

## FLA Audit Profile

Factory Code	560015757G
Country	China
FLA Affiliate	Crocs
Monitor	ALGI
Audit Date	July 30 -31, 2008
Products	Footwear
Processes	Manufacture of Shoes
Number of Workers	2391



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***FLA Comment:** This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company. The FLA has not yet received a response from the company. Therefore, the report is posted in its current state and will be updated once a finalized report has been received.*

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## Wages, Benefits and Overtime Compensation: A. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Facility fails to register all its workers with social insurance system. As per social insurance receipt of July 2008, facility registered 1919 out of 2394 workers with occupational injury insurance, 70 out of 2394 workers with pension insurance, 10 workers with medical insurance, 6 workers with child bearing insurance. Source: Document review and management interview. Law: Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefit): Management and employees must participate in social insurance programs. Art.73 PRC Labor Law: Workers shall be provided with social insurance benefits under the following circumstances: a) retirement; b) illness; c) disability caused by work-related injury or occupational disease; d) unemployment and e) child bearing. Root cause: Due to the instability of migrant workers employed in the factory, it is quiet difficult for the factory to register all its employees with social insurances. Some workers stated that it is very hard for them to transfer their social insurance fund to their hometown after resigning from the factory and going back to their hometown. Thus, some workers are not willing to be covered under the social insurance system.

**Plan Of Action:** Has purchase the social insurance according to local government requirement, with local government official approval

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if they have local government official approval for the type and number of workers social insurance

**Supplier CAP Date:** 09/01/2008

**Action Taken:** Verification

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** The factory has obtained local government approval showing that they have already fulfilled the requirement by local government in terms of social insurance

**Action Verified Date:** 10/16/2008

**Comments:**

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## Freedom of Association: B. 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)

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Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:**

Workers do not have the right of freedom of association and collective bargaining. A labor union was set up in June 2008. Currently there are approximately 260 union members. No evidence reveals that the union holds branch elections. Union representatives are from management. Source: Management interview, worker interview, and document review  
Law: Art. 7 of PRC Labor Law: Laborers have the right to participate in and organize trade unions. Unions represent and safeguard the legal interests of workers and proceed with activities independently. Root cause:  
1. It is not rare that the labor union in China is manipulated by factory management as a tool to better control and stabilizes workers. It is believable that factory may establish the labor union for other kinds of purposes, (e.g. compliance & factory audit) instead of recognizing the real right of FOA of workers.  
2. Please refer to China-Specific 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:**

Have been established union according to the legal requirement of the law and approved from local authority

**Deadline Date:**

09/01/2008

**Supplier CAP:**

Verify if there is any policy that prohibits the workers from associating.

**Supplier CAP Date:**

09/01/2008

**Action Taken:**

Audit and Interview

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** Through interview, the workers indicated that there is no policy that prohibits them from associating. In addition, the union is being established according the China's legal requirement

**Action Verified Date:** 10/16/2008

**Comments:**

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### Freedom of Association: C. Employer Interference and Control

FOA.3 Employers shall refrain from any acts of interference with workers' organizations, including acts which are designed to establish or promote the domination, financing or control of workers' organizations by employers. (S)

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Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Management interfered with the setup of the labor union; the existing labor union was set up with the help of factory management. All election procedures and labor union policies are enacted by management instead of workers themselves. Source: Management interview, worker interviews, and document review Description: Union representatives are from management. As per management, union representatives never approach the factory for freedom of association issues. Root cause: 1. It is not rare that the labor union in China is manipulated by factory management as a tool to better control and stabilize the workers. It is believable that factory may establish the labor union for other kinds of purposes, (e.g. compliance & factory audit) instead of recognizing the real right of FOA of workers. 2. Please refer to China-Specific 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:** An union has been established according to the legal requirement of China  
**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if the union has been established and Will verify if the workers are being prohibited to establish an union  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/01/2008  
**Action Verified:**  
**Action Verified Text:** A union has been established according to the legal requirement of China. Through interview, the workers said there is no pressure from the management to prohibit them to associate  
**Action Verified Date:** 10/16/2008  
**Comments:**

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### Harassment or Abuse C. 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)

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<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Facility does not have a policy which provides workers with an opportunity to challenge or make appeals against the disciplinary decisions made by management. Source: management interview and documentation review. Root cause: Facility thinks the suggestion box is an effective means for workers to report various kinds of complaints.

**Plan Of Action:** Established procedure and channel for employee's appeals. Policy is posted on the Notice Board outside the work floors and employees access points. Also such policy has been listed in the employee handbook, where each worker received one copy.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if the channel has been established, the policy has been clearly listed in the handbook and if workers has been given one copy

**Supplier CAP Date:** 09/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** The channel has been established and each worker received one copy of the employee handbook with the policy listed.

**Action Verified Date:** 10/16/2008

**Comments:**

**Harassment or Abuse: G. Discipline/Training of Management**

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

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Management is not trained on the factory's disciplinary policy and trained in applying appropriate disciplinary practices. Source: management interview and documentation review. Root cause: Managerial levels are much more concerned about the production, which results in the neglect of training on disciplinary policy. Facility claims that they have provided oral training on disciplinary practices to managerial staff; however, facility does not maintain written records to evidence the training process.

**Plan Of Action:** The disciplinary policy has been listed in the employee handbook which has been distributed to each employee. The workers can also issue their complain to the Social Compliance department, which is housed in the dormitory

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if the policy has been communicated to the employees

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** Each employee has received a handbook with the policy stated.

**Action Verified Date:** 10/16/2008

**Comments:**

**Non-Discrimination: K. Medical Examination**

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Facility required all workers to take physical examination which includes a section to test for Hepatitis (a kind of prevalent infectious diseases in China) at the time of hiring. If workers suffer from this ailment, facility will decline to hire the workers. Source: Management interview and documentation review. Root cause: In order to protect other workers from infectious diseases, it is a common practice in China that a facility with canteen services requires its workers to take physical examinations to make sure the health and safety of all workers are guaranteed.

**Plan Of Action:** Facility only checks for hepatitis among workers via physical examination at the time of hiring and requires them to bring their own chopstick and bowls for meal in prevention of contagion. They were not being discriminated or unemployed because of the health check result.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if there is any discrimination resulted from this physical check. We understand that there is a need to identify if workers carries hepatitis and take necessary precaution to prevent the spreading of the disease among other workers

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** No discrimination found.

**Action Verified Date:** 10/16/2008

**Comments:**

**Miscellaneous: A. 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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** CoC of Crocs has been provided to factory in English; however, no local language (Chinese) CoC has been provided to factory. Source: Document

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review & Management interview  
**Plan Of Action:** Post out the Crocs Social Compliance requirement in local language  
**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if the requirement has been posted out  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/16/2008  
**Action Verified:**  
**Action Verified Text:** The requirement has been posted out  
**Action Verified Date:** 10/16/2008  
**Comments:**

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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** CoC of Crocs is not posted. Source: Factory tour and management interview. Root cause: Facility does not post Crocs CoC because it is not in local language.  
**Plan Of Action:** Post out the Crocs Social Compliance requirement in local language  
**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if the requirement has been posted  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/16/2008  
**Action Verified:**  
**Action Verified Text:** The requirement in local language has been posted  
**Action Verified Date:** 10/16/2008  
**Comments:**

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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** There is no noncompliance reporting mechanism which allows workers to contact Crocs. Source: Factory tour and management interview.  
**Plan Of Action:** The contact of Crocs representatives has been posted

**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if it has been communicated with the employee  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/16/2008  
**Action Verified:**  
**Action Verified Text:** The contact has been posted  
**Action Verified Date:** 10/16/2008  
**Comments:**

### Health and Safety: H. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	2 (out of 5)

**Explanation:** 1. 3 out of 23 canteen workers do not have health certificates. 2. 50 out of 53 security guards do not have the legally mandated security guard licenses. Source: Document review and security guard & management interview. Law: Art. 55 of PRC Labor Law (Chapter 6 Labor Safety and Health): Workers who work in the special occupation shall undertake special training and obtain the certificates for such occupation. Art. 3 of Determination Made by the Ministry of Public Security on Consolidating the Industry of Security Guards: The security guards should have the occupational licenses issued by the department of public security and be registered with the local police station.

**Plan Of Action:** Ensure that each staff of the canteen has gone through the health check. Only those who pass the check can work in the canteen. Provide orientation and training to the security guards. Each guard shall obtain certificate as per law.

