

FLA Audit Profile		IEM Profile		Remediation																	Status		This Party Verification		Company Verification Follow Up	
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 Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (November 10, 2005)	Documentation	Company Follow Up (May 19, 2006)	Documentation	Company Follow Up (November 17, 2006)	Documentation	Completed, Pending, Ongoing	External Verification (October 16, 2006)	Documentation	Company Follow Up (March 3, 2008)	Documentation					
<p>1. Code Awareness</p> <p>Confidential Noncompliance Reporting Channel</p> <p>FLA Principle of Monitoring, Obligation of Companies: Develop a secure communication 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.</p>																										
			No confidential communication channel for workers to raise complaints on labor issues to the FLA Participating Company's (PC's) Eddie Bauer and Puma. Auditors found that no complaint telephone number was written on the posted Codes of Conduct (COCs) of Eddie Bauer and Puma.		Site observation, worker and management interviews		The objective of PC is to strengthen internal grievance systems of their contract manufacturers. In alignment with this objective, direct communication with PC's should be considered a last resort for factory employees. PC's will ask factory to establish a formal system of dialog between management and workers in order to allow workers to voice workplace grievances, develop internal procedures for resolving workplace disputes, and resolve grievances in good faith. Puma will also attach sticker labels on its posters for the communication channel for confidential reporting of noncompliance with the COC.		Puma provided copies of COC with sticker labels for the communication channel for confidential reporting of issues of noncompliance. Factory is to conduct training of workers on COC in December 2005. Needs further follow up.		Flow chart for grievance procedure already developed, but there were no written policies and procedures to go with it. Need to brief workers on policies and procedures for using it was not posted. Policies relative to code elements already made. Orientation training of workers is being done every month. Training module include all elements of code.		document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview	document review, inspection, interview				
<p>2. Forced Labor</p> <p>There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.</p>																										
			During recruitment, workers paid a deposit of RMB 50 for uniform fee. Fee would not be returned to workers until they will be returned to their hometown. They also paid RMB 10-30 for tool using deposit, which would not be returned to workers until they returned the tools (i.e., knives, scissors).		tool-using deposit record; worker and management interviews		Workers should be provided uniforms or any tool necessary to the performance of their job free of charge. Factory should document practice of return and immediately return deposits to workers. Factory may charge a reasonable fee (not more than value of item) to replace items lost by employees.		Practice of requiring deposits has been stopped since August 2005. Deposit refunds of previously required deposits were yet in effect. Needs further follow up.		The issue of requiring deposits was in fact not yet stopped. Refunds of deposits had not been given (no documents show that refunds were made for the previous deposits). Factory was told to complete this item by May 31, 2006.		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				
<p>3. Child Labor</p> <p>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.</p>																										
			Employees will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.		document review, management interview		Factory should have an established procedure for verifying workers' ages and maintaining documentation in employee personnel files. Factory should develop a plan to improve its recordkeeping practices and systems to ensure that all personnel files are complete and available for auditors to review.		Factory adopted a checklist to track down documents required for submission upon employment. Workers' employment files are now complete.		Employment files that were checked had age documentation. Factory also has a "no ID, no application" policy. In case of doubt of the ID, the factory will also check it out on the website. (Date According to other sources in China, there is a website for checking one's ID.)		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				
			In those cases where proof of age documentation is not readily available, employees will take precautions to ensure that all workers are at least the minimum working age, including checking medical or religious records, or other means considered reliable in the local context.		document review, management interview		Factory should have an established procedure for verifying workers' ages and maintaining documentation in employee personnel files. Factory should develop a plan to improve its recordkeeping practices and systems to ensure that all personnel files are complete and available for auditors to review.		Factory adopted a checklist to track down documents required for submission upon employment. Workers' employment files are now complete.		Factory adopted a checklist to track down documents required for submission upon employment. Workers' employment files are now complete.		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				
			Employees will comply with applicable laws that apply to young workers, i.e., those between minimum working age and age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.		worker interviews, document review		Per Article 65 of PRC Labor Law and Article 6 and 8 of Circular Ministry of Labor on Issuing Provisions on Special Protection for Juvenile Workers, employers shall provide regular medical exams for juvenile workers and those receiving juvenile workers must, in addition to meeting general employment requirements, register with local administrative departments at or above county level. Factory should develop policy and procedure to comply with local regulations governing employment of juvenile workers. Personnel involved in recruitment process must be adequately briefed on policy and procedure.		There is no progress on this issue; needs further follow up.		Policy on young workers formulated by factory was incomplete, as it did not define what a young worker is and did not include policies on their protection. Factory was advised to develop policies and procedures that comply with local law on governing juvenile workers.		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				
