

2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT *

COMPANY: ChicoBag Company

COUNTRY: China

FACTORY CODE: 930015194HV

MONITOR: Social Compliance Service Asia

AUDIT DATE: September 14, 2011

PRODUCTS: Handbags

PROCESSES: Material Preparation, Cutting,

Sewing, Trimming, Finishing, Packing
NUMBER OF WORKERS: 67

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.



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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. Factory had covered 110 employees under accidental and injury insurances; 40 employees under medical insurance, unemployment and retirement insurances. No employees were being covered by childbearing (maternity) insurance, as factory claimed that childbearing insurance has not yet been implemented by the local government. Factory provided waiver from local social insurance bureau on May 12, 2009. No contribution records for June and July were available for review. Factory management was not able to demonstrate the calculation method for the social insurance deduction and no deductions for employees were found on payroll for the social insurance premium.
 - 2. Due to inconsistencies noted between time and payment records provided and other information and records obtained during the audit, auditors' actual status of wages and benefits could not be accurately verified.

Sources: 1) social insurance contribution record of May 2009, 2) record review

Legal references: 1) Article 73 of PRC Labor Law; Articles 9, 20, 29, 39, and 49 of Social Insurance Law; 2) Articles 51 and 45 of PRC Labor Law

Plan Of

Obtain all receipts with respect to benefits paid for employees for all months.

Action:

Deadline 11/14/2009

Date:

Supplier Representative going on site will be checking to ensure that receipts are now in place for

CAP: all months and employees.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken:



Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:

iod:

Action Verified

Text:

(Pending)

1. Factory had enrolled 43 out of 66 employees in injury, medical, unemployment and pension insurances; only 16 workers were included under maternity social insurance. Factory provided waiver from local social bureau dated May 11, 2011, indicating that factory had enrolled 43 (which is 100%) employees under injury, medical, unemployment and pension insurances; waiver was valid from May 2011 until December

31, 2011. In addition, in payroll records provided, there were no deductions found on employees' payroll for social insurance premium.

2. Inconsistency noted on provided time record along with payroll record, other information (e.g., worker interviews), and production-related records gathered during audit. For instance, worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked a maximum of 10.5 hours a day, and only had 2 days of night overtime were arranged a week. Hence, the time and payroll records provided were unreliable, and audit team could not accurately verify workers' actual hour works, wages compensation and benefits.

Sources: 1) August receipt contribution, payroll record review; 2) time record review, payroll review, production-related record review, worker interviews

Legal references: 1) Articles 9, 20, 29, 39, and 49 of Social Insurance Law

(New finding)

Factory did not provide paid sick leave to workers.

Sources: document review; worker and management interviews

Legal reference: Article 59 of Opinions on Matters of Carrying Out Labor Law of PRC of LMI [1995] No. 309



Action	09/14/2011
Verified	
Date:	

Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

Noncompliance

Explanation: Factory did not make the legal mandated personal income tax withholding and

contributed the personal income tax to the respective bureau in accordance with

prevailing legislation.

Source: provided payment records

Legal reference: Article 1 of Standing Committee of National People's Congress

Individual Income Tax Law of PRC

Plan Of Action:		
Deadline Date:		
Action Taken:		
Plan Complete:	No	
Plan Complete		



Action No

Verified:

(Pending)

Action Verified Text:

Factory did not make the legal mandated personal income tax withholding and

contributed personal income tax to the respective bureau in accordance with the

legislation.

Sources: document review; provided payment records; worker and management

interviews

Action

09/14/2011

Verified Date:

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

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

Noncompliance

Explanation: Due to inconsistencies noted between time and payment records provided, other

information and records obtained during audit, auditors were unable to accurately verify workers' actual working hours, wages, overtime compensation and other the status of

other facility benefits.

Sources: time record review, payroll review, document review

Legal references: Articles 48 and 44 of PRC Labor Law

Plan Of

Collect all relevant data for subsequent audits.

Action:

Deadline 11/14/2009

Date:



Supplier

Representative going on site will be checking to ensure that time cards and records are

CAP:

now in place for all months and employees.

Supplier CAP 11/09/2009

Date:

Action

Representative and Auditing Consultant met with factory owner and manager to review.

Taken:

Plan

Yes

Complete:

Plan

11/09/2009

Complete

Date:

Action

No

Verified:

Action (Pending)

Verified Text:

Inconsistency noted on provided time record along with payroll record, other

information (e.g., worker interviews) and production-related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked a maximum of 10.5 hours a day and had only two days of night overtime arranged a week. Hence, time and payroll records provided were unreliable, and audit team could not accurately verify workers' actual hours of work, wages compensation and benefits.

Sources: document review; worker and management interviews

Action Verified 09/14/2011

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: Due to inconsistencies noted between time and payment records provided, other

information and records obtained during audit, auditors were unable to accurately verify

workers' actual wages and status at the facility.

Sources: time record review, payment record review, document review

Legal reference: Article 48 of PRC Labor Law

Plan Of

Collect all relevant data for subsequent audits.

Action:

Deadline 11/14/2009

Date:

Supplier Representative going on site will be checking to ensure that time cards and records are

CAP: now in place for all months and employees.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: All documentation matches time cards and payment records. Confirmed by Auditing

Consultant.

Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:



Action Verified (Pending)

Text:

Inconsistency noted on provided time record along with payroll record, other information (e.g., worker interviews) and production-related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked a maximum of 10.5 hours a day and had only two days of night overtime arranged a week. Hence, time and payroll records provided were unreliable, and audit team could not accurately verify workers' actual hours of work, wages compensation and benefits.

Sources: document review; worker and management interviews

Action Verified 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: Due to inconsistencies noted between time and payment records provided, other

information and records obtained during audit, auditors were unable to accurately verify

workers' actual status of wages on holidays, rest days and overtime.

Sources: time record review, payment record review, document review

Legal references: Articles 44, 51 and 45 of PRC Labor Law

Plan Of

Collect all relevant data for subsequent audits.

Action:

Deadline

Date:

Supplier

Representative going on site will be checking to ensure that time cards and records are

CAP: now in place for all months and employees.



Supplier CAP 11/09/2009

Date:

Action

Representative and Auditing Consultant met with factory owner and manager to review.

Taken:

Plan Yes

Complete:

Plan 11/09/2009

Complete Date:

- 4.0.

Action No Verified:

Action (Pending)

Verified Text:

Inconsistency noted on provided time record along with payroll record, other information (e.g., worker interviews) and production-related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked a maximum of 10.5 hours a day and had only two days of night overtime arranged a week. Hence, time and payroll records provided were unreliable, and audit team could not accurately verify workers' actual hours of work, wages compensation and benefits.

Sources: document review; worker and management interviews

Action 10/14/2011

Verified Date:

Comments: All documentation matches time cards and factory paid OT wages in accordance to local

OT wage requirements. Confirmed by Auditing Consultant.



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: Workers were paid above local minimum wage and OT hours were paid at 150% and

200% of normal rate as according to the law. However, due to finding unreliable records, auditor could not verify whether basic wages were properly calculated and paid to workers or whether workers were properly guaranteed with minimum wages and OT

compensation.

Sources: time and payment record review

Legal references: Articles 48 and 44 of PRC Labor Law

Plan Of Confirm and collect all relevant data for subsequent audits.

Action:

Deadline 11/14/2009

Date:

Supplier CAP:

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review. Taken:

All documentation matches time cards and the factory paid OT wages in accordance to

local OT wage requirements. Confirmed by Auditing Consultant.

Plan Yes

Complete:

Plan 11/09/2009

Complete Date:

Action No

Verified:



Action Verified (Pending)

Text:

Inconsistency noted on provided time record along with payroll record, other information (e.g., worker interviews) and production-related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked a maximum of 10.5 hours a day and had only two days of night overtime arranged a week. Hence, time and payroll records provided were unreliable, and audit team could not accurately verify workers' actual hours of work, wages compensation and benefits.

