

## FLA Audit Profile

<b>Factory Code</b>	<b>590015929G</b>
<b>Country</b>	<b>China</b>
<b>FLA Affiliate</b>	<b>Fossil</b>
<b>Monitor</b>	<b>Global Standards</b>
<b>Audit Date</b>	<b>November 24-25, 2008</b>
<b>Products</b>	<b>Leather wallets</b>
	<b>Cutting, shaping, manual, paint spraying,</b>
<b>Processes</b>	<b>gluing, metal</b>
<b>Number of Workers</b>	<b>600</b>



**FAIR LABOR**  
ASSOCIATION™

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**590015929G – China: Fossil**

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## Wages, Benefits and Overtime Compensation: A. Holidays, Leave, Legal Benefits and Bonuses

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

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

Sources: records review and management interview

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

The factory did not buy all 5 kinds of social insurance to all workers. The factory only buys insurance for occupational injuries to all workers. China labor law requires factories to buy 5 kinds of social insurance, including endowment, occupational injury, unemployment, medical and birth insurance to all workers. Employers can buy 4 kinds of insurance except for birth insurance for workers in Dongguan. Sources: records review, workers interview and management interview

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

**Deadline Date:** 01/13/2009

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

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified**

Date:

Comments:

Confidential

Comments:

## Wages, Benefits and Overtime Compensation: I. Premium/Overtime Compensation

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

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

Law: Labor law. Article 44 The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: 1.to pay no less than 150 percent of the normal wages if the extension of working hours is arranged; 2.to pay no less than 200 percent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and 3.to pay no less than 300 percent of the normal wages if the extended hours are arranged on statutory holidays.

**Plan Of Action:** Fossil's CSR manager met with Factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2 of 2009. Through conversations with factory management, it was determined that factory security works 7 days per week (multiple security workers over the 7 days) rather than factory workers. Regardless, Fossil recommends that factory management monitors production to ensure that orders are completed without working excessive overtime. If peak production periods prevent this, it was suggested that the factory obtain a waiver to allow for extended overtime during peak production periods.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management will continue to monitor overtime to ensure that it remains in compliance with Chinese law. Additionally, the factory will apply for a comprehensive hour waiver to ensure hours during peak production months do not exceed allowed overtime.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Fossil's CSR department has provided information on how to apply for a waiver if deemed necessary during peak season for 2009.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Wages, Benefits and Overtime Compensation: J. Overtime Compensation Awareness

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** 92% workers interviewed did not know how to calculate their OT wages.  
Sources: workers interview, records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management provides training on wage calculations and obtains worker signatures on the pay slips as proof of understanding.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management will ensure that all employees understand their pay slips before signing them.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Fossil's CSR provided factory management with an example of how to have the employees sign off on their pay slips which encourages that employees understand the calculation of their pay.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

Action  
Verified  
Date:  
Comments:  
Confidential  
Comments:

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## Wages, Benefits and Overtime Compensation: O. False Payroll Records

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

**Explanation:** Uncorroborated evidence of non-compliance: False payroll records are found in the factory. When auditors waited outside the factory facility for factory management's response, there were some workers asking for factory information. The auditor joined in the conversations among workers and factory security guards. The security guard said that workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. One worker said that one of her friend worked in this factory, and earned 1400RMB per month. But through records review, the auditor could not find any workers' wages were above 1200RMB. (See attachment 22) Through workers interview, 10 workers reported that their wages are around 1400RMB per month, 7 reported around 1200RMB. Sources: records review, workers interview and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Through conversations with factory management, it was determined that factory security works 7 days per week (multiple employees over 7 days not one for 7 days in a row) rather than factory workers. Factory management indicated that payroll records are accurate. It is recommended that the factory maintain accurate and transparent records so that work hours and pay can be verified.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management has implemented an electronic time keeping system to ensure the accuracy of attendance and payroll records are maintained.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Fossil's CSR reviewed the electronic time keeping system reports and found the system to be much more accurate form of time keeping. Fossil will perform a follow up audit in July 2009 in which months of samples will be reviewed to ensure progress.

