

FLA Audit Profile													
Country	China												
Factory name	08001533D												
ISM	Global Standards												
Date(s) in facility	August 8-9, 2005												
PC(s)	Nordstrom, Inc.												
Number of workers	514												
Product(s)	Garment												
Production processes	cutting, knitting, weaving, ironing, inspection, packing												
FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	ISM Findings Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Remediation Target Completion Date	Factory Response (Optional)	Company follow up (Che date of follow up)	Documentation
<b>1. Code Awareness</b>													
Workers/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.	Workers are not aware of CoC.				worker interview		Nordstrom will send a Code of Conduct Poster to be posted for worker review. This poster will state Nordstrom's requirements and be written in the worker's native language. Factory to ensure workers are educated about these standards on a regular basis.	1/31/2006		1/5/2006: Agent Re-audit - Nordstrom Partnership Guidelines poster in native language of workers was provided to factory. Poster was posted in a prominent location for worker review. Factory to provide training regarding standards stated in Nordstrom's Partnership Guidelines.	Agent Re-audit: visual tour
<b>2. Forced Labor</b>													
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise													
Employment Records	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	No contract for temporary workers.	Contracts for 4 workers are missing complete profiles.			worker interview, management interview, record review		Factory advised to sign labor contracts as soon as workers are hired. Labor Contracts must be signed with both temporary and permanent workers. Factory advised to provide a copy of the contract to each temporary worker and put a copy in each temporary worker's file.	1/31/2006		3/27/2006 Agent reaudit confirmed all contracts signed with temporary workers.	Agent Re-audit
<b>3. Child Labor</b>													
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.													
<b>4. Harassment or Abuse</b>													
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.													
Monetary Fines and Penalties		Employers will not use monetary fines and penalties for poor performance	If workers smoke in workplace or do not dress properly, they will be fined for 300 or 500 RMB. If workers who forget meal cards and use other workers' meal cards, 110 RMB will be deducted from their wages no matter how many times this occurred.				visual inspection, worker interview		Factory advised that employers cannot use monetary fines and penalties for poor performance. Factory advised to create a bonus system for those workers who do not smoke in the work place, do not forget their meal cards and dress properly. This bonus can be setup on a monthly basis or part of a year end bonus. Factory advised to update the policy to not reflect monetary deductions and post this in the factory for worker review and education.	1/31/2006		1/5/2006: Agent Re-audit - Factory cancelled monetary deduction policy and established a new policy detailing the cancellation of monetary deductions. Policy confirmed through worker interviews.	Agent Re-audit: worker interviews
<b>5. Non-discrimination</b>													
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.													
<b>6. Health and Safety</b>													
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													
Evacuation Procedure		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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures	Found some material block the aisles.				Visual inspection		Factory to remove materials and production from aisles and ensure all aisles are clear of any obstruction. Factory to educate workers why it is important to keep aisles unblocked in case of emergency and fast evacuation is needed.	12/31/2005		1/5/2006: Agent Re-audit - Factory had moved materials that were blocking aisles to ensure that aisles remained clear	Agent Re-audit: visual tour
Evacuation Procedure		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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures	Found that the security guard locked the door during working hours.				Visual inspection		Factory advised to keep all doors unlocked during working hours. Factory advised that if there is a security issue, to install push bar doors so they can remain locked from the outside, but workers can exit from the inside quickly in case of an emergency.	12/31/2005		1/5/2006: Agent Re-audit - Factory had advised security guards to ensure that doors remain unlocked during working hours. Doors were found to be unlocked	Agent Re-audit: visual tour
Safety Equipment		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	Found some fire extinguishers are not regular checked.				Visual inspection, Document check		Factory advised to have fire extinguishers checked monthly by a designated Factory Representative. Factory advised to create a log and attach it to each extinguisher - list the day, month and year for each monthly inspection. Factory advised to ensure fire extinguishers are checked at least 1 time per year by a professional Fire Safety Company.	12/31/2005		1/5/2006: Agent Re-audit - Factory advised that now all extinguishers are checked monthly and the record is kept in a log	Agent Re-audit: visual tour
Safety Equipment		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	Found some emergency lights have battery problem.				Visual inspection, Document check		Factory advised to create monthly schedule and designate 1 factory person to check all emergency lights and replace batteries or lights when needed.	12/31/2005		1/5/2006: Agent Re-audit - issue still not improved. 03/27/2006: Agent reaudit advised all emergency lights are functioning with regular monthly check.	Agent Re-audit: management interview