Sources: document review; worker and management interviews

Action Verified Date: 09/14/2011

Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Noncompliance

Explanation: 1. Factory could only provide payroll records for months April-July 2009 for review.

2. Factory was not able to provide attendance record for August 2009. Factory stated they can only consolidate the summary of attendance data on the pay date. Furthermore, their time record machines (fingerprint recording) were malfunctioning these days and they could only record attendance manually. Factory was not able to submit complete manual attendance records for review. Additionally, 3 workers' attendance records could not be provided for review.

Sources: payroll records for months April-July 2009 (only months they could provide)

Legal reference: 2) Article 41 of PRC Labor Law

Plan Of

Confirm and collect all relevant data for subsequent audits.

Action:



Deadline

11/14/2009

Date:

Supplier Representative going on site will be checking to ensure that time cards and records are

CAP: now in place for all months and employees.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: Factory has maintained all the documentation needed, including payroll and time cards.

Confirmed by Auditing Consultant.

Plan No

Complete:

Plan 11/09/2009

Complete Date:

Action No

Verified:

Action (Pending)

Verified

Text: Factory provided time and payment record for regular workers for review. However,

casual workers were frequently employed, and factory could not provide time and

payroll records for review except for month of June 2011.

Sources: document review; worker and management interviews

Action Verified 09/14/2011

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: Monetary fines were implemented and posted on factory notice. E.g., absence from

cleaning dormitory as assigned will result in a deduction of RMB 10.

Plan Of Fines were implemented by workers themselves to ensure all participated in dorm room

Action: cleaning. Penalty will be changed from monetary to receiving extra duties at employee

level.

Deadline 11/14/2009

Date:

Supplier Representative going on site will be checking to ensure that employee handbook has

CAP: been updated and that employees know what is required of them.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: No monetary fine is implemented by factory; there is now a written policy concerning

the failure to participate in dorm room cleaning. Workers will receive a warning in lieu of

a fine.

Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:

Action (Pending)

Verified

Text: Monetary fines still implemented as a disciplinary action. E.g., monetary fines of RMB 50

would be imposed if the tap water for drinking was found used for washing crockery.

Sources: document review; worker and management interviews



Action	09/14/2011
Verified	
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 did not maintain personnel and age verification records for all casual workers.
	Sources: document review; worker and management interviews
	Legal references: PRC LMI [2003] No. 9 III (II) (extracted); Article 7 of Labor Contract Law
Plan Of Action:	
Deadline Date:	

Action
Taken:

Plan
Complete:

Plan Complete Date:

Action No Verified:

Action Verified Text:



Action		
Verified		
Date:		

Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Action

Verified:

No

Explanation: Although factory management interview stated that factory does not employ minor

workers (age 16 to under 18 years old), during audit it was noted that there was at least 1 minor employed by factory, [Employee name], born June 10, 1994; employed on May 28, 2011. There was no registration of minor workers' employment with local labor

authority and no medical health checks provided.

Sources: document review; worker and management interviews

Special Protection for Juvenile Workers of LMI [1994] No. 498

Plan Of Action:		
Deadline Date:		
Action Taken:		
Plan Complete:	No	
Plan Complete Date:		



Action Verified Text:	
Action Verified Date:	
Health and S	afety: Evacuation Requirements and Procedure
evacuation pla systems, ensu workstations, be trained in e	licable legally required or recommended elements of safe evacuation (such as posting of ans, the installation and maintenance of an employee alarm and emergency lighting ring aisles/exits are not blocked and that workers are not blocked within their employee education, evacuation procedures, etc.) shall be complied with. Workers shall evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall at least annually. (S)
	Noncompliance
Explanation:	No secondary exit was found at the one 3-story building. 2nd and 3rd floors of building were used as a dormitory.
	Legal reference: Article 3.5.1 of Fire Prevention Standard for Building Design (new revision of GBJ 16-87)
Plan Of Action:	
Deadline Date:	
Action Taken:	
Plan Complete:	No
Plan Complete Date:	



Action
Verified:

No

Action

(Pending)

Verified Text:

Still no secondary exit at the one block 3- storey building, where the 2nd and 3rd floors

building were used as a dormitory.