Plan  
Complete:  
Plan  
Complete  
Date:  
Action

**Verified:****Action****Verified Text:****Action****Verified****Date:****Comments:****Confidential****Comments:**

## Wages, Benefits and Overtime Compensation: R. Worker Wage Awareness

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Workers were not aware of their legally mandated benefits and wages. Sources: records review, workers interview and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management provides training on wage calculations and obtains worker signatures on the pay slips as proof of understanding.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management will ensure that all employees understand their pay slips before signing them.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Fossil's CSR provided factory management with an example of how to have the employees sign off on their pay slips which encourages that employees understand the calculation of their pay.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential**

Comments:

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## Wages, Benefits and Overtime Compensation: S. Posting Notices

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** No labor laws or regulations were posted in the factory.  
Sources: records review and management interview

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

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility in Q2. Fossil conducted an audit in July 2008 and Fossil's code of conduct was posted within the factory. To ensure factory management has ample resources copies of the Fossil and FLA codes of conduct have been supplied to the factory.

**Deadline Date:** 01/21/2009

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

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Photos have been provided by factory management showing the Fossil and FLA codes of conduct posted in the factory.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Forced Labor: B. Freedom in Employment

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



	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	According to the new workers handbook Chapter Eight, Resignation 2: Even if workers submit a resignation application one month in advance, they cannot leave the factory one month later until receiving approval from the factory management. Sources: records review and management interview				
	Law: LAW OF THE PEOPLE'S REPUBLIC OF CHINA ON EMPLOYMENT CONTRACTS: Article 37. An Employee may terminate his employment contract upon 30 days' prior written notice to his Employer. During his probation period, an Employee may terminate his employment contract by giving his Employer three days' prior notice. Article 38. An Employee may terminate his employment contract if his Employer: (2) Fails to pay labor compensation in full and on time; (3) Fails to pay the social insurance premiums for the Employee in accordance with the law.				
<b>Plan Of Action:</b>	Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management changes the policy in the employee handbook regarding resignation to allow employees to leave after 30 days notice. After the change is made, factory management should communicate the change to the workers. Fossil will visit the factory in July 2009 and will review the employee termination policy to ensure compliance.				
<b>Deadline Date:</b>	01/13/2009				
<b>Supplier CAP:</b>	Factory management has changed the policy, allowing employees to leave after 30 days notice. This has been communicated to the staff.				
<b>Supplier CAP Date:</b>	01/19/2009				
<b>Action Taken:</b>					
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Forced Labor: D. Employment Terms/Prohibitions

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

for terminating employment. (P)

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	According to the workers handbook Chapter Eight. Automatic Quit. Workers who are absent from work for 3 days, or want to quit right away before contract expiration date will not receive any due wages. Sources: records review and management interview Law: LAW OF THE PEOPLE'S REPUBLIC OF CHINA ON EMPLOYMENT CONTRACTS: Article25. With the exception of the circumstances specified in Articles 22 and 23 hereof, an Employer may not stipulate with an Employee provisions on the bearing of liquidated damages by the Employee.				
<b>Plan Of Action:</b>	Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR reviewed exit receipts for all employees that had left the factory and found no discrepancies. An audit will be conducted in July 2009 to review a sample of exit receipts to ensure retention is maintained.				
<b>Deadline Date:</b>	01/13/2009				
<b>Supplier CAP:</b>	Factory management pays all wages to employees who terminate their employment. Exit receipts are kept to show payment of wages.				
<b>Supplier CAP Date:</b>	01/19/2009				
<b>Action Taken:</b>					
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Forced Labor: I. Employment Records

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

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	The factory did not keep terminated or ended employment contracts on file. Sources: records review and management interview Law: LAW OF THE PEOPLE'S				

REPUBLIC OF CHINA ON EMPLOYMENT CONTRACTS: Article 50. The Employer shall keep terminated or ended employment contracts on file for not less than two years, for reference purposes.

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management maintains records for a minimum of two years in the facility. Fossil CSR has reviewed terminated labor contracts and will continue to follow up with the factory to ensure compliance.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management has supplied terminated labor contracts from 2006 and is aware of the two year document retention requirement.

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Forced Labor: R. Other - Forced Labor

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There is no policy and procedure on forced labor.  
Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a written policy regarding forced labor and that this is communicated to the workers. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure that they are communicated to employees or training is provided if more appropriate.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will create a policy and procedure on forced labor.

Supplier CAP 06/30/2009

Date:

Action

Taken:

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Complete

Date:

Action

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Action

Verified Text:

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Verified

Date:

Comments:

Confidential

Comments:

## Freedom of Association: B. Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union, the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil CSR promotes the worker's right to join and participate in legal trade unions.

**Deadline Date:** 01/13/2009

**Supplier CAP:****Supplier CAP****Date:****Action****Taken:****Plan****Complete:****Plan****Complete****Date:****Action****Verified:****Action****Verified Text:****Action****Verified****Date:****Comments:****Confidential****Comments:**


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## Freedom of Association: Z. Grievance Procedure

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no written grievance policy and procedure. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a written grievance policy and communicates this policy to the employees. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure that they are communicated to employees or training is provided if more appropriate.

**Deadline** 06/30/2009

**Date:**

**Supplier CAP:** Factory management will create a written grievance policy and procedure.

**Supplier CAP** 06/30/2009

**Date:****Action****Taken:****Plan****Complete:****Plan****Complete****Date:**

Action  
Verified:  
Action  
Verified Text:  
Action  
Verified  
Date:  
Comments:  
Confidential  
Comments:

## Freedom of Association: ZB. Other - Freedom of Association and Collective Bargaining

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no policy and procedure on freedom of association and collective bargaining. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a policy for freedom of association and collective bargaining. This policy should be communicated to the staff. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure a communication plan is created for employees.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will create a policy and procedure on freedom of association and collective bargaining.

**Supplier CAP Date:** 06/30/2009

Action  
Taken:  
Plan  
Complete:  
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Date:  
Action  
Verified:  
Action  
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Action  
Verified  
Date:  
Comments:  
Confidential  
Comments:

## Harassment or Abuse: B. Discipline/Progressive Discipline

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no written system of progressive discipline. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a policy on progressive discipline and communicates the policy to the workers. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure through follow up audits that any policies and procedures are communicated to employees.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will create a written system of progressive discipline.

**Supplier CAP Date:** 06/30/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Harassment or Abuse: C. Discipline/Review of Disciplinary Action

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External	Global Standards	1 (out of 5)

## Monitoring

**Explanation:** The disciplinary system did not include the ability of a worker to have a third party of his or her choice present when the disciplinary action is being imposed.  
Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management includes the right to a third party presence in the policy for progressive discipline. Fossil CSR will assist the factory in the creation of the required policies and procedures.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will include a provision for the presence of a third party during the creation of the progressive discipline policy and procedure.

**Supplier CAP Date:** 06/30/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Harassment or Abuse: H. Discipline/Monetary Fines and Penalties

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Non-compliance: Monetary fines were found in the factory. During factory walkthrough on morning of the second day of auditing, the auditor found that when workers left workplace, workers needed to wear a "passport". The back of the card says workers who leave workplace must wear the "passport", with 5 minutes for each time. Workers who do not wear the card, leave workplace over 5 minutes or destroy the card will be fined for 10RMB. The auditor asked team leaders for the "passport" to take photo as evidence in the afternoon; all team leaders said that they never used such kind of "passport" ever. So the auditor asked one office staff to help her ask for it again, and finally one team leader gave the auditor the card, and admitted that they still used the card. Factory manager said in the morning of the second audit day that they used such kind of "passport"



when workers left workplace, but no any fines were issued under any situation. Since the factory keeps a false payroll, and there were many contradictions found among workers interview, management interview, records review and off-site interview, the auditor presumes that there such fines may still exist. Sources: factory walkthrough, records review, workers interview and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a program to provide bonuses to workers who do not take excessive breaks. Additionally, a system of progressive discipline should lead to eventual loss of bonus. This program should be written and should be communicated to the workers by factory management. During the factory visit by Fossil in July 2009, this policy will be reviewed to ensure that workers are not receiving monetary fines.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management will create a written policy for a bonus program to ensure workers do not abuse provided break privileges. Breaks exceeding a reasonable amount of time will be subject to verbal warnings and eventual loss of bonus. Management will ensure communication of change to employees.

