all relevant information on worker community boards.	4/13/2006	No chemicals found in the factory. No MSDS available for the chemicals (glue, oil and paint) used in the factory. Auditor could not identify whether the chemical used properly or can cause any potential affection to the operators.	5/26/2006	Remediation Plan - 1. The factory needs to establish a chemical safety policy and communicate it to all workers. This will be done in training as well as posted in all work areas. The factory will also make MSDS available for all chemicals used in the factory.	10/20/2008	The factory has posted all relevant to the spot remover (only chemical used) where it is stored and where it is used. The chemical is properly stored, clearly labeled, and the worker using it has been properly trained.
Evacuation Procedure	Fire Prevention Law article 14.6, governmental departments, social org., enterprises and institutions shall make sure that the evacuation signs meet state regulations.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be compiled with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Evacuation plan is difficult to follow and no "you are here" indication. No evacuation plan posted in adjoining rooms to production. No evacuation plan found in dormitories or canteen.	visual inspection	yes				The factory will add "You Are Here" indicators on all posted evacuation plans. The factory will post the evacuation plan in all the production building's adjoining rooms. A clear and easy-to-follow evacuation plan will also be created for the dormitories and canteen and will be posted in all relevant rooms.	11/15/2005		COMPLETED	11/17/2005	The factory has added large "You are here" indicators on all evacuation posters. The posters are color-coded and very easy to read.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	Same findings.		
Safety Equipment	Type A: combustible materials: wood, cloth, paper and many plastics, Type B: Fires in flammable liquids, tars, oils, oil-based paints, solvents, greases, lacquers, adhesives, resins, etc. Type C: Fires that involve energized electrical equipment where the electrical non-conductivity of the extinguishing media is of importance. (OSHA Website: www.myextinguisher.com)	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.	Fire extinguishers in some production areas were blocked by materials. First aid kit was found not adequately stocked (no maintenance record present) also no one trained in first aid.	visual inspection	yes			Follow up visit (18 April 2005) Status: Corrected: R40 Appropriate evacuation plans were posted on walls of all workshops' wall. A qualified doctor was employed as first aider.	11/15/2005		COMPLETED	11/17/2005	All fire extinguishers were clear and easily accessible. A certified nurse is on staff with her own office for privacy. The first aid cabinets are fully stocked.	4/13/2006	From SGS audit report: 1. "Fire extinguishers were all directly placed on the ground." 2. "One qualified nurse was responsible for first aid. Her certificate was checked during audit. A clinic with basic first aid instruments and medicines also established for urgent medical treatment."	5/26/2006	Fire extinguishers are 6' off the ground and well-marked with red tape.			

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PPE	Safety Manufacturing Law, Article 37, paragraph 1. The employer shall provide personal protective equipment to employees. Manufacturers shall supervise and train employees to properly wear and use the personal protective equipment.	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, etc.) to prevent unsafe exposure (such as: inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	No PPE provided for embroidery room workers. PPE (masks) not used. Technicians/mechanics have no PPE.	visual inspection	yes			The internal audits did not uncover this issue.	The factory will provide all necessary and required personal protective equipment to workers, including, but not limited to, protective gloves for ironing workers and PPE for workers in the embroidery room. The factory management will also encourage the workers to wear the appropriate masks when spraying hats. If the masks are uncomfortable and too hot for workers to wear, the factory will collaborate with the workers to come up with an adequate solution.	11/15/2005	COMPLETED	11/17/2006	Every worker is provided with the appropriate PPE, and pieces of extra PPE are always available. Management encourages the workers to wear the equipment at all times.	4/13/2006	Cutting operators were not using metal gloves while working; embroidery workers did not wear earplugs when working in embroidery workshop.	5/26/2006	Metal gloves and earplugs are available at all appropriate stations. The factory will monitor the usage of the gloves and earplugs to make sure the workers are wearing them. Confirmed by on-site observation.		