<p>4. Harassment or Abuse</p> <p>Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.</p>																										
<p>5. Non-discrimination</p> <p>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, national, political opinion, or social or ethnic origin.</p>																										
			Employees will ensure that pregnant women are not engaged in work that creates substantial risk to their health.		document review, worker and management interviews		Reasonable accommodations should be made for workers in event of pregnancy. Factory should adopt a policy that includes protections for pregnant workers, ensuring they are not engaged in work that creates substantial risk to their health (e.g., job reassignments to lighter or non-hazardous work, etc.).		There is no progress on this issue; needs further follow up.		Policies formulated for the protection of pregnant workers are complete.		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				
<p>6. Health and Safety</p> <p>Employees 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's facilities.</p>																										
			China Fire Prevention Law, Article 10: Completed construction project must comply with fire protection design following state construction fire protection technical standards and must be delivered for acceptance by Fire Protection Bureau. Those which are not accepted or fail to pass inspection may not be delivered for use. China Construction Law		document review, management interview		The factory should secure and maintain all legally required permits, such as fire safety inspection certificates.		Fire safety certificate dated 1992 and annual inspection report dated April 28, 2005 are available.		Fire safety certificates (dated 1992 and 1994) issued by the government for Buildings 1 and 3 were available.		document review	document review	document review	document review	document review	document review	document review	document review	document review	document review				
			All documents required to be available to workers and management by applicable laws (policies, MSDS, etc.) shall be made available in prescribed manner and in local language of language spoken by majority of workers if different from local language.		on-site observation		MSDS in local language should be made available in all areas where chemicals are used and stored. MSDS should be kept up-to-date and maintained in good, legible condition. Workers involved in handling chemicals should be briefed on MSDS.		Copies of MSDS have been posted, but training of workers on MSDS was not yet done. Needs further follow up.		Factory issued ISO 14001 certificate December 6, 2005. There is now a separate storage room for chemicals, which is provided with eye wash and first aid box. Workers were briefed on MSDS. Empty chemical containers are stored separately and disposed of by chemical waste handling company.		document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection				
			Workers shall wear appropriate protective equipment (gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.		on-site observation; workers and management interviews		Factory should provide workers with appropriate PPE required to prevent injuries in the performance of their job. Training should be provided to workers in the use and maintenance of PPE. Mandatory PPE usage signs should be posted in appropriate areas.		Workers were provided with the necessary protective equipment, but were not using them. Factory still needs to provide training to workers on the importance and proper use of PPE. Needs further follow up.		Training already provided; workers were using the PPE properly. PPE signs were posted and to wear the copies of MSDS		document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection	document review, physical inspection				
			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. Suitable first aid facilities should be provided in chemical-using facility. Article 18 of Safe Use of Chemicals at Workplace Provisions: Disposal of waste chemicals should meet state requirements.		on-site observation; workers and management interviews		Factory should fully comply with all local regulations governing the safe and proper storage of chemicals, provision of first aid supplies, and disposal of waste chemicals. Designated personnel should be assigned responsibility for factory health and safety compliance.		Chemicals already kept in a separate storage area. No progress yet on other items. Needs further follow up.		Factory issued ISO 14001 certificate December 6, 2005. There is now a separate storage room for chemicals, which is provided with eye wash and first aid box. Empty containers of chemicals are stored separately and disposed of by a chemical waste handling company.		document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection	document review, site inspection				
			All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.		on-site observation		Safety guards should be installed on sewing machines to prevent injury to workers. Workers should be trained on importance of safety guards; regular inspection and maintenance of machines should be implemented.		Some safety guards have been installed. Others still missing. Needs further follow up.		Necessary safety guards already installed except for eye guards on 2 machines, which were not maintained and to be moved away by workers. These must be replaced with the appropriate ones.		inspection	inspection	inspection	inspection	inspection	inspection	inspection	inspection	inspection	inspection				
<p>7. Freedom of Association and Collective Bargaining</p> <p>Employees will recognize and respect the right of employees to freedom of association and collective bargaining.</p>																										
			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 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 mechanism. 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 employees to negotiate collective agreements. In contrast to the previous system of non-regulated administrative agreements.																							
<p>8. Wages and Benefits</p> <p>Employees recognize that wages are essential to meeting employees' basic needs. Employees will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.</p>																										
			China Labor Law, Wage Clause 48 of China Labor Law: Wages paid to employees by employer shall be based on accuracy of time keeping system on minimum wages.		worker and management interviews		Factory must maintain accurate and complete time and payroll records, and have those records available for auditors to review during an audit. Employees are to be compensated for all hours worked at legally prescribed rates. The factory should develop detailed plan to improve its record keeping practices and systems.		Use of time cards is under consideration. Further follow up is needed for implementation of time card system to check propriety of wage payment.		Electronic time keeping system started May 10, 2006. Some cards were issued that day. Needs further follow up on accuracy of time keeping system and related payroll computations.		document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview	document review, interview				

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			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (November 10, 2005)	Documentation	Company Follow Up (May 10, 2006)	Documentation		Company Follow Up (November 17, 2006)	Documentation	Completed, Pending, Ongoing	External Verification (October 16, 2008)	Documentation	Company Follow Up (March 3, 2008)
Legal Benefits	China Labor Law Article 72: Sources of social insurance funds shall be determined according to categories of insurance funds from society that be imposed step by step. Employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with law. Clause 45 of China Labor Law: Employees who kept working for 1 year and more shall be entitled to annual vacation with pay. Clause 62 of China Labor Law: After childbirth, female workers shall be entitled to no less than 90 days of maternity leave with pay.	Employers will provide all legally mandated benefits to all eligible workers.	1) About 20% of workers were not provided with social insurance. 2) No evidence showed that paid annual leave and maternity leave were provided for workers. The management confirmed that no paid maternity leave and annual leave was provided for workers.			social insurance payment record		Factory should provide all legally mandated benefits to eligible workers. Factory policies should be developed to inform workers of benefits to which they are legally entitled (such as paid annual and maternity leave).		1) All workers, except the newly hired, have been provided with social insurance since August 2005. 2) Policy on annual leave and maternity leave had been developed. Briefing on new policy will be provided to workers in December 2005. Needs further follow up.	worker interview; document review	Workers are not clear on amount of annual leave, maternity leave and public holiday pay. Needs further follow up.	interviews	All workers were included in the social insurance which cover maternity, retirement, unemployment, accident, and medical. Payments with receipt for July to October were presented. Annual leave, maternity leave and public holiday are new part of operation program.	document review; interviews	ongoing	Corrected: 35 new workers who entered facility less than 1 month ago were not covered by social insurance. The remaining employees are covered by 5 kinds of social insurances. Facility presented a waiver offered by Labor and Social Security Bureau of (City name) to prove the situation. Social insurance payments of past 3 months were reviewed by audit team to confirm the situation. 2) Facility offers annual leave usually during Chinese New Year, but employees still have the right to choose other dates as their annual leave vacations. Facility paid no less than local minimum wage to employees during the vacations. Payment records for 2007 and 2008 presented to and reviewed by audit team.	document review (sampling payroll statements, time records); management and worker interviews	Factory does not have records of paid marriage and maternity leave.	document review; interviews	
8. Hours of Work																					
Except in extraordinary business circumstances, employees will (i) not be required to work more than lesser of (a) 48 hours per week and 12 hours 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 hours of work, 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.																					
