

FLA Audit Profile	
Country	China
Factory name	02021551D
IEM	A.L.G.I.
Date(s) in facility	August 15-16, 2005
PC(s)	Eddie Bauer; Liz Claiborne, Inc.
Number of workers	1,289
Product(s)	Apparel
Production processes	Sampling, Cutting, Sewing, Ironing, Inspection, Handcraft, Packing

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation					Company Verification Follow Up		
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/ Documentation Used for Corroborating	Notable Features Implemented by Management or Company	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date of Follow Up)	Documentation	Company Follow Up [September 15, 2005; December 14, 2005; July 4, 2006 (latter is a joint PC visit)]	Documentation
1. Code Awareness															
Law Posting		LEGAL Compliance 3C.1 (Does factory have current information on labor laws and health and safety regulations? And are they posted?)	Factory did not post the national and local laws.	Factory did not post the national and local laws.			Visual Inspection		Factory should maintain up-to-date China national and local labor laws, and Health and Safety regulations. All regulations should be posted at prominent areas of factory.	Factory confirmed that corrective actions had been taken August 26, 2005.	The factory agreed to post the national and local laws on the bulletin board.			PC visited factory December 14, 2005, and noted factory had kept <Labor Law of PRC> and <Fire and Safety Management Regulation of [Province name] Province>. However, regulations have not yet been posted. PCs visited factory July 4, 2006 and noted that <Labor Law of PRC> and other local regulations still not posted at factory. After audit, factory sent PC some photos showing legal regulations being posted at notice board of production floor starting from July 10, 2006.	Photos of national and local laws
2. Forced Labor															
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.															
3. Child Labor															
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.															
4. Harassment or Abuse															
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.															
5. Nondiscrimination															
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.															
6. Health and Safety															
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.															
Chemical Management	Art. 60 of PRC Factory Safety and Sanitary Regulations: Poisonous and hazardous goods shall be stored at specific locations separately, and shall be managed with stringency.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	10 containers containing flammable glue are stored in the stairway of one of the production buildings.				Visual Inspection		The factory should ensure that hazardous and inflammable goods stored at a secure and separate location.	The factory confirmed that corrective actions had been taken August 22, 2005.	The factory agreed to store the inflammable glue containers at a separate room.			PC visited factory September 15 and December 14, 2005, and observed that stairway of production buildings were free from obstacles, and that flammable glue containers were stored at a separate chemical warehouse.	Photos of the stairways and the chemical warehouse
Chemical Management	Art. 12 of PRC: Safe use of chemical materials in Production area: The chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	No labeling was observed for containers containing flammable glue in the handbag-making department.				Visual Inspection		The factory should ensure that hazardous chemical substances used in factory are labeled properly.	The factory confirmed that corrective actions had been taken August 29, 2005.	The factory agreed to label all flammable glue containers.			PC visited factory December 14, 2005, and observed that majority of flammable glue containers not properly labeled. PCs visited factory July 4, 2006, and observed that all of flammable glue containers were properly labeled.	Photos of flammable glue containers
Chemical Management	Regulations for Safe Use of Chemicals in workplace Art.20: Information concerning H&S when utilizing hazardous chemicals shall be open to employees. Employees shall be trained to recognize safety labels, understand technical directions and master necessary means to deal with emergency and save themselves. There shall be regular training on how to use chemicals safely in workplace.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	No MSDS was observed for silicone lubricant and antitrust reagent in the embroidery department.				Visual Inspection		The factory should ensure that MSDS in local language posted at areas where such chemical is used and stored.	The factory confirmed that corrective actions had been taken August 29, 2005.	The factory agreed to post the MSDS for silicone lubricant and antitrust reagent in the embroidery department.			PC visited factory September 15 and December 14, 2005, and no chemicals found in embroidery department. The factory management advised that silicone lubricant and antitrust reagent would no longer being utilized.	Photo of embroidering machine
Exits & Emergency lights	Art. 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16 87): Employer shall install emergency lights on evacuation passages, exits and stairwells.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	No emergency lights or exit signs were observed in the entertainment centre.				Visual Inspection		The factory should install emergency lights on evacuation passages, exits and stairwells, and post exit signs.	The factory confirmed that corrective actions had been taken September 22, 2005.	The factory agreed to install emergency lights and exit signs in the entertainment centre.			PC visited factory December 14, 2005, and noted there are guest rooms, canteen, and karaoke hall inside entertainment centre. PC observed that 5 emergency lights and 4 exit signs had been installed in entertainment centre, and noted there were records showing regular inspections. However, no emergency lights and exit signs installed in karaoke hall. PCs visited factory July 4, 2006, and noted that emergency lights and exit signs installed in the karaoke hall.	Photos of emergency lights and exit signs
7. Freedom of Association and Collective Bargaining															
Employers will recognize and respect the right of employees to freedom of association and collective bargaining															
		FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (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.													

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8. Wages and Benefits															
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.															
Legal Benefits	Art. 72 of PRC Labor Law: Management and employees must participate in social insurance programs.	Employers will provide all legally mandated benefits to all eligible workers	Facility pays social insurances for 332 employees out of 1,289 employees actively working, a violation of social security regulation. Facility has provided a statement from the local Social Insurance Fund Management Bureau claiming that facility's payment on social insurances meets the requirements in local area.					Social insurance payment review, management interviews and waiver observation		Both the employer and employees should participate in the social insurance scheme, and pay social insurance premium in accordance with the relevant regulations.	The factory confirmed that corrective actions had been taken on September 6, 2005.	The factory agreed to purchase the social insurance according to a waiver issued by local social insurance department. Factory is going to purchase a commercial life accident injury insurance to cover the rest of workers.		PC visited factory December 14, 2005, and reviewed social insurance receipt for month of November 2005, and waiver issued by local social insurance department in August 2005. According to social insurance receipt, 339 out of total of around 1230 employees participated in pension, work-related injury, unemployment, medical and maternity insurance. The number of participants is in agreement with that stated on waiver. In addition, we confirmed factory had purchased the commercial life accident injury insurance for rest of employees.	Photocopies of the social insurance receipt, waiver and commercial insurance contract
Payment of Legal Benefits	Art.11 of Interim regulations on salary payment: During mandatory vacations such as annual leave, home leave, wedding leave, mourning leave, workers will get payment as required in labor contract. Art.51 of PRC Labor Law: During holidays, wedding leave and mourning leave as well as other social activities workers engage in as required by law, employers should pay workers salary as in compliance with labor law.	Legally mandated benefits will be provided or paid in full within legally defined time periods	Piece-rate workers' holidays and annual leave payments are calculated based on the local minimum wage, not the average piece rate earnings, as mandated by law.					Payroll ledger review, management interview.		Piece-rate workers' holiday and annual leave payments should be calculated based on the average piece rate per hour.	The factory confirmed that corrective actions had been taken on September 6, 2005.	The factory agreed to pay holidays and annual leave payments for piece-rate workers on the basis of average piece rate earnings with effect from September 2005.		PC visited factory December 14, 2005; reviewed payrolls and time records; and interviewed [several] workers randomly selected. PC confirmed that holiday leave payments for piece-rate workers were calculated based on average piece rate per hour for last 3 months. However, it was noted that annual leave payments that could not be verified as annual leave payments would be settled every January, normally just before the Chinese New Year. PC also noted factory had not updated policy on holiday and annual leave pay. PCs visited factory July 4, 2006 and auditors reviewed payrolls of January 2006 and selected [several] workers for interview. It was confirmed that factory had provided paid annual leave to all employees and had updated policy on holidays and annual leave with pay.	Photocopies of time records, payrolls and workers interview forms
9. Hours of Work															
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.															
Overtime Limitations	Art. 38 of PRC Labor Law: Employer shall guarantee that its laborers have at least 1 day off per week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) limits on regular and overtime hours allowed by law of country of manufacture or, where laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	As per time records review for the period of January to June 2005, security guards worked continuously without a day of rest. This condition occurred for at least 6 different weeks.					Time record ledger review, payroll records, interviews of management and employees.		Factory should develop a plan to reduce the working hours of the security guards so that they are entitled to at least 1 day off in a week.	The factory confirmed that corrective actions had been taken September 1, 2005.	The factory agreed to evaluate the current manpower so that the security guards are entitled to a day off in a week.		PC visited factory December 14, 2005, and noted that security guards did not receive 1 day off in a week in September and October 2005. Some of them worked up to 11 consecutive days without a day off. However, they could get 4 days off in a month. Factory should have a better plan so that security guards can have a day off a week. PCs visited factory July 4, 2006. Auditors reviewed timecards of security guards for month of May 2006 and interviewed [some] security guards, and noted that factory arranged 3 shifts of duty in 24 hours, and all security guards are entitled to 1 day off in every 6 days.	Photocopies of time records and workers interview forms
10. Overtime Compensation															
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.															
OT Compensation	Art. 44. 2 of PRC Labor Law: Payment of wages to laborers should be no less than 200% of normal wage if employees are required to work on a day of rest and no deferred rest can be taken. Art. 44.3 of PRC Labor Law: Payment to workers should be no less than 300% of the normal wage if they are required to work during a legal holiday.	The factory shall comply with applicable law for premium rates for overtime compensation.	All security guards and 2 out of 24 cleaning staff were compensated at 200% of regular wage for holiday overtime work, not at 300% of regular wage as mandated by PRC labor law Art 44.3.					Payroll ledger review, management interviews and employee interviews.		The overtime premium for security guards and cleaning staff should be calculated according to local requirements.	The factory confirmed that corrective actions had been taken September 1, 2005.	Factory agreed to pay the overtime premium of the security guards and cleaning staff pursuant to the local regulations.		PC visited factory December 14, 2005, and reviewed payrolls and time records, and interviewed [several] workers randomly selected. PC confirmed that security guards and cleaning workers had been compensated at 300% of regular wage for working on holidays in October 2005. PC also confirmed factory had paid back the difference (i.e., 100% of regular wage) to security guards and 2 cleaning staff who worked overtime on statutory holidays during 2005.	Photocopies of time records, payrolls, pay-back sheets and workers interview forms
Miscellaneous															