

FLA Audit Profile		IEV Profile	
Country	China		
Factory name	10031554C		10031554CV
IEM	Global Standards		ALGI
Date(s) in facility	Nov 30 - Dec 1, 2004		May 25-26, 2006
PC(s)	Nike, Inc., Phillips-Van Heusen Corp., Eddie Bauer, Inc.		Eddie Bauer, Inc.
Number of workers	3200		
Product(s)	Down Jackets		
Production processes	Sewing, Filling, Feather Work, Finishing, Packing		

		Findings					Remediation					[Status]	Third-Party Verification		Company Verification Follow up			
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings: Noncompliance or Indicator	Documentation (if finding corroborated/ verified via multiple sources, list all)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	Participating Company Remediation plan	Target Completion Date	Factory Response (Optional)	Unannounced follow-up visit jointly conducted by Nike & EB (4/26-27/2005)	Documentation	Completed/ Pending/ Ongoing	External Verification (Date) Unannounced IEV (5/25-26/2006)	Documentation	Company Follow up (5/31/2006 and 7/18/2006)	Documentation	
1. Code Awareness																		
Worker/Management Awareness of Code																		
		FLA Principle of Monitoring, Obligation of Companies: 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.	Workers do not have a clear understanding of the CoC - need for training.	Worker interviews	Yes			Undertake efforts to educate production employees and supervisors about the Code standards on a regular basis.	4/10/2005	1) When every Friday we educate new employees, we will add content of "code standards." 2) On Apr. 6 we arrange workshop from 1 to 10 to study code standards. On April 7, we arrange cutting, packing and other steps to study code standards. And for the future we will arrange all staff to study code standards on April every year. 3) On Mar 31, we received code standards of Eddie Bauer (EB), and we also posted them on workplace that same day.	Training and education provided to workers every Friday from April 05 onwards. (Prior to April 05 training was not provided on a regular basis)	Training materials, Attendee list. Exam results of sample workers after training.	Completed/Ongoing	Training regarding CoC was conducted on April 18-22, 2005 and February 28, 2006. Training records were obtained by audit team. As per worker interview, workers have a clear understanding of the CoC.	Training records review/worker/management interview.			
Confidential Non-compliance Reporting Channel																		
		FLA Principle of Monitoring, Obligation of Companies: 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.	No such system in place.	Visual inspection	Yes			The PCs objective is to strengthen the internal grievance systems of their contract manufacturers. In alignment with this objective, direct communication with the PCs should be considered a last resort for factory employees. Monitors from Eddie Bauer, Nike and PVH all conduct one-on-one confidential interviews with factory employees during labor compliance audits of their contract facilities. Eddie Bauer will provide the factory with an updated CoC poster that includes local contact information for workers. The PCs request that the factory establishes a formal system of dialog between the 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.	4/10/2005	1) Amend appeal system before April 4. 2) On April 5 post new appeal system in workplace. 3) On April 6, 7, & 8 we will proactively appeal system through company internal broadcast system. 4) When every Friday we educate new employees, we will add content of appeal system.	EB CoC poster with confidential reporting channel posted in factory. Factory's grievance policy and procedures revised with more details. Policy posted on notice board for communication to workers.	EB poster. Written grievance policy and procedure.	Completed	Confidential non-compliance reporting channels, such as suggestion box and hotline number ***, were observed in the workplace during this audit. The records of suggestion box were well maintained by factory. ***NAME*** from Eddie Bauer Company is in charge of the hotline.	Facility tour			
Other																		
			No local laws posted.	Visual inspection	Yes			Post all legally required laws, notices and regulations in areas accessible to workers.	4/8/2005	We have posted labor, fire control, quality laws, etc in areas accessible to workers, and will also post minor protection, child labor, and labor union law, etc.	Legally required laws, notices and regulations posted on work floor.	Law information, notices and regulations.	Completed	Relevant local laws were posted in the workplace.	Facility tour			
2. Forced Labor																		
There will not be any use of forced labor, whether in the form of prison, indentured or 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.																		
