



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Concept One
COUNTRY: China
FACTORY CODE: 250015155H
MONITOR: Social Compliance Service Asia
AUDIT DATE: December 29, 2009
PRODUCTS: Handbags
PROCESSES: Cutting, Sewing, Packing,
Inspection
NUMBER OF WORKERS: 80



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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: As per social insurance contribution receipt of November 2009, it was noted that factory had covered 19 out of 80 workers under work injury, medical, pension and unemployment insurances. No maternity insurance was provided. Factory had provided extra commercial work-related injury and medical insurance for 64 workers.

Law reference: Articles 73, 45, 51 of China Labor Law

Plan Of Action:

1. Factory needs to provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within legally defined time periods as per law. Factory also needs to calculate all leave and bonuses correctly.
2. Factory needs to train workers on the advantages of insurance and to arouse workers to buy the insurance more and more if they do not want to buy insurance.

Deadline Date: 03/10/2010

Supplier CAP:

1. We will provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within legally defined time periods as per law.
2. Calculate all leave and bonuses correctly.
3. Some workers do not want to buy insurance, and we will train them on advantages of insurance (work injury, medical, pension and unemployment insurances) and arouse workers to buy the insurances more and more.

Supplier CAP Date: 03/10/2010



Action [According to our internal visit on March 15, 2010:](#)

Taken:

1,2. Factory has provided all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within legally defined time periods as per law, and calculates all leave and bonuses correctly.

3. Factory established a system to train and arouse the workers to buy the insurance more and more.

Plan No

Complete:

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: Due to various inconsistencies noted between time and payment records and information obtained during audit, auditors were unable to accurately verify workers' actual wages and benefits status at the facility. As per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). Majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during audit, so actual status of working hours and payment status could not be accurately verified in audit. For example, production related records showed workers were working on various Saturdays and Sundays, such as September 20, November 28, December 6, 2009, etc. However, corresponding time records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days and were paid additional RMB 1 per hour for working night and rest day overtime, which contradicts records provided by factory.



Plan Of Action:

1. Factory cannot use hidden or multiple payroll records in order to hide overtime, falsely demonstrate hourly wages, or for any other fraudulent reason; payroll records maintained need to be authentic and accurate.
2. Factories need to show the pay list to workers to check and sign, so that they can double check it by themselves.
3. Factories also need to train workers that they must sign the files with the correct date.

Deadline Date: 02/01/2010

Supplier CAP: Inconsistencies were because of mistakes in calculation and clerical error.

1. We will pay attention to calculate the payroll authentically and accurately, and we will make up the payment to the worker.
2. We will also provide pay list to workers to check and sign, so that they can double check it by themselves.
3. We will also train workers that they must sign the files with correct date.

Supplier CAP Date: 01/11/2010

Action Taken: [According to our internal visit on March 15, 2010:](#) Payroll records maintained authentically and accurately.

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:

1. Factory has a trade union, but it should not just be formal, it needs to be an available union for workers.
- 2: Representatives need to be elected by members and administrate by themselves as law.
- 3: Factory needs to have policy and procedure for the trade union.
4. Factory needs to establish the communicating channel for workers and trade union management.
5. Trade union will have a meeting every 2 months, and all members need to attend it.

Deadline Date: 02/01/2010



- Supplier CAP:**
1. We will establish policy and procedure for the trade union.
 2. Firstly, elect at least 2 representative candidates from trade union members freely; secondly, elect representatives from candidates volunteered by members.
 3. We will establish the communicating channel for workers and trade union management, and then representatives will represent workers in negotiating with the factory.
 4. The trade union will have a meeting every 2 months, and all members need to attend it.

Supplier CAP 01/11/2010
Date:

- Action Taken:** According to our internal visit on March 15, 2010:
1. Factory has policy and procedure for trade union.
 2. Representatives were elected freely by the members on November 20, 2009.
 3. Factory established communicating channel for workers and trade union management; the representatives represented the workers in negotiating with the factory.

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: No appeal system was available for workers being terminated or being subject to other kinds of disciplinary action.

Plan Of Action: Factory needs to establish an appeal system, such as a complaint box. Factory needs to establish a system to manage it. Complaint box needs to be opened at a stationary time by at least 2 persons on site, and should be managed by the highest factory director directly. Factory also needs to train workers and arouse them to give suggestions.

Deadline Date: 02/01/2010

Supplier CAP: We had a complaint box, and we will establish a system to manage it. The administration will open complaint box every day, which can be opened by at least 2 persons on site; comments need to be responded to within 10 days. Also, we add it into the company's system, all workers know it.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: A complaint box and correlative system were established.

Plan Complete: No

Plan Complete Date:



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: It was noted from factory regulation that discipline policy contains policy on monetary penalties on workers in instances like: a) when workers were found providing fake personnel information would be fined 1 month's wage as punishment and b) some workers also reported that they were subject to monetary fines if they were absent without prior notice.

