

FLA Audit Profile	
Country	China
Factory name	88001508BV
IRM	8800-01C Standards Technical Services Co., Ltd.
Date(s) in facility	May 15, 2006
PC(s)	Nordstrom, Inc.
Number of workers	450
Product(s)	Knitted Garments
Production processes	Knitting, Sewing, Ironing, Inspection, Washing, Packing

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IRM Findings					Remediation				Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up			
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date	Company follow up (Cite date of follow up)	Documentation	Company Follow up	Documentation	External Verification (May 19, 2006)	Documentation	Company Follow up (Re-audit: July 20, 2006)	Documentation	
1. Code Awareness																			
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 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																			
Legal compliance for juvenile workers	Clause 9, Regulations on Young Worker Special Protection (1994). State shall practice registration systems for young workers' employment and special protection. 1) Employment of young workers must be subject to registration approval from local Labor Bureau of government at or above County level. 2) Young worker shall obtain valid registration permit before commencement of work. Clause 10, Regulations on Young Worker Special Protection (1994). Employer shall arrange health and safety training to young workers before commencement of work. Employer shall bear the responsibility and pay for health examination and registration of young workers.	Employers will comply with applicable laws that apply to young workers. I.e. those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, period of age documentation, and overtime.	Based on factory provided list, all employees were identified as young workers. Although young workers were arranged for the regular body examination and were not arranged to work in the workshop with potential hazard to health. However, the factory did not obtain the registration of those young workers from local labor bureau.		Findings from personnel files and factory provided young worker list reviewed at HR.		Have factory submit registration of all young workers (ages 16-18) with local labor bureau upon hiring. Ask factory to implement plan to have or ensure all young workers register with local labor bureau upon hiring. Please note the legal working age in China is 16; however, there are specific requirements and limitations for workers under the age of 18.	COMPLETE: 7/2/2003		Received copy of young worker registration for those found not registered during audit. Plan is being implemented and will be verified by re-audit by agent.				Based on review of workers' personnel files and interviews with workers, a total of 14 young workers 16-18 years old identified during verification audit. Although young workers not arranged to work in workshop with potential hazard to health, factory did not get registration of these young workers approved from local labor bureau and did not arrange regular health examination for young workers.	During verification audit, some workers who looked particularly young were interviewed by auditors. Cross checking was conducted between interview information concerning workers' ages and workers' personnel files. The recruitment procedure and registration records of previous 6 months reviewed, all workers' personnel files and name list also carefully checked.	All health checks available and registration obtained. Factory has established policy for hiring of young workers. This issue will continue to be monitored to verify that this policy has been fully implemented.			
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. 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.																			
6. 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's facilities.																			
Safety Equipment	Clause 31, Regulations on Health and Safety in Workplace.	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.												No first aid kit installed at dormitory building.	Finding was identified from on-site observation and interview with workers.	All supplies available. This issue will continue to be monitored in future factory visits.			
PPE	Clause 54, China Labor Law (1994). Employer must provide employees with occupational health and safety conditions conforming to the provisions of the state and necessary personal protective equipment (PPE), and provide regular health examinations for employees engaged in work with occupational hazards.	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.												No gloves or masks provided for workers in washing process.	Finding was identified from on-site observation and interview with workers.	All supplies available. This issue will continue to be monitored in future factory visits.			
7. Freedom of Association and Collective Bargaining																			
Employers 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 Trade Unions (AFCFU). 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.																		
8. Wages and Benefits																			
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as at least, 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	China Labor Law, Article 48. Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.													Factory did not provide some main documents and records such as payroll and attendance records, social insurance invoice, procedure and communication records regarding labor union, annual inspection certificate of boilers and elevators to auditors for verification during verification audit. Factory explained that HR and Finance Manager in charge of above-mentioned documents and records; he was traveling to [City name] today and could not come back to factory the day of verification audit. Above-mentioned documents and records locked in his cabinet, so wages and benefits could not be verified during the verification audit (Local minimum wages have been setted up to RMB 674 per month since 12/01/2004).	The wages and benefits could not be verified due to the factory did not provide payroll and attendance records, social insurance invoice, etc. for verification during the verification audit.	There should be more than 1 person with access to records at factory at all times. Factory must ensure all working hours, overtime, wages and benefits, are completely and accurately recorded, and that all persons engaged to work in factory in 1 central set of records. These records must be made available to auditors upon request for monitoring purposes in a timely manner. (COMPLETE: 10/18/06) Re-audit (2/20/06): Factory established policy to ensure disgruntled staff member has access to records at all times if the responsible person is absent. Documents reviewed and verified during October 2006 Nordstrom Factory visit.	Documentation Reviewed during October 2007 Nordstrom Factory Visit	