Machinery Maintenance		All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner	Found sewing machines are improperly guarded.				Visual inspection.		Factory to ensure all production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner	12/31/2005		1/5/2006: Agent Re-audit - issue still not improved. 03/27/2006: Agent reaudit advised all machines are now properly guarded.	Agent Re-audit: 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	Found some first aid kits are not properly stocked (at dormitory).				Visual inspection		Factory to ensure first aid kits in dormitory are stocked with at least the following supplies: 1. Band-Aids 2. Scissors 3. Tweezers 4. Medical Tape 5. Gauze 6. Antiseptic Cream 7. Burn Cream 8. Eye Wash 9. 1 pair of Latex Gloves. Factory advised to create a schedule so that all first aid kits are checked and restocked at last 2 times per day.	12/31/2005		1/5/2006: Agent Re-audit - issue still not improved 03/27/2006: Agent reaudit confirmed all first aid items are now available.	Agent Re-audit: visual tour
<b>7. Freedom of Association and Collective Bargaining</b>													
Employers will recognize and respect the right of employees to freedom of association and collective bargaining													

		<p><b>FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (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.</b></p> <p><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 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></p>											
<b>8. Wages and Benefits</b>													
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													
Legal benefits	Article 72. PRC Labor Code, the sources of social insurance funds shall be determined according to the branches of insurance, and an overall raising of social insurance bands 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 only buys social insurance for 135 employees. Only workers who work more than 1 year in the factory can enjoy maternity leave.			worker interview, management interview, record review	Factory advised that employers are expected to provide all legally mandated benefits to all eligible workers. Factory advised to obtain a Social Insurance Waiver from Local Labor Department that lists total number of registered workers, percentage of workers to be covered with Social Insurance and has Labor Dept Chop/Seal on this document. Factory advised that if SI Waiver is not obtained, to create a written plan of how factory will gradually increase number of workers covered with Social Insurance over next 12 months (year). Factory advised that employers must provide all legally mandated benefits to all eligible workers.	1/31/2006	1/5/2006: Agent Re-audit - Factory obtained social insurance waiver from local labor bureau on Aug. 30, 2005. (MATERNITY LEAVE ISSUE); Factory established new policy to ensure that all permanent workers are allowed maternity leave.	Agent Re-audit Document review & management interview			
<b>9. Hours of Work</b>													
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	According to Article 41 PRC Labor Code, the employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborers, but the extended working hours per day shall generally not exceed one hour; if such extension is needed for special reasons, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed three hours per day. However, the total extension in a month shall not exceed thirty six hours. According to Regulations about Employee Work Time by the State Government - May 1, 1997, Article 3 Employees shall work 40 hours per week, overtime is not to exceed 36 hours per month.	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	Working hours per week of temporary workers is over 80 hours. They have not had one day off since they entered the factory (in August).			worker interview, record review, management interview	Factory advised that employees will (i) not be required to work more than the 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by an Overtime Waiver. Factory advised that all workers must receive 1 day of rest after 6 consecutive days worked. This is regardless if it is a temporary or permanent worker; if it is a peak season or production if very high. Factory advised to reduce OT hours to be within legal 36 hours per month limit and start providing 1 day of rest to all workers	1/31/2006	1/5/2006: Agent Re-audit - issue still not improved. 3/27/2006 Agent Reaudit advised working hours are within 60 hrs / week and temporary workers had received one day off in seven based on Dec. 05 and Jan. 06 attendance records. Nordstrom will continue to monitor this situation in future audits.	Agent Re-audit			
<b>10. Overtime Compensation</b>													
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	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 per cent of the normal wages if the extension of working hours is arranged; (2) no less than 200 per cent 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 per cent of the normal wages if the extended hours are arranged on statutory holidays. 13. An enterprise 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	Workers reported that temporary workers don't get OT compensation, but the management said they do. Records shows that temporary workers were hired at the beginning of this August, so there was no payroll for auditors to verify.			worker interview, record review, management interview NOTE: Audit conducted on 8/9/05, temp workers began work on 8/1.	Factory advised to provide legal wage compensation to all workers. Nordstrom agent to follow up on Risk Issue in subsequent Re-audit.	12/31/2010	1/5/2006: Agent Re-audit - issue still not improved. 3/27/2006 Agent Reaudit advised working hours are within 60 hrs / week and temporary workers had received one day off in seven based on Dec. 05 and Jan. 06 attendance records. Nordstrom will continue to monitor this situation in future audits. 2010 Nordstrom established a gradual improvement plan and will monitor implementation during the year.	Nordstrom field staff engagement			
<b>Miscellaneous</b>													
Unauthorized subcontracting				*** subcontracted 1000 coats to another factory. NOTE: NOTE: REPORT DOES NOT INDICATE IF THIS WAS NORDSTROM PRODUCTION.		worker interview	Factory advised to inform Nordstrom about any subcontractors to be used for the production of Nordstrom products or components. Factory advised to not place any production with subcontractors without written approval and authorization from Nordstrom, and only after the subcontractor has agreed to comply with the Partnership Guidelines.	12/15/2005	1/5/2006: Agent Re-audit - Management confirmed understanding of Nordstrom's policy for using the subcontractors. In the future they will not permit subcontracting to other garment factories unless the approval is obtained from Nordstrom. The 1000 coats reported as subcontracted by auditor last time were sent out for embroidery only.	Agent Re-audit			