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Harassment or Abuse: P. Punishment of Abusive Workers/Supervisors/Managers

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no discipline procedure in place for those who engage in any harassment and abuse. Sources: records review and management interview.

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates and communicates a disciplinary procedure for employees who engage in harassment or abuse. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure that it is appropriately communicated to all appropriate.

**Deadline Date:** 07/31/2009

**Supplier CAP:** Factory management will create a disciplinary procedure for employees who engage in harassment or abuse.

**Supplier CAP Date:** 07/31/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Harassment or Abuse: Q. Other - Harassment or Abuse

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no policy and procedure on harassment and abuse. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a policy on harassment and abuse. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure that it is appropriately communicated to all appropriate.

**Deadline Date:** 07/31/2009

**Supplier CAP:** Factory management will create a policy and procedure on harassment and abuse.

**Supplier CAP Date:** 07/31/2009

**Action Taken:**

Plan  
 Complete:  
 Plan  
 Complete  
 Date:  
 Action  
 Verified:  
 Action  
 Verified Text:  
 Action  
 Verified  
 Date:  
 Comments:  
 Confidential  
 Comments:

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## Child Labor: D. Other Means of Age Verification

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** The factory had no other methods to prove workers' age when age documentation was not readily available or reliable. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. It is recommended that factory management develops a process to verify the authenticity of IDs provided by new hires. Fossil's CSR department will re-visit the factory in July 2009 to review the new age verification process.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management has a procedure to verify provided ID cards on the Chinese government website. The verifications will be maintained in the employee files.

**Supplier CAP Date:** 01/19/2009

Action  
 Taken:  
 Plan  
 Complete:  
 Plan  
 Complete  
 Date:  
 Action  
 Verified:  
 Action  
 Verified Text:

Action  
Verified  
Date:  
Comments:  
Confidential  
Comments:

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## Child Labor: F. Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no registration of juvenile workers in local labor bureau, and no juvenile worker registration certificate provided to workers. There was no physical examination specifically for juvenile workers provided in the factory. There were no physical examinations provided to juvenile workers before employment and when they are 18 years old and last physical examination was over 6 months ago. Sources: records review and management interview Law: Protection regulation for juvenile workers Article 6. Employers should provide physical examinations for juvenile workers as per below requirements: before pre-employment; being in service for a year; reach 18 years old, and over half a year to last physical examination. Special protection for juvenile workers. Article 9. Adopt registration system for the recruitment and special protection of juvenile workers. (1) The working units should make registration in local labor bureau whose authority is above county level. The labor bureau issues "registration certificate of juvenile workers" according to "physical examination papers of juvenile workers" and "registration of juvenile workers". (3) Juvenile workers should have "registration certificate of juvenile workers" for working.

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will return to the factory for an audit in July 2009 to continue to ensure all that all juvenile regulations are continuing to be followed. Fossil's CSR reviewed documentation of juvenile registration and provided health checks and found these records to be valid.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management is aware of the legal requirement to register juvenile workers and to provide free health checks and will continue to comply with these requirements.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Photos of juvenile health check records have been provided by factory management.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action**

Verified Text:

Action

Verified

Date:

Comments:

Confidential

Comments:

**Child Labor: M. Other - Child Labor**

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no child labor procedure. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a policy on child labor. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure communication of policy to all management and staff.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will create a procedure on child labor.

**Supplier CAP Date:** 06/30/2009

Action

Taken:

Plan  
Complete:

Plan  
Complete  
Date:

Action

Verified:

Action

Verified Text:

Action

Verified

Date:

Comments:

Confidential

Comments:

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

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

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	There was age limitation on recruitment ads: 18-30 for male workers and 16-30 for female workers. When the auditors waited outside the factory, the auditor found one small black board hanging outside the security room advertising for male workers from 18 to 30 years, and female workers from 16 to 30 years old. The auditor joined in the conversation among workers who wanted to enter the factory and factory security guards. The security guard said that the factory would not recruit any workers who were over 30 years old. Sources: factory walkthrough and workers interview				
<b>Plan Of Action:</b>	Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management communicates to the appropriate staff that consideration for employment should be given to candidates of all legal working ages. Any discriminatory job postings should be immediately removed. Fossil will re-visit the factory in July 2009 to ensure that discriminatory advertising has been removed.				
<b>Deadline Date:</b>	01/13/2009				
<b>Supplier CAP:</b>	Factory management has made the staff aware that candidates of all legal ages and regardless of sex must be considered. Discriminatory advertising has been removed.				
<b>Supplier CAP Date:</b>	01/19/2009				
<b>Action Taken:</b>					
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Non-Discrimination: O. Other - Non-Discrimination

