

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

What is a Tracking Chart?

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

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

What a Tracking Chart is NOT -

- An exhaustive assessment of factory conditions

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

- A pass or fail evaluation

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

- A one-time event

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

Note on Language

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

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

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

Instructions for Printing

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

| | |
|--------------------------|---|
| FLA Audit Profile | |
| Country | China |
| Factory Name | 05001543D |
| EM | AL/G China |
| Date of Audit | June 23 & 24, 2006 |
| Days in the Facility | 2 days 2 auditors |
| PC(s) | Liz Claiborne, Inc. |
| Number of Workers | 38 |
| Product(s) | Hand Knitting Products |
| Production Processes | Sampling, Delivering, Inspection, Ironing, Packing and Shipping |

| FLA Code/ Compliance Issue | Legal Reference | FLA Benchmark | Findings | Monitor's Findings: Compliance, Non-compliance, Indicator, Risk or Not Applicable | Documentation | Best Practice | PC Remediation Plan | Target Completion Date | Remediation | Factory Response | Documentation | Best Practice | Status | External Verification | Company Follow up (Jan 06, Mar 06 & Oct 06) | Comments/Verifications Follow up | |
|---|------------------------------------|---|--|---|---------------|---------------|---|--|--|------------------|---------------|---------------|--------|-----------------------|---|--|--|
| 1. Code Awareness | | | | | | | | | | | | | | | | | |
| Work/management awareness of Code | | 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. | Non-compliance: The goods being processed are sent to local homes for the main knitting and the finishing is completed at the factory premises. These contractors (some workers) are not informed about workplace standards. | Management interviews. | | | Factory should clearly post Li's Code of Conduct at the prominent areas of production floor and undertake efforts to educate the contractors about Li's Code on a regular basis. | The factory confirmed that the corrective action had been taken on August 31, 2005. | The factory agreed to post Li's Code of Conduct at the main entrance of the factory premises. The factory will conduct trainings on addressing Li's Code to all employees including those working for subcontractors. Records and photos will be maintained accordingly. | | | | | | The PC visited the factory on January 19, 2006 and noted that Li's Code of Conduct had been posted at the factory. Factory also provided training on addressing Li's Code of Conduct to the contractors and training records with the attendees' signature form and photos were maintained. The PC visited the factory on March 17, 2006 and randomly selected employees for interview and confirm that they were well aware of Li's Code of Conduct as well as the contact information of Li's office. | Training records, acknowledgement form, workers interview forms and photo | |
| Confidential Non-Compliance Reporting Channel | | 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. | Non-compliance: No suggestion box, hot line or any other means of confidential complaint mechanism was observed in the factory. | Management interviews and visual inspection. | | | The objective of PC's is to strengthen the internal grievance systems of their contract manufacturers. In alignment with this objective, direct communication with the PC's should be considered a last resort for factory employees. The PC's request that the factory establishes a formal system of dialog between the management and workers in order to allow workers to voice workplace grievances, develop internal procedures for resolving workplace disputes, and resolve grievances in good faith. Monitors from the PC's conduct on-one confidential interviews with factory employees during labor compliance audits of their contract facilities. | The factory confirmed to strengthen its internal grievance systems, and it was estimated to be completed by August 2005. | The factory agreed to strengthen its internal grievance systems and allow workers to address their concerns. The factory agreed to set up an effective grievance policy and place a suggestion box with its internal hotline number. The office manager is responsible for gathering and collecting the comments/complaints placed at the suggestion box. He will then directly report the complaints to the boss confidentially. Training will be provided to the managers and line supervisors for how to deal with and handle employees' comments and suggestions. Moreover, the factory will arrange meeting with employees periodically so that they can express their concerns and opinions. | | | | | | The PC visited the factory on January 19, 2006 and noted that factory had established an internal grievance policy which was posted beside the suggestion box. The PC visited the factory on March 17, 2006, and confirmed that the factory had well communicated the internal grievance policy and procedures to employees. The PC also selected employees for interview and noted that they were familiar with internal grievance system. | Photocopies of the policy and photo | |
| 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 | | | | | | | | | | | | | | | | | |
| Employment Terms | 29CFR785.28 Involuntary attendance | In compliance with FLA Benchmarks on Forced Labor: Employment terms shall be those to which the worker has voluntarily agreed. | Non-compliance: During peak season, workers are forced to work Saturday and Sunday without a day off and are disciplined if they are absent. | Worker and Management interviews. Hours of work records and Memo dated 12/6/04 | | | The factory should establish a system for voluntary overtime work and agreed by employees if overtime is requested. In addition, factory should develop a plan to reduce the working hours so that workers are entitled to at least one day off in a week and work no more than 60 hours per week. | The factory confirmed that the corrective actions had been taken on August 1, 2005. | The factory agreed to set up a system to ensure voluntary overtime work and evaluate the current manpower and revise the production plan so that workers are entitled to one day off in a week and work no more than 60 hours per week. | | | | | | | The factory submitted photos and supporting documents on December 11, 2006. Based on the information provided, the factory had established a voluntary overtime policy and all employees were properly informed. However, it was noted that the factory had not added clause on voluntary overtime into the signed labor contracts or obtained worker's written agreement. Further checking is required. | Photos and photocopies of factory regulations and manual time records and paper punch timecards. |
| Recruitment Contracts | | There can be no employment terms (including contracts, recruitment arrangements, or any other instruments) which specify that employees can be confined or be subjected to restrictions on freedom of movement, allow employers to hold wages already earned, provide for penalties resulting in paying back wages already earned or, in any way punish workers for terminating employment. | Non-compliance: As per labor contract, facility pays once per year. Last payment occurred December 2004) | Labor contracts and payroll records. | | | Factory should sign an employment contract with each individual employee. The contract should be clearly stated that the wages are to be paid on a monthly basis pursuant to legal regulations. A copy of the contract is required to provide to employees. | The factory confirmed that the corrective actions had been taken on August 31, 2005. | The factory agreed to sign an employment contract with each worker, and the pay period to on a monthly basis. The factory will arrange the employees to sign the contract, and provide a copy to them. | | | | | | | The PC visited the factory on March 17, 2006, and noted starting from July 2005 that the factory had provided a job slip to employees during wages payment monthly. Payrolls from July 05 to January 06 were reviewed without exceptions noted. | Photocopies of payrolls, factory regulations and workers interview forms |
| 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. | | | | | | | | | | | | | | | | | |
| 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 or abuse. | | | | | | | | | | | | | | | | | |
| Verbal Abuse | | In compliance with FLA Benchmarks on Harassment and Abuse: Employers will provide training to managers and supervisors in appropriate disciplinary practices. Management will discipline anyone (including managers or fellow workers) who engage in any physical, sexual, psychological or verbal harassment or abuse. | Non-compliance: [W]orkers complained security personnel and line leads do not respect their dignity and are verbally abusive. Management interviews confirmed some cases have been documented and addressed but problem is recurring. | Worker interviews, management interviews. | | | The factory should prohibit verbal abuse by security guards and line leads and factory should provide training to managers and supervisors in appropriate disciplinary practices. | The factory confirmed that the corrective actions had been taken on August 1, 2005. | The factory agreed to set up policy regarding anti-harassment or abuse and strengthen its internal grievance systems. Training will be provided to the managers and line supervisors in appropriate disciplinary practices. Moreover, workers also can report such cases to the boss confidentially. | | | | | | | The PC visited the factory on October 25, 2006 and noted that factory had not taken corrective actions properly. Further checking is required. | |
| Disciplinary Practices | | In compliance with FLA Benchmarks: Employers will utilize consistent written disciplinary practices that are applied fairly among all workers | Non-compliance: No written disciplinary practices are available. | Records review. | | | The factory should develop a written disciplinary practices policy and procedures, and the policy and procedures should be communicated to all employees through training and posting. In addition, all records on disciplinary practices should be maintained by the factory. | The factory confirmed that the corrective action had been taken on August 15, 2005. | The factory agreed to develop a written disciplinary policy and procedures, and post this policy and procedures on the prominent areas of the factory. All managers/supervisors and workers will attend meetings to learn such policy and procedures. | | | | | | | The PC visited the factory on March 17, 2006, and noted that the factory had developed a written disciplinary practices policy and procedures. The PC received the training records and photos of disciplinary policy and procedures to employees on March 31, 2006 and noted that such training was conducted on March 21, 2006 after the follow up audit. It was also confirmed that such policy was properly communicated to employees. | Photocopies of the policy, training records and photos. |
| Training of Management in Disciplinary Practices | | In compliance with FLA Benchmarks: Employers will provide training to managers and supervisors in appropriate disciplinary practices | Non-compliance: No records of training have been presented. | Records review. | | | The factory should provide training to all managers/supervisors and workers in appropriate disciplinary practices on a regular basis. The training records are required to be maintained. | The factory confirmed that the corrective action had been taken on August 15, 2005. | The factory agreed to provide training to all managers/supervisors and workers on disciplinary practices on a periodic basis. The factory agreed to maintain the corresponding training records. | | | | | | | The PC visited the factory on March 17, 2006, and noted that the factory had developed a written disciplinary practices policy and procedures. The PC received the training records and photos of disciplinary policy and procedures to managers and supervisors on March 31, 2006 and noted that such training was conducted on March 21, 2006 after the follow up audit. It was also confirmed that such policy was properly communicated to managerial staff. | Photocopies of the policy, training records and photos. |
| 5. Non-discrimination | | | | | | | | | | | | | | | | | |
| 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. | | | | | | | | | | | | | | | | | |

| FLA Code Compliance Issue | | Findings | Monitor's Findings: Compliance, Non-compliance, Indicator, Risk or Not Applicable | Documentation | Best Practice | PC Remediation Plan | Target Completion Date | Remediation | Factory Response | Documentation | Best Practice | Status | Verification | Company Verification Follow up |
|---|---|---|--|--|---------------|--|--|--|------------------|---------------|---------------|--------|--|--|
| 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 | Art. 14 of PRC Fire Prevention Law Keep the evacuation passages and exits clear. Set up the safety demarcation in accordance with national standards. Art. 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87). Employer shall install emergency lights on evacuation passages, exits and stairwells. | In compliance with FLA Benchmarks on Health and Safety. 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. | Non-compliance: Exits in this facility have lights but no "Exit" signs. | Visual inspection. | | The factory should post "EXIT" sign at each exit of the facility. | The factory confirmed that the corrective actions had been taken on August 5, 2005. | The factory agreed to install exit signs at exits. | | | | | The PC visited the factory on January 19, 2006, and observed that the exits in the facility were clearly marked with "EXIT" signs. | Photos |
| Record Maintenance | Art. 57 of PRC Chapter 6 Labor Health and Safety. Employer shall maintain statistical reports on accidents, injuries and/or deaths occurred to workers during labor or situations related to occupational diseases. | All safety and accident reports shall be maintained for at least one year, or longer if required by law. | Non-compliance: No injury log is maintained. | Document review. | | The factory should set up a log to capture the injuries that have occurred in the facility. | The factory confirmed that the corrective actions had been taken on July 15, 2005. | The factory agreed to set up a log to keep the injury records. | | | | | The PC visited the factory on January 19, 2006, and confirmed that the injury log was properly maintained in place. | Photocopies of the injury log |
| Worker Participation | | Workers should be involved in planning for safety, including through worker safety committees. | Non-compliance: No health and safety committee exist at the facility. | Management interviews. | | The factory should establish a health and safety committee, which workers will get involved. The members of the health and safety committee will meet on a regular basis. | The factory confirmed that the corrective actions had been taken on August 18, 2005. | The factory agreed to establish a health and safety committee, and post the members of the committee in noticeable places. Workers can pose questions and suggestions to the committee. The committee is to hold the meeting on a regular basis. | | | | | The PC visited the factory on January 19, 2006, and noted that the factory had set up a health and safety committee. However, it was noted that the health and safety committee did not hold meeting regularly. The PC visited the factory on October 25, 2006 and noted that the Health and Safety Committee was not functioning in an effective way. For instance, it did not perform fire & safety inspection and held meeting regularly. Further checking is deemed necessary. | Copy of the policy |
| PPE | Art. 74 of Factory Safety and Health Rules: Factory should provide working clothes or aprons and, according to needs, PPE to all affected workers. | In compliance with FLA Benchmarks on Health and Safety. 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. | Non-compliance: Employees who use stain remover toxic agents are not provided PPE by facility. | Visual inspection & Employee interviews | | The factory should provide appropriate PPE to employees who use hazardous and poisonous chemicals. | The factory confirmed that the corrective actions had been taken on August 5, 2005. | The factory agreed to provide PPE (such as mask and gloves) to employees who use stain remover toxic agent. Trainings on how to use PPE are to be held once in every 3 months. | | | | | The PC visited the factory on March 17, 2006, and confirmed that appropriate PPE such as respirators and impervious gloves had been provided to employees who use stain remover toxic agents. In addition, factory provided training to employees on how to use PPE properly to employees. Both records and photos were properly maintained. | Photos and training records |
| PPE | | In compliance with FLA Benchmarks on Health and Safety. 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. | Non-compliance: Dust masks are not made available as needed. | Worker interviews, Management interviews, Visual inspection, Maintenance records | | The factory should provide dust masks to the workers as needed, and provide training on how to properly use the Personal Protective Equipment to workers on a regular basis. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to provide dust masks to the workers, and educate them to properly wear during working time. | | | | | The PC received the photos from the factory on December 11, 2006 and noted that employees wear dust masks properly. | Photos |
