



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Concept One Accessories

**COUNTRY:** China

**FACTORY CODE:** 250015982G

**MONITOR:** Global Standards

**AUDIT DATE:** November 28 – 29, 2008

**PRODUCTS:** Bags

**PROCESSES:** Cutting, Sewing, Material  
Preparation, Checking, Packing

**NUMBER OF WORKERS:** 391



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### **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. The factory does not buy all 5 types of social insurance for all workers. The factory buys 5 kinds of social insurance for 18 (out of 391) employees, including several workers. Management said that the factory did not want to force workers to buy social insurance. Hence, factory issued a notice March 3rd for workers to read, noting they would buy insurance for any worker who wanted to buy it.

Content of the notice is: Workers cannot enjoy any social insurance fee unless they a) continuously serve in factory and pay insurance fee for 15 years, b) sign open-ended contracts with factory after 15 years and c) female workers work until they are 55 years old and male workers until they are 60. While according to local regulation, all workers are entitled to all 5 kinds of insurance in [Province name] province. The factory buys employer responsibility insurance from a local private insurance company.

Law: Labor Law Article 72, sources of social insurance funds shall be determined according to branches of insurance, and an overall increase of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.

2. Leave for occupational injury is not paid according to legal regulation. Employee working time management regulation 5.6.4. Factory pays 60% of workers' basic daily rate for occupational injury leave.

Law: Occupational insurance regulation Article 31. Employers shall pay full wage and benefit to workers for occupational injury leave.

3. There are no paid legal holidays provided to all workers.

Law: China Labor law: Section 40. Employing unit shall arrange holidays for laborers in accordance with law during [festivals]. Section 51. Employing unit shall pay wages to laborers who observe statutory holidays, take leave during periods for marriage or funeral, or participate in social activities in accordance with law. Section 62. After childbirth, female workers shall be entitled to no less than 90 days of maternity leave with pay. There is no paid care leave provided to all male workers. Care leave is not paid according to legal regulations. According to Factory Employee Working Time Management Regulation 5.8.3., only male employees who continuously serve in the factory for full 2 years can enjoy paid care leave of 5 days, with days taken at 60% of daily wage.

4. There is no paid marriage leave provided to all workers. According to Factory Employee Working Time Management Regulation 5.7.1., only employees who continuously serve in factory for full 2 years can enjoy paid marriage leave. There is no paid maternity leave provided to all workers. Maternity leave is not paid according to legal regulation. According to Factory Employee Working Time Management Regulation 5.8.1, only female employees who continuously serve in the factory for full 2 years can enjoy paid maternity leave. According to the Regulation 5.8.2, the factory pays 60% of workers' basic daily rate for maternity leave.

Law: [Province name] Population and birth control regulation Article 38, male employees' care leave is 5 to 10 days, employers shall pay full wage for care leave.

**Plan Of Action:**

1. Factory needs to provide correctly paid legal holidays to all workers, such as official holiday and sick leave.
2. Factory needs to provide correctly paid marriage leave to all workers.
3. Factory needs to provide paid maternity leave to female workers.
4. Factory also needs to provide correctly paid annual leave to all eligible workers.

**Deadline Date:**

06/30/2009

**Supplier CAP:**

1. We will provide the payment for legal holidays to all workers.
2. We will provide full payment for marriage leave to all workers.
3. We will provide maternity leave to all workers.
4. We will provide annual leave to all workers.

**Supplier CAP** 06/25/2009

**Date:**

**Action Taken:** 1. According to our internal visit on June 4, 2009: The factory has provided payment for all legal holidays and leave to all workers.

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

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### **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:** A very small number of workers who work slowly may receive wages less than minimum wage. Management explained that basic factory wage was 600 RMB. If workers' total piece rate salary was lower than 600 RMB, factory would compensate the balance to workers, which is still lower than the local minimum wage of 650 RMB.

**Plan Of Action:** Factory needs to pay no lower than local minimum wage, as local laws require, at anytime.

**Deadline** 06/30/2009

**Date:**

**Supplier CAP:** All workers will receive at least the minimum wage as the laws require, even if the actual piece rate wages do not reach the minimum wage.