Other

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/24/2008	External	FLA Independent External	Global Standards	1 (out of 5)

## Monitoring

**Explanation:** There was no policy and procedure on non-discrimination. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management creates a policy and procedure on non-discrimination. This should be communicated to all employees. Fossil CSR will assist the factory in the creation of the required policies and procedures.

**Deadline Date:** 07/31/2009

**Supplier CAP:** Factory management will create a policy and procedure on non-discrimination and ensure it is communicated to employees through training.

**Supplier CAP Date:** 07/31/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Miscellaneous: A. Code Awareness

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no training on Code of Conduct provided to both management and workers. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that factory management provides training to employees on the code of conduct.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management provides the code of conduct to employees in the employee

[handbook.](#)

**Supplier CAP** [01/19/2009](#)

**Date:**

**Action Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

**Action**

**Verified:**

**Action**

**Verified Text:**

**Action**

**Verified Date:**

**Comments:**

**Confidential**

**Comments:**

## Miscellaneous: A. Code Awareness

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** [There was no noncompliance reporting mechanism which allows factory workers to contact the Company. Sources: records review and management interview](#)

**Plan Of Action:** [Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.](#)

**Deadline Date:** [01/13/2009](#)

**Supplier CAP:** [Factory management provides employees with a written opinion box and has communicated to employees to provide any comments through this means.](#)

**Supplier CAP Date:**

**Action Taken:** [Factory management provided Fossil with pictures of the written opinion box, as well as a policy posted with the box.](#)

**Plan**

**Complete:**

**Plan Complete**

**Date:**

**Action**

**Verified:**

**Action**

**Verified Text:**

**Action**



Verified Date:

Comments:

Confidential

Comments:

## Health and Safety: B. Document Maintenance/Worker Accessibility and Awareness

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** No copies of health and safety laws and regulations were kept in the factory.  
Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil will re-visit the factory in July 2009 to ensure that health and safety documentation has been made available.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Health and safety documentation has been made available by factory management.

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

**Action**

**Verified:**

**Action**

**Verified Text:**

**Action**

**Verified**

**Date:**

**Comments:**

**Confidential**

**Comments:**

## Health and Safety: E. Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and

duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** The health and safety policy did not contain workers' rights and duties. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil CSR will assist the factory in the creation of the required policies and procedures and ensure that they are communicated to all employees.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Factory management will add a section dedicated to workers' rights and duties to the health and safety policy.

**Supplier CAP Date:** 06/30/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Health and Safety: H. Permits and Certificates

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** The factory received fire permit for production building on October 13, 2000, while there were no fire permits for dormitory and canteen. There was no test report for gas tank. Chemical wastes were reclaimed by supplier, but the factory could not provide quality certificate and transfer sheets to the auditor. Non-compliance 4:

There was no business operation permit for the store in canteen. Sources: records review and management interview

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that the factory contact the fire department to ensure that all required permits are obtained and that any expired permits are renewed. Fossil will re-visit the factory in 2009 and will follow up on the fire permits.

**Deadline Date:** 01/13/2009

**Supplier CAP:** One permit was received when the production building was completed. The fire department visits yearly, but does not reissue the permit. Factory management will contact the fire department concerning the permits for the dormitory and canteen.

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Health and Safety: I. Evacuation Requirements and Procedure

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** The door of computerized machines department on second floor only opened inwards. Materials were placed under the stairwell of first floor in couples' dormitory. Boxes were placed outside glue spraying department on the first floor. Emergency lights above the doors A5 and A6 were not functioning. No emergency light was installed in management dormitory. One emergency light in the stairwell of first floor of workers' dormitory and one on the exit of second floor were broken. Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.

**Deadline Date:** 01/13/2009

**Supplier CAP:** 1: The doors have been rebuilt to open outwards. 2: Factory management has removed the materials under the stairwell. 3: The boxes outside the glue spraying area have been removed. 4: Emergency lighting had been installed or repaired.

**Supplier CAP Date:** 02/02/2009

**Action Taken:** 1. Picture was provided where door was re-installed to open outward. 2. Picture was provided to show stairwell is clear of materials. 3. Picture was provided to ensure boxes were removed from glue spraying area. 4. Picture was provided; showing updates and repairs to emergency lighting.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Health and Safety: J. Safety Equipment and First Aid Training

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** Materials were placed above one fire extinguisher in leather shaping department. The insurance bolt of one fire extinguisher was missing on the second floor of production building. The spray nozzle of one fire extinguisher was broken on the third floor of production building. One fire extinguisher was blocked by boxes on the third floor of production building. One fire extinguisher was blocked by materials and has no updated inspection date on the fourth floor of production building. One fire extinguisher was not fully charged and had no updated inspection date in chemical warehouse. Materials were placed under the fire extinguisher outside electricity room. No workers were signed up for drills. There was no appropriate eye-wash equipment in workplace using chemicals. Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with

the factory and will visit the facility before the end of Q2. Fossil CSR is working with the factory to install the necessary eyewash equipment and ensure all fire extinguishers are in compliance.

**Deadline****Date:**

**Supplier CAP:** 1: Fire extinguishers have been repaired and materials blocking the extinguishers have been moved. 2: A fire drill has been conducted and workers signatures have been obtained. 2009 training documents have been created to include workers' signatures. 3. An appropriate eyewash station has been installed.

**Supplier CAP** 01/19/2009

**Date:**

**Action Taken:** 1: A photo was provided to show the fire extinguishers were unobstructed. 2: A photo of fire drill records with employee signatures was provided. 3: A photo of the eyewash station was provided.

**Plan****Complete:****Plan****Complete****Date:****Action****Verified:****Action****Verified Text:****Action****Verified****Date:****Comments:****Confidential****Comments:**

## Health and Safety: K. Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** No sign of PPEs usage was posted in chemical storage place of leather shaping department, the glue spraying section on the third floor of production building or in the chemical warehouse. No PPEs were placed in chemical warehouse. No ear-plugs were provided to workers in cutting department. One worker in leather shaping department did not wear mask correctly. Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. It is recommended that PPE be provided to the employees. Additionally, factory management should ensure that all employees have received training on the correct use of PPE and that they are required to use the PPE when necessary. When Fossil visits the factory in July 2009, the employee handbook will be reviewed and a tour of the facility will be conducted to ensure use of PPE.

**Deadline** 01/13/2009

**Date:**

**Supplier CAP:** Factory management will ensure that PPE is provided to the employees. The correct use of PPE has been included in the provided employee handbook. Additionally, factory management will provide posters with the correct usage of PPE.

**Supplier CAP** 01/19/2009

**Date:**

**Action**

**Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

**Action**

**Verified:**

**Action**

**Verified Text:**

**Action**

**Verified**

**Date:**

**Comments:**

**Confidential**

**Comments:**

## Health and Safety: M. Chemical Management and Training

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** No safety sign was posted for white glue used on the second floor, yellow glue and N-hexane used in sampling room on the second floor. Chemical safety sign used in leather shaping department was in English. Chemicals were stored under the stairwell close to door A4 on the first floor. There were no workers' signatures for the trainings on chemical safety. Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil will re-visit the factory in July 2009 to review the safety training form.

**Deadline** 01/13/2009

**Date:**

**Supplier CAP:** 1 and 2: Factory management has posted signs on chemical safety in Chinese. 3: Materials under stairwells have been moved. 4: A 2009 training form with a place for the employee's signature has been created for training on the proper handling of chemicals.

**Supplier CAP** 01/19/2009

Date:

Action Taken: 1 and 2: Photos of signs on chemical safety have been provided. 3: The factory has provided a photo of the cleared stairwell.

Plan

Complete:

Plan

Complete

Date:

Action

Verified:

Action

Verified Text:

Action

Verified

Date:

Comments:

Confidential

Comments:

## Health and Safety: N. Material Safety Data Sheets/Worker Access and Awareness

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** No MSDS were posted in the following areas:  
 \*Leather shaping department  
 \*Sections using white glue on the second floor  
 \*Sampling room where N-hexane used on the second floor of production building.  
 Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Factory management should post MSDS in areas where hazardous chemicals are used.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management has posted MSDS in areas of the facility where hazardous chemicals are used.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Photos have been provided of posted MSDS.

Plan

Complete:

Plan

Complete

Date:

Action

Verified:

Action  
Verified Text:

Action  
Verified Date:

Comments:

Confidential  
Comments:

## Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** One exhaust fan was broken in glue spraying section on the first floor. Source: factory walkthrough

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil CSR will work with the factory to make the necessary repairs to the exhaust system. Fossil will re-visit the factory in July 2009 to determine if the exhaust fan has been repaired. If it has not, Fossil will work with factory management to come up with a solution to the ventilation problem.

Deadline  
Date:

Supplier CAP:

Supplier CAP  
Date:

Action  
Taken:

Plan  
Complete:

Plan  
Complete  
Date:

Action  
Verified:

Action  
Verified Text:

Action  
Verified  
Date:

Comments:

Confidential  
Comments:



## Health and Safety: R. Machinery Maintenance and Worker Training

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There were no shields for the moving parts of machines (Pentai) in leather shaping department. No shields for the moving belts of 3 molding edge (mobian) machines on the third floor of production building. There were no needle guards for computerized machines on the third floor of production building. One half of the shields for one wheel driving machine were missing. No workers had signed up for training on machines safety. Source: records review and factory walk through

**Plan Of Action:** Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management has installed the missing shields and needle guards.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Photos have been provided showing the installed shields and needle guards.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Health and Safety: U. Medical Facilities

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
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## 590015929G – China: Fossil

	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	No first aid guide was posted nearby first aid box. Medicines listed were actually missing from the first aid boxes. Source: factory walk-through				
<b>Plan Of Action:</b>	Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.				
<b>Deadline Date:</b>	01/13/2009				
<b>Supplier CAP:</b>	Factory management will post a guide near the first aid boxes and will ensure that all supplies are stocked.				
<b>Supplier CAP Date:</b>	01/19/2009				
<b>Action Taken:</b>	A photo of the first aid guide has been provided.				
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Health and Safety: V. Sanitation in Factory Facilities

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

	<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
	11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)
<b>Explanation:</b>	The men's toilets were smelly and dirty. Source: factory walkthrough				
<b>Plan Of Action:</b>	Fossil's CSR manager met with the factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.				
<b>Deadline Date:</b>	01/13/2009				
<b>Supplier CAP:</b>	The men's restrooms have been cleaned.				
<b>Supplier CAP Date:</b>	01/19/2009				
<b>Action Taken:</b>	A photo of the cleaned male restroom has been provided.				
<b>Plan Complete:</b>					

**Plan Complete****Date:****Action****Verified:****Action****Verified Text:****Action****Verified Date:****Comments:****Confidential****Comments:****Health and Safety: ZB. Sanitation in Dormitories**

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no exit sign in stairwell of management dormitory. Exit signs posted in stairwell of workers' dormitories were not standardized. The exit on first floor of couples' dormitory was blocked. No emergency light was installed in management dormitory. The emergency lights in the stairwell of first floor of workers' dormitory and on the exit of second floor were broken. Source: factory walk through

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2.

**Deadline Date:** 01/13/2009

**Supplier CAP:** 1: Exit signs have been posted in both the management and worker dormitories. All goods blocking the exit have been moved. 2: Factory management has installed or repaired the emergency lighting.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** 1: Photos of the exit signs have been provided. 2: Photos of installed emergency lighting have been provided.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:****Confidential**

## Comments:

**Hours of Work: B. Rest Day**

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

**Explanation:** Uncorroborated evidence of non-compliance: Most workers work 7 days per week. When auditors waited outside the factory facility for factory management's response, there were some workers asking for factory information. The auditor joined in the conversations among workers and factory security guards. The security guard said that workers in this factory worked till 10pm every night, 7 days and nights per week. Workers could earn 1200RMB to 1400RMB per month. One worker who distributed garbage for the factory brought his 2 daughters (one is 4 years old, and one is 5) to the factory during work. He and his wife all worked in the factory. His daughters said that Mom worked every night. Sources: Factory walk through and workers interview questions to find out potential reasons for OT worked. Law: Labor law: Section 38. The employing unit shall guarantee that its staff and workers have at least one day off in a week.

**Plan Of Action:** Fossil's CSR manager, met with factory President to discuss the results of the audit and the factory's corrective action plan. Through conversations with factory management, it was determined that factory security works 7 days per week rather than factory workers. Meaning that there are multiple security workers who have shifts through out all 7 days of the week. The factory workers are provided the appropriate rest day. Fossil has communicated through our code of conduct and manufacturing agreement that the factory must comply with the local law which requires a rest day during the week. (Fossil conducted an audit in July 2008 and found that employees receive their rest day per week, if not two).

**Deadline Date:** 01/13/2009

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

**Supplier CAP Date:** 01/19/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential**  
**Comments:**

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## Hours of Work: F. Time Recording System

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

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

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

**Deadline Date:** 01/13/2009

**Supplier CAP:** Factory management will continue to monitor overtime to ensure that it remains in compliance with Chinese law. Additionally, the factory will apply for a comprehensive working hour waiver to ensure hours during peak production months do not exceed allowed overtime.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** Fossil's CSR department has sent follow up emails to factory management to determine if they need any further assistance to remind them that they must comply with local labor laws regarding hours and overtime. Fossil will be conducting an audit in July 2009, in which records will be reviewed.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	2 (out of 5)

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

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the

factory and will visit the facility before the end of Q2. Fossil will conduct a follow up audit in July 2009 and will ensure review of time records and calculation of overtime. In addition, employee interviews will be held by selecting a sample ratio of male and female employees from various departments. The expectation will be that employees responses during the interview will correspond with overtime records reviewed during the audit. If Fossil finds discrepancies through this method of verifying a discussion with management will take place to determine where there is a disconnect.

**Deadline** 01/13/2009

**Date:**

**Supplier CAP:** Factory management has implemented an electronic time keeping system to ensure the accuracy of attendance and payroll records are maintained. Factory management is aware that all time worked must be appropriately recorded.

**Supplier CAP** 01/19/2009

**Date:**

**Action**

**Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

**Action**

**Verified:**

**Action**

**Verified Text:**

**Action**

**Verified**

**Date:**

**Comments:**

**Confidential**

**Comments:**

## Hours of Work: N. Annual Leave

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no paid annual leave provided to workers. Sources: records review and management interview Law: Employee paid annual leave regulation. Article 3: Workers work from 1 to 10 years enjoy 5 paid annual leaves; 10 to 20 years, enjoy 10 days; over 20 years enjoy 15 days.

**Plan Of Action:** Fossil's CSR manager met with factory president to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil CSR is working with factory management to resolve this issue. It is recommended that factory management creates a policy to outline paid annual leave in the factory. This policy should be communicated to the workers and should contain all allowances required by law.

**Deadline**

Date:

Supplier CAP: Factory management will review the law that was provided by Fossil regarding Annual leave and will work towards creating a policy and procedure.

Supplier CAP

Date:

Action

Taken:

Plan

Complete:

Plan

Complete

Date:

Action

Verified:

Action

Verified Text:

Action

Verified

Date:

Comments:

Confidential

Comments:

## Hours of Work: S. Sick Leave

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/24/2008	External	FLA Independent External Monitoring	Global Standards	1 (out of 5)

**Explanation:** There was no paid sick leave provided to workers. Sources: records review and management interview Law: Labor bureau [1995] No. 309: Article 59. Employers shall pay for sick leaves within legal medical period. Sick leave can be lower than local minimum wage, but cannot be lower than 80% of minimum wage.

**Plan Of Action:** Fossil's CSR manager met with factory President to discuss the results of the audit and the factory's corrective action plan. Fossil CSR will continue to work with the factory and will visit the facility before the end of Q2. Fossil CSR is working with factory management to resolve this issue. It is recommended that factory management creates a policy to outline sick leave in the factory. This policy should be communicated to the workers and should contain all allowances required by law.

Deadline

Date:

Supplier CAP:

Supplier CAP

Date:

Action

Taken:

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