Indicator: Legal Compliance for Juvenile Workers																		
		Employers will comply with applicable 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.	Notice about audit: The auditors found two workers younger than 16 and Sunday work, on September 11-12 audit. After that audit, the top management warned other junior managers that no such document should be found on future audits, or the person responsible would be fined from 100 to 1000 RMB, or even fired.	Confidential document	No			[CONFIDENTIAL] PCs will investigate for confirmation of the monitor's findings during the follow-up visit.			No apparent evidence of child labor at time of audit.	Young looking workers were interviewed and files reviewed. All files reviewed contained proof of age documentation with age 16 or above.	Completed	As per personnel file review and facility tour, no worker below the age of 16 was observed at the time of audit.	Document review/facility tour			
Indicator: Juvenile Worker Identification System																		
		Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.	Notice about audit: The auditors found two workers younger than 16 and Sunday work, on September 11-12 audit. After that audit, the top management warned other junior managers that no such document should be found on future audits, or the person responsible would be fined from 100 to 1000 RMB, or even fired.	Confidential document	No			[CONFIDENTIAL] PCs will investigate for confirmation of the factory's system for identifying work stations and operations that are inappropriate for young workers during the follow-up visit.			Factory's HR department has a policy in place to identify juvenile workers. ID card and other documentation required prior to employment. Factory is aware of all restrictions and requirements governing the employment of juvenile workers. Interviews with management and workers confirmed that the factory is following the legal requirements. No evidence of non-compliance was apparent at the time of audit.	List of all juvenile workers at factory with date of birth and ID card copies.	Completed	According to management interview and document review, ID card was required prior to employment. All the juvenile workers had taken the physical examination when they were employed. It was observed that the physical examination form facility used is not the one mandated by law.	Management interview/document review.	The factory has received the most updated and approved physical exam form and has committed to using the new form immediately (5/31/2006) It was observed that the factory has started to use the new form from 5/29/2006 (7/18/2006)		
4. Harassment or Abuse																		
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																		
Indicator: Disciplinary Policy																		
		Employers will utilize consistent written disciplinary practices that are applied fairly among all workers.	Workers will be fined an amount ranging from RMB15 to 100, for being late and wearing no slippers into the workstations. The factory set quota for workers, if workers cannot reach the quota, they will be fined from 300 to 700 RMB. Three lines with over 100 workers exceeded the set quota in August, however, the factory decided to deduct 30% of their achieved piece counts, which directly resulted in the decrease of their wages. So those workers went on strike, and then finally quit without getting paid. The factory will deduct 5% or 20% of workers salary before they pay workers (as the salary is too high), which means workers only receive 80% to 95% of their total salary showed in the pay slips.	Worker interviews	No			[CONFIDENTIAL] PCs will investigate for confirmation of the use of monetary fines and legal deductions during the follow-up visit.			No evidence of the use of monetary fines was detected during the follow up audit. No testimonies from management nor workers pertaining to any form of monetary fines. No mention of monetary fines in factory written rules and policy.	Factory written work rules. Written disciplinary policy and procedure dated April 5, 2005 (verbal and written warning).	Completed	As per facility internal policy review and management interview, no monetary fines were observed in the facility. Positive disciplinary action, verbal and written warning is in use at the facility since 4/8/2005. This information was also confirmed through worker interview.	Internal policy review/management/worker interview.			
Indicator: Monetary Fines and Penalties																		
		Employers will not use monetary fines and penalties for poor performance.	Workers were fined an amount ranging from RMB15 to 100, for being late and wearing no slippers into the workstations. The factory set quota for workers, if workers cannot reach the quota, they will be fined from 300 to 700 RMB. 3 lines with over 100 workers exceeded the set quota in August, however, the factory decided to deduct 30% of their achieved piece counts, which directly resulted in the decrease of their wages. So those workers went on strike, and then finally quit without getting paid. The factory will deduct 5% or 20% of workers salary before they pay workers (as the salary is too high), which means workers only receive 80% to 95% of their total salary showed in the pay slips.	worker interviews	No			[CONFIDENTIAL] Same as above.			As above	As above	As above	As above	As above			
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.																		