Machinery Maintenance	Factory Safety and Health rules, Article 32, protection devices shall be mounted on dangerous parts , e.g. driving belt, open gear, grinding wheel, electric saw, axial ring that is close to ground, rotary axle, belt pulley and flywheels.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Button punching machines have no 2 hands safety switch, no needle guards on sewing machines.	visual inspection	yes			The internal audits did not uncover this issue.	The factory will install a 2 hands safely switch on all button punching machines and needle guards on the sewing machines.	11/15/2005	COMPLETED	11/17/2006	All button punching machines were fixed except one, which the factory committed to fixing that day. All sewing machines had the appropriate needle guards.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	On-site observation confirmed that all button machines have a two hand safety switch, and all sewing machines have the appropriate needle guards.		
Sanitation in Facilities		All facilities including factory buildings, toilets, canteens, kitchens, and clinics shall be kept clean and safe and be in compliance with applicable laws.	The toilets emit foul odors and are generally unsanitary. Additionally, toilets on upper floors are not working as water is not sufficient (filled with excrement).	visual inspection	yes			The internal audits did not uncover this issue.	The factory will immediately resolve this issue by cleaning toilets on a regular basis, checking sanitation frequently, and ensuring that toilets work properly. The factory will hire a certified plumber if necessary. The factory will also check each bathroom daily to make sure there is an adequate stock of soap, toilet paper, and paper towels.	9/15/2005	COMPLETED	11/17/2005	Through on-site observation, floors of the restrooms are clean and clear and plumbing is in working order. Through management interviews, a cleaning crew cleans the restrooms every three hours. The factory ensures the working day, a worker is given a personal stock of toilet paper. This is because it is stolen so frequently if left in the restroom.	4/13/2006	The SGS auditors found that all bathroom facilities were clean and well-maintained.	5/26/2006	Same findings.		
Sanitation in Dormitories		All dormitories must have safe, clean and habitable provisions (such as fire extinguishers, fire exits and kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills should also be conducted at least annually	The toilets emit foul odors and are generally unsanitary. Additionally, toilets on upper floors are not working as water is not sufficient (filled with excrement). Dormitory building 2 is lacking adequate fire safety measures, no tags for fire extinguishers and none available on upper floors. No emergency lights, no evacuation plans. Dorm rooms are too full: approx. 8 workers in a cramped room with 1 exit (3 to 4 sq meters per worker of living space only).	visual inspection	yes			The internal audits did not uncover this issue.	The factory will immediately resolve this issue by cleaning toilets on a regular basis, checking sanitation frequently, and ensuring that toilets work properly. The factory will hire a certified plumber if necessary. The factory will also check each bathroom daily to make sure there is an adequate stock of soap, toilet paper, and paper towels. The factory will supply Dormitory building 2 with an adequate number of fire extinguishers and provide tags for each extinguisher. The factory will inform Zephyr on the status of the new dormitory building that was to be built after the last company audit was performed in April.	9/15/2005 - 11/15/2005 - the remainder of the safety and dormitory issues	Toilets - COMPLETED 2. Fire extinguishers, emergency lights, evacuation plans to Dormitory 2, 3. 3. Dorm space - COMPLETED	11/17/2005	1. See comment 2. The factory has addressed the emergency lights, added more fire extinguishers (and tags), and evacuation plans to Dormitory 2, 3. This is an on-going issue that will not be resolved until the new factory is built in the year 2008. The factory cannot expand any further, and already rents space in a vacant factory across the street. The factory will make absolutely sure that it provides its workers with enough space in the new factory. 2. The dormitory building has very little space. The average area per person is 2.85 sq meters which meets the legal standard of 2.6 sq meters per person.	4/13/2006	The dormitory building has very little space. The average area per person is 2.85 sq meters which meets the legal standard of 2.6 sq meters per person.	5/26/2006	Same findings.	6/17/2008	The new dormitory per person is 2.85 sq meters which meets the legal standard of 2.6 sq meters per person.

