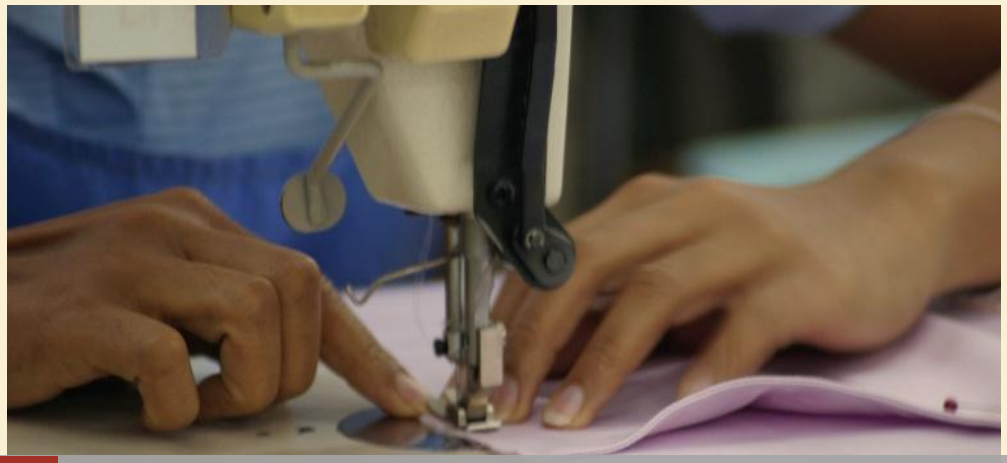

2010

Fair Labor Association
Independent External Verification Report*

COMPANY: Fossil, Inc.
COUNTRY: China
FACTORY CODE: 590015929GV
MONITOR: Global Standards
AUDIT DATE: September 21, 2010
PRODUCTS: Leather Wallets
PROCESSES: Cutting, Shaping Manual, Paint Spraying, Gluing, Metal
NUMBER OF WORKERS: 600

FLA Comment: This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however these have not been agreed to or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

*To read an original IEM report for this factory, please visit the FLA website here.
For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1. There was no paid marriage leave provided to workers. Female workers only enjoy 6-week paid maternity leave, less than the legally required 90 days.

Law: Labor Law: Section 51. The employing unit shall pay wages to laborers who observe statutory holidays, take leaves during the periods of marriage or funeral, or participate in social activities in accordance with the law. Section 62. After childbirth, female workers shall be entitled to no less than 90 days of maternity leave with pay.

2. Factory did not buy all 5 kinds of social insurance for all workers. Factory only buys occupational injury for all workers. China labor law requires factories to buy 5 kinds of social insurance, including endowment, occupational injury, unemployment, medical and birth insurance for all workers. Employers can buy 4 kinds of insurance, except for birth insurance for workers in [City name].

Law: Labor Law Article 72, the sources of social insurance funds shall be determined according to the branches of insurance, and an overall raising of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's corrective action plan (CAP). Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2 of 2009. Fossil CSR will continue to work with factory to remediate issues on social insurance coverage for workers. It is recommended that factory extend maternity leave to the required 90 days and create a written policy to that effect. Fossil will visit factory in July 2009 and will review policy on maternity leave to ensure compliance. Fossil CSR will continue to work with factory to ensure that all 5 types of social insurance are provided to all workers.

Deadline Date: 01/13/2009

Supplier CAP: Factory management has updated the policy on maternity leave to allow for 12 weeks and has communicated updates to all employees.

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Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] on July 22, 2009. Through document review and worker and management interviews, it was noted that factory participated in social insurance per local requirements and had provided maternity leave, annual leave and sick leave.
Plan Complete:	No
Plan Complete Date:	
Action Verified:	No
Action Verified Text:	Ongoing: A written policy indicated that female workers enjoy 90-day paid maternity leave. Worker and management interview confirmed implementation. Pay cost record (July 2010) indicates that all workers are provided with social security insurances.
Action Verified Date:	

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Factory did not pay overtime wages to workers according to legal regulations. When auditors waited outside factory for factory management's response, there were some workers asking for factory information. The auditor joined in conversations among workers and factory security guards. Security guard said workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. One worker said one of her friends worked in this factory, and earned 1400RMB per month. From information above, workers worked 80 hours per week, at least 320 hours per month. Auditor uses minimum wage to calculate all working time wages and gets: 770RMB/21.75/8*320= 1416RMB. Since factory keeps fake time and payroll records, auditor can only say that factory does not pay OT wages to workers according to legal regulations.

Law: 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. Pay no less than 150% of normal wages if extension of working hours is arranged; 2. Pay no less than 200% of normal wages if extended hours are arranged on days of rest and no deferred rest can be taken; 3. Pay no less than 300% of normal wages if extended hours are arranged on statutory holidays.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility before the end of Q2 of 2009. Through conversations with factory management, it was determined that factory security works 7 days per week (multiple security workers over the 7 days) rather than factory workers. Regardless, Fossil recommends factory management ensures correct payment. Factory should begin paying required OT rates. Fossil will continue to work with factory to raise OT payments to legally required minimums.

Deadline Date: 01/13/2009

Supplier CAP: Factory management will continue to monitor OT to ensure it remains in compliance with Chinese law and will continue to pay workers' OT wages in accordance with the law.

Supplier CAP Date: 01/19/2009

Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through review of attendance and payroll records, it was noted that workers had been paid for overtime hours in accordance with the law.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Underpaid OT rate. Payroll document for July 2010 indicated workers paid OT rate by 7RMB per hour, lower than legal OT rate. Legal OT rate in local area is 920/21.75/8*1.5=7.93RMB and 920/21.75/8*2=10.57RMB for OT on regular work days and weekends, respectively. Management and worker interviews confirmed that.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness

WBOT.11 Workers shall be informed, orally and in writing, about overtime compensation rates prior to undertaking overtime. (P)

Noncompliance

Explanation:	92% workers interviewed did not know how to calculate their OT wages.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility before the end of Q2. It is recommended that factory management provides training on wage calculations and obtains worker signatures on pay slips as proof of understanding.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management will ensure that all employees understand their pay slips before signing them.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During interviews with workers, it was noted that they understood the wage calculations and were signing off on their pay slips.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Although all workers interviewed show awareness on OT rate of 7RMB per hour, few workers interviewed did not know about OT compensation on weekends. They thought that there is OT compensation only for OT hours worked on weekdays, after regular hours.

Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has conducted additional training on wage calculations to include weekend OT and has kept records of the training.

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Uncorroborated Evidence of Noncompliance

Explanation:	False payroll records found in factory. When auditors waited outside factory facility for factory management's response, there were some workers asking for factory information. Auditor joined in conversations among workers and factory security guards. Security guard said workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. One worker said 1 of her friends worked in this factory, and earned 1400RMB per month. But through records review, auditor could not find any workers' wages were above 1200RMB. (See attachment 22.) Through worker interviews, 10 workers reported that their wages are around 1400RMB per month, 7 reported around 1200RMB.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility before the end of Q2. Through conversations with factory management, it was determined that factory security works 7 days per week (multiple employees over 7 days, not 1 for 7 days in a row) rather than factory workers. Factory management indicated that payroll records are accurate. It is recommended that factory maintain accurate and transparent records so work hours and pay can be verified.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management has implemented an electronic time keeping system to ensure the accuracy of attendance and that payroll records are maintained.

Supplier CAP Date:	01/19/2009
Action Taken:	Fossil's CSR reviewed electronic time keeping system reports and found the system to be a much more accurate form of time keeping. Fossil will perform a follow-up audit in July 2009 in which months of samples will be reviewed to ensure progress. An internal audit was conducted at [Factory name] and they were found to be in compliance. Electronic time records were reviewed and worker interviews were conducted. No evidence of inaccurate records was noted by the auditor.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009
Action Verified:	No
Action Verified Text:	Completed: Electronic time record of July 2010 provided by management indicated that workers punched 4 times a day or 6 times if OT is necessary. Payroll documents verified all hours worked were paid to workers.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation:	Workers were not aware of their legally mandated benefits and wages.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility before the end of Q2. It is recommended that factory management provides training on wage calculations and obtains worker signatures on pay slips as proof of understanding.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management will ensure that all employees understand their pay slips before signing them.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through worker interviews, it was noted that workers had been informed of their legally mandated benefits and wages and were signing their pay slips.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: All workers interviewed showed awareness on how to calculate their wages. There are also worker signatures on the pay slips.

Action Verified Date: 09/21/2010

Wages, Benefits and Overtime Compensation: Posting Notices

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

Noncompliance

Explanation: No labor laws or regulations were posted in factory.

Law: Article 4, Employment Contract Law: Rules, regulations and decisions on material matters that have a direct bearing on the immediate interests of employees shall be made public or be communicated to employees by employer.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil conducted an audit in July 2008 and Fossil's Code of Conduct (COC) was posted within factory. To ensure factory management has ample resources, copies of the Fossil and FLA COC have been supplied to the factory.

Deadline Date: 01/21/2009

Supplier CAP: Factory management will post Fossil and FLA COC to provide employees with information on the labor laws and regulations.

Supplier CAP Date: 01/19/2009

Action Taken: An internal audit was conducted at [Factory name] and they were found to be in compliance. Through a factory tour, auditors noted that both the FLA and Fossil COCs were posted in an area accessible to workers. Training had been provided to workers.

Plan Complete: Yes

Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Fossil COC, labor laws and Employee Handbook have been posted in workshops through on-site observation.
Action Verified Date:	09/21/2010

Forced Labor: Freedom in Employment

F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Noncompliance

Explanation: According to New Workers' Handbook Chapter 8, Resignation 2: Even if workers submit a resignation application 1 month in advance, they cannot leave factory 1 month later, until receiving approval from factory management.

Law of the People's Republic of China (PRC) on Employment Contracts: Article 37. Employee may terminate employment contract upon 30 days' prior written notice to Employer. During probation period, Employee may terminate employment contract by giving Employer 3 days' prior notice. Article 38. Employee may terminate employment contract if Employer: 2. Fails to pay labor compensation in full and on time; 3. Fails to pay social insurance premiums for Employee in accordance with law.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management changes policy in Employee Handbook regarding resignation to allow employees to leave after 30 days notice. After change is made, factory management should communicate change to workers. Fossil will visit factory in July 2009 and will review employee termination policy to ensure compliance.

Deadline Date:	01/13/2009
Supplier CAP:	Factory management has changed policy, allowing employees to leave after 30 days notice. This has been communicated to the staff.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through document review, it was noted that factory had changed policy, allowing workers to terminate their contracts with 30 days notice. This has been communicated to workers and was verified through worker interviews.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Employee handbook provided by management indicated that employees could leave factory after 30 days notice. Management and worker interviews confirmed that. Employee termination records indicated that all workers could leave factory after 30 days notice.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Forced Labor: Employment Terms/Prohibitions

F.4 There can be no employment terms (including in contracts or any other instruments or in any formal or informal recruitment arrangements) which: specify that employees can be confined or be subjected to restrictions on freedom of movement; allow employers to hold wages already earned; provide for penalties resulting in paying back wages already earned; or in any way punish workers for terminating employment. (P)

Noncompliance

Explanation:	According to Workers' Handbook Chapter 8. Automatic Quit. Workers who are absent from work for 3 days, or want to quit right away before contract expiration date will not receive any due wages. Law of the PRC on Employment Contracts: Article25. With the exception of circumstances specified in Articles 22 and 23 hereof, Employer may not stipulate with Employee provisions on the bearing of liquidated damages by the Employee.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the results of the audit and the factory's CAP. Fossil CSR reviewed exit receipts for all employees that had left the factory and found no discrepancies. An audit will be conducted in July 2009 to review a sample of exit receipts to ensure retention is maintained.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management pays all wages to employees who terminate their employment. Exit receipts are kept to show payment of wages.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. The auditors noted that the policy had been cancelled. This was verified through document review and through worker and management interviews.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009

Action Verified:	Yes
Action Verified Text:	Completed: The exit receipts provided by management show all wages are paid to employees who terminate their employment.
Action Verified Date:	09/21/2010

Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation:	Factory did not keep terminated or ended employment contracts on file. Law of the PRC on Employment Contracts: Article 50. Employer shall keep terminated or ended employment contracts on file for no less than 2 years, for reference purposes.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management maintains records for a minimum of 2 years in the facility. Fossil CSR has reviewed terminated labor contracts and will continue to follow up with factory to ensure compliance.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management has supplied terminated labor contracts from 2006 and is aware of the 2 year document retention requirement.
Supplier CAP Date:	01/19/2009

Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through reviewing factory documents, auditors noted that terminated contracts were kept on file.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Document reviews indicate that terminated or ended employment contracts have been kept on file for at least 2 years.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation:	There is no policy and procedure on forced labor.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a written policy regarding forced labor and that this is communicated to workers. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure that they are communicated to employees or training is provided if more appropriate.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will create a policy and procedure on forced labor.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Factory policies and procedures were reviewed. The auditors noted that a policy on forced labor had been created.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: The revised Employee Handbooks have sections on forced labor.

FAIR LABOR ASSOCIATION

Action Verified Date: 09/21/2010

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall 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, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: 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 (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.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR promotes the worker's right to join and participate in legal trade unions and has encouraged factory to form worker committees to address issues in factory.

Deadline Date: 01/13/2009

Supplier CAP:	Factory will create a written policy on collective bargaining and freedom of association.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Factory polices were reviewed and it was noted that a policy on freedom of association and collective bargaining had been created. In addition, factory has provided training on the policy and distributes copies via the Employee Handbook to all new employees.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	The revised Employee Handbook has sections on freedom of association and collective bargaining. The new employee training records indicated that training on this policy had been provided.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation:	There was no written grievance policy and procedure.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a written grievance policy and communicates this policy to employees. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure that they are communicated to employees or training is provided if more appropriate.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will create a written grievance policy and procedure.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During the review of factory policies, it was noted by the auditors that a written grievance policy had been created. This is distributed in the employee handbook.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes

Action Verified Text:	Completed: It was noted by auditor that Employee Handbook covers policy on grievance procedure. And, Employee Handbook has been posted in workshop for workers to read.
Action Verified Date:	09/21/2010

Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation:	There was no policy and procedure on freedom of association and collective bargaining.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a policy for freedom of association and collective bargaining. This policy should be communicated to staff. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure a communication plan is created for employees.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will create a policy and procedure on freedom of association and collective bargaining.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During the review of factory policies, auditors noted that a policy on collective bargaining and freedom of association and been created.
Plan Complete:	Yes

Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Revised Employee Handbook has sections on freedom of association and collective bargaining. The new employee training records indicated that training on this policy had been provided.
Action Verified Date:	09/21/2010

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation:	There was no written system of progressive discipline.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a policy on progressive discipline and communicates policy to workers. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure through follow-up audits that any policies and procedures are communicated to employees.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will create a written system of progressive discipline.

Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During the review of factory policies, auditors noted that a disciplinary policy had been created and distributed as part of the employee handbook.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Pending: During review of factory policies, auditors noted that the progressive discipline system (including escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination) was not created.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has provided copies of discipline policy and has outlined the methods of escalating actions.

FAIR LABOR ASSOCIATION

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation:	Disciplinary system did not include the ability of a worker to have a third party of his or her choice present when the disciplinary action is being imposed.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management includes the right to a third party presence in policy for progressive discipline. Fossil CSR will assist factory in the creation of the required policies and procedures.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will include a provision for the presence of a third party during the creation of the progressive discipline policy and procedure.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. The policy regarding progressive discipline allows for a third party to be present. Third party is selected from a committee (Third Party Department) comprised of worker representatives, department heads and office representatives. The workers may appeal directly to committee if necessary.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No

Action Verified Text:	Pending: During the review of factory policies, auditors noted that progressive discipline system was not created, nor was a regulation on allowing for a third party to be present created.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has provided a copy of employee handbook that contains a discipline procedure allowing for a third party to be present.

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: Monetary fines found in factory. During factory walkthrough on morning of audit's 2nd day, auditor found that when workers left workplace, workers needed to wear a "passport." The back of card says workers who leave workplace must wear "passport," with 5 minutes for each time. Workers who do not wear card and either leave workplace for over 5 minutes or destroy card, will be fined 10RMB. Auditor asked team leaders for "passport" to take photo as evidence in afternoon; all team leaders said they never used such kind of "passport" ever. So auditor asked office staff to help her ask for it again, and finally 1 team leader gave auditor the card and admitted they still used it. Factory manager said on morning of second audit day that they used "passport" when workers left workplace, but no any fines were issued under any situation. Since factory keeps a false payroll, and there were many contradictions found among worker interviews, management interview, records review and off-site interview, auditor presumes that such fines may still exist.

Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a program to provide bonuses to workers who do not take excessive breaks. Additionally, a system of progressive discipline should lead to eventual loss of bonus. This program should be written and should be communicated to workers by factory management. During factory visit by Fossil in July 2009, this policy will be reviewed to ensure workers are not receiving monetary fines.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management will create a written policy for a bonus program to ensure workers do not abuse provided break privileges. Breaks exceeding a reasonable amount of time will be subject to verbal warnings and eventual loss of bonus. Management will ensure communication of change to employees.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory documents as well as worker and management interviews it was noted by auditors that all monetary fines had been removed.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Pending: During factory walkthrough on morning of 1st day of audit, auditor found that all team leaders kept an accurate record when workers left and returned to the workplace. There is no "passport" on site. Workers interviewed reported that they could leave workplace without wearing any "passport" or economic fine. But, payroll document indicated monetary fine was still used as a means of disciplinary procedure. Workers who are absent from work for 4 hours would be no-payment for those 4 hours and, in addition, 15RMB would be deducted. Management confirmed that.

Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 8, 2011: Factory has removed fine. Meetings conducted with supervisors to explain new policy and factory has provided meeting minutes.

Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers

H&A.16 Management shall discipline anyone (including managers, supervisors or fellow workers) who engages in any physical, sexual, psychological or verbal violence, harassment or abuse, regardless of whether such action was intended as a means to maintain labor discipline. Such discipline could include (combinations of) compulsory counseling, warnings, demotions and termination. (P)

Noncompliance

Explanation:	There was no discipline procedure in place for those who engage in any harassment and abuse.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates and communicates a disciplinary procedure for employees who engage in harassment or abuse. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure that it is appropriately communicated to all appropriate.
Deadline Date:	07/31/2009
Supplier CAP:	Factory management will create a disciplinary procedure for employees who engage in harassment or abuse.
Supplier CAP Date:	07/31/2009

Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory policies, auditors noted that a disciplinary procedure for harassment and abuse had been created and communicated through the employee handbook.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: During factory policy review, was noted a written anti-abuse and harassment policy was created. But, was no discipline including compulsory counseling, warnings, demotions and termination in place for those who engage in any harassment and abuse.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has added disciplinary actions for employees engaging in harassment or abuse to employee handbook. All employees are provided a copy of new policy.