**Supplier CAP** 06/25/2009

**Date:**

**Action Taken:** According to our internal visit on June 4, 2009: The factory provided at least the minimum wage (RMB 650) to the workers.

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### **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:** Overtime wages are not paid to workers as per the legal requirement. Piece rate at night and in daytime are the same.

Law: China 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% of normal wages if extension of the working hours is arranged;
2. To pay no less than 200% of normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken;
3. To pay no less than 300% of normal wages if the extended hours are arranged on statutory holidays.

**Plan Of  
Action:** Factory needs to pay overtime wages as per the law: 150% for OT on normal days, 200% for OT on rest days and 300% for OT on statutory holidays.

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



**Supplier CAP:** We will pay OT wages to workers according to legal regulation:

1. To pay no less than 150% of normal wages if extension of the working hours is arranged on normal days;
2. To pay no less than 200% of normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken;
3. To pay no less than 300% of normal wages if the extended hours are arranged on statutory holidays.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: The factory provided OT wages as per the law requirement.

**Plan Complete:**

**Plan Complete Date:**

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### **Wages, Benefits and Overtime Compensation: Voluntary Wage Deductions**

WBOT.14 Voluntary wage deductions for savings clubs, loan payments, etc. can only be made with the express and written consent of workers and shall be documented in employee files. All such voluntary deductions shall be credited to proper accounts and funds shall not be held illegally or inappropriately by employers. (S)

#### **Noncompliance**

**Explanation:** The factory directly deducts fines, deposit money (10 RMB) for swipe cards and loans from workers' wages without workers' written agreement.

Law: Wage payment temporary regulation Article 15: Employers can only deduct fees on the following from workers' wages: income tax, insurance fee.

**Plan Of Action:** 1. Factory cannot deduct any fines and deposit money from the workers' wages without written agreement.

2. The management should be aware of legal regulations.

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

**Supplier CAP:** We will cancel all fines for workers.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** 1. According to our internal visit on June 4, 2009: The fines have been canceled.

**Plan Complete:**

**Plan Complete Date:**





**Wages, Benefits and Overtime Compensation: 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)

**Noncompliance**

**Explanation:** No labor or health and safety laws and regulations are posted in the facility.

Law: Article 4, China Employment Contract Law: Rules, 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:** 1. Factory needs to post labor, health and safety laws/regulations on the bulletin board.  
2. The management should be aware of them.

**Deadline Date:** 08/01/2009

**Supplier CAP:** 1. We will post the laws/regulations of labor, health and safety on our bulletin board.  
2. The management will learn more about it.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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## Forced Labor: Freedom in Employment

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

### Noncompliance

**Explanation:** According Factory Employee Recruitment Management Regulation 5.2.1, workers need to submit resignation application 30 days in advance, and fill in "Resignation Confirmation Sheet" after receiving approval.

Law: China Employment Contract Law: Article 37. An employee may terminate his employment contract upon giving 30 days' prior written notice to his employer. During his probation period, an employee may terminate his employment contract by giving his employer 3 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 and 3) Fails to pay the social insurance premiums for the employee in accordance with the law.

**Plan Of Action:**

1. All workers should have the right to terminate their employment contracts upon giving 30 days prior written notice to the factory.
2. All workers in the probation period can terminate their employment contracts upon giving 3 days prior notice.
3. All workers can terminate employment contracts if employer: a) Fails to pay labor compensation fully and on time and b) Fails to pay social insurance premiums as per law.

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

**Supplier CAP:**

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: All workers can terminate their employment contract as the laws require.

**Plan Complete:**

**Plan Complete Date:**

**Forced Labor: 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)

**Noncompliance**

**Explanation:** According to Factory Employee Recruitment Management Regulation 5.1, workers who are absent from work for over 3 days will be considered as automatically quitting, and will not receive any unpaid wages.

Law: China Employment Contract Law: Article 25. With the exception of the circumstances specified in Articles 22 and 23 hereof, an employer may not stipulate an employee's provisions on the bearing of liquidated damages by the employee.

**Plan Of Action:** Factory cannot hold workers' wages already earned and this practice should be corrected.

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

**Supplier CAP:** Workers who are absent from work for over 3 days will be considered as automatically quitting, and we will pay the unpaid wages to the workers.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: Workers can get the unpaid wages when quitting.