| Equipment Safety | Hazard Communications Standard 29CFR 1910.1200 and PPE 29CFR1910.132 | In compliance with FLA Benchmarks on Health and Safety. All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner. 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. | Non-compliance: Workers are concerned about the hazards associated with the operation of laser welding equipment, since they have not received any information about safety precautions or associated hazards. There is no preventive maintenance scheduled for the laser welding equipment in order to prevent unsafe operation. | Worker interviews, Visual inspection, Zahn Tech Inc. operating manual | N.A. | N.A. | N.A. | There is no laser welding equipment being used for production process in the factory. Due to decoration of facility, the laser welding equipment was used in the factory by workers. | | | | | The PC visited the factory on October 25, 2006, and confirmed that the laser welding equipment was used in the factory by workers. | N.A. |
| Equipment Safety | | In compliance with FLA Benchmarks on Health and Safety. All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner. 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. | Workers are concerned about the operation of the tapping/grinding stations vacuum/exhaust system not operating efficiently due to infrequent maintenance. | Worker interviews, Management interviews, Visual inspection, Maintenance records | | The factory should conduct regular inspection and maintenance to ensure that the vacuum/exhaust system is in good working condition. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to inspect and maintain the vacuum/exhaust system on a routine basis to ensure them operating efficiently. | | | | | It was noted from the records provided by the factory on December 11, 2006 that appropriate ventilation system had been equipped in work places. | Records of the inspection and maintenance for the v |
| Chemical Management | Art. 12 of PRC: Safe use of chemical materials in Production area. The chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels. MSDS should be offered to workers who use it. | In compliance with FLA Benchmarks on Health and Safety. All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner in the local language or language spoken by majority of the workers, if different from the local language. | Non-compliance: MSDS of stain remover toxic agent was not posted in the working section. | Visual inspection. | | The factory should ensure that MSDS in local language be posted at the areas where stain remover toxic agent is used and stored. | The factory confirmed that the corrective actions had been taken on August 1, 2005. | The factory agreed to post the MSDS in both English and Chinese of stain remover toxic agents in the working section. | | | | | The PC visited the factory on January 19, 2006, and observed that MSDS was posted in the working section properly. | Photos |
| h. Ventilation/Electrical/facility maintenance | | In compliance with FLA Benchmarks on Health and Safety. All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility. | Investment casting ventilation is inadequate. Factory has purchased new unit, but it still has not been installed. | Visual inspection. | | The factory should ensure that working environment have good ventilation system. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to add new ventilation equipments in working areas. | | | | | It was noted from the records provided by the factory on December 11, 2006 that appropriate ventilation system had been equipped in work places. | Photos |
| h. Ventilation/Electrical/facility maintenance | | In compliance with FLA Benchmarks on Health and Safety. All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility. | Non-compliance: Electrical junction boxes in reuse routing area are missing covers. | Visual inspection, Digital photos | | The factory should equip all electrical junction boxes with covers to ensure them in safe working condition. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to fix covers of the electrical junction boxes. | | | | | It was noted from the records provided by the factory on December 11, 2006 that factory had equipped all electrical junction boxes with covers as well as an inspection and maintenance for the electrical equipments had conducted on a routine basis. | Photos and photocopies of records of inspection and maintenance for the electrical equipments. |
| Chemical Management | Art. 12: Use of Toxic Materials in production area. The area where toxic materials are used, must be demarcated with yellow lines, warning sign and warning explanations in Chinese. | In compliance with FLA Benchmarks on Health and Safety. All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances. | Non-compliance: Facility does not have a designated area for using and storing stain remover toxic agents. | Visual inspection. | | The factory should ensure that the hazardous and poisonous goods be stored at a secure and separate location. | The factory confirmed that the corrective actions had been taken on August 10, 2005. | The factory agreed to use stain remover toxic agents in a room which is separate from the general workspace, and warning signs are marked in the room. Stain remover toxic agents are to be stored in an isolated cabinet. | | | | | The PC visited the factory on January 19, 2006 and confirmed that a designated area for using and storing stain remover toxic agents was in place. | Photos |

