



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Knights Apparel
COUNTRY: China
FACTORY CODE: 7400151052I
MONITOR: Global Standards
AUDIT DATE: June 25 – 26, 2010
PRODUCTS: Knit Tops, Knit Bottoms
PROCESSES: Cutting, Sewing, Inspection,
Packing
NUMBER OF WORKERS: 134

Company Comment: As Knights Apparel we added this factory to our supplier list to expand our infant and toddler business. The factory was known by our management from their previous company. We placed trial orders with them, but because our orders are team orders with multiple teams and small orders per team, the factory did not wish to pursue business. At the time of the IEM we had already ceased our business relationship and to the best of our knowledge, there were no other FLA-affiliated companies sourcing from the factory to take over remediation. The factory was closed by the Chinese government to make way for a Metro Subway in December 2010.

The management of the company owned several small factories and merged into one facility. According to the management, all workers were offered to move to the new facility. Those that chose not to move were paid in full.



CONTENTS:

| | |
|---|----|
| Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____ | 3 |
| Wages, Benefits and Overtime Compensation: Accurate Length of Service Calculation _____ | 4 |
| Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation _____ | 5 |
| Wages, Benefits and Overtime Compensation: Payment for All Hours Worked _____ | 6 |
| Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation _____ | 7 |
| Wages, Benefits and Overtime Compensation: False Payroll Records _____ | 8 |
| Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement | 9 |
| Wages, Benefits and Overtime Compensation: Wage Receipt _____ | 10 |
| Freedom of Association: General Compliance Freedom of Association _____ | 11 |
| Freedom of Association: Right to Freely Associate _____ | 12 |
| Freedom of Association: Grievance Procedure _____ | 13 |
| Harassment or Abuse: Discipline/Review of Disciplinary Action _____ | 14 |
| Harassment or Abuse: Discipline/Written Disciplinary System _____ | 15 |
| Harassment or Abuse: Discipline/Training of Management _____ | 16 |
| Health and Safety: Permits and Certificates _____ | 17 |
| Health and Safety: Safety Equipment and First Aid Training _____ | 18 |
| Health and Safety: Material Safety Data Sheets/Worker Access and Awareness _____ | 19 |
| Hours of Work: Rest Day _____ | 20 |
| Hours of Work: Time Recording System _____ | 21 |
| Hours of Work: Annual Leave _____ | 22 |



Wages, Benefits and Overtime Compensation: 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)

Uncorroborated Evidence of Noncompliance

Explanation: Factory did not provide the original wage and benefit documents, as they were said to be stored in the Finance Department. Work and overtime hours could not be verified, though management claimed there was no overtime work. However, according to worker interviews, there was overtime on both weekdays and weekends.

Plan Of Action: Will provide appropriate benefit documents and arrange appropriate overtime work.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Accurate Length of Service Calculation

WBOT.18 All workers shall be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Management could not provide documents for verification of benefits based on length of service.

Plan Of Action: Will provide appropriate documents to verify.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard providing the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: According to management, there is no overtime work on weekdays and on Saturdays. However, according to worker interviews, there is overtime work until 11:00 pm, and also work on Saturdays. Auditors went to factory site the next day (Saturday, June 26) and observed workers working on a Saturday. Auditors also overheard workers in the toilet area saying they might not have to work overtime today as auditors were at the factory. Auditors found 1 training document in the facility which revealed a number of questions normally asked by auditors on wages, overtime, dormitories, etc., as an attempt to coach workers.

Plan Of Action: Will have factory follow local rules on overtime work.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

Explanation: According to management, there is no overtime work on weekdays and on Saturdays. However, according to worker interviews, there is overtime work until 11:00 pm, and also work on Saturdays. Auditors went to factory site the next day (Saturday, June 26) and observed workers working on a Saturday. Auditors also overheard workers in the toilet area saying they might not have to work overtime today as auditors were at the factory. Auditors found 1 training document in the facility which revealed a number of questions normally asked by auditors on wages, overtime, dormitories, etc., as an attempt to coach workers.

Plan Of Action: Will have factory follow local labor law on overtime pay. If work is done during a holiday, we will give an extra day as compensation for working on a holiday. Also, will not give any coaching; auditors are free to interview with any answers.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: Time records provided by factory staff are not reliable and do not concur with workers' statements and auditors' findings. Management stated workers were paid by hours; however, according to workers and documents found in factory, workers were paid by piece rate without the overtime premium.

