

FLA Audit Profile	
Country	China
Factory name	18001576C
IEM	Global Standards
Date(s) in facility	October 23-24, 2004
PC(s)	MBI, Inc.
Number of workers	400
Product(s)	Figurines
Production processes	Mold making, casting, painting, sanding, mixing

		Findings						Remediation			
FLA Code/Compliance issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation (If Corroborated, Verified Via Multiple Sources, List All)	Finding Corroborated?	If Not corroborated, Explain Why	Best Practice	PC Remediation Plan	Target Completion Date	Factory Response	Company Follow Up
1. Code Awareness											
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.		Visual inspection Non-PRC Labor Code posted	Yes		Code clearly posted on all floors of the factory.		Completed 12/16/2004	Factory already posted "Workplace Standards" and "PRC Labour Law" in a permanent and noticeable place inside factory.	Pls refer to photos of 003 and 004 in separate email proving improvement
Worker/Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure all Company factories as well as contractors and suppliers inform their employees about workplace standards orally and through posting of standards in a prominent place (in local languages spoken by employees and managers) and undertake other efforts to educate employees about standards on a regular basis.	Workers do not have a clear understanding of the CoC (Code of Conduct) - need for training.	Worker interviews	Yes			Needs to schedule training for both new and existing employees and managers so that everyone fully understands COC.	Completed 1/12/2005	From early December to January 12, 2005, factory sets up schedules for educating workers of each team about the standards of workplace by the managers. Each manager reviewed with their groups of workers; new workers would take a course from his manager about the workplace code in the first working week.	Pls refer to photos of 001, 025 and 043 in separate email proving improvement
Confidential Noncompliance Reporting Channel		FLA Principle of Monitoring, Obligation of Companies: Develop secure communications channel, in a manner appropriate to culture and situation, to enable Company employees and employees of contractors and suppliers to report to Company on noncompliance with workplace standards, with security that they shall not be punished or prejudiced for doing so.	No such procedure in place.	Visual inspection	Yes			Needs to set up a confidential channel for workers to communicate problems without fear of punishment.	Mailbox has been placed and used in the factory for long time.	Factory has been using a mail box in open area in dorm; box allows workers to send in their comments and complaints directly to management. Only management has the direct access to this mailbox.	Pls refer to photo of 019 in separate email proving improvement
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.											
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 of abuse.											
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	The factory provides no formal training on harassment and abuse to management.	Management interviews and records review	Yes			Managers must be provided formal training in what appropriate disciplinary practices are.	Completed 1/12/2005	The factory has started to set training courses for different levels of workers and would record it.	Pls refer to photos of 030, 031 and 043 in separate email proving improvement
Monetary Fines and Penalties		Employers will not use monetary fines and penalties for poor performance.	If workers violate any factory regulations, they will get monetary fines of at least 5 RMB, not exceeding half of their payment. It was found that workers were fined for arriving late as well.	Management interviews and records review	Yes			Disciplinary practices must be consistent and fair among all workers. Monetary fines will no longer be given.	Completed 12/9/05	The factory has confirmed that they will no longer employ monetary fines.	Pls refer to photo of 041 in separate email proving improvement
5. Nondiscrimination											
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.											

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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 facilities.											
Document Maintenance/Accessibility		All documents required to be available to workers and management by applicable laws (policies, MSDS, etc.) shall be made available in prescribed manner and in local language or language spoken by majority of workers if different from the local language.	MSDS are available, but not posted at all storage areas specifically, labels not on containers at workstations either.	Visual inspection	yes			Documents must be clearly posted in all areas, including on containers, etc.	Completed 12/5/2004	MSDS have visibly posted in workstation; all the chemical containers and storage area have been completed labeled.	Pls refer to photos of 032, 033, and 038 in separate email proving improvement
Evacuation Procedure	Fire Prevention Law article 14.6, governmental depts, social organizations, enterprises and institutions shall make sure that the evacuation signs meet state regulations.	All applicable legally required or recommended elements of safe evacuation (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.	Evacuation plans on several floors do not match the layout in the plans. The dormitory does not have any evacuation plans posted.	Visual inspection	yes			Evacuation plans need to be updated and clearly posted in all areas.	Completed 12/5/2004	Evacuation plans are now completed updated in the factory; the dorms have posted the evacuation plans as well.	Pls refer to photos of 005 and 011 in separate email proving improvement
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law.	No accident reports available for inspection.	Records review	yes			Accurate accident reports must be kept current and made available for inspection.	Completed 11/30	Factory reports that they would start to record accident report if there's any from now on.	Pls refer to photos of 044 and 045 in separate email proving improvement
Safety Equipment	Type A: combustible materials: wood, cloth, paper and many plastics. Type B: fires in flammable liquids, combustible liquids, petroleum gases, tars, oils, oil-based paints, solvents, lacquers, alcohol and flammable gases. Type C: fires involving energized electrical equipment where electrical nonconductivity of extinguishing media is of importance. (OSHA Website: www.myextinguisher.com)	All safety and medical equipment (fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Fire extinguishers were found in the dormitory and recreation areas - not fully charged. No regular inspection of fire extinguishers or fire hoses at all.	Visual inspection	yes			All safety equipment must be properly maintained regularly and be readily accessible to everyone.	Completed 1/05/2005	Factory replaced unusable fire extinguishers and fire hoses in factory and put them in accessible places. They would start to keep these equipments' maintenance records.	Pls refer to photos of 016 and 018 in separate email proving improvement
Personal Protective Equipment (PPE)	Safety Manufacturing Law, Article 37, manufacturers shall provide personal protective equipment to employees. Manufacturers shall supervise and train employees to properly wear and use the personal protective equipment.	Workers shall wear appropriate protective equipment (gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements, including medical waste.	PPE not in use at some areas of necessity. Many PPE not appropriate for hazards and other operations requiring appropriate PPE (goggles, impermeable gloves, respirator, carbon cartridge masks). Environmental testing of facility highly recommended (factory said government inspected and found nothing harmful - but is no documentation).	Visual inspection	yes			Appropriate PPE must be readily available and required to be used. Employees should be trained in proper use.	Completed 12/29/2004	Factory has ordered that workers are requested to wear the appropriate PPE as working in unsafe environment.	Pls refer to photos of 020, 021, and 036 in separate email proving improvement
Chemical Management	Factory Safety and Health rules, Article 60, hazardous goods poisonous and hazards goods shall be stored at specific locations separately, and shall be managed with stringency.	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.	MSDS not posted at workstations (and bottles not labeled). Chemicals stored in a locked room which is poorly maintained.	Visual inspection	yes			Chemicals and other hazardous materials must be clearly labeled in all areas.	Completed 12/5/2004	MSDS have been visibly posted in workstation; all chemical containers and storage areas have been completed labeled.	Pls refer to photos of 032, 033, 034, and 035 in separate email proving improvement
Machinery Maintenance	Factory Safety and Health rules, Article 32, protection devices shall be mounted on dangerous parts, e.g. driving belt, open gear, grinding wheel, electric saw, axial ring that is close to ground, rotary axle, belt pulley, flywheels.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Are some small machines that were constructed in factory for spinning purposes and other functions which are not safely wired, not grounded. No operating instructions or regular maintenance of machinery.	Visual inspection	yes			All machinery must be safe, have regular maintenance and have proper instructions.	Completed 1/05/2005	The factory has replaced old wires on the workstation machines and will proceed the machine maintenance on regular basis.	Pls refer to photos of 037, 040, and 042 in separate email proving improvement
Sanitation in Facilities		All facilities including factory buildings, toilets, canteens, kitchens and clinics shall be kept clean, safe and in compliance with applicable laws.	Toilets emit foul odors and are generally unsanitary. First aid kits were not available on factory floor. Clinic services discontinued.	Visual inspection	yes			Facilities must be cleaned regularly and have proper first aid kits readily accessible.	Completed 12/5/2004	Have prepared first aid box in workstation and will monitor it weekly to ensure adequate supplies provided; toilets would be cleaned up daily.	Pls refer to photos of 017, 028, and 029 in separate email proving improvement
Sanitation in Dormitories		All dormitories shall be kept secure, clean and have safety provisions (fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting, etc.). Emergency evacuation drills should also be conducted at least annually.	Some fire extinguishers were not fully charged. Evacuation plan not in place and some fire exits not clearly marked.	Visual inspection	yes			All safety equipment must be properly maintained regularly and be readily accessible to everyone. Evacuation plans must be clearly posted in all areas.	Completed 1/05/2005	Evacuation plans are now completed updated in factory and dorm as well. Factory has replaced unusable fire extinguishers and fire hoses in factory and put them in accessible places. They would start to keep these equipments' maintenance records.	Pls refer to photos of 005, 018, and 039 in separate email proving improvement
7. Freedom of Association and Collective Bargaining											
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.											