**Plan Complete:**

**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:** 1. There are no contracts signed with new workers since the factory moved to a new facility this September.

Law: China Employment Contract Law: Article 10. To establish an employment relationship, a written employment contract shall be concluded.

2. Many columns in the contracts are left blank, such as work location and pay day.

Law: China Employment Contract Law Article 17. An employment contract shall specify the following matters:

1. The name, domicile and legal representative or main person in charge of employer;
2. The name, domicile and number of the resident ID card or other valid identity document of the employee;
3. The term of employment contract;
4. The job description and the place of work;
5. Working hours, rest and leave;
6. Labor compensation;
7. Social insurance;
8. Labor protection, working conditions and protection against occupational hazards;
9. Other matters which laws and statutes require to be included in employment contracts.

3. The factory does not keep terminated or ended employment contracts on file.

Law: China Employment Contract Law: Article 50. Employer shall keep terminated or ended employment contracts on file for not less than 2 years, for reference purposes.

**Plan Of  
Action:**

1, 2: Factory should sign contracts with all workers as per the laws and fill out all necessary columns.

3. Factory should keep the contracts for those who left factory for at least two years.

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

**Supplier** 1. All workers will sign the contracts with factory.  
**CAP:**

2. We will make the contracts as per the laws to contain:
  - a) Name;
  - b) Term of the employment contract;
  - c) Job description and place of work;
  - d) Working hours, rest and leave;
  - e) Labor compensation;
  - f) Social insurance;
  - g) Labor protection, working conditions and protection against occupational hazards;
  - h) Other matters which laws and statutes require to be included in employment contracts.
3. We will keep the terminated or ended employment contracts on file at least 2 years.

**Supplier CAP** 06/25/2009  
**Date:**

**Action** 1. According to our internal visit on June 4, 2009: All workers have signed the contracts  
**Taken:** with the factories.

2. According to the photos sent by the factory on June 25, 2009, the factory has made the contracts as the law requires.

**Plan**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **Forced Labor: Personal Worker Identification and Other Documents**

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever; including in order ensuring that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

#### **Noncompliance**

**Explanation:** Copies of ID papers/cards are missing from some workers' personnel files.

**Plan Of Action:** Factory needs to keep all workers' personnel files completely.

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

**Supplier CAP:** All workers' ID copies are recorded.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: The factory has recorded all copies of workers' ID cards.

**Plan Complete:**

**Plan Complete Date:**

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**Forced Labor: Other - Forced Labor**

Other

**Noncompliance**

**Explanation:** There is no policy and procedure on forced labor.

**Plan Of Action:** Factory needs to set up the policy and procedure on forced labor, and post it on the bulletin board to communicate it to the entire workforce.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the policy and procedure on the forced labor, and will post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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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; 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:**

1. The factory has the trade union, but it should not just be formed, it needs to be a functioning union for workers.
2. The representatives should be elected by members and administrated by them.
3. Factory needs to have the policy and procedure to ensure the right to freely associate.
4. The factory needs to establish a smooth communicating channel for workers and management.

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

**Supplier CAP:**

1. We will establish the policy and procedure for the trade union.
2. The representatives will be elected by the members freely.
3. We will establish a good communicating channel between workers and management.





Supplier CAP 06/25/2009

Date:

Action Taken: According to the documents sent by the factory on June 25, 2009:

1. The factory has the policy and procedure for the trade union.
2. The representatives are elected by the members freely.

Plan

Complete:

Plan

Complete

Date:

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### Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

#### Noncompliance

**Explanation:** Chairman of union was appointed by the highest management of the factory. Then the chairman assigned members of the union committee based on employees' performance.

**Plan Of Action:** The chairman of the union should be elected by the workers.

**Deadline** 06/30/2009

**Date:**

**Supplier CAP:** We will elect the chairman of the union by all members freely.

Supplier CAP 06/25/2009

Date:



**Action Taken:** According to the documents sent by the factory on June 25, 2009: The chairman of the union is elected by members freely.