Evacuation Procedure																		
	Fire Prevention Law, Article 14.6, governmental decrees, social organizations, enterprises and institutions shall make sure their evacuation sign meet state regulations.	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.	The work stations in the sewing areas are overcrowded and carts/materials block aisles. Feather filling and sample sections have doors which open inwards only. In the sewing areas, one door was marked as an emergency exit on the evacuation plan, however it was chained shut.	Visual inspection	Yes			Work stations and aisles should be free from obstruction to allow for safe evacuation at all times. Exit doors should open outward to facilitate evacuation and be kept unlocked during operating business hours. Maintain accurate and up-to-date evacuation plans.	4/15/2005	1) From April 4 to 15 train all employees in fire safety, and improve safety consciousness for management and workers. For the future we will train employees in safety early of April every year. 2) From April 4 there will be a inspector to check the routes in workshop not less than twice every day, make record and ensure all locations unblocked on a daily. 3) The door of sample room and filling down room will be changed so it opens outward before April 15.	Aisles free of obstructions at time of audit. Exit doors open outwards and are unlocked.	Walkthrough of facility. Picture on file.	Completed	As per factory tour and management interview, the working area for one sewing operator is approximately 2.7 square meters. The exit doors, aisles and evacuation plans are in compliance with legal requirement.	Factory tour/management interview.			

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Safety Equipment	Type A: combustible materials: wood, cloth, paper and many plastics, Type B: Fires in flammable liquids, combustible liquids, petroleum gases, tars, oils, oil-based paints, solvents, lacquers, alcohol and flammable gases, Type C: Fires that involve energized electrical equipment where the electrical non-conductivity of the extinguishing media is of importance. (OSHA Website: www.myextinguisher.com)	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Many of the fire extinguishers in the production areas were blocked by materials and two locations were blocked by machinery (packing/inspection area).	Visual inspection	Yes			Fire safety equipment should be accessible to workers at all times. Workers should be trained in fire safety and protection measures.	4/10/2005	1) From April 4 to 15 train all employees in fire safety, and improve safety consciousness for management and workers. For the future we will train employees in safety early of Apr every year. 2) From April 4 there will be a inspector to check the routes in workshop less than twice every day ,make record and ensure all locations unblocked on a daily basis.	Fire safety equipment accessible at time of audit. Safety training provided to workers.	Factory walkthrough. Training materials and attendee list.	Completed	Fire safety equipment is accessible to all workers.	Factory tour			
PPE	Safety Manufacturing Law, Article 37. Manufacturers shall provide personal protective equipment (PPE) to employees. Manufacturers shall supervise and train employees to properly wear and use the personal protective equipment.	Workers shall wear appropriate 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 hazardous elements including medical waste.		Visual inspection	Yes			Factory to provide the necessary and appropriate Personal Protective Equipment (PPE) for workers, post PPE diagrams/pictures, and ensure workers are trained in PPE use.	4/10/2005	1) Post PPE diagrams/pictures in workplace before April 10. 2) On April 8 workers trained in PPE use, and for the future we will add this content, when we train new employees every Friday.	Masks and PPE for spot cleaning workers are still not provided.	Factory walkthrough. Picture on file	Pending	The use of PPEs in the feather filling sections is in compliance. There are signs posted and all workers wear PPE. Proper use of PPE was also observed for spot lifters.	Factory tour	PPE was observed to be in use on day of audit. The factory has also increased the number of health and safety audits it performs to twice a day. (5/31/2006)		
Chemical Management	Factory Safety and Health Rules, Article 60. Hazardous and poisonous goods shall be stored separately at specific locations 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.	The chemical storage uses regular fluorescent lamps only. No eye wash or PPE found in chemical storage area. No label on spot sprayers and no PPE in use (packing/inspecting areas second floor).	Visual inspection	Yes			PPE and eye wash stations to be made available in areas where there is contact with chemicals. Chemicals should be labeled and stored in accordance with local law. Factory should check the solvent concentration in the air and ensure the lower explosive limits for flammable/combustible chemicals have not been exceeded. If the chemical concentrations are noted above the LEL, factory should proceed with installation of explosion proof lighting.	4/10/2005	1) Store and label danger goods according to local law, and we will change general floodlight to prevent blasting light. 2) Post MSDS in relative areas before April 10, and equip relative article for use, and post some warning, for example "endanger health" etc.	Fluorescent lamp installed. Chemicals labeled and MSDS posted. Eye wash not available.	Factory walkthrough. Picture on file	Pending	Fluorescent lamp installed. Eye wash station was found in first aid kit. MSDS is posted by the chemical area.	Factory tour			
Ventilation / Electrical/ Facility Maintenance		All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Ventilation in the feather filling sections is extremely poor.	Visual inspection	Yes			All work areas must be adequately ventilated to protect the health of workers.	Persistence	Will arrange for maintenance of ventilation equipment to ensure area is adequately ventilated.	Difficult to improve ventilation given the nature of the work process. We advised factory to provide PPE for workers.	Factory walkthrough.	Pending	Air conditioner systems have been installed in the feather filling sections.	Factory tour/workers interview			
Machinery Maintenance	Factory Safety and Health rules, Article 32. protection devices shall be mounted on dangerous parts , e.g. driving belt, open gear, grinding wheel, electric saw, axial ring that is close to ground, rotary axle, belt pulley and flywheels.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Guards in button punching machines are disabled. Most of the sewers are not using their needle guards.	Visual inspection	Yes			All machinery and equipment should be properly guarded and facility should ensure workers are trained in the safe operation of machines.	4/15/2005	1) Equipment maintenance person will inspect all equipment safety protectors before April 8, and we will repair or replace the destroyed machine before Apr 15, and will also make inspections once a week to ensure all machine and equipment properly guarded. 2) On April 8 workers are trained in PPE use, and for the future we will add this content, when we train new employees every Friday.	It was observed that all machinery was properly guarded at the time of audit.	Factory walkthrough. Picture on file	Completed	Button punching machine guards are disabled. Approximately 90 percent of the workers are not using their needle guards.	Factory tour	Pending on 5/31/2006. By 6/8/2006, factory re-fixed all machine guards. The factory assigned a safety representative to monitor the workers to use the guards properly. Needle guards were observed to be in use on day of visit (7/18/2006)		
Sanitation in Facilities		All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	Toilets were not properly cleaned.	Visual inspection	Yes			The factory must have procedures for ensuring that toilet areas are kept clean and sanitary during the work day. Toilets should be stocked with soap, toilet paper and running water.	4/8/2005	1) Establish sanitation system before April 8, ensure workplace is kept clean and safe. 1) Dustman will be responsible for soap and toilet paper.	Toilets are cleaned on a regular basis. Toilets were clean and sanitary at time of audit. Soap and toilet paper available.	Factory walkthrough. Picture on file. Workers also reported the same during interviews.	Completed	Toilets are cleaned on a regular basis. Toilets were observed to be clean and sanitary at time of audit. Soap and toilet paper were available.	Factory tour			
Sanitation in Dormitories		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 should also be conducted at least annually.	Best practice	Visual inspection	Yes	Dormitories are spacious, clean and each room is provided with a TV set.	Best practice.											
Indicators			There is usually nothing in the first aid box. If the worker is injured during work time, they have to run downstairs to the clinic for assistance. When the auditors came to the factory to audit, the management fixed the first aid boxes.	Worker interviews	No			[CONFIDENTIAL] PCs to investigate the factory's procedure and individuals responsible for filling first aid boxes.			First aid boxes viewed at time of audit were properly stocked.	Factory walkthrough. Picture on file. Workers also reported the same during interviews.	Completed	First aid kits were reviewed and found to have the necessary items.	Factory tour			
7. Freedom of Association and Collective Bargaining																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																		
Other		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 (AFTU). 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 2002, 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.	No trade union and no related documentation.	Records review	Yes			Factory to communicate all legally required employment terms to its employees. Develop a documented system for workers and management to resolve workplace disputes and grievances in good faith. Factory management to verify all workers are trained on the factory's grievance system.	4/15/2005	1) Our company established trade union in 1995. Will post vote way/commissary composition/organ setup, etc. on bulletin board before April 15, will transfer relative trade union information to every member in time, also will make relative record.	Factory's grievance policy and procedures revised with more details. Policy posted on notice board for communication to workers.	Written grievance policy and procedure.		Detailed grievance policy and procedures were posted on notice board for communication to workers. Trade union activity records were obtained by audit team.	Facility tour/workers interview/document review.			

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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.																		
