

FLA Audit Profile	
Country	China
Factory name	010015302E
Site	A.L. Co., Ltd. China
Date(s) in facility	July 24, 25, 26, 2006
PCA	Juliana AG
Number of workers	139
Product(s)	Golf Clothes
Production processes	Sewing, Cutting, Quality Inspection, Ironing, Packing

FLA Code/Compliance Issue	Country/Legal Reference	FLA Benchmark	Noncompliance	EM Findings				Remediation		Status		Updates (Date of Follow-up)		Third-Party Verification		Company			
				Evidence of Noncompliance (uncorroborated)	If Not Corroborated, Explain Why	Sources, Documentation Used for Corroborating	Noncompliance Features (By Factory Management or Company)	PC Remediation Plan	Target Completion Date	Company Follow Up (September 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (October 2007)	Documentation	Completed, Pending, Ongoing	External Verification (Date)	Documentation	Company Follow up (July 31, 2008)	Documentation
1. Code Assessment																			
Confidential Noncompliance Reporting Channel		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communication 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.	No confidential noncompliance reporting mechanism was observed established in place at the facility by addressee, the participating company.			Document review and worker interviews		During worker interviews, addressee provided workers with business cards in order for workers to contact PCA's compliance team in the case they needed to report a noncompliance or grievance to the PCA.			Worker interview	Completed							
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.	As per document review, no written material maintained indicates addressee has taken steps to inform the factory about the Company's commitment to the code of conduct and its membership with the FLA.			Document review and Management interview		Every year, addressee sends standard letters to factories to inform them that addressee is a member of the FLA and that factories may be audited by FLA monitors. In addition, all Manufacturing Agreements between PCA and factories include a clause indicating that all of addressee's suppliers must be in compliance with the SOE.			Management interview and document review	Completed							
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.																			
3. Child Labor																			
No person will be employed at an age younger than 15 for 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	Art. 9: Regulations for Special Protection of Juvenile Workers (Document No. 486: Employment of juvenile workers should be under regulations. Art. 65 of PRC Labor Law (Chapter 7): Employer shall carry out regular physical examinations for underage workers. Regulations to Special Protection of Underage Workers, Art.6: Employer shall carry out regular physical examinations for underage workers as required by law; as before arrangement of working positions, to working for 1 year, if an employee just over 16 shall take physical examination if it has been more than 6 months since last physical examination.	Employees will comply with applicable laws that apply to young workers, to those that exceed the minimum working age and the age of 16, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	Facility does not have internal policy regarding juvenile workers (i.e. there is no system established to monitor young workers). Facility failed to register employment of juvenile workers with local labor bureau and did not carry out regular physical examinations for them, as required by law.			Document review, management and worker interviews		1. Factory has already provided free physical examinations for juvenile workers and will register the employment of those workers with local labor bureau. 2. In addition, factory management will create a hiring policy that will ensure that all juvenile workers will be hired in accordance to local law (registration to labor bureau, physical exam). 3. Factory management will create a tracking system, such as a colored ID card, in order to monitor juvenile workers.	10/20/2006		Management interview and document review	Ongoing	1. Free physical examinations are provided for juvenile workers. However, factory said that the local labor bureau refused to do the registration for them. The ILO team has asked factory to make a record of the request of registration showing that factory has at least tried. 2. Factory updated the factory rules in accordance to local regulation. 3. Tracking system is implemented for juvenile workers.	Management interview, Document review	Ongoing			There is no juvenile workers in this factory now and factory has set up the juvenile worker protection policy.	Documents review
4. Harassment or Abuse																			
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																			
5. Discrimination																			
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or reinstatement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																			
6. Health and Safety																			
Safety Equipment	Art. 63: First prevention and safety rules of Textile mills. There must be no obstruction around the fire extinguishers or fire hydrant.	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.	One fire extinguisher was observed blocked from easy access on the 2nd floor of the production building.			Factory tour		Factory management to conduct periodic checks of all the fire extinguishers and any other equipment.			On-site inspection	Completed and Ongoing	All fire extinguishers are easily accessible.	On-site inspection	Completed				
7. 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 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 of strike. As a consequence, all factories in China fall short of the ILO standards on the rights to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.	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 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 of strike. As a consequence, all factories in China fall short of the ILO standards on the rights to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.			Worker Interviews		1. Factory management to work out ways and plans to properly train workers on their F&A rights. Training must include local law and PCA's standards regarding freedom of association. 2. The factory management must also develop its own systems of direct worker-management contact, and improve communication with workers. Possible communication channels are workers' committees, grievance procedures, regularly scheduled meetings, ongoing job development and training, factory newsletters/magazines, social activities.	6/30/2007		Management interview	Ongoing	1. Factory is in the process of setting up union with the help from local ACTU. The union will be set up in early 2008 tentatively. 2. Factory has set up grievance committee in the factory with the help from local labor bureau.	Management interview, On-site inspection	Ongoing			Factory has trained employees on their rights of F&A and has set up the employee representative union in March. Currently, management is meeting with union representatives on a regular basis, however, there is no documentation indicating the union's function and responsibility. Factory has committed follow up with the local trade union on improving documentation.	Management interview and documents review
		The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected by 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 employees to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.																	
Policy		Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment.	Facility has no written factory policy on independent worker representation. The facility is not unionized and there is no form of independent worker representation in the facility.			Document review, management and worker interview		1. Factory management is to set up written policies regarding F&A and independent worker representation. 2. Provide training on such policies to all employees. 3. Provide copies of the policies and conduct orientation for new workers and refresher training for existing workers on the content of the policies.	6/30/2007		Management interview	Ongoing	1. Policies are not updated yet. Factory will do so with the help from local ACTU when they are setting up the union in early 2008.	Management interview	Pending			There is a union-representative workers, but no CBA in place yet.	Management interview