Law reference: Article 50 of the PRC Labor Law

Plan Of Action: Monetary fines and penalties cannot be allowed and factory must repeal this discipline.

Deadline Date: 02/01/2010

Supplier CAP: We have repealed the monetary fines and penalties, no monetary fines and penalties anymore.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: Monetary fines and penalties were repealed.

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) from participating company was posted.

Plan Of Action: Factory needs to post COC onto bulletin board and let all workers see it; also, have a training for all workers.

Deadline Date: 02/01/2010

Supplier CAP:

1. We will post COC on the bulletin board, so that all workers can see it.
2. Factory will have a training about COC for all workers.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010:

1. COC was posted on bulletin board and all workers can see it.
2. Factory had a training for all workers.

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. It was noted that there was only 1 exit for evacuation on 2nd floor of dormitory building.
 2. It was found that some evacuation aisles were blocked by materials.
 3. It was noted that some fire extinguishers were blocked by materials.

Law reference: Article 5.3.1 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87) and Article 21 of Fire Prevention Law of the People's Republic of China.

- Plan Of Action:**
1. All buildings need have at least 2 exits for evacuation.
 2. All evacuation aisles should be clear.
 3. Fire fighting equipment cannot be blocked.

Deadline Date: 01/08/2010

- Supplier CAP:**
1. We will plan to add 1 more evacuation at 2nd floor of dormitory building in 5 months.
 2. We will keep all evacuation aisles clear and smooth at all times.
 3. We will keep all fire fighting equipment, such as fire extinguishers, exit lights, safety instructions, fire alarms, etc. clear and available.

Supplier CAP Date: 01/08/2010

Action Taken: [According to our internal visit on March 15, 2010:](#) All evacuation aisles and fire fighting equipment are clear and available as pictures.

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 temporary warehouse was not equipped with any fire fighting equipment.

Law reference: Article 21 of Fire Prevention Law of the People's Republic of China and Article 2.4.3.16 of Manual of Basic Data for Industrial Safety and Health of PRC

Plan Of Action: All working places need to be equipped with enough safety and medical equipment.

Deadline Date: 02/01/2010

Supplier CAP: We have equipped enough safety and medical equipment for the temporary warehouse.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: Enough fire fighting equipment was equipped for temporary warehouse.

Plan Complete: No

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

Noncompliance

Explanation: No secondary containment was available for chemicals at storage area and was no proper MSDS posted.

Law reference: Article 16 of Regulation for Safety of Dangerous Chemical and Clause 27 of the Regulation For Chemical Usage Safety in Work Place

Plan Of Action: Need to equip secondary containment for chemicals at storage area with proper MSDS post.

Deadline Date: 02/01/2010

Supplier CAP: We will add a secondary containment for chemicals with MSDS posted.

Supplier CAP Date: 01/11/2010

Action Taken: [According to our internal visit on March 15, 2010:](#) A secondary containment for chemicals was made with MSDS posted as pictures.

Plan Complete: No

Plan
Complete
Date:

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: No pulley guard equipped for some sewing machines.

Law reference: Article 32 of PRC Factory Safety and Health Rules

Plan Of Action: Need to equip pulley guards on all sewing machines.

Deadline Date: 02/01/2010

Supplier CAP: We have equipped pulley guards on all sewing machines.

Supplier CAP Date: 01/11/2010

Action Taken: [According to our internal visit on March 15, 2010:](#) All sewing machines were equipped with pulley guards as picture.

Plan Complete: No

Plan
Complete
Date:

Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Noncompliance

Explanation: It is noted that factory has yet to establish an ergonomics system. It is recommended factory consider minimizing bodily strains when designing workstations or having seating arrangements, such as providing back rests for workers. In addition, floor mats can be provided to workers who are required to stand for long hours.

Plan Of Action: The factory needs to improve the ergonomics system to minimize bodily strains through changing the design of workstation, work method and tools. Factory also needs to have a training for all workers and let them know how to minimize bodily strains with correct work methods.

Deadline Date: 02/01/2010

Supplier CAP: We improve the ergonomics system to minimize bodily strains via the design of work place, work method and tools. And, we also have a training for all workers.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: The ergonomics system was improved to minimize bodily strains. The factory changed the chairs with back rests, and also had a training for all workers to tell them know how to minimize bodily strains with correct work methods and tools.

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)

Noncompliance

Explanation: Due to various inconsistencies noted between time and payment records and information obtained during audit, auditors were unable to accurately verify workers' actual working hours and rest day status at the facility. As per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). Majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during audit, so actual status of working hours and payment status could not be accurately verified in audit. For example, production related records showed that workers were working on various Saturdays and Sundays, such as September 20, November 28, December 6, 2009, etc. However, corresponding time and records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

Law reference: Article 36 and 41 of PRC Labor Law

Plan Of Action:

1. The record of working time needs to be accurate and comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. The factory also needs to let all workers know the regulations.
2. Factory needs to provide the pay list with working hours to the workers to check and sign, so that they can double check it by themselves.
3. Factory needs to have a person to monitor it.
4. Factory also needs to establish a system to control and improve the overtime via the aspects below: a) Raise workers' working efficiency accordingly to activate workers' working motivation. Factory can work out a reasonable task and can supply a reward to persons who finish the task in advance; b) Arrange regular maintenance, repair machines and update with new machines, so that machines can work smoothly and raise the working efficiency; c) Make a good and accurate production plan as per legal work time, and get orders from customers as per production plan; d) Working with customers on the production lead time as per production plan when get orders from customers.

Deadline Date:

Supplier CAP: We will keep accurate records of working time and arrange working hours reasonably, with no more than 36 hours overtime per month and at least 1 day off per every 7-day period.

1. We will pay attention to calculate the payroll authentically and accurately.
2. We will also provide pay list with working hours for workers to check and sign, so that they can double check it by themselves.
3. We will also train the workers they to the files with correct date.
4. Social compliance person in factory will also monitor it.
5. The factory also needs to establish a system to control and improve overtime via below aspects: a) Will raise workers' working efficiency accordingly to activate workers' working motivation. Will work out a reasonable task, can supply reward to persons who finish the task in advance; b) Will arrange regular maintenance and repair for machines and update with new machines, so that machines can work smoothly and raise the working efficiency; c) Will make a good and accurate production plan as per legal work time, and get orders from customers as per the production plan; d) Will work with customers about production lead time as per production plan when get orders from customers.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010:

1. The factory kept accurate records and arranged the working hours reasonably, and all workers have known the regulations.
2. The factory has established a system to control and improve overtime.

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)

Noncompliance

Explanation: Due to various inconsistencies noted between time and payment records and information obtained during audit, auditors were unable to accurately verify workers' actual working hours and rest day status at facility. As per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). Majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during audit, so actual status of working hours and payment status could not be accurately verified in audit. For example, production-related records showed workers were working on various Saturdays and Sundays, such as September 20, November 28, December 6, 2009, etc. However, corresponding time and records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

Law reference: Article 38 of China Labor Law

Plan Of Action: Need to arrange at least 1 day off in every 7-day period. The factory needs to train workers on all regulations, so that workers can monitor it by themselves. Factory also needs to have a person to monitor it.

Deadline Date: 02/01/2010

Supplier CAP:

1. We arrange at least 1 day off in every 7-day period. If workers must work on a rest day, an alternative day off will be provided within that same 7-day period.
2. We will train workers on the regulation and add it into our worker manual, so that workers can monitor it by themselves.
3. The social compliance person in factory will monitor it, too.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: Factory has provided at least 1 day off in every 7-day period for workers and all workers have known the regulation.

Plan No
Complete:

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. Due to various inconsistencies noted between time and payment records and information obtained during audit, auditors were unable to accurately verify workers' actual working hours and rest day status at facility. As per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). Majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during audit, so actual status of working hours and payment status could not be accurately verified in audit. For example, production-related records showed workers were working on various Saturdays and Sundays, such as September 20, November 28, December 6, 2009, etc. However, corresponding time and records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

2. Factory could not provide time records and payment records for some workers for review.

Law reference: Articles 36 and 41 of PRC Labor Law, Article 16 of Wage Payment Regulation of [Province name] Province.



Plan Of Action: 1. Need to arrange working times as per law, and keep time records authentically and accurately.
2. Factory also needs to train workers on the regulations.
3. Factory needs to provide pay list with working hours for workers to check and sign, so that they can double check it by themselves.

Deadline Date: 02/01/2010

Supplier CAP: We arrange working times according to law, and keep time records authentically and accurately.

1. We will pay attention to calculate payroll authentically and accurately.
2. We will also provide pay list with working hours for workers to check and sign, so that they can double check it by themselves.
3. We will also train workers that they must sign the files with correct date.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: Factory arranged working times according to law and kept time records authentically and accurately.

Plan Complete: No

Plan Complete Date:

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: No voluntary overtime application system was established at facility for workers; however, workers reported that overtime was on a voluntary basis.

Plan Of Action: Factory needs to establish voluntary overtime application system for workers. The departments need to send voluntary overtime application form for workers and manager to sign when overtime is needed. They also need have a training for all workers about it.

Deadline Date: 02/01/2010

Supplier CAP: We establish a voluntary overtime application system for workers. the departments must send voluntary overtime application form for workers and manager to sign when overtime is needed. Departments also need to send application form with signatures to Administration for record. And, we will have a training for all the workers.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on March 15, 2010: A voluntary overtime application system was established for workers. The departments must send voluntary overtime application form for workers and managers to sign when overtime is needed and all workers had a training about the system.

Plan Complete: No

Plan Complete Date:
