

FLA Audit Profile	
Country	China
Factory name	02015435E
IRM	005-CSTC Standards Technical Services Co., Ltd.
Opened in facility	October 25, 2006
FLA	Nike, Inc.
Number of workers	150
Products	Garment
Production processes	Dyeing, Stage Finishing, Cutting, Sewing, Finishing, Packing

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated if # Not Corroborated, Explain Why)	Sources/Documentation	Notable Features	PC Remediation plan	Target Completion Date	Remediation			Documentation	Status	Timeline (FLA Policy/ Public Law)		Timeline (Company Follow Up)		Timeline (Verification/ External)		
										Factory Response (Optional)	Company Follow Up (Cite Date)	Completed, Pending, Ongoing			Company Follow Up (SEA Team Update) (Link #, 2007)	Documentation	External Verification (Date)	Documentation	Company Follow Up (November 15, 2006; April 2, 2007)	Documentation	
1. Child Recruitment																					
Worker Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all contract factories as well as contractors and suppliers inform their employees about the workplace standards study and through the posting of standards in a prominent place (in the local language spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	Factory did not post the information they got on labor laws and health and safety regulations.			on-site observation, manager interviews		After the audit, HR manager posted regulations in these 2 departments.	11/25/2006	Root cause: Factory thought that there was a few employees in these 2 departments.		Factory posted OI, wage, leave, health, environment policies in the workshop.									Labor laws and health and safety regulations were posted in workshop, canteen, warehouse and boiler house. Factory said that they would post as required by end of November 2006.
2. Forced Labor																					
There will not be any use of forced labor, indentured labor, bonded labor or otherwise.																					
Other	Labor Law of PRC, Article 16: A labor contract is the agreement reached between a laborer and an employing unit for the establishment of the labor relationship and the definition of the rights, interests and obligations of each party. A labor contract shall be concluded where a labor relationship is to be established.	Employees will maintain sufficient hiring and employment records to demonstrate and verify compliance with this code provision.		1 interviewed worker said they have not signed labor contract with factory, while they have been working in the factory for more than 2 years.	either interview	Factory provided relevant labor contract for audit.		Department of personnel will check every employee to ensure that every worker has a contract copy. It will establish a file which is used to sign when an employee has gotten the contract copy.	10/15/2006												April 2, 2007: All workers received 1 copy of signed labor contract.
3. Child Labor																					
No person will be employed as an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																					
Legal Compliance for Juvenile Workers		Regulations for the Special Protection of Juvenile Employees, Article 5: Employment of teenage labor should be under registration. Article 6: Employing units shall provide regular medical examinations for juvenile workers according to the following: 1) prior to the arrangement of their work, 2) work for a year, and 3) more than an half of 1 year from their preceding medical examination when their reach the age of 18.	Factory has not got valid young worker registration approval form local labor bureau for the 10 young workers they hired. Moreover, the factory has not arrange physical examinations for 5 young workers since they were employed.			document review (ID card copies, physical examination records), manager interviews		Factory will set up juvenile worker protection regulation. Personnel department will be assigned to take charge of registration and health check.	10/15/2006	12/15/2006 Root cause: There was no regulation about juvenile worker in factory.		Factory set up young worker registration form, which includes worker's name, birth date, family address, department, date of health examination.									1) After consulting local labor bureau and office of Shanghai Labor and Social Security Bureau, noted that there was no formal form for employer to register young workers information. But, it is required as registration if employees sign labor contracts with employees and provide social insurance for employees. After checking relevant documents provided by factory, found that factory signed labor contracts with these young workers and provided social insurance for them. 2) Factory said that they would arrange physical examinations for 5 young workers by the end of November 2006.
4. Harassment or Abuse																					
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or sexual harassment or abuse.																					
Record Maintenance		Employees will maintain written records of disciplinary actions taken.	Factory did not keep disciplinary record.			manager and worker interviews		Factory will set up rewards and punishment policy. Personnel department will be assigned to take charge of it.	10/15/2006	12/15/2006 Root cause: Factory did not have rewards and punishment policy.		Factory rewards and punishment records.									Noted that factory had a disciplinary policy. Factory said that they would sign to record disciplinary actions from 12/01/2006.
