



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** G-III Apparel Group Ltd.

**COUNTRY:** China

**FACTORY CODE:** 6000151292J

**MONITOR:** Social Compliance Service Asia

**AUDIT DATE:** July 28 – 29, 2011

**PRODUCTS:** Apparel

**PROCESSES:** Cutting, Sewing, Finishing,  
Packing

**NUMBER OF WORKERS:** 114

**FLA Comment:** This report was submitted to the FLA and the FLA-affiliated company by the accredited independent external monitor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.



## CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____	3
Wages, Benefits and Overtime Compensation: Minimum Wage _____	4
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation _____	5
Forced Labor: Employment Records _____	6
Freedom of Association: Right to Freely Associate _____	7
Child Labor: Child Labor _____	8
Child Labor: Proof of Age Documentation _____	9
Code Awareness: _____	10
Health and Safety: General Compliance Health and Safety _____	11
Health and Safety: Permits and Certificates _____	12
Health and Safety: Evacuation Requirements and Procedure _____	13
Health and Safety: Safety Equipment and First Aid Training _____	14
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance _____	15
Health and Safety: Proper Use of Machinery _____	16
Health and Safety: Medical Facilities _____	17
Health and Safety: Sanitation in Factory Facilities _____	18
Health and Safety: Food Preparation _____	19
Health and Safety: Sanitation in Dormitories _____	20
Hours of Work: General Compliance Hours of Work _____	21
Hours of Work: Rest Day _____	22
Hours of Work: Time Recording System _____	23

### **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)

#### **Noncompliance**

**Explanation:** 1. Factory did not provide paid annual leave to workers who worked in factory for more than 1 year.

2. Factory did not provide paid sick leave to workers.

3. Factory did not provide paid statutory holidays to piece rate workers.

4. Factory purchased injury, medical, unemployment, pension and maternity insurances for 47 of 114 employees in June 2011. However, factory could not provide any social insurance receipt for review.

Sources: document review; payment record review; worker and management interviews

Legal References: Article 51 of Labor Law of People's Republic of China (PRC); Article 2 of Regulations on Annual Leave for Employees; Article 59 of Opinions on Matters of Carrying Out Labor Law of PRC of LMI [1995] No. 309; Article 73 of Labor Law of PRC

**Plan Of Action:** Company is working with factory to follow up on action plan. Company has audit team working with factory to ensure issues are remediated in an effective manner.

**Deadline Date:**

**Supplier CAP:** We will:

1. Provide annual paid leave to workers who serviced in factory more than 1 year.

2. Pay sick leave to workers from this month.

3. Improve our salary system and pay overtime compensation as per local labor law/regulation to all relevant workers from this month.

4. Copy related SSI documents for your review next time. We could not provide them for review because accountants were on a business trip.

**Supplier CAP Date:**

**Action Taken:**

1. Supplier advises they will pay annual leave next year.
2. Supplier completed and paid sick leave to workers this month.
3. Supplier completed action plan.
4. Supplier completed.

**Plan Complete:** No

**Plan Complete Date:**

### **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:** No system or practice to guarantee workers with local minimum wages in factory. Workers in sewing section paid RMB 3.37 per hour in June 2011; this is below local minimum wage of RMB 6.32 per hour.

Sources: document review; worker and management interviews

Legal References: Article 48 of Labor Law of PRC (extracted)

**Plan Of Action:** Company is working with factory to follow up on action plan. Company has audit team working with factory to ensure issues are remediated in an effective manner.

**Deadline Date:**

**Supplier CAP:** We will improve our wage system to ensure all workers' salaries are not under local minimum wage.

**Supplier CAP Date:**



**Action Taken:** Factory has paid salaries as per law/regulation; please refer to salary record photo sent to FLA for review.

**Plan Complete:** No

**Plan Complete Date:**

---

### **Wages, Benefits and Overtime Compensation: 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)

#### **Noncompliance**

**Explanation:** Factory did not pay workers overtime premium rate for working night overtime and rest day overtime.

Sources: document review; worker and management interviews

Legal Reference: Article 44 of Labor Law of PRC

**Plan Of Action:**

**Deadline Date:**

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

---

### **Forced Labor: Employment Records**

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

#### **Noncompliance**

**Explanation:** Factory could not provide personnel records, including labor contracts, for 12 of 13 workers randomly selected for review.