FAIR LABOR ASSOCIATION

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation:	There was no policy and procedure on harassment and abuse.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a policy on harassment and abuse. Fossil CSR will assist the factory in creation of the required policies and procedures and ensure that it is appropriately communicated to all appropriate.
Deadline Date:	07/31/2009
Supplier CAP:	Factory management will create a policy and procedure on harassment and abuse.
Supplier CAP Date:	07/31/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory policy review, auditors noted that a policy on harassment and abuse had been created and communicated through the employee handbook.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Personnel policies provided by management cover the policy of harassment and abuse.
Action Verified Date:	09/21/2010

Child Labor: Other Means of Age Verification

CL.4 In those cases where proof of age documentation is not readily available or unreliable, employers shall take all necessary precautions which can reasonably be expected of them to ensure that all workers are at least the minimum working age, including requesting and maintaining medical or religious records of workers, or through other means considered reliable in the local context. (P)

Noncompliance

Explanation:	Factory had no other methods to prove workers' age when age documentation was not readily available or reliable.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and factory's CAP. It is recommended that factory management develops a process to verify the authenticity of IDs provided by new hires. Fossil's CSR department will revisit factory in July 2009 to review the new age verification process.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management has a procedure to verify provided ID cards on the Chinese government website. Verifications will be maintained in employee files.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through review of factory document and through management interviews, it was noted by auditors that an age verification procedure was being followed.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No

Action Verified Text:	Completed: Through review of factory document and management interviews, it was noted by auditors that factory management develops an age verification process. The factory also has a special device to verify the authenticity of IDs provided by new hires.
Action Verified Date:	09/21/2010

Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant 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, proof of age documentation, and overtime. (P)

Noncompliance

Explanation:	There was no registration of juvenile workers in local labor bureau, and no juvenile worker registration certificate provided to workers. There was no physical examination specifically for juvenile workers provided in factory. There were no physical exams provided to juvenile workers before employment or when they turn 18 years old or if last physical exam was over 6 months ago. Law: Protection Regulation for Juvenile Workers Article 6. Employers should provide physical exams for juvenile workers as per below requirements: before pre-employment; after a year's service; when worker turns 18; and if has been 6 months since last physical exam. Special Protection for Juvenile Workers. Article 9. Adopt registration system for recruitment and special protection of juvenile workers. (1) The working units should make registration in local labor bureau whose authority is above county level. Labor bureau issues "registration certificate of juvenile workers" according to "physical examination papers of juvenile workers" and "registration of juvenile workers." (3) Juvenile workers should have "registration certificate of juvenile workers" for working.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and factory's CAP. Fossil CSR will return to factory for audit in July 2009 to continue to ensure that all juvenile regulations are continuing to be followed. Fossil's CSR reviewed documentation of juvenile registration and provided health checks and found these records to be valid.
Deadline Date:	01/13/2009

Supplier CAP:	Factory management is aware of legal requirement to register juvenile workers and to provide free health checks and will continue to comply with these requirements.
Supplier CAP Date:	01/19/2009
Action Taken:	Photos of juvenile health check records have been provided by factory management. An internal audit was conducted at [Factory name] and they were found to be in compliance. There were no workers in the factory under 18.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: 51 juvenile workers employed in factory at time of this audit. Management reported that all juvenile workers provided with physical exams. However, as documents were kept at local labor bureau for registration, monitor could not verify information.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has obtained copies of health checks for juvenile workers and will maintain them on site.

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Child Labor: Children on Premises

CL.12 Children under the minimum working age shall not be allowed in factory work areas at any time, unless they are part of a guided school group tour or other such unusual event. Children must not visit parents in factory work areas. (P)

Noncompliance

Explanation:	One worker who distributed garbage for factory brought his 2 daughters (4 and 5 years old) to factory during work.
Plan Of Action:	Fossil's CSR manager, [Employee name] met with factory president to discuss audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility before end of Q2. Upon further investigation, children in facility were those of a visiting worker, they were not at facility to work. However, in order to ensure all factory workers understand children cannot be on production floor regardless, management will post signs throughout stating that no children can be on production floors at any time.
Deadline Date:	
Supplier CAP:	Worker involved in this issue is employed by a garbage collection company and brought his children with him on the day of audit. Factory management will post notification that children are not allowed in any production area.
Supplier CAP Date:	
Action Taken:	Factory management has erected a metal gate to separate dormitory from factory. Notification has been posted at entry, stating that no one under age of 16 is allowed in factory.
Plan Complete:	Yes
Plan Complete Date:	01/19/2009
Action Verified:	Yes

Action Verified Text:	Completed: Factory management has supplied photographs of metal gate separating dormitory and factory as well as the notification that children are not allowed in factory.
Action Verified Date:	09/21/2010

Child Labor: Other - Child Labor

Other

Noncompliance

Explanation:	There was no child labor procedure.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management creates a policy on child labor. Fossil CSR will assist factory in creation of the required policies and procedures and ensure communication of policy to all management and staff.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will create a procedure on child labor.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through review of factory policies, auditors noted that a policy on child labor had been created.
Plan Complete:	Yes

Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Employee handbook provided by management includes the policy of child labor.
Action Verified Date:	09/21/2010

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation:	There was an age limitation on recruitment ads: 18-30 for male workers, 16-30 for female workers. When auditors waited outside factory, auditor found 1 small blackboard hanging outside security room advertising for male workers from 18-30 years old, and for female workers 16-30. Auditor joined in conversation among workers who wanted to enter factory and factory security guards. Security guard said that factory would not recruit any workers over 30 years old.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management communicates to the appropriate staff that consideration for employment should be given to candidates of all legal working ages. Any discriminatory job postings should be immediately removed. Fossil will revisit factory in July 2009 to ensure that discriminatory advertising has been removed.
Deadline Date:	01/13/2009

Supplier CAP:	Factory management has made the staff aware that candidates of all legal ages, regardless of sex, must be considered. Discriminatory advertising has been removed.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through review of factory records and worker and management interviews, it was noted by auditors that discriminatory hiring practices were no longer taking place.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Through review of factory recruitment ads, there was no any age limitation. It was also noted by auditors that discriminatory hiring practices were not taking place in factory through management and worker interviews.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation:	There was no policy and procedure on non-discrimination.
Plan Of Action:	Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility before the end of Q2. It is recommended that factory management creates a policy and procedure on non-discrimination. This should be communicated to all employees. Fossil CSR will assist the factory in the creation of the required policies and procedures.
Deadline Date:	07/31/2009
Supplier CAP:	Factory management will create a policy and procedure on non-discrimination and ensure it is communicated to employees through training.
Supplier CAP Date:	07/31/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During the review of factory polices, a policy on non-discrimination was found by the auditors.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Through review of factory polices, it was noted by auditors that a written policy of non-discrimination was created.
Action Verified Date:	09/21/2010

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation:	No training on code of conduct (COC) provided to both management and workers.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory management provides training to employees on the COC.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management provides the COC to employees in the employee handbook.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. The COC was found in employee handbook, which is provided to workers.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Through on-site observation, it was noted by auditors that Fossil COC was posted in workplace for workers to read. But, document review indicated that no training on COC was provided to employees.

Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has provided training on COC to workers. Records of training will be maintained in factory. Code will be provided to all new workers as part of the employee handbook.

Code Awareness:

GEN.3 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.

Noncompliance

Explanation:	There was no noncompliance reporting mechanism which allows factory workers to contact company.
Plan Of Action:	Fossil will develop a communication means between our NCAA factories and Fossil direct for factory employees through a third party number/email that employees can utilize anonymously if they so choose.
Deadline Date:	12/31/2010
Supplier CAP:	Factory management provides employees with a written opinion box and has communicated to employees to provide any comments through this means.
Supplier CAP Date:	
Action Taken:	Factory management provided Fossil with pictures of written opinion box, as well as a policy posted with box. An internal audit was conducted at [Factory name] and they were found to be in compliance. Auditors noted that an opinion box had been installed and a policy was created and posted during the tour of the factory.

Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Through document review and on-site observation, it was noted by auditor that reporting mechanism and opinion box were created in factory. But, contact information for Fossil was not posted in workplace for factory employees to report to Fossil on noncompliance with workplace standards.
Action Verified Date:	09/21/2010

Health and Safety: Document Maintenance/Worker Accessibility and Awareness

H&S.2 All documents required to be available to workers and management by applicable laws (such as health and safety policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language(s) spoken by the workers if different from the local language. (P)

Noncompliance

Explanation:	No copies of H&S laws and regulations were kept in factory.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil will re-visit factory in July 2009 to ensure that H&S documentation has been made available. Factory should ensure that H&S laws and regulations are available for review by auditors. In addition, regular training should be provided to workers on H&S laws. All training should be documented for later review.
Deadline Date:	04/01/2009

Supplier CAP:	H&S documentation has been made available by factory management.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that H&S documents had been posted.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Pending: During follow-up audit, auditors noted that there were no H&S laws and regulations kept in factory.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory compiled applicable H&S laws and is maintaining them in factory.

FAIR LABOR ASSOCIATION

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation:	H&S policy did not contain workers' rights and duties.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR will assist factory in the creation of the required policies and procedures and ensure that they are communicated to all employees.
Deadline Date:	06/30/2009
Supplier CAP:	Factory management will add a section dedicated to workers' rights and duties to the H&S policy.
Supplier CAP Date:	06/30/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. Through document review and management interviews, it was noted by the auditors that the H&S policy contained workers' right and duties.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Workers' rights and duties regarding H&S have been included in factory's policies.

Action Verified Date:	09/21/2010

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation:	1. Factory received fire permit for production building on October 13, 2000, while there were no fire permits for dormitory and canteen. 2. There was no test report for gas tank. 3. Chemical waste was reclaimed by supplier, but factory could not provide quality certificate and transfer sheets to auditor. 4. There was no business operation permit for store in canteen.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that factory contact the fire department to ensure that all required permits are obtained and that any expired permits are renewed. Fossil will revisit factory in 2009 and will follow up on fire permits.
Deadline Date:	01/13/2009
Supplier CAP:	1 permit was received when production building was completed. Fire department visits yearly, but does not reissue permit. Factory management will contact fire department concerning the permits for dormitory and canteen. These will be maintained in factory.
Supplier CAP Date:	01/19/2009

Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During document review and management interviews, copies of valid permits were provided.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Factory obtained fire permit for dormitory and canteen December 1, 2008. There was no store in canteen. Chemical waste was reclaimed by supplier, who had ability to dispose of them. Transfer sheets were provided for review. However, factory has not obtained test report for gas tank.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has obtained test report for gas tank. Outside staff has been hired to follow up on factory safety issues in the future.

FAIR LABOR ASSOCIATION

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation:	The door of computerized machines department on 2nd floor only opened inwards. Materials placed under stairwell of 1st floor in couples' dormitory. Boxes placed outside glue spraying department on 1st floor. Emergency lights above doors A5 and A6 were not functioning. No emergency light installed in management dormitory. 1 emergency light in 1st floor stairwell of workers' dormitory and 1 on exit of 2nd floor were broken.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Factory should designate safety personnel responsible for regularly inspecting safety equipment to ensure that any equipment in need of repair receives service. Designated personnel should be noted in factory H&S procedures.
Deadline Date:	01/13/2009
Supplier CAP:	1. Doors have been rebuilt to open outwards. 2. Factory management has removed materials under stairwell. 3. Boxes outside glue spraying area have been removed. 4. Emergency lighting had been installed or repaired.
Supplier CAP Date:	02/02/2009

Action Taken:	1. Picture provided where door was re-installed to open outward. 2. Picture provided to show stairwell is clear of materials. 3. Picture provided to ensure boxes were removed from glue spraying area. 4. Picture provided showing updates and repairs to emergency lighting. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted doors opened in direction of evacuation, stairwells were clear of materials, evacuation passages were not blocked and emergency lighting was functioning.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009
Action Verified:	No
Action Verified Text:	Ongoing: Door of computerized machines department open in direction of evacuation. No flammable or smoke-generating items placed in stairwells. Boxes not placed outside glue spraying department on 1st floor of production building. Emergency lights installed in stairwell of management dormitory. But, no emergency light installed in corridors in management, worker or couple's dormitories. 1 emergency light at south exit of 1st floor in management dormitory was out of power.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has: repaired emergency lighting; installed missing exit signs and lighting; and hired external training staff to regularly inspect factory safety. In addition, internal safety training has been conducted and will continue to be conducted regularly.

FAIR LABOR ASSOCIATION

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Materials placed above 1 fire extinguisher in leather shaping department. Insurance bolt of 1 fire extinguisher missing on 2nd floor of production building. Spray nozzle of 1 fire extinguisher was broken on 3rd floor of production building. 1 fire extinguisher blocked by boxes on 3rd floor of production building. 1 fire extinguisher blocked by materials and has no updated inspection date on 4th floor of production building. 1 fire extinguisher not fully charged and had no updated inspection date in chemical warehouse. Materials placed under fire extinguisher outside electricity room. No workers signed up for drills. There was no appropriate eye wash equipment in workplace using chemicals.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR is working with factory to install the necessary eyewash equipment and ensure all fire extinguishers are in compliance. Factory should designate safety personnel to regularly inspect conditions in factory. Any violations should be noted and remedied once identified. Designated personnel and the frequency of safety inspections should be designated in factory safety procedures.