5. Discrimination																					
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																					
Other			No record of termination or rehiring kept in file factory.			manager and worker interviews		Factory will add it in Job Description and keep all the documents from now on.	10/31/2006	12/15/2006 Root cause: There was no such requirement in job description for personnel department.											Factory said that they would start to keep records of termination and rehiring from now on.

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						# Not Corroborated, Explain Why	Sources/Documentation	Notable Features	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)	Documentation			Completed, Pending, Ongoing	Company Follow Up (SEA Team Update) (Link #L, 2007)	Documentation	External Verification (Date)
2. Health and Safety																			
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, or in connection with, work or as a result of the operation of employer facilities.																			
Fire Safety, Health and Safety Legal Compliance		Regulations on Safety and Supervision of Special Equipment, Article 39. Operators and management staff of hoists, pressure vessels, elevators, and passenger tram cars shall first acquire qualification from safety and supervision administrative department in charge of special equipment and obtain the unified special equipment operator certificates before they fill their jobs.	2 lift operators do not have valid operation certificates.			Document review, management interview		Factory will develop a tracking file which will include operators' name and valid period of certificate. Safety manager is responsible for this.	10/31/2008	12/15/2008 Root cause: Though there are regulations about safety in factory, safety manager did not do them. He did not check operation certificates in time and train operators regularly.									The 2 workers got certificates.
Machinery Maintenance		Code of Safety and Health in Factory, Article 32. Transmission belts, exposed gears, grinding wheels, electric saws, sliding chutes to the ground level, revolving shafts, pulleys or flywheels and other dangerous parts should all be fitted with protective devices.	5 sewing machines used in workshop found with no ball cover installed.			on-site observation		Set up Repairman Work Regulation and check all sewing machines, equip ball cover if any missing.	11/25/2008	12/12/2008 Root cause: Some old machines did not have ball covers when factory bought them.									Ball covers were installed.
Evacuation Procedures		Fire Control Law of PRC, Article 14. State organs, organizations, enterprises and institutions shall perform the following duties on the control security: (1) Ensure that evacuation passageways and safety exits are unobstructed and set up evacuation marks on the control safety conforming to the state regulations.	1 roll exit in shape finishing workshop could only be opened in 1/2 of its height.			on-site observation, manager and worker interviews		Factory removed the emergency light and signed and informed all workers.	11/22/2008	12/12/2008 Root cause: There are 4 doors in this workshop. Factory did not use the door as emergency exit for quite a long time, but factory forgot to remove sign from door.									Factory said that they would not use this exit as an emergency exit. They would revise escape route map, remove emergency lighting from exit and provide training to workers by end of November 2008.
Chemical Management		Regulations on Safety in Workplaces Where Chemicals Are Used, Article 12. Chemicals used by the employing units shall have the labels, and the dangerous chemicals should be attached with safety labels. Also, the safety and technical instructions of the chemicals shall be available for operators engaged in the use of the chemical.	1) No MSDS available in dyeing workshop where chemicals in use. Some chemical containers not marked with labels and placed outside of chemical warehouse without any protection measure implement. Moreover, the chemical warehouse controller did not know the risk of chemicals they handled. 2) No emergency treatment procedure of chemical leaking established in factory. 3) Dangerous chemical controller did not get valid chemical management qualification certificate.			on-site observation, manager and worker interviews		First, factory will establish emergency treatment procedure of chemical leaking and material safety data sheets (MSDS) for all the chemicals. Then factory will build storeroom for dilapidated containers. Lastly, factory will develop a file which will include employee's name and valid date of certificate.	10/31/2008	12/12/2008 Root cause: They did not label them. No emergency treatment procedure for chemical leaking to safety regulations and MSDS. Safety manager didn't check operation certificate in time or train operators regularly.									1) Some MSDS posted. Factory said that they would correct chemical supplier and try to collect all MSDS by the end of December 2008. 2) Factory will set up emergency treatment procedure on chemical leaking by the end of December 2008. 3) The dangerous chemical controller will be sent to have training, but training date was not confirmed yet. Factory said that they would inform us once they know the date.
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law.	No accident records system implemented in the factory.			manager and worker interviews		Factory will put work injury record in every first six days. Safety manager will collect records of last month at beginning of every month.	11/20/2008	12/12/2008 Root cause: Factory did not have records because few accidents took place before.									Factory said that they would set up accident records system by end of November 2008.
3. Freedom of Association and Collective Bargaining																			
Employees will organize and represent the right of employees to freedom of association and collective bargaining.																			
Right to Freely Associate		Workers will 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.	There was no written factory policy on independent worker representation.			manager and worker interviews		Union committee was approved by upper level labor union and will expire in November 2009. Niu will push factory to follow legal procedure according to China Labor Union Law at the next election.	12/1/2008										
Employer Interference in Representation		Labor Law of PRC, Article 7. Laborers shall have the right to participate in and organize trade unions in accordance with the law.	The employer will not interfere, to the detriment of workers' organizations, with government registration requirements regarding the formation of workers' organizations.			union approval, manager and worker interviews		Union committee was approved by upper level labor union and will expire in November 2009. Niu will push factory to follow legal procedure according to China Labor Union Law at the next election.	12/1/2008										
Employer Interference/External Forces		Labor Law of PRC, Article 7. Laborers shall have the right to participate in and organize trade unions in accordance with the law.	The employer will not use force, or the presence of police or military, to intimidate workers, or to prevent peaceful assembly or assembly.			union approval, manager and worker interviews		Union committee was approved by upper level labor union and will expire in November 2009. Niu will push factory to follow legal procedure according to China Labor Union Law at the next election.	12/1/2008										

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					Evidence of Noncompliance (Uncorroborated)	Not Corroborated, Explain Why	Corroborated				Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)		Completed, Pending, Ongoing	Company Follow Up (SEA Team Update) (Line #, 2007)	Documentation	External Verification (Date)	Documentation	Company Follow Up (November 15, 2006; April 2, 2007)	Documentation		
Freedom of Association: FLA Comment	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 Labor Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principle 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. Factory leaders, the government that introduced new regulations that could improve the functioning of the labor relations mechanisms. The amended Trade Union Act of October 2008 that stipulates 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. Fallo grants the trade union an enhanced role in dispute resolution. In December 2003, the Chinese Communist Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated.	Workers' organizations have the right to elect their representatives and conduct their activities without employer interference.	There was no written factory policy on independent worker representation. Through interview with management and workers, no worker representation or other credible means of independent representation for the workers.	manager and worker interviews					Union committee was approved by upper level labor union and will elect in November 2009. New will push factory to follow legal procedure according to China Labor Union Law if the next election.	12/1/2008													
A. Wages and Benefits																							
Employees recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a bare at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																							
Minimum Wage	PRC Labor Law, Article 48: Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	Due to inconsistency between swipe card and production records, compliance of minimum wage could not be verified.	Factory-provided working hour records and payroll were inconsistent with on-site records; audit time limited so auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	During records found in gate house medicine using records in first audit, daily production summaries sheet, inspection records, electronic service records, boiler functioning report, worker interview	Based on crisis checking on-site documents and feedback from worker interviews. Also, was clear crisis found on payment records. We believe most workers paid piece rate, same piece rate for OT. If they did not work, no payment provided. They signed on a payment sheet with total amount of payment, but no details showed. Factory managers have looked it inside, only left it for audit checking.	First, factory will enhance all the manager's consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. Other applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	12/1/2008	12/1/2008														During audit on 04/02/2007, time records, payroll records, production records, QC records, warehouse records, and employer's statement match one another.
Time-Recording System	This worked for all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	Inconsistency between working hour records and production records found during audit.	During records found in gate house, medicine using records, daily production summaries sheet, inspection records, maintenance records, etc.) on-site indicator workers worked August 20, 27, September 11, 18, October 15, 8, 15, 22, 2006. However, all these dates were not identified in relevant swipe card records.	During records found in gate house medicine using records in first audit, daily production summaries sheet, inspection records, electronic service records, boiler functioning report, worker interview	Based on crisis checking on-site documents and feedback from worker interviews. Also, was clear crisis found on payment records. We believe most workers paid piece rate, same piece rate for OT. If they did not work, no payment provided. They signed on a payment sheet with total amount of payment, but no details showed. Factory managers have looked it inside, only left it for audit checking.	First, factory will enhance all the manager's consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. Other applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	12/1/2008	12/1/2008	12/1/2008														During audit on 04/02/2007, time records, payroll records, production records, QC records, warehouse records, and employer's statement match one another.
Legal Compliance for Holiday Leave	PRC Labor Law, Article 40: The employing unit shall arrange holidays for laborers in accordance with the law during the following festivals: 1) New Year's Day; 2) Spring Festival; 3) International Labor Day; 4) National Day; and 5) other holidays stipulated by laws, rules and regulations.	Workers will be paid for holidays and leave as required by law.	Due to inconsistency between swipe card and production records, compliance of minimum wage could not be verified.	Factory-provided working hour records and payroll were inconsistent with on-site records; audit time limited so auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	During records found in gate house medicine using records in first audit, daily production summaries sheet, inspection records, electronic service records, boiler functioning report, worker interview	Based on crisis checking on-site documents and feedback from worker interviews. Also, was clear crisis found on payment records. We believe most workers paid piece rate, same piece rate for OT. If they did not work, no payment provided. They signed on a payment sheet with total amount of payment, but no details showed. Factory managers have looked it inside, only left it for audit checking.	First, factory will enhance all the manager's consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. Other applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	12/1/2008	12/1/2008														During audit on 04/02/2007, time records, payroll records, production records, QC records, warehouse records, and employer's statement match one another.

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										Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)	Documentation	Completed, Pending, Ongoing	Company Follow Up (SEA Team Update) (Date, N, 2007)	Documentation	External Verification (Date)	Documentation	Company Follow Up (November 15, 2006; April 2, 2007)	Documentation			
Accurate Recording of Wage Compensation		All hourly wages, bonuses, benefits, and other incentives will be calculated and recorded accurately.			Due to inconsistency between time card and production records, compliance of minimum wage could not be verified.	Factory provided working hour records and payroll were inconsistent with on-site records. Audit time limited as auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	Working records found in gate house medicine using records in first audit; daily production summaries sheet; inspection records; electronic service records; boiler functioning report; worker interviews	Based on cross checking on-site documents and feedback from worker interviews. Also, we had clear evidence found on payment records. We believe most workers paid piece rate, same piece rate for OT. If they did not work, no payment provided. They signed on a payment sheet with total amount of payment, but no details showed. Factory managers have hidden it inside, only left it for audit checking.	First, factory will enhance all the managers' consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. After applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	10/15/2008												Noted that employees will need to restate laboring beginning from 2007. Bonus is based on high employees perform towards target, but minimum wage is guaranteed to the slowest employees.	
Minimum wage Quotas		Workers paid on the basis of incentive quotas will be paid not less than the minimum or prevailing wage, whichever is higher.			Due to inconsistency between time card and production records, compliance of minimum wage could not be verified.	Factory provided working hour records and site records. Audit time limited as auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	Working records found in gate house medicine using records in first audit; daily production summaries sheet; inspection records; electronic service records; boiler functioning report; worker interviews	Based on cross checking on-site documents and feedback from worker interviews. Also, we had clear evidence found on payment records. We believe most workers paid piece rate, same piece rate for OT. If they did not work, no payment provided. They signed on a payment sheet with total amount of payment, but no details showed. Factory managers have hidden it inside, only left it for audit checking.	First, factory will enhance all the managers' consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. After applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.												Minimum wage of 750 RMB is applied to all workers.		
Free Payroll Records		Employees will not see hidden or multiple payroll records in order to hide OT, to falsely demonstrate hourly wages, or for any other fraudulent reason.	Workers do not know details of their wage calculations. Wage slip provided to them only lists a total amount of the wage.				worker interviews, payment record checking		Factory will set no training plan and provide documented training to new employees. Personnel department will be assigned to take charge of this.	12/15/2008	12/12/2008 Root cause: HR department did not train new employees in time.									As verified by workers, and indicated by time records, payroll records, and production reports, factory recorded all working hours on 1 set of time records.			
Labor Law of PRC, Article 16: A labor contract is the agreement reached between a laborer and an employing unit for the establishment of the labor relationship and the definition of the rights, interests and obligations of each party. A labor contract shall be concluded where a labor relationship is to be established.				(Several) workers said they do not have original copy of the labor contract they had signed at the beginning of employment.	worker interviews	Factory provided relevant labor contracts for audit.			Personnel department will check with every employee to ensure that they have contract. Each employee needs to sign when they get the contract. Factory will keep the record.	10/15/2008	12/12/2008 Root cause: Personnel department forgot to give the copy to the employee.									Follow-up visit 11/15/2008: Factory provided all labor contracts which we sampled. Worker interviewed said they did not get a copy. Factory said they would check with all workers and return copies if any of them did not have copy of labor contract. Audit on 04/02/2009 found that all workers received 1 copy of signed labor contract.			
A. 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 Limitation		Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Due to inconsistency identified between time card and production records, compliance of overtime limitation could not be verified.				Working records found in gate house medicine using records in first audit; daily production summaries sheet; inspection records; electronic service records; boiler functioning report; worker interviews	In shops finishing workshop (3 units) hot steam generated from boiler, workers took at least 12 hours work per day, sometimes they can take 1-3 days leave per month. In other workshop, working on rest day arranged for them regularly, including Saturday and Sunday.	First, factory will enhance all the managers' consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. After applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	12/15/2008										The worker interviews and documents check from January 2007 to April 2, 2007, weekly hours in the factory were within 60 hours per week, and daily OT is within 3 hours, and all employees enjoyed 1 day of rest in each 7-day period.			

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										Target Completion Date	Factory Response (Optional)	Company Follow-Up (Cite Date)	Documentation	Completed, Pending, Ongoing	Company Follow Up (SEA Team Update) (Date: M, 2007)	Documentation	External Verification (Date)
Overtime Limitations	PRC Labor Law Article 36: The employing unit shall guarantee that its staff and workers have no least 1 day off in a week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the least 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 law 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 every seven-day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Based on daily production summaries sheet found in dyeing department, workers continually worked for 15 days (October 1, 14, 2006), 8 days (October 16-24, 2006). Based on boiler functioning report, operators working in boiler room have worked for 12 days (4-22 October 4-22) consecutively.				Daily production summaries sheet found in dyeing department, boiler functioning report.	Factory general manager held a meeting and requested that all departments need to submit overtime application forms to him if they wanted to work on rest days.	10/1/2006	12/1/2006: Rest cases. Factory did not supervise working time effectively.							Based on time sheets of October 2006, cutting workers continually worked for 8 days (October 6-14, 2006).
3b. 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.																	
Accurate recording of OT hours worked?		Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work.			Due to inconsistency between wage card and production records, compliance of minimum wage could not be verified.	Factory-provided working hour records and payroll were inconsistent with on-site records; audit time limited so auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	Working records found in gate house; machine using records in first aid kit; daily production summaries sheet; inspection records; electrician service records; boiler functioning report; worker interviews.	In shared finishing workshop (1 used) hot steam generated from boiler, workers took at least 12 hours work per day, sometimes they can take 1-3 days leave per month. In other workshop, working on rest day arranged for them regularly, including Saturday and Sunday.	First, factory will enhance all the manager's consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. After applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	10/1/2006						04/02/2007 (Follow-up audit): As there is no hiding working hours discovered, payroll stated that all OT hours paid as requested by local labor law.	
OT Compensation	China Labor Law, Article 44: The employing unit shall, according to 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 are 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; and (3) pay no less than 300% of normal wages if a holiday hour are arranged on	Factory shall comply with applicable law for premium rates for overtime compensation.			Due to inconsistency between wage card and production records, compliance of minimum wage could not be verified.	Factory-provided working hour records and payroll were inconsistent with on-site records; audit time limited so auditors did not have adequate time to investigate root cause. Also, factory's explanation did not convince auditors.	Working records found in gate house; machine using records in first aid kit; daily production summaries sheet; inspection records; electrician service records; boiler functioning report; worker interviews.	Based on cross checking of document on site and feedback from worker interviews. Also, was clear evidence found on payment records. We believe most workers paid piece rate, same piece rate for OT if they did not work on payment was provided.	First, factory will enhance all the manager's consciousness of work time by training. Second, factory will train workers on work time. Guard will restrict employees entering factory. After applying to director by written application, they can enter into factory on day off. Finally, factory will install electronic time record system at end of January.	12/1/2006						04/02/2007 (Follow-up audit): As there is no hiding working hours discovered, payroll stated that all OT hours paid as requested by local labor law.	
Manufacturing																	