

2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Industries sPa
COUNTRY: China

FACTORY CODE: 10100151090

MONITOR: HK Social Compliance Service

Asia, Ltd.

AUDIT DATE: July 7 – 8, 2010

PRODUCTS: Apparel, Home Textiles

PROCESSES: Cutting, Sewing, Packing

NUMBER OF WORKERS: 1950

FLA Comment: This report was submitted to the FLA and the FLA-affiliated company by the accredited independent external monitor. Industries sPa, formerly participating as a Category B collegiate licensee, has ceased university-licensing business and, therefore, FLA affiliation. The FLA has encouraged the company to submit a corrective action plan and to continue remediation of the noncompliances raised in this report. As the FLA has not received an updated response from the company, the FLA is posting the IEM report in its current form.



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Fair Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Noncompliance

Explanation: As per the recruitment notice posted at the main gate, new workers will be paid RMB 500

with free meals and dormitory facilities for the first 3 months. This is not in compliance

with legal requirements for minimum wages.

Sources: factory tour, review of posted notice

Legal reference: Article 48 of Labor Law of the PRC

Plan Of

Respect Article 48 of the Labor Law of the PRC.

Action:

Deadline 04/30/2011

Date:

Action The supplier has been invited to respect the law. [Factory name] decided to cancel the

Taken: training service; this matter is currently being discussed with local authorities.

Plan No

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Fair Wages, Benefits and Overtime Compensation: 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)

Noncompliance

Explanation: Inconsistencies were noted during the detail check of provided time records, along

with payroll and other production-related records. It appeared that time records and

payroll were not reliable.

Source: provided time record review, production-related records and time records

cross check

Plan Of

Respect the compliances of time records and payrolls.

Action:

Deadline

04/30/2011

Date:

Action Taken:

The supplier has been invited to respect the law. [Factory name] implemented the payroll control system by informing workers that they should contact HR in case of payroll inconsistencies. [Factory name]s] HR Managers must make sure all workers are

payroll inconsistencies. [Factory name's] HR Managers must make sure all workers are

paid minimum wages.

Plan No

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Freedom of Association: 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)

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); 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 FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 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

Encourage and respect the right of freedom of association.

Action:

Deadline 04/30/2011

Date:

Action [Factory name] has been informed that freedom of association must be encouraged. Taken:

[Factory name] encouraged its workers to inform the company if there are any workrelated problems. Each team has a leader who deals with these matters. [Factory name]

encourages its workers to express their opinions and takes care of workers' welfare.

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Health and Safety: 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)

Noncompliance

Explanation: 1. The finishing section's secondary exit in the single-storey building was found

locked and not equipped with exit and emergency lights.

2. Some sewing workshop aisles were found blocked by semi-finished products.

Source: factory tour

Legal reference: Article 14.6 of Fire Prevention Law of the PRC

Plan Of Unlock the finishing section in the single-storey building and equip it with exit and

Action: emergency lights. Unblock aisles in the sewing workshops.

Deadline 04/30/2011

Date:

Action [Factory name] has been requested to ensure safety. [Factory name] has installed

Taken: missing exit and emergency lights; unlocked secondary exit; and cleared all areas.

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Plan Complete Date:



Health and Safety: 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)

Noncomplianc

Explanation: 1. Some of the fire extinguishers and fire hydrants were found blocked in workshops

and in the warehouse.

2. No sprinkler system was equipped in some of the warehouse areas.

Source: factory tour

Legal reference: Article 28 of Fire Prevention Law of the PRC

Plan Of Unblock fire extinguishers and fire hydrants in workshops and warehouse. Equip

Action: warehouse areas with a sprinkler system.

Deadline 04/30/2011

Date:

Action [Factory name] has been requested to guarantee safety. [Factory name] cleared all areas where fire extinguishers and hydrants were located. Moreover, it made sure to the safety of the safety.

areas where fire extinguishers and hydrants were located. Moreover, it made sure that sprinklers were located in compliance with the local fire department laws. It also set up

a daily check up by the fire department.

Plan No

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Plan Complete



Health and Safety: 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)

Noncompliance

Explanation: 1. Some overlock sewing machine operators did not use the equipped protective eye shields.

2. 2 sewing workers in the feather section did not wear face masks.

Source: factory tour

Legal reference: Article 37 of Law of the PRC on Production Safety

Plan Of

All workers always have to use protective eye shields and face masks.

Action:

Deadline 04/30/2011

Date:

Taken:

Action [Factory name] has been requested to ensure workers' safety. [Factory name] equipped

all workers with eye shields and face masks and required all workers to use these tools

for their personal safety.

Plan No

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Plan

Complete



Health and Safety: 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)

Noncompliance

Explanation: 1. Most stitching machines were not equipped with protective needle guards; some overlock sewing machines were not equipped with protective eye shields.

2. A few sewing machines were not equipped with proper upper pulley guards.

3. Some snap-button press machines were not equipped with proper protective finger guards.

Source: factory tour

Legal reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene

riygiene

Plan Of Equip all stitching, sewing and snap-button press machines with protective eye shields,

Action: proper upper pulley guards, and proper protective finger guards.

Deadline 04/30/2011

Date:

Action [Factory name] has been requested to ensure safety. [Factory name] equipped all sewing, Taken: stitching and snap machines with needle guards. Moreover, it required all workers to

wear protective shielding for their faces and fingers while working on those machines.

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Hours of Work: 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)

Noncompliance

Explanation: Inconsistencies were noted during the detail check of provided time records, along with

payroll and other production-related records. It appeared that time records and payroll

were not reliable.

Source: provided time record review, production-related records and time records cross

check

Plan Of Respect the compliance of time records and payrolls.

Action:

Deadline 04/30/2011

Date:

Action The supplier has been requested to respect the law. [Factory name] informed workers to

Taken: contact HR in case of payroll inconsistencies. Moreover, [Factory name's] HR Managers must make sure all workers are paid minimum wages. [Factory name] ensured that these issues have always been in accordance with PRC laws, as it is compulsory to inform the

local authorities about payrolls and time records.

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Plan 07/11/2011

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