**Plan Complete:**

**Plan Complete Date:**

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### **Freedom of Association: 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)

#### **Noncompliance**

**Explanation:** There is no written grievance policy and procedure.

**Plan Of Action:** The factory should have a written grievance policy and procedure and post it on the bulletin board to let all workers know.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the written grievance policy and procedure and post it on our bulletin board, and we will have the suggestion box for workers with any grievances.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan  
Complete  
Date:**

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**Freedom of Association: Other - Freedom of Association and Collective Bargaining**

Other

**Noncompliance**

**Explanation:** There is no policy and procedure on freedom of association and collective bargaining.

**Plan Of Action:** The factory should have policy and procedure on freedom of association and collective bargaining, and post it on the bulletin board to communicate it to the entire workforce.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the policy and procedure on freedom of association and collective bargaining, and will post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:** Completed the policy and procedure on freedom of association and collective bargaining.

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### Harassment or Abuse: 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)

#### Noncompliance

**Explanation:** There is no written system of progressive discipline.

**Plan Of Action:** The factory should have a written system of progressive discipline, and post it on the bulletin board to let all workers know.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish a written system of progressive discipline, and will post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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### 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:** The disciplinary system does not allow a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action is being imposed.

**Plan Of Action:** The disciplinary system should include the ability of a worker to: a) Appeal any disciplinary action, b) Have a third party for workers to appeal when the disciplinary action is being imposed. The system should be posted on the bulletin board.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish a disciplinary system that allows a worker to appeal and/or question any disciplinary action against them and/or to have a third party of their choice present when the disciplinary action is being imposed. We will post the system on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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### **Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers**

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

#### **Noncompliance**

**Explanation:** Workers do not sign written records of disciplinary action against them. Disciplinary records are not kept in workers' profiles.

**Plan Of Action:** The factory needs to inform the workers when a disciplinary action has been initiated against them, and keep the workers' written records of all disciplinary actions taken.

**Deadline Date:** 08/01/2009

**Supplier CAP:** When disciplinary actions are initiated against the workers, we will inform them. The workers will sign it, and we will keep the records.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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### Harassment or Abuse: 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)

#### Noncompliance

**Explanation:** There are monetary fines for factory regulation violations, such as poor performance, inferior products and so on. Through management interview and records review, the auditor found various fine regulations, amounts ranging from 5 RMB to several hundred (policy refers to inferior products or financial losses to the factory).

**Plan Of Action:** The factory should eliminate all monetary fines and penalties for workers.

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

**Supplier CAP:** We will cancel all monetary fines and penalties against workers.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 6, 2009: All monetary fines and penalties have been canceled.

**Plan Complete:**

**Plan Complete Date:**

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## **Harassment or Abuse: 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)

### **Noncompliance**

**Explanation:** There is no disciplinary procedure in place for staff accused of harassment or abuse.

**Plan Of Action:** The factory should have a disciplinary procedure in place for those who are accused of harassment and abuse.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the disciplinary procedure for those who handle harassment and abuse, and post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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**Harassment or Abuse: Other - Harassment or Abuse**

Other

**Noncompliance**

**Explanation:** There is no policy and procedure on harassment and abuse in the factory.

**Plan Of Action:** The factory should have a policy and procedure on harassment and abuse, and post it on our bulletin board. The management needs to have more awareness about harassment.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the policy and procedure on harassment and abuse, and will post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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**Child Labor: Other - Child Labor**

Other

**Noncompliance**

**Explanation:** There is no child labor procedure in the factory.

**Plan Of Action:** The factory should have a child labor procedure, and post it on the bulletin board. The management needs to pay more attention to it.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will establish the policy and procedure on child labor, and will post it on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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**Non-Discrimination: Other - Non-Discrimination**

Other

**Noncompliance**

**Explanation:** There is no policy and procedure on non-discrimination in the factory.

**Plan Of Action:** The factory needs to establish and post the policy and procedure on non-discrimination on the bulletin board. The management should have more awareness of this issue.

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

**Supplier CAP:** We will establish the policy and procedure on non-discrimination, and will post it on our bulletin board.

**Supplier CAP Date:**

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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**Code Awareness:**

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

**Noncompliance**

**Explanation:** There is no code of conduct provided to the factory by the company.

**Plan Of Action:** We have sent the code of conduct to the factory; the factory needs to post it on the bulletin board.

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

**Supplier CAP:** We have received the code of conduct and will post it on bulletin board.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: The factory has posted the code of conduct in the facility.

**Plan Complete:**

**Plan Complete Date:**

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**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:** There is no training on code of conduct provided to both management and workers.

**Plan Of Action:** We have trained the management on the code of conduct. The management will provide training for all workers on the code of conduct.

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

**Supplier CAP:** We will train all workers on the code of conduct.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: The factory has trained the code of conduct to all workers.

**Plan Complete:**

**Plan Complete Date:**

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**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.

**Noncompliance**

**Explanation:** There is no noncompliance reporting mechanism which allows factory workers to contact the company.

**Plan Of Action:** We have added the principal's contact information from the Concept One Shanghai office to the code of conduct. It will be posted on the factory's bulletin board, so that the workers can contact us if there is noncompliance.

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

**Supplier CAP:** We have gotten the company's contact and will post it on the bulletin board, then all workers can see it.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to the internal visit on June 4, 2009: The factory has posted the company's contact in the facility.

**Plan Complete:**

**Plan Complete Date:**

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## Health and Safety: 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)

### Noncompliance

**Explanation:** No health and safety laws and regulations are kept in the factory.

**Plan Of Action:** The factory needs keep the health and safety laws and regulations and post them on the bulletin board.

**Deadline Date:** 08/01/2009

**Supplier CAP:** We will collect the health and safety laws and regulations and will post them on our bulletin board.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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## Health and Safety: 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)

### Noncompliance

**Explanation:** Written H&S policy and procedures are not up to standard. H&S policy does not contain framework for comprehensive H&S management system within which employers' responsibilities; workers' rights and duties; various responsibilities of designated personnel; procedures that enable workers to raise H&S concerns and procedures for reporting death, injury, illness and other H&S issues (for instance, near-miss accidents) are clear, regularly tested and reviewed.

**Plan Of Action:** Factory should have written policy and procedure for H&S as laws require, which should include framework of employer's responsibilities; worker's rights and duties; various responsibilities of designated personnel; procedures that enable workers to raise H&S awareness and procedures for reporting death, injury, illness and other H&S issues (for instance, near-miss accidents). Policy and procedures should be posted on bulletin board. The management needs to pay more attention to health and safety issues.

**Deadline Date:** 08/01/2009

**Supplier CAP:**

1. We will establish the written health and safety policy and procedure up to standard, and will post it on our bulletin board.
2. We will make H&S policy contain framework for a comprehensive H&S management system, with designated personnel to regularly inspect and review H&S issues.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**



**Plan  
Complete  
Date:**

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### 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:** 1. The factory manager and safety director do not have safety qualification certificates.

Law: Article 20, Safety production law ... management shall pass tests and receive qualification certificate

2. Chemical waste is reclaimed by supplier, but the factory can provide neither a quality certificate nor transfer sheets.

3. There is no business operation permit for the store in canteen.

**Plan Of Action:**

1. Factory manager and safety director need to have the safety qualification certificates.
2. The factory needs to obtain a quality certificate or transfer sheets for chemical waste.
3. The factory needs to obtain the business operation permit for the store in canteen.

**Deadline Date:** 08/01/2009

**Supplier CAP:**

1. We will have factory manager and safety director get safety qualification certificates.
2. We will obtain the transfer sheets for chemical waste.
3. We will obtain the business operation permit for the store in canteen.

**Supplier CAP Date:** 08/01/2009

**Action  
Taken:**

**Plan  
Complete:**

**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. No evacuation plan is posted in the facility.
  2. No records of fire and evacuation trainings are kept.
  3. The doors of canteen only open inwards.
  4. No emergency lights installed on 2<sup>nd</sup> and 3<sup>rd</sup> floors of production building, in dormitory and in the canteen.

- Plan Of  
Action:**
1. The factory needs to have an evacuation plan.
  2. The factory needs to keep the records of fire and evacuation trainings.
  3. The factory needs to change the doors of canteen to open outwards.
  - 4: Factory needs to install emergency lights for production building, dorm and canteen.

**Deadline  
Date:** 08/01/2009

- Supplier CAP:**
1. We will make the evacuation plan and post it in the facility.
  2. We will keep the records of fire and evacuation trainings.
  3. We will change the doors of canteen to be opened outwards.
  4. We will install the emergency lights on the 2<sup>nd</sup> and 3<sup>rd</sup> floors of the production building as well as in the dormitory and in the canteen.

**Supplier CAP** 08/01/2009

**Date:**

**Action**

**Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

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### **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. There is no fire extinguisher (FE) in the garbage room.
  2. How FEs placed at warehouse entrance on 1<sup>st</sup> floor of production building incorrect (should be hung on wall or placed in boxes). 1 set of FEs and fire hose in cutting department on 1<sup>st</sup> floor blocked. No inspection records for all fire hoses and FEs kept.
  3. No training on first aid is provided to workers.
  4. No appropriate eye wash equipment on 3<sup>rd</sup> floor where workers temporarily brush glue.

**Plan Of  
Action:**

1. The factory needs to add fire extinguishers in the garbage room.
2. The factory needs to correct placement of fire extinguishers that are at the warehouse entrance on 1<sup>st</sup> floor of production building. All fire hoses and extinguishers cannot be blocked. Factory needs to inspect the fire hoses and extinguishers frequently and keep the inspection records.
3. The factory needs to take the training on first aid to workers.
4. The factory needs to install appropriate eyewash equipment on the 3<sup>rd</sup> floor where workers temporarily brush glue.

**Deadline  
Date:** 08/01/2009

**Supplier  
CAP:**

1. We will add fire extinguishers in the garbage room.
2. We will correct the way the factory places fire extinguishers at the entrance of the warehouse on 1<sup>st</sup> floor of production building.
3. We will clear up and make sure the fire hoses and extinguishers are not blocked.
4. We will check all fire hoses and extinguishers monthly and keep inspection records.
5. We will have training on first aid for all workers.
6. We will install appropriate eyewash equipment on the 3<sup>rd</sup> floor where workers temporarily brush glue.

**Supplier CAP  
Date:** 08/01/2009

**Action  
Taken:**

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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## 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. No sign of personal protective equipment (PPE) usage is posted in the facility.

2. No masks are provided to workers who temporarily brush glue on the 3<sup>rd</sup> floor.

3. Earplugs not are provided to workers in the cutting department.

**Plan Of Action:** 1. The factory needs to post the sign on PPE usage.

2. Factory needs to provide masks to workers who temporarily brush glue on 3<sup>rd</sup> floor.

3. The factory needs to provide earplugs to the workers in the cutting department.

4. The factory needs to pay more attention to PPE.

**Deadline Date:** 08/01/2009

**Supplier CAP:** 1. We will post the sign on PPE usage.

2. We will provide the masks to the workers who temporarily brush glue on 3<sup>rd</sup> floor.

3. We will provide earplugs to the workers in the cutting department.

4. We will pay more attention to PPE.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

## Health and Safety: 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 local language. Workers shall receive training, appropriate to their job responsibilities, concerning hazards, risks and the safe use of chemicals and other hazardous substances. (S)

### Noncompliance

**Explanation:** 1. Hydraulic oil and sewing machine oil stored under stairwell on 1<sup>st</sup> floor of production building.

2. No safety sign is posted on small bottles containing glue on 3<sup>rd</sup> floor, where workers temporarily brush glue.

3. No training on chemical safety provided to workers who temporarily brush glue on the 3<sup>rd</sup> floor.

**Plan Of Action:**

1. Factory needs to store hydraulic oil and the sewing machine oil in a separate place.
2. Factory needs to post safety label on small bottles containing glue on the 3<sup>rd</sup> floor.
3. Factory needs to provide chemical safety training to workers who temporarily brush glue.

**Deadline Date:** 08/01/2009

**Supplier CAP:**

1. We will remove hydraulic oil and sewing machine oil from the 1<sup>st</sup> floor stairwell in the production building.
2. We will post the safety sign on small bottles containing glue on the 3<sup>rd</sup> floor where workers temporarily brush glue.
3. We will conduct training on chemical safety for the workers who temporarily brush glue on the 3<sup>rd</sup> floor.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### **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:** No MSDS is posted in workplace where workers temporarily brush glue on the 3rd floor.

**Plan Of  
Action:** Factory needs to post MSDS in workplace where workers temporarily brush glue on 3rd floor.

**Deadline  
Date:** 08/01/2009

**Supplier  
CAP:** We will post MSDS in workplace where workers temporarily brush glue on the 3rd floor.

**Supplier CAP  
Date:** 08/01/2009

**Action  
Taken:**

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### 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:** There are no shields for the turning parts of some buttoning machines on the 1<sup>st</sup> and 3<sup>rd</sup> floors. There are no needle guards for sewing machines.

**Plan Of Action:** 1. The factory needs to add the shields for the turning parts of some buttoning machines on the 1<sup>st</sup> and 3<sup>rd</sup> floors.

2: The factory needs to add needle guards on all sewing machines.

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

**Supplier CAP:** 1. We will add shields for turning parts of some buttoning machines on 1<sup>st</sup> and 3<sup>rd</sup> floors.  
2. We will install the needle guards on all sewing machines.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to the photos sent by factory on June 25, 2009: The factory has added the shields for the turning parts of all buttoning machines.

**Plan Complete:**

**Plan Complete Date:**

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## 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:** No first aid guide is posted near first aid box. 3 first aid boxes are all stored in security room during audit. 1 box of anti-diarrhea medicine expired. Medicines listed are missing in first aid boxes.

**Plan Of Action:**

1. The factory needs to post the first aid guides near the first aid boxes.
2. All production plants need to have a first aid box and need to make sure all medicine is complete and available.
3. The factory needs to add medicine listed on first aid boxes.

**Deadline Date:** 08/01/2009

**Supplier CAP:**

1. We will post the first aid guide near first aid box.
2. We will prepare the first aid boxes in each workshop, and make sure all medicine is complete and available.
3. We will make a medicine list and post it on first aid boxes.

**Supplier CAP Date:** 08/01/2009

**Action Taken:**

**Plan 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:** Workers do not have at least 1 day off in every 7 day period. Based on working time records factory provided for this October, auditor found workers had 1 day off because of a national holiday. They also had daytime off for 2 days, because there was no electricity, but workers had to work at night instead. Management explained workers usually had 1 day off per month, just next day after pay day; they had 4 - 5 days off per month in July and August.

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:** Factory is required to provide at least 1 day off in every seven day period to the workers.

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

**Supplier CAP:** We will provide at least one day off in every seven day period to the workers.

**Supplier CAP Date:** 06/25/2009

**Action Taken:** According to our internal visit on June 4, 2009: The factory has provided at least one day off in every seven day period to the workers.

**Plan Complete:**

**Plan Complete Date:**

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### **Hours of Work: 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)

#### **Noncompliance**

**Explanation:** Workers worked over 3 hours per night (no clear records and not accurately recorded). Workers work over 60 hours per week. It is very difficult for the auditor to tell exactly what department, what percentage of workers work in which months and how many excessive OT hours for the following reasons:

1. The factory can only provide time records for this October.
2. The management explained that workers could choose to work OT as long as they wanted at night. Workers could swipe time cards or not for night work, which means time records for this October are not accurate either.
3. There is no working time recorded in payroll. The auditor made the conclusion that workers worked over 60 hours per week based on:
  - a) Inaccurate working time summaries for this October (2008);
  - b) Management explained that workers usually had 1 day off per month, just the next day after pay day, and had 4 to 5 days off per month in July and August;
  - c) Management explained that most workers worked from 7pm - 10pm at night; some might work more OT if they wanted, but workers could also not work OT at night if they wanted.

Law: According to Article 41 PRC Labor Code, The employing unit may extend working hours as necessitated by its production or business operations after consultation with the trade union and laborers, 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:**

1. The factory needs to keep the complete and accurate records of all work time.
2. The factory cannot have the workers work over 60 hours per week, and the OT hours cannot be over 36 hours per month, 3 hours per day.



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

**Supplier** 1. We will keep the complete records of work time.  
**CAP:** 2. We will arrange the workers to work overtime for no more than 3 hours/per day and 36 hours/per month, and no more work times of 60 hours/per week.  
3. We will keep the complete of OT hours.

**Supplier CAP** 06/25/2009  
**Date:**

**Action** According to our internal visit on June 4, 2009:  
**Taken:** 1. The factory kept the complete records of work time.  
2. The factory arranged the work time as law requires.

**Plan**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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