

FLA Audit Profile	
Country	China
Factory Name	600013449E
JEM	A.L.G.I. China
Domestic Facility	October 19, 2006
Company(s)	Lit Calhoun, Inc.
Number of workers	765
Product(s)	Garment
Production processes	Computer Knitting, Inspection, Linking, Trimming, Mending, Washing, Sewing, Ironing and Packing

FLA Code Compliance Issue	Country Law/Legal Reference	FLA Benchmark	JEM Findings					Remediation					Documented on	Status of Pending Remediation	Third-Party Verification Documentation	Company Follow Up (Cite Date)	Documentation	
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Un corroborated)	If Not Corroborated, Explain Why	Sources/ Documentation	Notable Features	Company Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (March 30, 2007)						
1. Code Awareness																		
1.1. General Labor																		
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																		
1.2. 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.																		
1.3. 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.																		
1.4. 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.																		
1.5. 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.																		
Safety Equipment	Art. 43 of Fire Prevention and Safety Rules of Traffic Min. Obstructive items, such as safety gloves or other items, must not be piled up around fire extinguishers or fire hydrants. Regular service of maintenance system must be set up for fire fighting facilities and equipment, to ensure they are in working condition.	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.	1 fire extinguisher in electronics's room was out of order. 1 fire extinguisher in Wichen was blocked.		factory tour	Factory should conduct regular inspection of fire extinguishers to ensure all fire extinguishers are functioning well and easily accessible to employees.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure fire extinguishers are in good working condition.	Factory agreed to replace fire extinguisher and conduct monthly inspections on all fire extinguishers in order to ensure all fire extinguishers are functioning well and easily accessible to employees.	Company observed that all extinguishers were well functioning and easily accessible and confirmed that an inspection of fire extinguishers had been performed on a monthly basis.	photos	Completed							
Personal Protective Equipment (PPE)	Art. 37 of PRC Work Safety Law. Production and business units shall provide employees with PPE that meets national standards, industrial specifications, and they shall give instruction to their employees and lead to their wear or use this PPE in accordance with the rules for their use.	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.	In computer knitting section, 3 workers failed to wear earplugs.		factory tour	Factory should provide appropriate PPE, such as earplugs, to workers in computer knitting section. Besides, factory should provide training to employees on how to properly use PPE.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure appropriate PPE is provided workers and they use PPE in the proper manner.	Factory agreed to provide earplugs and training to workers, and to educate workers on the importance of using earplugs and on how they prevent them from being exposed to excessive noise.	Company reviewed training records and photos of PPE usage; noted that training was conducted November 27, 2006 and observed that employees working in computer knitting section wore earplugs properly.	photos, training records (copies)	Completed							
Electrical/Facility Maintenance		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.	All conditioner electrical wires exposed (Collection and Distribution Room).		factory tour	Factory should assign a qualified electrician to replace air conditioner's electrical wires with new ones and regularly inspect electrical wires to ensure they are in safe condition, without splines or taped joints.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure electrical wires and equipment are in safe condition.	Factory agreed to replace air conditioner's electrical wires, and to inspect and maintain the electrical wires on a routine basis to make sure they are in safe condition.	Company noted that factory had replaced the conditioner's electrical wires and that inspection and maintenance of electrical equipment had been conducted on a daily basis.	photos, inspection and maintenance records for electrical equipment (copies)	Completed							
Gas Storage Room		All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	Gas storage room outside cafeteria Wichen had no door lock.		factory tour	Factory should install door lock at gas storage room.	Factory confirmed corrective actions taken 10/11/2006.	Factory agreed to install door lock at gas storage room.	Company observed that gas storage room was equipped with a door lock and had a safety caution sign indicating hazardous substances was posted on the door.	photo	Completed							
1.6. Freedom of Association																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																		
Freedom of Association: FLA Comment	FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the state official trade union -- the All China Federation of Trade Unions (AFCFTU). 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 introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.		Factory does not have written policy on independent worker representation. Interviews showed that workers had limited knowledge about Freedom of association. They prefer to organize on work instead of on the issue. Workers had no desire to form a workers' organization. There is no apparent restriction on the formation of a union or workers' organization.		document review, worker interviews	Factory should set up a policy to clarify means that factory respects workers' right of freedom of association.	Factory confirmed corrective actions taken 10/11/2006.	Factory agreed to set up a policy of regarding the right of workers on freedom of association.	Company noted that factory had set up a policy on freedom of association. An educational briefing on advising employees of their right to set up a union conducted December 14, 2006. Training was also included in the orientation program for newly hired employees. Moreover, company also selected 15 workers for interviews and confirmed that they were well familiar with the policy regarding their right to form a workers' organization.	policy on freedom of association, training records, worker interview forms (copies)	Completed							
1.7. Wages and Benefits																		
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																		
1.8. Hours of Work																		
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.																		
Overtime Limitations	Regulation by State Council on Working Hours. Art. 43. Laborers shall work for no more than 8 hours a day and not more than 40 hours a week. Art. 44 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 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 be anticipated or alleviated by other reasonable efforts.	Per sample review of time card records in July and August (peak seasons), all workers did more than 3 hours of OT per day, which exceeded daily limitation stipulated by PRC Labor Law. Their working hours per week surpassed limitation of 60 hours required by FLA Benchmark. No excessive hours were observed in other months.		worker interviews, time record and payroll review	Factory should develop a plan to reduce the working hours so workers are entitled to at least 1 day off in a week and work no more than 3 overtime hours per day with a total of no more than 60 work hours per week. Moreover, factory should establish mechanism to ensure all employees worked overtime on a voluntary basis.	Factory confirmed corrective actions taken 10/13/2006.	Factory agreed to evaluate current manpower and revise production plan so workers are entitled to at least 1 day off in a week and work no more than 3 OT hours per day. Besides, factory also agreed to set up a system to make overtime work on a voluntary basis.	Company noted from payroll and time records from October 2006-February 2007 that employees received 1.2 day off in a week and worked to more than 3 OT hours per day with a total of no more than 60 working hours per week. Company also noted that factory had established a voluntary policy and employees were required to fill an OT application form with their signatures monthly. This was confirmed through worker interviews.	payroll and time records from October 2006-March 2007, voluntary OT policy, OT application form, worker interview forms (copies)	Completed							
Consecutive Working (Potentially)	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 (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 be anticipated or alleviated by other reasonable efforts.	Boiler operator turns the boiler off and on on Sundays, usually between 7:30-8:30 and 16:30-17:30. Time not recorded in timecards or payroll, but record of boiler maintenance notes situation. Management explained this is because hot water is also needed on Sundays, so operator is asked to turn the machine on/off. No work other than that is required. Boiler operator corroborated the information.		worker interviews, time record and maintenance record review	Factory should accurately and completely capture hours worked by boiler operator including on Sunday.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure working hours of boiler operator are accurately recorded and properly compensated.	Factory agreed to completely capture working hours of boiler operator, including on Sunday. OT premium paid per legal requirements.	Company noted that from October 2006-December 2006, factory had arranged 4 hours of rest every Wednesday afternoon to substitute for 2 hours work on Sunday. Starting from January 2007, the factory had replaced boiler with a new one; boiler operator has not been required to work on Sunday. This was confirmed by an interview with boiler operator.	photos, time records from October 2006-March 2007, worker interview forms (copies)	Completed							