Deadline Date:

Supplier CAP: 1. Fire extinguishers have been repaired and materials blocking extinguishers have been moved.

2. A fire drill has been conducted and workers' signatures have been obtained. 2009 training documents have been created to include workers' signatures.

3. An appropriate eyewash station has been installed.

Supplier CAP Date: 01/19/2009

Action Taken:	1. A photo was provided to show fire extinguishers were unobstructed. 2. A photo of fire drill records with employee signatures was provided. 3. A photo of the eyewash station was provided. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that fire extinguishers were unobstructed, fire drills had been conducted, records were kept and an eye wash station had been installed.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: No fire extinguisher spray nozzle found broken and all fire extinguishers are fully charged. Workers signed on fire drill training records. Eye wash equipment installed in workplace using chemicals. But, 1 fire extinguisher in computerized sewing machine department and 2 fire extinguishers in leather polishing department had no updated inspection date. No inspection card to specify inspection date attached to 1 extinguisher in electricity generation room. 1 fire extinguisher near east exit on 1st floor of production building blocked by trolley. 1 fire extinguisher in glue spraying room blocked by tables. Insurance bolts of 2 fire extinguishers in computerized sewing machine department and 1 fire extinguisher on 3rd floor of management dormitory were missing.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory removed materials blocking fire extinguisher and replaced bolts on both extinguishers. Inspections performed on generator room extinguishers and new cards attached. Also, factory hired external safety inspectors to regularly inspect safety conditions in factory. Internal staff designated to provide regular training to employees.

FAIR LABOR ASSOCIATION

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal 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 health and safety hazards, including medical waste. (S)

Noncompliance

Explanation:	No sign of personal protection equipment (PPE) usage posted in chemical storage place of leather shaping department, glue spraying section on 3rd floor of production building or in chemical warehouse. No PPE placed in chemical warehouse. No earplugs provided to workers in cutting department. 1 worker in leather shaping department did not wear mask correctly.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. It is recommended that PPE be provided to employees. Additionally, factory management should ensure that all employees have received training on the correct use of PPE and that they are required to use PPE when necessary. When Fossil visits factory in July 2009, employee handbook will be reviewed and a tour of facility will be conducted to ensure PPE use.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management will ensure that PPE is provided to employees. Correct use of PPE has been included in provided employee handbook. Additionally, factory management will provide posters with the correct usage of PPE.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that PPE was provided and used by workers. In addition, correct use of PPE is outlined in employee handbook and on posters hung in areas where PPE is required.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009

Action Verified:	No
Action Verified Text:	Pending: No sign of PPE usage posted in work place. No PPE placed in chemical warehouse. No earplugs provided to workers in cutting department. Some workers on 2nd floor of production building using glues did not wear masks correctly. 1 worker operating polishing machine did not wear his mask in working.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has provided PPE to all workers and has posted signs indicating that PPE is required. In addition, factory has designated internal staff to provide regular safety training to workers to include the importance of wearing PPE properly.

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: 1. No safety sign was posted for white glue used on 2nd floor, yellow glue and N-hexane used in sampling room on 2nd floor.

2. Chemical safety sign used in leather shaping department was in English.

3. Chemicals stored under stairwell close to door A4 on 1st floor.

4. There were no workers' signatures for trainings on chemical safety.

Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil will revisit factory in July 2009 to review safety training form. Factory should designate staff to regularly monitor safety conditions in factory. In addition, regular training on safety issues should be provided to workers.
Deadline Date:	01/13/2009
Supplier CAP:	1, 2. Factory management has posted signs on chemical safety in Chinese. 3. Materials under stairwells have been moved. 4. A 2009 training form with a place for employees' signatures has been created for training on proper handling of chemicals.
Supplier CAP Date:	01/19/2009
Action Taken:	1, 2. Photos of signs on chemical safety have been provided. 3. Factory has provided a photo of cleared stairwell. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that signs had been posted in local language on chemical safety. In addition, it was noted that stairwell was clear of chemicals.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Signs have been attached to glues used on 2nd and 3rd floors of production building to indicate the danger. Workers have signed on chemical safety training records. However, safety signs attached to glues used on 2nd and 3rd floors of production building were not standardized. Chemical safety sign used in leather shaping department was still in English. 4 barrels of edge oil placed close to emergency exit door on 1st floor of production building.
Action Verified Date:	09/21/2010

Follow-up Plan of Action:	March 7, 2011: Factory has removed barrels of edge oil, posted Chinese chemical safety signs in leather shaping department and replaced safety signs on glue. In addition, external safety inspectors have been hired to regularly monitor safety conditions in factory. Internal staff has been made responsible for providing safety training to workers on a regular basis.

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation:	No MSDS were posted in the leather shaping department; sections using white glue on 2nd floor; sampling room where N-hexane used on 2nd floor of production building.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Factory management should post MSDS in areas where hazardous chemicals are used.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management posted MSDS in areas of facility where hazardous chemicals are used.
Supplier CAP Date:	01/19/2009
Action Taken:	Photos have been provided of posted MSDS. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that MSDS had been posted.
Plan Complete:	Yes

Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: MSDS for white glue and N-hexane were posted in the work place.
Action Verified Date:	09/21/2010

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation:	1 exhaust fan broken in glue spraying section on 1st floor.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR will work with factory to make necessary repairs to the exhaust system. Fossil will revisit factory in July 2009 to determine if exhaust fan has been repaired. If not, Fossil will work with factory management to come up with a solution to ventilation problem.
Deadline Date:	
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance.
Plan Complete:	Yes

Plan Complete Date:	12/07/2009
Action Verified:	Yes
Action Verified Text:	Completed: Exhaust fans worked properly in workplace.
Action Verified Date:	09/21/2010

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation:	There were no shields for moving parts of machines (Pentai) in leather shaping department. No shields for moving belts of 3 molding edge (Mobian) machines on 3rd floor of production building. There were no needle guards for computerized machines on 3rd floor of production building. One half of shields for 1-wheel driving machine were missing. No workers had signed up for training on machines safety.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR has requested that machine safety training be provided to workers. Factory should designate personnel to regularly inspect safety conditions and provide workers with safety training.
Deadline Date:	01/13/2009

Supplier CAP:	Factory management has installed missing shields and needle guards.
Supplier CAP Date:	01/19/2009
Action Taken:	Photos have been provided showing installed shields and needle guards. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that safety equipment had been installed. All workers using machinery are provided with safety training on equipment and records of training are maintained in factory.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Ongoing: Workers have signed on machine safety training records. All machines' moving parts and belts were properly guarded except needle guards for some sewing machines, 1 in computerized sewing machine room and 1 in sampling room were missing.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has installed needle guards. In addition, external safety personnel have been hired to regularly inspect safety conditions and internal staff has been designated to provide workers and supervisors with regular safety training.

