

FLA Audit Profile				
Country	China			
Factory name	270015373E			
IEM	TUV Rheinland Hong Kong Ltd.			
Date(s) in facility	August 11, 2006			
PC(s)	New Era			
Number of workers	~1000			
Product(s)	Hats			
Production processes	Cutting, Sewing, Stitching, Ironing, Packaging			
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance
<b>1. Code Awareness</b>				
Confidential Noncompliance Reporting Channel		<b>FLA Principle of Monitoring, Obligation of Companies:</b> 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.		
<b>2. Forced Labor</b>				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.				
<b>3. Child Labor</b>				
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.				
<b>4. Harassment or Abuse</b>				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.				
<b>5. Nondiscrimination</b>				

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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<b>6. Health and Safety</b>		
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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.		
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Fire Safety: Health and Safety Legal Compliance		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. The factory will possess all legally required permits.		
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Other				No health and safety training items were found in the training plan for those existing workers.
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<b>7. Freedom of Association and Collective Bargaining</b>		
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Employers will recognize and respect the right of employees to freedom of association and collective bargaining.		
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<p>Freedom of Association: FLA Comment</p>		<p><b>FLA Comment:</b> <i>The Chinese constitution guarantees Freedom of Association; however, Trade Union Act prevents 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 non-recognition of the right to strike. As a consequence, all factories in China fall short of 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. 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></p>		
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<p><b>8. Wages and Benefits</b></p>				
<p>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.</p>				

Payment of Legal Benefits		Legally mandated benefits will be provided or paid in full within legally defined time periods.	There are 1000 employees in factory. Only 25% of employees covered by social security insurance (250 people joined retirement insurance and unemployment insurance; 322 people joined injury insurance), although there was proof issued from the local social security insurance authority about the ratio being acceptable. Also, some interviewed workers did not know the rule of social security insurance.
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**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.		
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**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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**Miscellaneous**



Construction safety proof and fire safety proof of production buildings and rent dormitory were not available.	Factory explained the responsible person was out of office during visit.	Review factory records			Requested documentation from factory to evidence proof of documentation.	4/30/2007	
		Management interview			Factory will be required to show proof of recurrent training of workers. IEM indicated that new hire training is performed, but annual training is not. New Era staff met with factory managers at NEC in March and explained that proof of recurrent training must be submitted or, if none exists, training must be planned for 2007.	04/30/2007 for proof or for 2007 plan	


		Review factory records, management interview			Factory shall provide acceptable proof of coverage of workers within the provision of the local law. If factory is not subscribing the required minimum number of workers, then factory shall include additional workers to be compliant with local requirements.		



Remediation		[Status]
Company Follow Up (Cite Date of Follow Up)	Documentation	Completed, Pending, Ongoing
On April 11, 2007, New Era local staff visited site and verified that posting was in place. Digital pictures of posting were obtained for verification.	Photo	Completed

On April 11, 2007, general manager of factory, sent email to New Era with attachment showing appropriate documentation. The document was translated and contents were verified to be appropriate to the finding.	Email attachment	Completed
New Era local staff conducted onsite visit on April 11 to verify. Factory submitted proof of first aid training (picture ID cards), that was conducted in December 2006; fire drill record showing date of March 22, 2007 and time of exit at 57 seconds.	Photos, drill record	Completed



Factory provided copy of waiver from local labor authority documenting compliance with social security requirements.	Waiver	Completed