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					Evidence of Noncompliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating			Target Completion Date	Company Follow up (Date / date of follow up)	Documentation	Company Follow up	Documentation		External Verification (May 19, 2006)	Documentation
Legal benefits	Clause 72, China Labor Law (1994): The employer and employees 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.	100% of employees were entitled to medical and injury insurance, and 40% of employees to unemployment and retirement insurance.				Finding from document review on social security program and from interviews with workers.	While the goal of Nordstrom's Social Compliance program is for factories to abide by local law and include 100% of employees in the entire Social Insurance program, at this time it is acceptable to Nordstrom to include only a portion as detailed in waiver issued by the local government office, as this Social Insurance program is relatively new to China. As factory works to incorporate all employees into this new government plan, the waiver from local Finance and Econ Dept is noted and received. Factory must develop action plan for inclusion of all employees in the National Social Security program. Plan to be reviewed by Nordstrom agent during next audit.	COMPLETE: 7/2/2003		Acceptable as per Nordstrom. Waiver from local Financial and Economic Dept. in region where factory is located is noted and received. Waiver documentation sent to FLA 8/11/03.			Factory did not provide some main documents and records such as payroll and attendance records; social insurance invoice; procedure and communication records regarding labor union; annual inspection certificate of boilers and elevators to auditors for verification during verification audit. Factory explained that HR and Finance Manager in charge of above-mentioned documents and records; he was traveling to City named today and could not come back to factory the day of verification audit. Above-mentioned documents and records locked in his cabinet, so wages and benefits could not be verified during the verification audit. Local minimum wages have been added up to RMB 274 per month since 12/01/2004.	The wages and benefits could not be verified due to the factory did not provide payroll and attendance records, social insurance invoice, etc., for verification during the verification audit.	Factory established a policy to ensure a designated staff member will have access to records at all times if the responsible person is absent. Documents will be reviewed during upcoming October 2006 Nordstrom visit.	
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	Clause 41, China Labor Law: The employer may extend working hours due to the requirements of its production or business after consultation with the trade union and employees, but the extended working hours for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, extended hours shall not exceed 3 hours a day, under the condition that the health of employees is guaranteed. However, the total extension in a month shall not exceed 36 hours.	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.	Based on the time record, the number of overtime hours was about 40-50 hours per month, although it was in compliance with the code of FLA, which stated that overtime hours should be under 12 hours per week. However, as per the labor law requirement, it should be under 36 hours per month.				Finding from time record and worker interview.	Nordstrom's OT policy is that factories should always work to meet the legal limit of their country. In the event that that is not possible, we ask that factories utilize less than 12 hours of OT/week, which is in line with the FLA's standard. At this time, we understand that during peak production periods factories may require more OT hours than this and ask that they apply for and are granted a waiver from the local labor office for the 3-6 month time period that they may require additional OT hours. This waiver is currently acceptable by Nordstrom for factories in China.	COMPLETE: 7/2/2003		Acceptable as per Nordstrom. OT waiver from local Financial & Economic Dept. noted and received. Waiver documentation sent to FLA 8/11/03.			There were no attendance records available to auditor for verification; therefore, auditors could not clearly judge if the working hours of this factory were in compliance with requirement of Local Labor Law.	Group and individual interview conducted during audit and interviewees randomly selected from knitting, linking, thread end security, inspection, washing, pressing and packing process (3 groups with 9 workers and 18 individual workers, "number" female workers and "number" male workers). During whole audit, production records; records of entry and exit to factory; QC reports; and warehouse records on site also carefully cross-checked. Although no negative evidence identified by above verification methods, no attendance records available to auditor for verification; therefore, auditors could not clearly judge if working hours of this factory were in compliance with requirement of Local Labor Law.	Factory established a policy to ensure a designated staff member will have access to the records at all times if responsible person is absent. Documents will be reviewed during upcoming October 2006 Nordstrom visit.	
1A. 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	China Labor Law, 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) to pay no less than 150% of normal wages if extension of working hours is arranged; 2) to pay no less than 200% of normal wages if extended hours arranged on days of rest and no deferred rest can be taken; and 3) to pay no less than 300% of normal wages if extended hours arranged on statutory holidays.	The factory shall comply with applicable law for premium rates for overtime compensation.															
Miscellaneous																	