FAIR LABOR ASSOCIATION

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation:	No first aid guide posted near first aid box. Medicines listed were actually missing from first aid boxes.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Factory should post a first aid guide. Staff should be designated to regularly inspect safety conditions and to provide safety training.
Deadline Date:	01/13/2009
Supplier CAP:	Factory management will post a guide near first aid boxes and will ensure that all supplies are stocked.
Supplier CAP Date:	01/19/2009
Action Taken:	A photo of the first aid guide has been provided. An internal audit was conducted at [Factory name] and they were found to be in compliance. During tour, auditors noted a guide had been posted near first aid kits and that this is regularly monitored.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No

Action Verified Text:	Ongoing: Medicine lists have been posted on first aid boxes. However, there was still no first aid guide posted near first aid box.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has replaced first aid guide. In addition, external staff has been hired to provide regular safety inspections and internal staff has been designated to provide regular safety training.

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation:	The men's toilets were smelly and dirty.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2.
Deadline Date:	01/13/2009
Supplier CAP:	The men's restrooms have been cleaned.
Supplier CAP Date:	01/19/2009
Action Taken:	A photo of the cleaned male restroom has been provided. An internal audit was conducted at this factory and they were found to be in compliance. During tour, auditors noted that the male restrooms were clean.
Plan Complete:	Yes

Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Toilets were clean.
Action Verified Date:	09/21/2010

Health and Safety: Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

Noncompliance

Explanation:	There was no exit sign in stairwell of management dormitory. Exit signs posted in stairwell of workers' dormitories were not standardized. Exit on 1st floor of couples' dormitory was blocked. No emergency light installed in management dormitory. Emergency lights in stairwell of 1st floor of workers' dormitory and on exit of 2nd floor were broken.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Factory should replace exit signs and install emergency lighting. Fire safety equipment should be regularly inspected to ensure it remains in good working order.
Deadline Date:	01/13/2009

Supplier CAP:	1. Exit signs have been posted in both management and worker dormitories. All goods blocking exit have been moved. 2. Factory management has installed or repaired emergency lighting.
Supplier CAP Date:	01/19/2009
Action Taken:	1. Photos of exit signs have been provided. 2. Photos of installed emergency lighting have been provided. An internal audit was conducted at [Factory name] and they were found to be in compliance. During factory tour, auditors noted that exit signs and emergency lighting had been installed.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009
Action Verified:	No
Action Verified Text:	Ongoing: Both exits of couples' dormitory were not blocked. Emergency lights have been installed at stairwell of management dormitory. However, exit signs in south stairwell of management dormitory were not standardized. Exit signs posted in stairwells of worker and couple's dormitory buildings were not standardized. No emergency light installed in corridors in management dormitory, worker dormitory and couple dormitory. 1 emergency light at south exit of 1st floor in management dormitory was out of power.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has installed standardized exit signs, installed emergency lighting and has repaired the non-operational lighting in management dormitory. External safety staff has been hired to perform regular safety inspections.

FAIR LABOR ASSOCIATION

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Most workers work 7 days per week. When auditors waited outside factory facility for factory management's response, there were some workers asking for factory information. Auditor joined in conversations among workers and factory security guards. Security guard said workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. 1 worker who distributed garbage for factory brought his 2 daughters (4 and 5 years old) to factory during work. He and his wife all worked in the factory. His daughters said that Mom worked every night.

Law: Labor Law: Section 38. Employing unit shall guarantee that its staff and workers have at least 1 day off in a week.

Plan Of Action: Fossil's CSR manager met with Factory President to discuss the audit results and factory's corrective action plan. Through conversations with factory management, it was determined that factory security works 7 days per week rather than factory workers. Meaning that there are multiple security workers who have shifts throughout all 7 days of the week. Factory workers are provided the appropriate rest day. Fossil has communicated through our code of conduct and manufacturing agreement that factory must comply with local law, which requires a rest day during week. (Fossil conducted an audit in July 2008 and found that employees receive their rest day per week, if not 2). Factory should ensure workers receive at least 1 day off per week during the entire year, including peak season. Extra employees should be hired or, if this is not possible, production arranged in a manner that allows OT to be reduced.

Deadline Date:

Supplier CAP: Factory management will continue to ensure workers are entitled to at least 1 day off per week.

Supplier CAP Date:

Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory records as well as worker interviews, auditors noted that at least 1 day per week was given as a rest day.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No
Action Verified Text:	Pending: Workers worked excessive hours. Payroll document of July 2010 indicated workers had 1-2 rest days in 1 month and daily working hours reached 11-12 hours. Worker interviews confirmed that. Management also confirmed that and explained that excessive OT usually concentrated in peak seasons from June to September each year. In non-peak seasons, from October to May each year, workers usually enjoy 3-4 rest days per month or even enjoy 2 days off per week; daily working hours are between 10-11 hours during this period. Attendance records provided by management confirmed that.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory has not fully replaced all employees after Chinese New Year. They will continue to hire additional workers to ensure working hours are reduced and all employees receive at least 1 day off per week. In the interim, factory has obtained a comprehensive working hour waiver to allow for additional OT during peak production.

FAIR LABOR ASSOCIATION

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: False (or unrecorded working hours) records found in factory. Factory manager said on 1st audit day that workers worked 6 days per week, 3 nights per week, 7-9pm per night. But on 2nd day, when auditor asked why there was no record of night OT from this January to this August and no weekend OT in time records and payroll, management said that if there was no OT recorded, there was no OT. (See attachment 21-a) Factory began using swipe cards to record working time this September. Auditor found OT from 7-8pm from Monday to Friday this September and October. (See attachment 21-b) When auditors waited outside factory facility for factory management's response, there were some workers asking for factory information. Auditor joined in conversations among workers and factory security guards. Security guard said that workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. 1 worker who distributed garbage for factory brought his 2 daughters (4 and 5 years old) to factory during work. He and his wife all worked in the factory. His daughters said that their "Mom worked every night." Through workers interview, auditor found that workers were reluctant to answer auditor's questions. Sometimes workers said no OT at all before auditor could open her mouth. 80% of workers answered "I don't know", "pretty much the same thing" or kept silent during interview.

Plan Of Action: Fossil's CSR manager met with factory president to discuss audit results and factory's CAP. Through conversations with factory management, it was determined that factory workers work 6 days per week and overtime 3 nights per week during peak season. Attendance records reviewed were not for peak season months. Factory security works 7 days per week. But multiple employees share the 7 day shift. Security is on property 7 days a week to ensure safety. Fossil's CSR department has communicated not only through our COC and our manufacturing agreement that factory must comply with local labor laws regarding OT and that it is not appropriate to hide or provide inconsistent records. Fossil discussed electronic time system and the importance of accurate records that allow for OT and correct payment to be verified with management and agrees that the implementation and continued use would assist with the issue.

Deadline Date: 01/13/2009

Supplier CAP:	Factory management will continue to monitor OT to ensure that it remains in compliance with Chinese law and will review electronic time records to ensure they are accurate. Additionally, factory will apply for a comprehensive working hour waiver to ensure hours during peak production months do not exceed allowed OT.
Supplier CAP Date:	01/19/2009
Action Taken:	Fossil's CSR department has sent follow-up emails to factory management to determine if they need any further assistance to remind them that they must comply with local labor laws regarding hours and OT. Fossil will be conducting an audit in July 2009, in which records will be reviewed. Attendance is recorded via IC cards. Individual department heads are responsible for double checking attendance records monthly to verify accuracy. In addition, workers all sign their time slips, indicating their understanding of wage calculations and accuracy of hours worked. An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of payroll and attendance records, it was noted that all OT was being conducted in accordance with law and that records appeared to be accurate.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009
Action Verified:	No
Action Verified Text:	Ongoing: Through document review, management and worker interviews, it was noted by auditors that factory keeps accurate attendance records. Workers punch 4 times 1 day or 6 times if OT is necessary. But records indicated that excessive OT was obvious in peak seasons (from June to September reported by management). Payroll document of July 2010 indicated workers had 1-2 rest days in 1 month and daily working hours reached 11-12 hours.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 7, 2011: Factory will hire additional workers to ensure working hours are reduced. In addition, factory has obtained a comprehensive working hour permit from local government to allow for extra OT during peak production periods.

Hours of Work: Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Most workers worked 80 hours per week. When auditors waited outside factory facility for factory management's response, there were some workers asking for factory information. Auditor joined in conversations among workers and factory security guards. Security guard said workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. 1 worker who distributed garbage for factory brought his 2 daughters (4 and 5 years old) to factory during work. He and his wife all worked in the factory. His daughters said that their mother worked every night. From the above information, auditor makes the judgment that workers work approximately 80 hours per week.

Law: According to Article 41 PRC Labor Code, Employing unit may extend working hours as necessitated by its production or business operation after consultation with trade union and workers, but extended working hours per day shall generally not exceed 1 hour; if such extension is needed for special reasons, under condition that health of workers is guaranteed, extended hours shall not exceed 3 hours per day. However, the total extension in a month shall not exceed 36 hours.

Plan Of Action: Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil will conduct follow-up audit in July 2009 and will ensure review of time records and calculation of OT. In addition, employee interviews will be held by selecting a sample ratio of male and female employees from various departments. The expectation will be that employees responses during interview will correspond with OT records reviewed during audit. If Fossil finds discrepancies through this method of verifying, a discussion with management will take place to determine where there is a disconnect.

Deadline Date: 01/13/2009

Supplier CAP:	Factory management has implemented an electronic time keeping system to ensure accuracy of attendance and payroll records are maintained. Factory management is aware that all time worked must be appropriately recorded in order to verify compliance with OT and pay requirements.
Supplier CAP Date:	01/19/2009
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory records as well as worker interviews, no discrepancies between actual hours worked and attendance records were noted. Attendance is recorded via IC cards. Individual department heads are responsible for double checking attendance records monthly to verify accuracy. In addition, workers all sign their time slips, indicating their understanding of wage calculations and accuracy of hours worked.
Plan Complete:	Yes
Plan Complete Date:	12/07/2009
Action Verified:	Yes
Action Verified Text:	Completed: Through document review, management and worker interviews, it was noted by auditors that factory keeps accurate attendance records via IC cards. All workers interviewed showed awareness on how to calculate their wages.
Action Verified Date:	09/21/2010

FAIR LABOR ASSOCIATION

Hours of Work: Annual Leave

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

Noncompliance

Explanation:	There was no paid annual leave provided to workers. Law: Employee Paid Annual Leave Regulation. Article 3: Workers who have worked from 1 to 10 years enjoy 5 days paid annual leave; 10 to 20 years, enjoy 10 days; over 20 years enjoy 15 days.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR is working with factory management to resolve this issue. It is recommended that factory management creates a policy to outline paid annual leave in factory. This policy should be communicated to workers and should contain all allowances required by law.
Deadline Date:	
Supplier CAP:	Factory management will review law provided by Fossil regarding annual leave and will work towards creating a policy and procedure.
Supplier CAP Date:	
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory records and through worker interviews, it was noted that factory provided annual leave.
Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	No

Action Verified Text:	Ongoing: Through document review and management interviews, policy of paid annual leave was created. But, management confirmed that no workers had enjoyed the paid annual leave. They usually provided 96RMB to workers who had worked in factory for 1 year. Worker interviews confirmed that.
Action Verified Date:	09/21/2010
Follow-up Plan of Action:	March 10, 2011: Factory has provided annual leave to employees per policy. Annual leave records are maintained in factory.

Hours of Work: Sick Leave

HOW.19 Employers shall provide workers with sick leave as required under local laws, regulations and procedures. (S)

Noncompliance

Explanation:	There was no paid sick leave provided to workers. Law: Labor Bureau [1995] No. 309: Article 59. Employers shall pay for sick leaves within legal medical period. Sick leave can be lower than local minimum wage, but cannot be lower than 80% of minimum wage.
Plan Of Action:	Fossil's CSR manager met with factory president to discuss the audit results and the factory's CAP. Fossil CSR will continue to work with factory and will visit facility in Q2. Fossil CSR is working with factory management to resolve this issue. It is recommended that factory management creates a policy to outline sick leave in factory. This policy should be communicated to workers and should contain all allowances required by law.
Deadline Date:	
Action Taken:	An internal audit was conducted at [Factory name] and they were found to be in compliance. During review of factory records as well as management and worker interviews, auditors noted that paid sick leave was provided.

Plan Complete:	Yes
Plan Complete Date:	07/22/2009
Action Verified:	Yes
Action Verified Text:	Completed: Through document review, auditors noted that policy of paid sick leave had been created.
Action Verified Date:	09/21/2010