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Other	Fire Control Law of the People's Republic of China Article 10 Upon completion of a construction project containing fire control design conducted in accordance with requirements of the State Technical Standards on Fire Control for Engineering Construction, the project goes through acceptance check on fire control. If relevant to security fire control institutions, project without going through the acceptance check or considered unqualified after the acceptance check shall not be put into use. Construction Law of the People's Republic of China.											COMPLETED			4/13/2006	NEW FINDING - The factory could not provide building structure acceptance certificate and fire prevention acceptance certificate of the buildings. The factory manager explained that the factory located in develop area of *** Village, the building was under control of *** Village and they could not get building structure acceptance certificate and fire prevention acceptance certificate.	5/26/2006	Remediation Plan - The factory will obtain a copy of the building structure acceptance certificate from *** Village and keep the copy on file to show auditors.	6/17/2008	The *** Village office manager will not receive a copy of the building certificates, but said that they are on file in the office and available to auditors.			
	Article 61 Construction projects having been completed and accepted by the government, shall meet the stipulated quality standards on construction projects, have complete technical and economic data of projects and warranties issued by builders, and satisfy other requirements set out by the state for the examination of construction projects. Only after a completed construction project is proved to meet the standards through examination can it be delivered for use. Construction projects having not been examined and accepted or having failed in examination shall not be delivered for use.																						
7. Freedom of Association and Collective Bargaining																							
Employer Interference/Elections	Trade Union Law, Article 2 - Trade Union is a public organization formed by workers' free will. Article 9 (2): Trade Union Committee in each level is elected by members or members' representatives. The election is open to all workers. Article 10: Chairman and vice-chairman are directly elected by members or members' representatives, or root committee of trade union.	Workers' organizations have the right to elect their representatives and conduct their activities without employer interference.	The chairman of trade union is chosen by the management.	management interview, record review				Follow up visit (April 18, 2005) Status: New Finding: The factory help workers to establish an union on April 15, 2005, the workers representatives were appointed by the managers. Both the managers and the worker representatives handling the union.	The factory will eventually have the workers elect all of their representation and will turn over the duties, meetings, etc. entirely to the worker chairman and representatives.	11/15/2005	ONGOING	11/17/2005	The factory management confirmed that they helped the workers establish a committee by selecting the chairperson.	4/13/2006	From SGS audit report: "Manager interview: the worker representative and chairman of union were nominated by managers. They also explained that workers did not know how to implement their freedom of association. The factory is trying to nominate worker representatives in union committee to help them get an awareness of freedom of association."	5/26/2006	Zephyr is working with a local NGO *** that will hopefully be able to conduct training for the workers so that they can effectively begin a true worker-run and worker-elected committee. Remediation Plan: Factory will help workers form a worker committee to nominate workers to implement their freedom of association. This means that all members of committee MUST be elected by workers, and election records must be kept and made available. One possibility is to have workers in each section form a small group, etc., hold elections for their representatives. Then representatives of all sections can form committee and elect a chairperson who will communicate directly with Zephyr. It is very important that management does not interfere with committee, and allows them to meet during working hours.	10/20/2008	The factory has a committee that meets every few months to discuss worker complaints and overall factory issues. The committee is made up of middle supervisors, who were elected by workers in a general election. The factory has posted an informational sheet about the committee all around the factory so that workers understand the job duties, how to contact the committee, and how to join if interested.				
	FLA Comment: The Chinese constitution guarantees Freedom of Association, however, the Trade Union Act prevents the formation 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, there is no room in China for 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.																						
	The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions are responsible for 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, Collective Contracts became issued the mechanism for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.																						