Overtime Limitations	Clause 38 of China Labor Law: The employer shall guarantee its employees have at least 1 day off in a week. Clause 41 of China Labor Law: Overtime work hours cannot exceed 3 hours a day and 36 hours a month.	[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 laws of such country will not limit hours of work, 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.	Lack of evidence to confirm that factory OT work hours met local law requirements or that workers had 1 day off in a week, as no effective work hour recording system was established and implemented in the factory. The management admitted that the working hour recording system was not accurate. Some inconsistencies among production records, attendance sheets, payroll and interview with workers were identified during the audit.			production records; attendance sheets; payroll; worker and management interviews		Factory must maintain accurate and complete time and payroll records, and have those records available for auditors to review during an audit. Employees are to be compensated for all hours worked at the legally prescribed rates. The factory should develop a detailed plan to improve its record keeping practices and systems.		Use of time cards is under consideration. Further follow up is needed for implementation of time card system to check propriety of wage payments.	interview; inspection	Electronic time keeping system started on May 10, 2006. Wage cards were issued that day. Needs further follow up on accuracy of new time keeping system and related payroll computations.	interviews	Electronic print out of attendance records for selected workers from May to September were provided. Attendance record showed that there is only 1 hour overtime everyday and no work on any rest day. Some workers interviewed outside of factory during lunch break admitted that overtime usually reached until 8pm, or 3 hours a day. Some production records also indicated work on rest day. Salary calculations on payroll were all based on 1 hour OT a day with no work on rest day. Therefore, it cannot be confirmed if record of working hours is accurate and that wage payments to workers were in accordance with legal requirements.	document review; interview	pending	Corrected: Facility has established electronic working hours tracking system since May 2006. All work hours, including overtime hours, were well recorded and maintained.	document review (sampling time records, on-site production records, broken needle records, daily QC report, material delivery records); worker and management interviews	All working hours are recorded accurately.	document review; interview	
Other	Time cards or records should be completed at the beginning and end of the work shift.					attendance sheets; management interview		Time worked by employees should be documented by time cards or other accurate and reliable electronic systems, such as an electronic swipe card system.		Factory will implement the use of time cards in December 2005. Needs further follow up.											
10. Overtime Compensation																					
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at each premium rate as is legally regulated 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 for Piece Work	According to Article 44 of China Labor Law, overtime premium should be calculated at the rate of 150%, 200% and 300% on normal day extension, rest day and national holiday work.	Where workers are paid on a piece rate, payment for overtime work performed shall result in no less payment than premium pay required by law.	Workers paid by piece rate. Lack of evidence to confirm that OT premium met local law requirements, as no effective work hour recording system was established and implemented in factory. It violated Article 44 of China Labor Law. The management admitted that the working hour registration system was not accurate. Some inconsistencies among production records, attendance sheets, payroll and interview with workers were identified during the audit.			production records; attendance sheets; payroll; worker and management interviews		The factory must maintain accurate and complete time and payroll records, and have those records available for auditors to review during an audit. Employees are to be compensated for all hours worked at the legally prescribed rates. The factory should develop a detailed plan to improve its record keeping practices and systems.		Use of time cards is under consideration. Further follow up is needed for implementation of time card system to check propriety of wage payments.	interview; inspection	Electronic time keeping system started May 10, 2006. (Wage cards were issued on that day.) Needs further follow up on accuracy of new time keeping system and related payroll computations.	interviews; inspection	Electronic print out of attendance records for selected workers from May to September were provided. Attendance record showed there is only 1 hour overtime everyday and no work on any rest day. Some workers interviewed outside of factory during lunch break admitted overtime usually reached until 8pm, or 3 hours a day. Some production records also indicated work on rest day. Salary calculations on payroll all based on 1 hour OT a day with no work on rest day. Therefore, it cannot be confirmed if record of work hours is accurate and that wage payments to workers were in accordance with legal requirements.	document review; interview	pending	Corrected: Audit team randomly selected 30 workers (including 3 new workers who entered facility after September 2006) to check their payroll records from October to December 2007, February, April to June, and August 2008. Audit team cross-checked with worker interviews and production record review; all records were verified to be accurate and complete.	document review; worker and management interviews	After cross-checking work hour and payroll records, all overtime hours are compensated according to legal standards.	document review; interview	
Miscellaneous																					