Minimum Wage		Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	In March 2004, some workers earned less than the minimum wage.	Worker interview and document review	Yes			Factory must guarantee the payment of at least the minimum wage for all workers, per article 48 of China Labor Law.	4/4/2005	1) On April 4 we have counterchecked wage of March 2004, but still not found minimum wage employee. Remark: Minimum wage is RMB540 in Changshu city before July 2004, after July 2004 increased to RMB620. We really don't know if we calculated it differently? Can you tell us the problem of minimum wage employee? We must correct the mistake before audit.	Payroll audit of pay period Jan to March 2005 did not disclose any minimum wage violation.	Payroll	Completed	Payroll review of January to April 2006 indicated that 30 percent of the workers (those covered by social insurance) earned less than the minimum wage due to the miscalculation of the wages. Personal social insurance fee was included into the minimum wage amount therefore minimum wage was not actually compensated.	Payroll review/management interview	Based on interviews with management and a documentation review, it appears that this non-compliance was a result of the factory's misinterpretation of the labor law. In October 2005, the local provincial labor department issued a document for the revision of the minimum wage. The MW was increased from RMB620 to RMB695. It is mentioned that the increased minimum wage is inclusive of social security contribution from the workers side. Thus the factory had been paying the workers the increased minimum wage less the social security contribution amount. Overtime calculation was also based on the new minimum wage less the social security amount. The factory consulted with the local labor department and they will revise their OT calculation method to use RMB695 as the MW base starting May (5/31/2006). The factory had compensated workers for the miscalculation of the wages by the end of June. (7/18/2006)		
Record Maintenance		All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	Some new workers payroll records were not found at all.	Document review	Yes			Payroll records should be maintained for all workers, including trainees and new workers.	Persistence	Enhance labor and capital management, and also properly keep wage record.	Random selection of new workers are on payroll.	Payroll	Completed	Payroll records of all the employees including trainees and new workers were randomly selected by audit team. Records are well maintained by the facility.	Payroll review/management interview			
Legal Benefits	Article 72, PRC Labor Code. 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.	Employers will provide all legally mandated benefits to all eligible workers.	Workers compensation purchased for 30% of the workforce. Social Security for only 30% of the workforce. Medical insurance for only 48 workers in the factory.	Document review	Yes			Provide all legally mandated benefits to all eligible workers, as per article 72 of China Labor Law.	4/10/2005	1) For the actual social insurance status of our company, we will get the documents from local social security office, we promise to improve the ratio of the social insurance. Remark: There are definitely more than 48 person joined the medicare insurance. Medicare insurance is one combined item of the social insurance, the ratio of medicare is the same as the ratio of the social insurance.	Legal benefits (social insurance) are only paid according to the requirements indicated on the waiver issued by the local insurance bureau. Not all workers are covered.	Payment receipts, Documentation from local labor department.	Pending	30 percent of the workforce is covered by pension, medicare, unemployment and child-bearing insurance and 100 percent of the workforce is covered by injury accident insurance. According to management, the facility will increase the number gradually. A waiver issued by local insurance bureau stated that register of social insurance in [Factory] was acceptable. Facility was encouraged to increase the register number gradually.	Payment receipts review/documentation from local labor department review/management interview.	According to the factory, they will continue to increase the register number gradually based on local law. The PC will monitor the factory to its commitments on an ongoing basis. (7/18/2006)		
Indicator: Payroll Reporting		Accurate and reliable payroll reporting, including pay stubs will be provided.	Workers will receive salary two months later, for example, they will receive wages for August in October, if some workers said that they had been paid for September, they only did so because the team leader gave them pay slips, and asked them to provide the information to the auditors.	Worker interview	No			[CONFIDENTIAL] PCs to investigate for confirmation of this issue during follow-up visit.			No apparent evidence of deferred payment of wages. All workers, including new workers receive their salary on the 25th of each month.	Pay slips, Bank statements. Payroll info confirmed with private workers interviews.	Completed	As per worker interview, workers receive salary every 25th per month via bank deposit. Pay stubs were obtained by audit team. No issue regarding payroll reporting was raised during this audit.	Worker/management interview/pay stub review			
Indicator: Pay Statement		Employers will provide workers a pay statement each pay period, which will show earned wages, regular and overtime pay, bonuses and all deductions.	Workers will receive salary two months later, for example, they will receive wages for August in October, if some workers said that they had been paid for September, they only did so because the team leader gave them pay slips, and asked them to provide this information to the auditors.	Worker interview	No			[CONFIDENTIAL] PCs to investigate for confirmation of this issue during follow-up visit.			As above	As above	As above	As above	As above			