Sources: document review; worker and management interviews

Legal References: Article 16 of Labor Law of PRC; Article 7 of China Labor Contract Law

**Plan Of  
Action:**

**Deadline  
Date:**

**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; 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.

**Monitor's Comment:** During audit, noted that facility's union was under ACFTU and that union chairman was an office supervisor. They had been not held a meeting for the union or performed the function negotiation between factory and workers. Workers reported that they were not aware of trade union at facility.

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

Plan  
Complete  
Date:

---

**Child Labor: Child Labor**

CL.2 Employers shall not employ children younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. (S)

**Noncompliance**

**Explanation:** 4 child laborers were employed by and worked in factory. First worker, [Employee name], was born October 14, 1996; second worker, [Employee name], was born September 2, 1995; third worker, [Employee name] was born October 16, 1996; and fourth worker, [Employee name], was born May 13, 1996. They were all under 16 years of age.

Sources: document review; factory tour; worker and management interviews

Legal Reference: Article 15 of Labor Law of PRC

Plan Of  
Action:

Deadline  
Date:

Action  
Taken:

Plan           No  
Complete:

Plan  
Complete  
Date:

---





### **Child Labor: Proof of Age Documentation**

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

#### **Noncompliance**

**Explanation:** Factory could not provide personnel records, including age proof documents, for 12 of 13 workers randomly selected for review.

Sources: document review; worker and management interviews

Legal Reference: Article 4 of Regulations of Banning Child Labor of PRC

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

---

**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.

**Noncompliance**

**Explanation:** No code of conduct (COC) poster for G-III was posted in factory.

Sources: factory tour; worker and management interviews

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

**Plan  
Complete  
Date:**

---

## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** Factory could not provide Environmental Inspection Report, environmental check and acceptance report for review.

Sources: factory tour, document review, management interview

Legal Reference: Article 16 of Law of PRC on Appraising of Environment Impacts

**Plan Of  
Action:**

**Deadline  
Date:**

**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:** Factory could not provide fire permit for all buildings in compound. (1 block of 2-story production building; 1 block of 3-story dormitory building)

Sources: factory tour, document review, management interview

Legal Reference: Article 13 of Fire Prevention Law of PRC

**Plan Of Action:** Company is working with factory to follow up on action plan. Company has audit team working with factory to ensure issues are remediated in an effective manner.

**Deadline Date:**

**Supplier CAP:** We didn't pay attention to fire permit because the buildings were not ours. We had connected with the landlord to get related legal documents.

**Supplier CAP Date:**

**Action Taken:** Factory has gotten fire permit for all buildings.

**Plan Complete:** No

**Plan Complete Date:**

---

## 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. Factory did not conduct fire drill for production and dormitory areas for over 1 year; latest fire drill conducted in June 2009.
  2. Aisles in sewing and packing sections blocked by goods.
  3. At least 2 emergency exits blocked by goods in workshop and packing section.
  4. No evacuation plot plans posted in workshop and dormitory.
  5. No emergency light and exit sign installed at emergency exit of canteen.

Sources: factory tour; worker and management interviews

Legal References: Article 16, 28 and 40 of PRC Fire Prevention Regulation; Article 11.3.1 Code for Design of Building Fire Protection and Prevention

**Plan Of  
Action:**

**Deadline  
Date:**

**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:**
1. Most fire equipment blocked by goods, like in sewing and packing sections.
  2. All fire extinguishers in factory placed on floor and not properly mounted.
  3. No fire alarm system installed in workshop.
  4. Factory did not arrange regular inspection for fire equipment; latest inspection conducted in November 2009.
  5. Factory did not have fire-sprinkler system.