**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if each canteen workers and the security guards has certificates  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/16/2008  
**Action Verified:**  
**Action Verified Text:** Each canteen staff and security guard has certificates  
**Action Verified Date:** 10/16/2008  
**Comments:**

### Health and Safety: I. 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



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regularly tested and evacuation drills shall be undertaken at least annually. (S)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
07/30/2008	External	FLA Independent External Monitoring	ALGI	2 (out of 5)

**Explanation:** 1. The warehouse in Block F does not have a properly signaled evacuation route. Aisles are not marked with lines and arrows indicating the evacuation directions. 2. One emergency exit in located in the raw material warehouse. Another one is located in the warehouse of Block F is locked and blocked by goods. Source: Factory tour and management interview. Law: Art. 14.6 of PRC Fire Prevention Law: Keep the evacuations passages and exits clear. Set up the safety demarcation in accordance with national standards. Art 33. of Fire Prevention and Safety Rules of Textile Mills: There must be no obstruction around evacuation passages. Root cause: Facility fails to provide on-going trainings on health & safety to workers and inspection of health & safety issues are not frequently.

**Plan Of Action:** 1. Evacuation lines with arrows indicating the evacuation route are marked in the warehouse. 2. Already removed the lock. The goods have been moved away and the aisles are kept clear of obstacles.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if evacuation routes has been marked and if there is other locations that has been obstructed by goods

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** Evacuation routes and direction signs has been added. Also the goods have been removed.

**Action Verified Date:** 10/16/2008

**Comments:**

**Health and Safety: J. 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)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** 1. First aid procedures are not observed posted beside the first aid kits for view and knowledge of workers. 2. All first aid kits in the factory are locked; 3. 20% of the first aid kits lack of necessary first aid medicines. Source: Factory tour and management interview. Root cause: According to management, first aid kits are locked to prevent some undereducated workers to take all first aid medicines away at one time and the first aid kits responsible persons sometimes forget to replenish the stocks of necessary medicines due to the failure of proper execution of the company's H&S policy.

**Plan Of Action:** 1. Establish first aid procedure and post them in the canteen. Establish first aid drug usage method and post them on the first aid kits for employee reference. 2. At least 2 trained first aiders are being placed in each floor, who holds the key to the first aid kits. Also the cell phones of these first aiders have been posted on each first aid box so that they can be called upon in case of emergency 3. The first aid kits are placed on each work floor. The Right Section Staff will check the drug usage situation and restock them timely.

**Deadline Date:** 09/01/2008

**Supplier CAP:** 1. Will verify if the procedure has been posted 2. Will verify if there is enough trained first aid staff 3. Will verify if the medical supplies has been refilled in a timely manner

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** The procedure has been posted and first aid workers trained. The system for refilling medical supplies has been established

**Action Verified Date:** 10/16/2008

**Comments:**

## Health and Safety: K. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** 30% workers in building A, 20% in building B and 10% in building D expose to excessive noise working environment without wearing earplugs. Source: Factory tour and management interview. Law: Art. 74 of Factory Safety and Health Rules: Factory should provide working clothes or aprons and, according to needs, PPE to all affected workers. Root cause: Facility fails to provide on-going trainings on PPE importance to workers and supervisors fail to inspect whether those workers exposed to excessive noise are wearing PPE when working.

**Plan Of Action:** All the injection operators and desk cleaners shall wear earplugs. The supervisors and Social Compliance staff will monitor and check daily.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if the system checking the noise area and PPE system has been established

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/01/2008

**Action Verified:**

**Action Verified Text:** Hazard assessment system has been established and the hazardous area has been identified. Workers in the noisy area are provided with ear plugs with records and training.

Action Verified Date: 10/16/2008

Comments:

## Health and Safety: N. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** 50% chemicals stored in the chemical warehouse are missing MSDS. Source: Factory tour and management interview. Law: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe use of chemical materials in Production area: The chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels. MSDS should be offered to workers who use it. Root cause: Facility fails to recognize the importance of MSDS issue.

**Plan Of Action:** MSDS are being posted in the chemical warehouse.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if the MSDS has been posted

**Supplier CAP Date:** 10/01/2008

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:** 10/01/2008

**Action Verified:**

**Action Verified Text:** MSDS has been posted in the glue mixing area and the chemical warehouse.

**Action Verified Date:** 10/16/2008

Comments:

## Health and Safety: T. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Workstations are not designed for ergonomic concerns. Workers with sitting jobs are not provided with chairs with back supports; workers with long standing jobs are not provided with floor mats. Source: Factory tour and management interview. Root cause: It is common in China that workers with sitting jobs are provided with chairs without back support and those with standing jobs are not provided with mats. The requirement is new to management.