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	According to Article 41, PRC Labor Code, the employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborer, but the extended working hours per day shall generally not exceed one hour; if such extension is needed for special reasons, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed three hours per day. However, the total extension in a month shall not exceed thirty six hours. According to Regulations about Employee Work Time by the State Government - May 1, 1997, Article#3 Employees shall work 40 hours per week, overtime is not to exceed 36 hours per 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 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.	OT during various periods exceeds the PRC Labor Code and the FLA code.	Document review and management interview	Yes			Factory should maintain working hours in accordance with FLA code and local legal limits.	4/10/2005	1) Our company gets the waiver from the government to allow overtime during peak season, we will control the working hours under 60 hours/week in peak season.	Time records and employee testimonies (Jan to Mar 2005) revealed no excessive working hours. Maximum hours of work was 60-hours per week.	Time records, Workers interviews.	Completed	Time records review indicated that overtime hours reached 33, 24, 57 and 65 hours in January, February, March and April 2006, respectively. Audit team randomly checked last year's time cards from January to December 2005. The total overtime working hours for 2005 were 851 hours, which exceeded the limitation of the waiver issued by local government.	Time cards review/management/worker interview.	Factory has committed to work within 60 hours/week and provide a weekly rest day. This will be monitored on an ongoing basis. (5/31 and 7/18/2006)		
Indicator: Forced OT		Under extraordinary business circumstances, employers will make extensive efforts to secure voluntary overtime work prior to mandating involuntary overtime.	Notice about OT: Normal overtime is from 5 p.m. to 10 p.m. from Monday to Sunday with one night off after three nights from September 13. If the workers do not work overtime according to the notice, they will be fined 50 RMB.	Confidential document and worker interviews	No			[CONFIDENTIAL] PCs will investigate for confirmation of involuntary OT issue during follow-up visit.			No apparent indications of forced overtime. Workers reported voluntary overtime work.	Worker interview.	Completed	As per worker interview, they did overtime work voluntarily. No voluntary overtime application form has been in use.	Worker interview/management interview.			

Findings								Remediation					[Status]	Third-Party Verification		Company Verification Follow up		
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings: Noncompliance or Indicator	Documentation (if finding corroborated/verified via multiple sources, list all)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	Participating Company Remediation plan	Target Completion Date	Factory Response (Optional)	Unannounced follow-up visit jointly conducted by Nike & EB (4/26-27/2006)	Documentation	Completed; Pending; Ongoing	External Verification (Date) Unannounced IEV (5/25-26/2006)	Documentation	Company Follow up (5/31/2006 and 7/18/2006)	Documentation	
Indicator			Normal working hours are from 7:30 a.m. to 10:30 a.m., 11:30 to 5 p.m. from Monday to Saturday. Normal overtime is from 5 p.m. to 10 p.m. from Monday to Saturday with one night off after three nights. Two days off per month. But from September until the day of the audit, workers only have two days off. Most workers feel very tired.	Worker interviews	No			[CONFIDENTIAL] PCs will investigate for confirmation of excessive OT during follow-up visit.			No reports of Sunday work or excessive overtime. Reported established hours of work in line with management testimonies and time records.	Time records / worker interview.	Completed	As per time cards from January to April 2006, regular working hours are from 8:00am to 11:00am, 12:00am to 5pm from Monday to Saturday. Regular overtime is from 6pm to 9pm Monday to Saturday with one night off after 2 nights during the peak season. In the low season, workers have overtime from 6pm to 9pm from Monday to Saturday. Workers had one day rest every Sunday. Overtime hours of this year (from January to April) are in compliance with the Comprehensive Working Hour Permit. Information was also verified through worker interview.	Timecards review/worker interview			
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		The factory shall comply with applicable law for premium rates for overtime compensation.	There is no overtime compensation at all.					[CONFIDENTIAL] PCs will investigate OT compensation during follow-up visit.						As per payroll review and worker interview, employee's overtime work was compensated by facility.	Payroll review/worker interview			
OT Compensation for Piece		Where workers are paid on a piece rate, the payment for overtime work performed shall result in no less payment than the premium pay required by law.												Overtime compensation of some piece-rate workers (those covered by social insurance) was incorrectly calculated. Said worker's minimum wage included social insurance benefits therefore, hourly rate is below the minimum hourly rate mandated by law.	Payroll review/management interview	Based on interviews with management and a documentation review, it appears that this non-compliance was a result of the factory's misinterpretation of the labor law. In October 2005, the local provincial labor department issued a document for the revision of the minimum wage. The MW was increased from RMB620 to RMB690. It is mentioned that the increased minimum wage is inclusive of social security contribution from the workers side. Thus the factory had been paying the workers the increased minimum wage less the social security contribution amount. Overtime calculation was also based on the new minimum wage less the social security amount. The factory consulted with the local labor department and they will revise their OT calculation method to use RMB690 as the MW base starting May. (5/31/2006) The factory had compensated workers for the miscalculation of the wages by the end of June. (7/18/2006)		
Miscellaneous																		