Sources: document review; worker and management interviews

Action

09/14/2011

Verified Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: First aid kits in the workshops had insufficient supplies.

Legal reference: PRC Factory Safety and Sanitary Regulations Article 31

Plan Of

Factory is required to replenish current first aid kits and add additional kits.

Action:

Deadline 11/14/2009

Date:

Supplier Representative going on site will check to make sure that kits are stocked and that

CAP: additional ones in place.

Supplier CAP 11/09/2009

Date:



Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: Currently, there are now stocked first aid kits on all floors and in the lunch room.

Confirmed by Auditing Consultant.

Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:

Action Verified (Pending)

Text: Missing first aid box in 3rd floor building workshop and dormitory building.

(New Finding)

1. At least pieces of 3 fire fighting equipment were obstructed by material and sundries and not accessible.

2. No fire extinguisher in material warehouse.

Sources: factory walkthrough; worker and management interviews

Legal references: PRC Fire Service Law Article 14(5); Article 28 of Fire Prevention Law of

PRC

Action Verified 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 for chemicals and some chemical agents were found sitting

on work floor (1st floor production).

Legal reference: Article 20 of Regulation For Chemical Usage Safety in Work Place of PRC

Plan Of All glue, chemical work and storage will be moved to the singular area and secondary

Action: containment for chemicals will be used.

Deadline 11/14/2009

Date:

Supplier Representative going on site will check.

CAP:

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: The glue and chemical work has been moved to 3rd floor and secondary containment for

chemicals has been implemented. Confirmed by Auditing Consultant.

Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:



Action Verified

(Pending)

Text:

No identification label and secondary containment for chemicals being used (motor oil,

etc.)

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

Action

09/14/2011

Verified Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: No MSDS in local language posted in chemical storage and usage areas.

Plan Of All related MSDS sheets will be collected and compiled in a binder and posted in a

Action: communal area.

Deadline 11/14/2009

Date:

Supplier Representative going on site will check to make sure MSDS are now available.

CAP:

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: All related MSDS sheets were collected and posted in places where chemicals are used

and stored. Confirmed by Auditing Consultant.

Plan Yes

Complete:



Plan 11/09/2009

Complete

Date:

Action No

Verified:

Action (Pending)

Verified

Text: No MSDS for chemicals being in used (e.g., motor oil, etc).

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

Action 09/14/2011

Verified 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:	ion: At least 1 electrical switch panel was not fitted with a cover.		
	Sources: factory tour; worker and management interviews		
	Legal reference: Article 6.5 of PRC General Guide for Safety of Electric Usage		
Plan Of Action:			
Deadline Date:			
Action Taken:			
Plan Complete:	No		
Plan Complete Date:			
Action Verified:	No		
Action Verified Text:			
Action Verified 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: Some sewing machines were not equipped with pulley guards.

Legal reference: Article 32 of Factory Safety and Health Rules

Plan Of Factory mechanic will perform inspections on all equipment and install guards as

Action: needed.

Deadline 11/14/2009

Date:

Supplier Representative going on site will check to ensure all sewing machines have pulley and

CAP: needle guards installed.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken:

Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:

Action (Pending)

Verified

Text: At least 3 sewing machines were without needle guard, protective shield, and pulley

guard.

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



Action

09/14/2011

Verified Date:

Comments: All sewing machines have pulley and needle guards installed. Confirmed by Auditing

Consultant.

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: No kind of ergonomic system was established in the facility.

Plan Of Factory will institute breaks to allow for stretching and other ergonomic

Action: accommodations.

Deadline

11/14/2009

Date:

Supplier Representative going on site will check to ensure that employees are receiving training in

CAP: ergonomics.

Supplier CAP 11/09/2009

Date:

Action Representative going on site will check to ensure that employees are receiving training in

Taken: ergonomics. Employees are encouraged to stretch regularly; factory has instituted

stretching breaks in the morning and afternoon.