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			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (uncomorbated)	If Not Corroborated, Explain Why	Sources, Documentation Used for Corroborating	Notable Features By Factory Management or Company	PC Remediation Plan	Target Completion Date	Company Follow Up (September 2006)	Documentation	Completed, Pending, Ongoing	Completed, Pending, Ongoing	Company Follow Up (October 2007)	Documentation	Completed, Pending, Ongoing	External Verification (Date)	Documentation	Company Follow up (July 31, 2008)	Documentation
3. 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																					
Work Stoppage	Article 38 of Regulation on Wage Payment of Guangdong Province: When one payment period (maximum 30 days), employer should pay its employees their regular salary if the operation is suspended and work is ceased for the reason which is irrelevant to employees' faultlines. If the suspension/overtime exceeds one payment period, employer can pay the employees at contractual rate between employees and employer. If no work is assigned to the employees, employees should receive a living allowance no less than 80% of local Minimum Wage. Standard until the enterprise resumes production or the employment relationship is terminated.		From January to May 2006, the factory has situations of not enough work or insufficient production material. Those days of stoppage were not compensated to the workers.			Document review	1. Factory management to pay workers at least minimum wage during low season when there is not enough work or when a work stoppage occurs. 2. In addition, factory management to pay workers back wages from days when work stoppage occurred between January-May 2006.	12/31/2006		Management interview and document review	Ongoing	Due to misunderstanding of factory management regarding minimum wage calculation, this is not properly followed up. However, factory has agreed to complete back-payment before Chinese New Year.	Management interview and document review	Pending					Factory paid all back wages for all the stoppage of the past two years in March. Additionally, it has revised the wage system to monthly rate to make sure all stoppage days are paid correctly.	Payroll sheets review, worker interviews, management interviews	
Legal Benefits	Article 81 of PRC Labor Law (Chapter 1: Wages): Employing units shall pay laborers' wages in accordance with the labor law during periods such as legal holidays, wedding leaves, mourning leaves as well as legally mandated social activities laborers participate in.	Employees will provide all legally mandated benefits to all eligible workers.	As per review of payrolls for January and May, workers were not paid regular wage during the legal holidays as required by law. 1. day for New Year's Day, 3 days for Spring Festival and 3 days for Labor Day.			Document review	1. Effectively immediately, factory must ensure that workers will be paid for all the public holidays with immediate effect. 2. Factory management must compensate workers for the legal paid holidays if failed to compensate workers with 2006.	12/31/2006		Management interview and document review	Ongoing	Due to misunderstanding of factory management regarding minimum wage calculation, this is not properly followed up. However, factory has agreed to complete back-payment before Chinese New Year.	Management interview and document review	Pending					Factory paid all back wages for all the stoppage of the past two years in March. Additionally, it has revised the wage system to monthly rate to make sure all stoppage days are paid correctly.	Payroll sheets review, worker interviews, management interviews	
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 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 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. Art. 4 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 (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.	17 out of 20 employees sampled worked more than 60 hours during a week. Excessive hours range from 61 to 73 hours per week. Most workers in violation work from Quality Inspection, Ironing and Sewing sections.			Time records review	According to follow-up visit and documentation review, the time records that EM auditors reviewed are actually summary pages and are for 10 days instead of 7 days (1 week), so factory did not work excessive overtime hours.		Factory did not work more than 60 hours per week. Yet, PC will continue to monitor factory's hours of work to ensure they are in compliance with local law and PC's standards.		Ongoing	Working hours are in compliance with PC's standard of 60 hours/week.	Management interview and document review	Completed							
3c. 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.																					
3c. Enforcement																					
Security Guard Licenses	Art. 3 of Determination Made by the Ministry of Public Security on Consolidating the Industry of Security Guards: The security guards should have the occupational licenses issued by the Department of Public Security and registered with the local police station.	All security guards (3) did not have legally mandated licenses.				Document review and management interviews	All security guards obtained the licenses before EM report was received by PC. In the future, factory must ensure that security guards should have the necessary licenses.		All security guards obtained the licenses already.		Completed										