**Plan Of Action:** Make changes to the employees' rest hours and provide flexible breaks to them.

**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if the workers receive rest  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/01/2008  
**Action Verified:**  
**Action Verified Text:** The workers receives breaks accordingly  
**Action Verified Date:** 10/16/2008  
**Comments:**

### Health and Safety: W. Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Toilet facilities are not equipped with soap and toilet paper. Source: Factory tour and management interview. Law: Art. 68 of PRC Factory Safety and Sanitary Regulations: The factory should be equipped with bathroom, toilet, dressing room, retiring room and female workers' restroom if needed. Restrooms and other facilities described above should be maintained clean and functional. Art. 29. Factory Safety Regulations: Working area should set hand wash equipment according to needs and provide soap. Root cause: Facility fails to provide on-going trainings on health & safety to workers and inspection of health & safety issues are not frequently.

**Plan Of Action:** Provide soap and tissues in the restrooms.  
**Deadline Date:** 09/01/2008  
**Supplier CAP:** Will verify if soap and tissues are being provided  
**Supplier CAP Date:** 10/01/2008  
**Action Taken:** Audit  
**Plan Complete:**  
**Plan Complete Date:** 10/01/2008  
**Action Verified:**  
**Action Verified Text:** Soap and tissue provided  
**Action Verified Date:** 10/16/2008  
**Comments:**

### Hours of Work: F. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA	ALGI	1 (out of 5)

Independent  
External  
Monitoring

**Explanation:** Working hours for all workers before April 2008 are manually recorded by line supervisors instead of workers themselves. Source: Document review, management interview and worker interview. Root cause: In the past, management thought it was more convenient to keep manual time records. However, management realized it was not a reliable and accurate system so they began to use electronic time recording system since April 2008.

**Plan Of Action:** An electronic system will be installed in April. The employees will swipe time cards to record their working hours.

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if the electronic system has been established and if the time care are swiped by the workers themselves

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/16/2008

**Action Verified:**

**Action Verified Text:** The electronic clock card system has been established and the workers are now clocking in and out by themselves.

**Action Verified Date:** 10/16/2008

**Comments:**

### Hours of Work: H. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** Facility does not set up the voluntary OT hours system. Source: Document review and management interview. Root cause: Factory's management system of voluntary OT has not been set up, and management has the belief that if workers do not ask for leaves or refuse OT work it means that they are willing to do OT voluntarily.

**Plan Of Action:** Establish voluntary overtime policy. Employees who do not want to conduct overtime will only need to provide a No-overtime Notice to the line leader and they can refuse to do the overtime

**Deadline Date:** 09/01/2008

**Supplier CAP:** Will verify if policy has been carried out.

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/01/2008

**Action Verified:**

**Action Verified Text:** The policy has been established

**Action Verified Date:** 10/16/2008

Comments:

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## Hours of Work: J. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/30/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

**Explanation:** As per review of time records and payroll records of June 2008, weekly working hours of 23 workers from the finished goods department exceeded 60 hours, with the maximum being 66 hours, which exceeds the limits of 60 hours/week as prescribed by FLA. Source: Document review and management interview Root cause: Tight delivery shipment time & late orders are the main reasons for excessive overtime working hours.

**Plan Of Action:** Establish policy that the working hours of each section shall not exceed 60 hours per week. We understand that in some urgent cases, where OT is necessary. We also respect the right of the workers to choose to work more so that they can improve their living condition and their families. Under the circumstance that without putting any harm to the employee's health and with the consent of the workers themselves, our Social Compliance Requirements allowed the workers to work up to 72 hrs per week, with 17 weeks per year. This is in line with the requirement of some of the major multinational companies like \*Company\*\*, \*\*Company\*\* and \*\*Company\*\* and some major Social Compliance code like ICTI. We will continue to work closely with our factories to reduce the amount of OT needed

**Deadline Date:** 09/01/2008

**Supplier CAP:** To assist the factory to reduce the amount of OT hours.

**Supplier CAP Date:** 10/01/2008

**Action Taken:** Audit

**Plan Complete:**

**Plan Complete Date:** 10/01/2008

**Action Verified:**

**Action Verified Text:** Most of the workers have been limited to 60 hrs

**Action Verified Date:** 10/16/2008

Comments:

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