Sources: factory tour; workers and management interviews

Legal References: Article 28 of Fire Prevention Law of PRC; Article 5.1.3 of Code for Design of Extinguisher Distribution in Buildings; Article 16 of Fire Control Law; Article 8.5.1 of Code of Design on Building Fire Protection and Prevention (Extract)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

**Plan  
Complete  
Date:**

---

**Health and Safety: 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)

**Noncompliance**

**Explanation:** [At least 2 electrical control boxes blocked by goods in workshop.](#)

[Sources: factory tour, worker and management interview](#)

[Legal Reference: Article 6.5 of PRC General Guide for Safety of Electric User](#)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan  
Complete:** [No](#)

**Plan  
Complete  
Date:**

---

### Health and Safety: Proper Use of Machinery

H&S.19 Employers shall only use positive incentives (risk awareness training, demonstration of proper use, awards, bonuses, etc.) to ensure workers use machinery, equipment and tools properly and safely. Workers shall not suffer any negative consequences for refusing to work with machinery, equipment or tools that are not properly guarded or reasonably considered unsafe. (P)

#### Noncompliance

**Explanation:** [At least 1 overlock stitching machine not equipped with eye shield.](#)

[Sources: factory tour; worker and management interviews](#)

[Legal Reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene](#)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan            No  
Complete:**

**Plan  
Complete  
Date:**

---



### Health and Safety: 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)

#### Noncompliance

**Explanation:** [Factory could not provide first aiders' certificate for review.](#)

[Sources: document review, factory tour, management interview](#)

[Legal Reference: Article 87 of PRC Factory Safety and Health Rules](#)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan            No  
Complete:**

**Plan  
Complete  
Date:**

---

### Health and Safety: 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)

#### Noncompliance

**Explanation:** No emergency light and exit sign installed at canteen emergency exit.

Sources: factory tour; worker and management interview

Legal Reference: Article 11.3.1 of the Code for Design of Building Fire Protection and Prevention

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan  
Complete  
Date:**

---

### Health and Safety: Food Preparation

H&S.25 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws. All workers handling food shall be provided with the tools and equipment necessary to do so in a safe and sanitary manner. (S)

#### Noncompliance

**Explanation:** [Factory could not provide hygiene certificate for canteen and kitchen workers' health check certificates for review.](#)

[Sources: factory tour, document review](#)

[Legal Reference: Article 29 of PRC Food Safety Law](#)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan Complete:** [No](#)

**Plan  
Complete  
Date:**

---

### Health and Safety: 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)

#### Noncompliance

**Explanation:** 1. Only 1 emergency exit available on third floor of dormitory.

2. Male dormitory and warehouse were in same production building.

3. No first aid kit available in dormitory and canteen.

Sources: factory tour, management interviews

Legal References: Article 19 of Fire Prevention Law of PRC; Article 5.3.11 of Code for Design of Building Fire Protection and Prevention; Article 23 of Law of PRC on Prevention and Control of Occupational Diseases

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

---



### Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

#### Uncorroborated Evidence of Noncompliance

**Explanation:** Factory only put “v” symbol to indicate workers' work hours, without indicating the number of night overtime hours worked, as workers work piece rate without additional overtime wages. No way to accurately verify workers' daily and weekly work hours; whether overtime work hours exceeded legal requirements could not be accurately verified.

Sources: document review; worker and management interviews

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

**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)

#### Noncompliance

**Explanation:** Factory only used “v” symbol on manual attendance records to record employees' attendance status, without detailed time-in or time-out information. There were no worker's signatures of acknowledgement. No overtime hours recorded on manual attendance records, as workers work piece rate without additional overtime premium. Based on manual record provided, workers were sometimes required to work Sundays and were not guaranteed a 7th day rest. This occurred in May 2011.

Sources: document review; worker and management interviews

Legal Reference: Article 38 of Labor Law of PRC

**Plan Of  
Action:**

**Deadline  
Date:**

**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:** 1. Factory only used “v” symbol on manual attendance records to record employees' attendance status, without detailed time-in or time-out information. There were no worker's signatures of acknowledgement. No overtime hours recorded on manual attendance records, as workers work piece rate without additional overtime premium.
2. Factory could not provide workers' time records from July 2010 to January 2011 for review. Factory also could not provide time records for all finishing workers from February 2011 to June 2011 for review.

Sources: document review; worker and management interviews

Legal References: Amendment in Order of PRC State Council No. 174 dated March 25, 1995; Article 41 of Labor Law of PRC

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

---