| Findings | | Remediation | | | | Status | | Verification | | Company Verification Follow up | | | | | |
|--|--|---|--|---|---------------|--|--|--------------|---|--------------------------------|---------------|------------------------------|-----------------------|--|--|
| FLA Code Compliance Issue | Legal Reference | FLA Benchmark | Monitor's Findings: Compliance, Non-compliance, Indicator, Risk or Not Applicable | Documentation | Best Practice | PC Remediation Plan | Target Completion Date | Remediation | Factory Response | Documentation | Best Practice | Completed, Pending, On-going | External Verification | Company Follow up (Jan 06, Mar 06 & Oct 06) | Documentation |
| Freedom of Association and Collective Bargaining | | | | | | | | | | | | | | | |
| Employees will recognize and respect the right of employees to freedom of association and collective bargaining | | | | | | | | | | | | | | | |
| | | 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 Labor 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. | | | | | | | | | | | | | |
| | | 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 enshrined the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. | | | | | | | | | | | | | |
| Wages and Benefits | | | | | | | | | | | | | | | |
| Employees 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. | | | | | | | | | | | | | | | |
| Minimum Wage | Art. 48 of PRC Labor Law (Chapter 5 Wages and Salaries): The employer shall pay laborers wages no lower than local standards on minimum wages. | Employees will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher. | Non-compliance: (2) Gate keepers' wage is RMB 400 Yuan per month which is lower than local minimum wage (RMB 435 Yuan per month); (1) cleaning workers daily wage is RMB 25 Yuan and 100% of production workers daily wage is 30 Yuan which is lower than local minimum wage (RMB 30.37 Yuan per day). | Workers' interview and documents review. | | The factory should ensure that all employees are paid at least above the local legal minimum wage standard. | The factory confirmed that the corrective actions had been taken on August 15, 2005. | | The factory agreed to pay all employees, including gate keepers and cleaning workers, no less than local legal minimum wage (RMB 600 per month) with effect from August 2005. | | | | | The PC visited the factory on March 17, 2006 and noted that gate keepers and cleaning workers were paid RMB 750/month and RMB 600/month respectively which were higher than the legal minimum wage. | Photocopies of payrolls, time records and workers interview |
| Payment of wages | Art. 50: Wages shall be paid to the workers in cash and on a monthly basis under no circumstances is it allowed to deduct or delay the payment. | All compensation shall be paid in a timely manner. | Non-compliance: All workers are paid once a year. As per interview last wages were paid in Dec 2004 for (2004 payroll). | Management and workers interview; contracts. | | The factory should ensure that wages are paid at least once in a month pursuant to legal regulations. | The factory confirmed that the corrective actions had been taken on August 15, 2005. | | The factory agreed to pay wages to all employees once in a month with effect from August 2005. | | | | | The PC visited the factory on March 17, 2006, and reviewed the payroll to confirm that workers were paid on a monthly basis. It was also confirmed by [worker interview]. | Payrolls and interview forms. |
| x. Accurate Benefit Compensation | As per D.R. Dep. Of Labor Compensation (2004), the practice of ending contracts at the end of the year to rehire the employee few days or weeks later, is a violation inflicted on the employees' rights to use their length of service to increase their benefits calculations. | All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled | Non-compliance: Employees-employer work contract are terminated prior to the end of the calendar year, workers are paid at severance payments earned and rehired on the following month (January). As a result, accumulative benefits such as vacation are not accumulated (it remains 10.5 days throughout the years of relationship). | Payroll, personnel files, time records and management interviews. | | The factory should keep initial employment date records for all employees and compensate them properly according to employees' service length in the factory. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | The factory agreed to use personnel summary to keep track initial employment date of each worker. All relevant benefits are accumulated according to the length of service. | | | | | The PC received the sampled personnel records and personnel summary from December 11, 2006, and noted that the factory kept initial employment date records for all employees. The PC also noted that the factory updated the benefit policy, the employees of a continual service length of more than 1 year could be entitled to annual leave with pay. | Photocopies of personnel records and personnel summary and factory regulations. |
| Legal Benefits | Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefits): Management and employees must participate in social insurance programs. Art.73 PRC Labor Law: Workers shall be provided with social insurance benefits under the following circumstances: a) retirement; b) illness; c) disability caused by work-related injury or occupational disease; d) unemployment and e) child bearing. | Employees will provide all legally mandated benefits to all eligible workers. | Non-compliance: Facility does not pay unemployment, child-bearing and occupational injury insurances for any worker. As per local legal policies, government assumes the responsibility to cover pension and medical insurance. All other benefits it must be assumed by facility. | Management and workers' interview. Information also listed on labor contract. | | Both the employer and employees should participate in the social insurance scheme, and pay social insurance premium in accordance with the relevant regulations. | The factory confirmed that the corrective actions had been taken on August 16, 2005. | | The factory agreed to obtain a proof issued by local social insurance administrative bureau to state that both the factory and employees participated in social insurance scheme as per legal requirement. They would make contributions under the social insurance scheme accordingly. | | | | | The PC visited the factory on March 17, 2006 and October 25, 2006 and noted that the factory had not taken corrective actions. Further checking is required. | N.A. |
| Legal Holiday | Art. 51, of PRC Labor Law: The employer shall pay wages to laborers in accordance with law when they have legal holiday, take leaves during periods of marriage or mourning, and participate in social activities in accordance with law. | Workers will be paid for holidays and leave as required by law. | Non-compliance: As per payroll record review and management acknowledgement, facility does not compensate for holiday pay. | Documents review and management interviews. | | The factory should compensate the workers who work during holidays according to the local requirements. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | The factory agreed to compensate the workers for holiday pay pursuant to the local regulations. | | | | | The PC visited the factory on March 17, 2006 and noted that the factory had not taken corrective actions. The PC visited the factory on October 25, 2006, and reviewed the payrolls and time records, and interviewed workers (randomly selected). The PC confirmed that employees had been compensated at 300% of regular wage for working on holidays in May 2006. | Photocopies of time records, payrolls and workers interview forms. |
| Wage Benefits Awareness | Art. 19 of PRC Labor Law: Labor contract shall be in written form and with the following items included: term of contract, job description, labor protection and conditions, remunerations, labor discipline, conditions for termination of contract and liabilities for breach of contract. | Employees 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 | Non-compliance: Labor contract does not list wages for production workers. | Documents review. | | Factory should list wages for production workers on the labor contract. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | Factory agreed to sign new labor contract with each worker and list wages on the labor contracts. | | | | | The PC visited the factory on March 17, 2006, noted that the factory did not sign a new labor contract with employees. The PC visited the factory on October 25, 2006, and confirmed that the factory had signed a new labor contract with each worker and listed wages for production workers on the signed labor contract. | Photocopies of labor contracts |
| Wage Benefits Awareness | Art. 16 of PRC Labor Law (Chapter 3 Labor Contracts and Collective Contracts): A labor contract is an agreement between a worker and a company that establishes a labor relationship and defines the rights and obligations for each party. To have labor relationship shall sign a labor contract. | Employees 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 | Non-compliance: Missing labor contracts for eight employees. | Documents review. | | The factory should sign a labor contract with each individual employee, and provide a copy of contract to them. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | The factory agreed to sign a labor contract with each individual employee, and provide a copy to them. | | | | | The PC visited the factory on March 17, 2006, noted that the factory did not sign a new labor contract with each individual employee, and provide a copy of contract to them. | Photocopies of labor contracts and workers interview forms. |
| False Payroll Records | | Employees will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. | Non-compliance: A second set of the time cards (22 employees) used for work during rest days in June was found in the gate-keepers' office. Time cards observed had already recorded three weekends of work, exceeding the legal overtime limitations. | Documents review. | | The factory should adopt one single set of time record to accurately and completely capture the working hours of employees. Employees should also be compensated for working overtime pursuant to legal regulations. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | Factory agreed to make sure that there is only one set of time records and overtime premium is paid as per the legal requirements. | | | | | The PC visited the factory on March 17, 2006, and noted from the payrolls and time records of the months from August to December 2005 that factory adopted one set of time records and overtime compensation is paid as legally required. It was also confirmed by [worker interview]. | Copy of payrolls and time records from the months of August to December 2005, interview forms. |
| Payroll Reporting | | Accurate and reliable payroll reporting, including pay stubs will be provided | Non-compliance: Management did not present time records to match payroll for the year 2004. Time cards reviewed for the year 2005 did not have a payroll to be matched with. | Documents review. | | Both time cards and payroll records should be maintained on site for at least one year. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | | Factory agreed to maintain both the time records and relevant payroll records for two years. | | | | | The PC visited the factory on March 17, 2006, and noted that factory maintained payrolls and time records from August 2005. | Copy of payrolls |
| Pay Stub | Art. 6 of the Provisional Regulations for the Payment of Wages: Company shall provide workers with a detailed pay stub. | Employees will provide workers a pay statement each pay period, which will show earned wage, regular and overtime pay, bonuses and all deductions. | Non-compliance: No pay stubs provided to the workers. | Workers' interview. | | The factory should provide workers with pay stub which lists out wages breakdown, such as normal work hours, overtime hours, basic wages, overtime wages, gross salary, allowance, deductions, and net salary, etc. | The factory confirmed that the corrective actions had been taken on August 15, 2005. | | The factory agreed to provide the pay stub to each worker. | | | | | The PC visited the factory on March 17, 2006, and confirmed that factory provided pay stub to employees. | Photocopies of pay stubs and workers interview |

| FLA Coder Compliance Issue | Legal Reference | FLA Benchmark | Findings | | | Remediation | | | Status | | | Verification | | |
|--|---|---|---|--|---|--|--|--|---------------|---------------|------------------------------|-----------------------|--|--|
| | | | Monitor's Findings: Compliance, Non-compliance, Indicator, Risk or Not Applicable | Documentation | Best Practice | PC Remediation Plan | Target Completion Date | Factory Response | Documentation | Best Practice | Completed: Pending: On-going | External Verification | Company Follow up (Jan 06, Mar 06 & Oct 06) | Company Verification Follow up |
| 3. 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 law 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 | | | | | | | | | | | | | | |
| Regular Hours | Regulation by the State Council on Working Hours, Art. 3: Laborers shall work for no more than 8 hours a day and not more than 40 hours a week. | Except in extraordinary business circumstances, employees will (1) 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 (2) be entitled to at least one day off in every seven day period. | Non in compliance: Gate keepers regular hours are from 7:30 am to the following day (7:30 am). A 24 hours shift is followed by a 24 hours off. | Management and workers' interview. Information is also based on labor contract. | The factory should develop a plan to reduce the working hours of the gate keepers so that they work within the legal limitation. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to reduce the working hour per a shift of the gate keeper to 8 hours. | | | | | | The PC visited the factory on March 17, 2008 and noted that the factory had not taken corrective actions. It was noted from the records provided by the factory on December 11, 2008 that the factory had outsourced the security services to a local security servicing firm starting from August 2005. Factory had signed an agreement with the security service firm and such agreement stipulated the requirements of treating employees pursuant to the local legal laws and regulations. | Copy of an agreement. |
| OT Limitations | Art. 41 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays). Employees should not be allowed to work more than 3 overtime hours per day and 36 overtime hours per month. | Except in extraordinary business circumstances, employees will (1) 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 (2) be entitled to at least one day off in every seven day period. | Non in compliance: A second set of the time cards (22 employees) used for work during rest days in June was found in the gate-keepers' office. Time cards observed had already recorded three weekends of work, exceeding the legal overtime limitations. | Time cards review. Management refused to allow copies from the second set of time cards (week ends). Information was not confirmed with workers because one interview was stopped by management and one was refused by worker. | The factory should adopt one single set of time records to accurately capture the working hours of employees. Employees should also be compensated for working overtimes pursuant to legal regulations. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to make sure that there is only one set of time records and overtime premium is paid as per the legal requirements. | | | | | | The PC visited the factory on March 17, 2008, and noted from the payrolls and time records of the months from August to December 2005 that factory adopted one set of time records and overtime compensation is paid as legally required. It was also confirmed by [worker interviews]. | Copy of payrolls and time records from the months of August to December 2005, interview forms. |
| Day of Rest | Art. 38 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays). Employer shall guarantee that its laborers have at least one day off per week. | Except in extraordinary business circumstances, employees will (1) 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 (2) be entitled to at least one day off in every seven day period. | Non in compliance: A second set of the time cards (22 employees) used for work during rest days in June was found in the gate-keepers' office. Time cards observed had already recorded three weekends of work. | Time cards review. Management refused to allow copies from the second set of time cards (week ends). Information was not confirmed with workers because one interview was stopped by management and one was refused by worker. | The factory should adopt one single set of time records to accurately capture the working hours of employees. Employees should also be compensated for working overtimes pursuant to legal regulations. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to make sure that there is only one set of time records and overtime premium is paid as per the legal requirements. | | | | | | The PC visited the factory on March 17, 2008, and noted from the payrolls and time records of the months from August to December 2005 that factory adopted one set of time records and overtime compensation is paid as legally required. It was also confirmed by [worker interviews]. | Copy of payrolls and time records from the months of August to December 2005, interview forms. |
| 16. 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 | Art. 44.1 of PRC Labor Law states: The employer shall pay workers no less than 150% of their regular wages if they are required to work overtime. Art. 44.2 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Payment of wages to laborers should be no less than 200% of the normal wage if the employees are required to work on a day of rest and no deferred rest can be taken. Art. 44.3 of PRC Labor Law (Chapter 4 Working Hours, Days of Rest and Holidays): Payment to workers should be no less than 300% of the normal wage if they are required to work during a legal holiday. | Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. | Non in compliance: A second set of the time cards (22 employees) used for work during rest days in June was found in the gate-keepers' office. Time cards observed had already recorded three weekends of work. Since payroll corresponding to this time cards was not presented (payment is due only once a year) it is not possible to conclude if time records are accurately used to calculate payroll or compensate OT for production workers. As per gate keepers compensation, they do work an average of 72 hours per week (as per contract) and no OT is compensated. | Payroll, time cards, worker interviews and labor contracts. | The factory should adopt one single set of time records to accurately capture the working hours of employees. Employees should also be compensated for working overtimes pursuant to legal regulations. | The factory confirmed that the corrective actions had been taken on July 1, 2005. | The factory agreed to make sure that there is only one set of time records and overtime premium is paid as per the legal requirements. | | | | | | The PC visited the factory on March 17, 2008, and noted from the payrolls and time records of the months from August to December 2005 that factory adopted one set of time records and overtime compensation is paid as legally required. It was also confirmed by [worker interviews]. | Copy of payrolls and time records from the months of August to December 2005, interview forms. |
| Miscellaneous | | | | | | | | | | | | | | |
| Possible Homework | | | As per management interview, the goods being processed are sent to local homes for the main knitting and the finishing is completed at the factory premises. In China, homework is a form of subcontracting not regulated and is not consider being legal. The facility signs simple agreements with individuals who distribute the materials to groups of home workers. Working conditions related all the FLA benchmarks for home workers are not controlled and could not be verified. | Management and worker interviews. | | Factory should sign an agreement with individual contractors who distribute the materials to groups of home workers. The agreement stipulates all contractors to ensure home workers entitlements are pursuant to local regulations (for example, working hours, minimum wages and OT compensations, and legally mandated benefits). | The factory confirmed that the corrective actions had been taken on Sep 15, 2006. | The factory agreed to sign a subcontracting contract with individual subcontractor, whereby working hours, minimum wage payment and OT compensations and legally mandated benefits are included. | | | | | It was noted from the records provided by the factory on December 11, 2008 that the factory had signed an agreement with a total of 4 individual subcontractors and such agreement stipulated the requirements of treating home workers pursuant to the local legal laws and regulations. | Photocopies of subcontracting contracts. |