8. Wages and Benefits																							
Minimum Wage	Article 48 The State shall implement a system of guaranteed minimum wages. The specific standards of minimum wages shall be determined by the people's governments of provinces, autonomous regions or municipalities directly under the Central Government and submitted to the State Council for the record. Wages to be paid to laborers by employing unit shall not be lower than the local standards of minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	The latest minimum wage in [Factory name] is enforced since this January, but the factory only started to apply the new wage level for March (paid in April).	worker interview, management interview, record review				Follow-up visit (April 18, 2005) Status: Open. New Finding: Before 1st April, the minimum wage the factory provided to workers was RMB 410 per month, which was lower than the legal minimum wage of RMB 530 per month (effected since 1st January 2005).	The factory will issue payments to workers equal to the minimum wage difference from JANUARY 1 to MARCH 31, 2005. The payments will be made to the workers all at once or spread out over the next three months. The factory will keep record of these payments.	11/15/2005	COMPLETED	11/17/2005	The factory has paid all back wages. This was confirmed through management and worker interviews.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	Same findings.						
Legal benefits	Article 72, PRC Labor Code, the sources of social insurance funds shall be determined according to the principles of insurance, and an overall raising of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.	Employers will provide all legally mandated benefits to all eligible workers.	The factory buys social insurance for only 18 workers.	document review				Follow-up visit (April 18, 2005) Status: Open. The factory only provides social insurance to employees as required by local law. The factory is already meeting this requirement. It will provide proof to Zephyr in the form of local policy or guidelines. The factory will also research group insurance plans so that universal coverage may be phased in over the next few years.	At minimum, the factory will provide insurance to employees as required by local law. The factory is already meeting this requirement. It will provide proof to Zephyr in the form of local policy or guidelines. The factory will also research group insurance plans so that universal coverage may be phased in over the next few years.	11/15/2005	ONGOING	11/17/2005	Every new employee is offered insurance, but most turn it down. Employees sign a waiver contract if they do not want the insurance.	4/13/2006	From the SGS audit report: "The factory only provides 67 employees with retirement insurance and does not reward by work-related injury or occupational disease insurance. It violated article 73 of PRC Labor Law."	5/26/2006	Remediation Plan - The factory management needs to ensure they keep an accurate record of all employees' decisions to accept or decline insurance. It should note that workers do not pay for basic medical clinic services.	10/20/2008	The factory is providing insurance for 198 out of 400 workers, and has a plan to phase in universal coverage. The number of workers covered gradually. Zephyr has recommended that the factory buy commercial resource to cover workplace injury.				
Other	Wages Payment Temporary Regulation, Article 9: As long as any side of contractors or contracted end contracts before agreed date in the contracts, employers must pay laborers immediately.	All compensation shall be paid in a timely manner.	It is written in the regulation that if workers leave the factory, they will get paid their last payment 3 months later.	record review				The internal audits did not uncover this issue.	The factory must change its regulation for paying wages to workers leaving the factory pursuant to Wages Payment Temporary Regulation, Article 9.	11/15/2005	COMPLETED	11/17/2005	The factory management confirmed that this has been fixed.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	Same findings.						