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		FLA Comment: <i>The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. 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.</i>									
8. 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.											
Record Maintenance		All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	New workers have no contracts. Factory moves labor between their 2 factories, but no documentation of this process.	Worker interviews and document inspection	yes			All workers should have proper contracts and their time cards must be properly maintained.	Factory uses time cards as moving records, instead of keeping a special document.	All newcomers have signed the contract with factory; workers moving between 2 factories seldom happens; even if workers would move to another plant, their time cards would go with workers.	Pls refer to photo of 026 in separate email proving improvement
Legal Benefits	Article 72, PRC Labor Code, sources of social insurance funds shall be determined according to branches of insurance and an overall raising of social insurance funds shall be practised step by step. Employing unit and labourers 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.	No Social Security or medical insurance.	Document review	yes			All workers should have the appropriate insurance and benefits.	Documents existed before auditing; finalize decision of social security / medical insurance by end of May 2005	Has brought accident insurance contract with insurance agent for workers of company. Factory would further consider Social Security or medical insurance issue for their workers.	Pls refer to photo of 027 in separate email proving improvement
Accurate Recording of Wage Compensation		All hourly wages, piecework, bonuses and other incentives will be calculated and recorded accurately.	No evidence of actual hours and OT hours worked.	Worker interviews and document inspection	yes			Workers time cards, including OT, must be properly maintained and available for inspection.	Completed 12/10/2004	Workers' working hours are now strictly recorded by time cards; time clocks are checked regularly to maintain the workability.	Pls refer to photos of 022 and 023 in separate email proving improvement
Voluntary Use of Benefits	No. 489, under Temporary Provision of Salary Payment, Article 15, employer should not deduct from worker's salary for the following circumstances: 1) personal income tax, 2) social insurance not afforded by the individual, 3) fine/fee requested in a judgment/trial, 4) other expenses as ruled by law.	All workers have a right to use or not to use employer-provided services, such as housing or meals.	Non-conformance. Meal allowances are automatically deducted from the workers paycheck.	Worker interviews	yes			Workers can't be required to use "optional" services.	Completed 12/16/2004	Such rule has been removed, effectively from December 2004; factory has announced such change to all the workers.	
9. 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		Except in extraordinary business circumstances, employees will (i) not be required to work more than lesser of (a) 48 hours per week and 12 hours OT or (b) the limits on regular and OT hours allowed by law of country of manufacture or, where laws of such country will not limit hours of work, the regular work week in such country plus 12 hours OT; and (ii) be entitled to at least 1 day off in every 7-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.	OT cannot be verified as documents are not properly maintained.	Records review	yes			Workers' time cards, including OT, must be properly maintained and available for inspection. In addition, workers can only work a <u>max of 60 hours/week</u> .	Restart time record procedure from 12/10	Since workers' working hours all have been well recorded by time cards, OT hours can therefore be calculated and revealed from workers' time cards. OT compensation calculation is approved by the PRC local government.	Pls refer to photo of 023 in separate email proving improvement
10. 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.											

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Accurate recording of OT hours worked		Employees will be paid for all hours worked in a work week. Calculation of hours worked must include all time that employer allows or requires the worker to work.	Hours of work cannot be verified as time clock has not been working for the last 2 months.	Records review and management interview	yes			Workers' time cards, including OT, must be properly maintained and available for inspection. Time clock must be properly maintained.	Completed 12/16/2004	Time clocks have been repaired; factory would start to check workability of the time clocks semi-weekly.	Pls refer to photo of 022 in separate email proving improvement
OT Compensation		The factory shall comply with applicable law for premium rates for overtime compensation.	Hours of work cannot be verified as time clock has not been working for the last 2 months.	Records review and management interview	yes			See above.	Completed 12/16/2004	Time clocks have been repaired; factory would start to check workability of the time clocks semi-weekly.	Pls refer to photo of 022 in separate email proving improvement
OT Compensation Awareness		Workers shall be informed about overtime compensation rates, by oral and printed means.	Hours of OT work cannot be verified as time clock has not been working for the last 2 months.	Records review and management interview	yes			See above. Also, workers need to be properly informed of compensation rates.	Completed 12/16/2004	Time clocks have been repaired; factory would start to check workability of the time clocks semi-weekly.	Pls refer to photos of 022 and 024 in separate email proving improvement
Miscellaneous											