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39. 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.																		
Noncompliance																		
Pay Date	Art. 19 of PRC Labor Law (Chapter III: Labor Contracts and Collective Contracts): A labor contract should be in writing and should include the following items: 1) contract duration; 2) job description; 3) labor protection and conditions; 4) remuneration; 5) labor discipline; 6) conditions for termination of contract; and 7) liabilities for breach of contract.		Terms on labor contracts state that pay date is at the end of month. Although workers confirmed the payment of wages will never fall behind 30 th of the month, factory has not defined an exact date.			worker interviews, document review	An exact payment date should be set on labor contracts. Wages shall be paid on date agreed upon by both factory and employees or nearest working day. In case of holiday or rest day, payment must be no later than the date.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure an exact payment date is set on labor contracts.	Factory agreed to fix an exact payment date on the labor contracts; date is 30 th each month.	Company noted that factory had updated factory regulation and signed a new labor contract with each employee. Payment date fixed on 30 th of each month per factory regulation and signed labor contract. Interview with randomly selected workers confirmed they were always paid by 30 th of each month.	Completed							
Security Guard License	Art. 3 of Determination Made by the Ministry of Public Security on Consolidating the Industry of Security Guards: Security guards should have occupational licenses issued by the department of public security and registered with the local police station.		3 security guards (out of 8) are missing mandated licenses.			worker interviews, document review	Factory should ensure that all security guards attend the training course and legally obtain a mandated license.	Factory confirmed corrective actions taken 10/11/2006. Company plans to visit factory in January 2007 to ensure all security guards	Factory agreed to arrange for those security guards who do not have licenses to attend the training course, so they can obtain the legally mandated licenses accordingly.	Company noted that a total of 11 security guards had licenses in place.	Completed							