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Findings					PC Internal audit findings (Optional)	Remediation			[Status]	Updates		Company Re-audit by Third Party Monitor		Company Follow up		Updates		
			Monitor's Findings: Noncompliance or Indicator	Documentation (if finding corroborated, verified by multiple sources, list all)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice		PC Remediation plan	Target Completion Date	Company follow up (Cite date)		Completed; Pending; On-going	Company Follow up (November 2005)	Documentation	External Verification (April 2006)	Documentation	Company Follow up (Cite date, if appropriate)	Documentation	Company Follow up	Documentation
9. Hours of Work																					
Overtime Limitations	According to Article 41 PRC Labor Code. The employing unit shall 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 (c) be entitled to at least one day off in every seven day period.	Except in extraordinary business circumstances, the employing unit shall not be required to work more than the lesser of (a) 49 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 (c) 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.	Working hours of every week in January and March 2005 exceed 40 hours. Working hours of every month from December 2004 to March 2005, at least 90% of workers took around 60-80 hours overtime per month. It violated Clause 41 of China Labor Law, which stipulated that the overtime hours should not exceed 36 hours per month.	document review and management interview	yes				Follow-up visit (April 18, 2005) Started: Open and never closed. Baseline: From January 1 to March 31, 2005, at least 90% of workers took around 60-80 hours overtime per month. It violated Clause 41 of China Labor Law, which stipulated that the overtime hours should not exceed 36 hours per month.	The factory will continue to work on decreasing the overtime hours. The factory will make sure to keep in accordance with Clause 41 of the China Labor Law. Also, the factory will provide its employees with at least one day off in every seven day period, as mandated by the PRC Labor Law. The factory will begin using a sign-up system for overtime to ensure that all overtime worked is voluntary. The factory will keep and maintain records of the overtime sign-up sheets.	11/15/2005	ONGOING	11/17/2005	The factory began implementing OT sign-up sheets for overtime work in order to ensure that it is voluntary. However, this soon became very tedious since all workers want overtime. The factory changed its system to a "first come, first serve" sign-up sheets for workers that did NOT want to work overtime shifts. Not many workers used the system, but those that did were not given extra hours.	4/13/2006	From the SGS audit report: "Workers in this factory took more overtime than the legal standard. The average OT they took per month is 66 hours (more than the legal standard, 36 hours OT per month). Around 5% of workers took at most 4 hours OT per day (more than 3 hours per day, the legal standard) on weekdays during the period from February to December 2005. All the workers violated Article 40 of PRC Labor Law. 36 packing workers continually worked for 13 days in October 2005 (17-29). There was no one day leave arranged for them during that period and workers worked 71 hours per week during that period. This violated article 38 of PRC Labor Law and FLA Benchmark."	5/26/2006	Remediation Plan - The factory will agree to to decrease overtime hours to less than the legal standard. The factory will implement a sign-up sheet for overtime each worker takes. The factory MUST force employees to take at least one day off in every seven day period, and continue to have sign-up sheets proving that overtime is voluntary.	6/17/2008	From ALGI audit report: "95% of workers worked more than 40 hours/month, except Feb 2008. The monthly average was 67 hours." The factory has instituted several steps to help combat overtime including: changing voluntary overtime policy and procedures, created a voluntary overtime form for workers to fill out, strictly enforced the 1 day off in 7 policy, and worked with Zephyr to determine root causes for overtime.	
	According to Regulations about Employee Work Time by the State Government - May 1, 1997. Article 43 Employees shall work 40 hours per week, overtime is not to exceed 36 hours per month.								Nearly 90% of Workers consecutively worked from March 7-31 (24 days), from February 13-28 (15 days), from January 17-31 (14 days). It violated the article 38 of PRC Labor Law, which requires that employees should be allocated at least one day off in seven days.												
10. Overtime Compensation																					
OT Compensation	Article 44. The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: (1) no less than 150% of the normal wage if the extended period of overtime is arranged; (2) no less than 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and (3) no less than 300% of the normal wages if the overtime is arranged on statutory holidays. An employer has to pay an employee working on a piece rate basis for overtime work. [The method is same as above.]	The factory shall comply with applicable law for premium rates for overtime compensation.	Because the factory did not apply the latest minimum wage (increase as of January 1, 2005) until April, workers were paid incorrectly for those preceding months.	record review, management interview					The factory will pay overtime wages as mandated by the China Labor Law. The factory will review payroll records from January 1- March 31, 2005 and will issue retroactive payments to those workers. The payments should be calculated as the difference between 200% of the normal wage (new 2005 minimum wage), and the overtime wage the workers were paid those days.	11/15/2005	COMPLETED	11/17/2005	The factory has paid all back wages. This was confirmed through management and worker interviews.	4/13/2006	The SGS auditors did not find any evidence of noncompliance.	5/26/2006	Same findings.				
Miscellaneous																					