Plan Yes

Complete:

Plan 11/09/2009

Complete Date:



Action No

Verified:

(Pending)

Action Verified

Text: Still no ergonomic system established in the facility.

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

Action

09/14/2011

Verified 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: There are no trained first aiders at the facility.

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

Legal reference: Article 87 of Factory Safety and Health Rules

Plan Of Action:

Deadline Date:

Action Taken:

Plan No

Complete:



PΙ	an
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Complete

Date:

Action

No

Verified:

Action Verified Text:

Action Verified 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: 1. Due to inconsistencies noted between time and payment records provided and information and records obtained during audit, workers' actual work hours could not be accurately verified during audit.

> 2. Some workers found working excessive hours at a certain time, such as in April 2009. E.g., workers worked 67.5 to 84 hours a week in a particular 2 weeks in April 2009.

Sources: 1) time and payment record review

Legal references: 1, 2) Articles 36, 41 of PRC Labor Law

Plan Of

Use swiping time cards in lieu of manual time records to reduce inconsistency issue.

Action:

Deadline 11/14/2009

Date:

Representative going on site will be checking to ensure that time cards and records are Supplier

CAP: now in place for all months and employees.



Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: Factory now uses a more reliable and consistent swipe time card to accurately keep

track of employees' work time and overtime. Confirmed by Auditing Consultant.

Plan Yes

Complete:

Plan 11/09/2009

Complete Date:

Date.

Action No

Verified:

Action (Pending)

Verified Text:

Inconsistency noted on provided time record, along with payroll record, other information (e.g., worker interviews) and production related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates, worked maximum of 10.5 hours a day and only had 2 days of night OT arranged a week. Hence, it was noted that the time and payroll records provided were unreliable. Thus, audit team could not accurately verify the workers' actual hour works, wages compensation and benefits.

Sources: document review; worker and management interviews

Action Verified

09/14/2011

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: Various inconsistencies were noted during audits:

- 1. A second set of manual time records was collected from work floor. This set indicated, for example, that cutting section workers worked on various Sundays (i.e., June 7; July 5; July 12; July 26, 2009). However, corresponding time and payment records of workers showed that they were off on the aforementioned days.
- 2. Provided time records indicated that no workers had ever performed more than 3 hours of evening OT after April 2009. However, manual time records indicated that workers had at least worked 4 hours of evening OT on a frequent basis in June, July and August 2009. Information gathered from on-site and off-site worker interviews also presented discrepancies with information indicated on provided time and payment records.

Hence, auditors concluded time and payment records were unreliable and failed to accurately reflect workers' actual work hours and wages at the facility.

Plan Of

Use swiping time cards in lieu of manual time records to reduce inconsistency issue.

Action:

Deadline 11/14/2009

Date:

Supplier Representative going on site will be checking to ensure that time cards and records are

CAP: now in place for all months and employees.

Supplier CAP 11/09/2009

Date:

Action Representative and Auditing Consultant met with factory owner and manager to review.

Taken: Factory now uses a more reliable and consistent swipe time card to accurately keep

track of employees work time and overtime. Confirmed by Auditing Consultant.



Plan Yes

Complete:

Plan 11/09/2009

Complete

Date:

Action No

Verified:

C: _ _ .

Action Verified (Pending)

Text: 1. Inconsistency noted on provided time record along with payroll record, other

information (e.g., worker interviews) and production-related records gathered during audit. E.g., worker interviews and production-related records showed that workers were working on various Sundays and Saturdays (e.g., August 27 and 28, 2011) and working up to 11.5 or 12 hours a day for almost every night. However, corresponding time and payment records showed that workers were off on these dates and worked a maximum of 10.5 hours a day and only had 2 days with night OT were arranged a week. Hence, it was noted that provided time and payroll records were unreliable, and audit team could not accurately verify workers' actual hours work, wages compensation and benefits.

2. Casual workers were frequently employed, and factory could not provide time and payroll records for review except for month of June 2011.

Sources: document review; worker and management interviews

Action Verified Date: 09/14/2011