Plan Of Action: Factory will adjust the payroll calculations; overtime work will be based on hourly.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



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: Time records provided by factory staff are not reliable and do not concur with workers' statements and auditors' findings. Management stated workers were paid by hours; however, according to workers and documents found in factory, workers were paid by piece rate without the overtime premium.

Plan Of Action: Factory will keep time records in an appropriate manner; overtime work will calculated by hours, according to local labor law.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Factory did not provide original wage documents, as they were stored in the Finance Department.

Plan Of Action: Factory did not provide original wage documents, as they were stored in the Finance Department.

Deadline Date: Original wage documents should be kept with Finance Department, in case workers need to be acknowledged of payment compensation on the payroll slip.

Action Taken: 02/28/2011

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Wage Receipt

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Factory did not provide original wage documents as they were stored in the Finance Department.

Plan Of Action: Will have factory put this in system, and have proper records.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Freedom of Association: General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

Noncompliance

Explanation: There is no grievance system or otherwise documents provided by the factory. No union records provided by the factory, either.

Plan Of Action: Will have factory to build up grievance system and full function.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

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 Action: The Mother Company, [Mother Company's name], does have a trade union, all employee did attached.

Deadline Date: 12/01/2010

Action Taken:

Plan Complete: No

Plan Complete Date:



Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that first allow an attempt to settle grievances directly between the worker and the immediate supervisor, but 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)

Noncompliance

Explanation: There is no grievance system or otherwise-related documents provided by the factory.

Plan Of Action: Will have factory build up full-functioning grievance system.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: 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)

Noncompliance

Explanation: There is no written policy related to a worker's right to a) challenge or appeal once issues are raised or b) a third party to mediate. No training courses provided to management on how to execute the disciplinary policy properly.

Plan Of Action: Will have factory keep appropriate records. Will try to make training courses for workers.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Noncompliance

Explanation: No written disciplinary system or procedures, and no records are kept in file.

Plan Of Action: Factory will create the procedures and keep all records in file.

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation: No such management training courses were held on disciplinary procedures.

Plan Of Action: Will have factory to make disciplinary training courses for managers and supervisors.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Health and Safety: 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)

Noncompliance

Explanation: There are no inspection reports or tests done to measure dust, noise and water quality in the factory. The inspection report seen stated 2 boilers were out of order (i.e., high and low pressure/steam alarm system).

Plan Of Action: The report will be had by end of this year.

Deadline Date: 12/31/2010

Action Taken:

Plan Complete: No

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)

Noncompliance

Explanation: First aid certifications are not issued by a qualified association.

Plan Of Action: Factory will apply the first aid certificate from a qualified hospital, and training for first aid team and fire fighting team.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Health and Safety: 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)

Noncompliance

Explanation: MSDS not sufficient in factory, i.e., lubricating oil and spot removal cleaner.

Plan Of Action: Factory will provide sufficient MSDS.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Hours of Work: 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)

Uncorroborated Evidence of Noncompliance

Explanation: Rest days could not be identified as work hours and overtime records were not accurate. Management's claims are different than workers' information and auditors' findings (by visiting factory on Saturday).

Plan Of Action: Factory will have 1 day off in every 7-day period. In case workers need to work on a rest day, an alternative day off will be provided to workers within that same 7-day period.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

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: According to management, there is no overtime work on weekdays and on Saturdays. However, according to worker interviews, there is overtime work until 11:00 pm, and also work on Saturdays. Auditors went to factory site the next day (Saturday, June 26) and observed workers working on a Saturday. Auditors also overheard workers in the toilet area saying they might not have to work overtime today as auditors were at the factory. Auditors found 1 training document in the facility which revealed a number of questions normally asked by auditors on wages, overtime, dormitories, etc., as an attempt to coach workers.

Plan Of Action: Factory will consider installing electronic swipe cards or a similar time card record system to have better control and records.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:



Hours of Work: Annual Leave

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

Uncorroborated Evidence of Noncompliance

Explanation: No documents on annual leave were provided for verification.

Plan Of Action: Factory advised that annual leave has no documents due to the annual leave for entire factory during the Spring Holiday, so factory did not keep such documents. Will start to keep such record.

Deadline Date: 02/28/2011

Action Taken:

Plan Complete: No

Plan Complete Date:
