



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** Asics Corporation  
**COUNTRY:** China  
**FACTORY CODE:** 400015848GV  
**MONITOR:** SCSA  
**AUDIT DATE:** October 29, 2011;  
December 29, 2011  
**PRODUCTS:** Sports Shoes  
**PROCESSES:** Cutting, Sewing, Gluing,  
Silkscreen, Assembly, Inspection, Packing  
**NUMBER OF WORKERS:** ~750

**FLA Comment:** There were 2 IEV visits by SCSA for this factory, on October 21, 2011 and December 29, 2011, as at the time of the initial visit, some documentation was not available for review.

\*To view the original IEM of this factory, please visit the FLA website [here](#).  
For an explanation on how to read this report, please visit the FLA website [here](#).



## CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses .....	3
Wages, Benefits and Overtime Compensation: Minimum Wage .....	6
Wages, Benefits and Overtime Compensation: Timely Payment of Wages .....	7
Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments.....	8
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation .....	10
Wages, Benefits and Overtime Compensation: Worker Wage Awareness .....	11
Forced Labor: Freedom in Employment .....	13
Forced Labor: Employment Records.....	14
Freedom of Association: Right to Freely Associate .....	15
Freedom of Association: Right to Collective Bargaining/Compliance with Collective Bargaining Agreement.....	16
Harassment or Abuse: Discipline/Monetary Fines and Penalties.....	18
Child Labor: Proof of Age Documentation.....	19
Child Labor: Hazardous Work for Young Workers .....	20
Code Awareness: .....	21
Health and Safety: General Compliance Health and Safety.....	22
Health and Safety: Permits and Certificates.....	23
Health and Safety: Evacuation Requirements and Procedure.....	25
Health and Safety: Safety Equipment and First Aid Training.....	28
Health and Safety: Personal Protective Equipment.....	30
Health and Safety: Chemical Management and Training .....	32
Hours of Work: General Compliance Hours of Work.....	33
Hours of Work: Rest Day .....	35
Hours of Work: Time Recording System .....	37
Hours of Work: Annual Leave .....	39



**Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

**Noncompliance**

**Explanation:** 1. The factory did not pay piece rate workers for their statutory holidays.

2. The factory did not provide social security to all employees. Only 710 out 1500 employees were provided with social security. 710 employees were provided all 5 types (unemployment, retirement, injury, medical, maternity) of insurances based on their own will. According to local requirement, employer needs to pay all 5 insurances for all employees.

Legal References: 1) China Labor Law, Article 51: The employing unit shall pay wages according to law to laborers who observe statutory holidays, take leaves during the periods of marriage or funeral or participate in social activities in accordance with the law; China Labor Law, Articles 72 and 73: Article 72: The sources of social insurance funds shall be determined according to the categories of insurance, and an overall pooling of insurance funds from the society shall be introduced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law. Article 73: Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: 1. Retirement; 2. Illness or injury; 3. Disability caused by work-related injury or occupational disease; 4. Unemployment; and 5. Childbearing.

**Plan Of Action:** 1. The factory is required to pay all workers for their statutory holidays.

Deadline Date: 2009

2. The factory is required to increase the rate of the participation in social security gradually, and provide it to all employees at last.

Deadline Date: 2011

**Deadline Date:** 12/24/2012

**Supplier CAP:** 1. Factory will start from January 1, 2010.  
2. Factory will start from January 1, 2010.



**Supplier** 01/01/2010  
**CAP Date:**

**Action** 1. Factory has established a paid leave system; however, it is not yet effective.

**Taken:**

February 8, 2011:

1. According to factory report on November 23, 2009, the factory has not enforced the paid leave system on site. The factory has reported that as the recession hit the economy order declines triggered intensifying competition; therefore, the factory had been facing tough financial conditions. The factory has informed that they would review the order situation and see the feasibility of the production operation. After this study, they will report the plan for paid leave practice.

February 18, 2011:

1. According to factory report on February 9, 2011, they are experiencing difficult economic times. Factory is very tight with their money, otherwise they could be stable and financially sound. Factory is not in a position to carry out their corrective action plan at this moment.

2. 650 out 1550 employees were provided with social security. They were provided all 5 types (unemployment, retirement, injury, medical, maternity) of insurances based on their own will. Other employees were only provided injury insurance. The reason why this figure/rate is lower than the number in the audit result (700 out of 1500) is that some workers have entered and some have left. Current number of labor force working at factory is 1550; 650 workers are provided insurance at this moment.

February 8, 2011: According to factory report on November 23, 2009, social security has been provided to 710 workers, or 47% of 500. Social security rate has raised 5% from the previous report. The factory is re-planning to increase the social security at an early date.

February 18, 2011: Partially Improved: According to factory report on February 9, 2011, the factory increases providing social security to 300 workers. 1010 out of 1500, or 70%, are provided social securities at this moment.

July 25, 2011: The factory said on June 30, 2011, 630 of 900 workers, or 70%, are joining the public social security system. The factory covers commercial industrial injury insurance for remaining non-participant workers. Workers' awareness on the importance of security system is continuing and encouraging them to join it.

**Plan** No  
**Complete:**

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory could not provide related time, payment, and social insurance contribution documents for the audit, as factory management reported that the key person was not present and away for a meeting. Hence, the actual status of benefits and social insurance could not be accurately verified during the audit.

[SCSA revisit, December 29, 2011: Ongoing:](#)

1. The factory did not pay piece rate workers for their statutory holidays.
2. 630 out of 750 employees enrolled under work-related injury, medical, maternity, unemployment, and pension insurances.

[Source:](#) 2) social insurance payment receipt for October 2011

**Action  
Verified  
Date:**

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## Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

### Noncompliance

**Explanation:** Minimum wage was not guaranteed to around 10% of workers before April 2008. But since April 2008, the entire workforce was guaranteed the local minimum wage. Since employees were paid by piece rate before April 2008, some new hires were not experienced; therefore, their piece rate earnings might be lower than minimum wage. The varied amount was about 20 - 100 RMB lower. Before October 2007, about 10% of employees were paid 520 – 600 RMB, which was lower than the minimum wage of 620 RMB per month. From October 2007 to March 2008, about 10% of employees were paid 600 – 680 RMB, which was lower than the minimum wage of 700 RMB per month. From April 2008, the factory improved the wage system. According to the payrolls, all employees were paid at least the minimum wage, i.e., 700 RMB per month.

Legal Reference: Chinese Labor Law, Article 48: Wages paid to laborers by the employing unit shall not be lower than the local standards of minimum wages.

**Plan Of Action:** Factory is required to pay at least minimum wage to all workers based on the latest notice of the local labor bureau.

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

**Supplier CAP:** Factory has a restructured wage and attendance system from April 2008 to ensure workers' earn minimum wage.

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

**Action Taken:** The factory did pay all the workers for their minimum wage. The factory has guaranteed each worker to be paid no less than local minimum wage for normal working hours.

Source: review of the payroll of August 2010

**Plan Complete:** Yes

**Plan Complete Date:** 09/25/2009

**Action Verified:**

No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory could not provide time payroll documents for review, as factory management reported that the key person was not present and away for a meeting. Hence, the actual minimum wage status of workers could not be accurately verified.

[SCSA revisit, December 29, 2011: Pending:](#) Due to lacking complete time and payment records, workers' actual minimum wage status could not be accurately determined.

**Action Verified Date:**

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### **Wages, Benefits and Overtime Compensation: Timely Payment of Wages**

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

#### **Noncompliance**

**Explanation:** [New Finding, SCSA revisit, December 29, 2011:](#) The previous month's wages (the period from the 26th to the 25th of the previous month) were paid on the 28th of the month, which was at or around 32 days after the end of the working period. This is a violation of the China Labor Law that requires monthly payment for workers.

[Legal Reference:](#) PRC Labor Law, Article 50

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

**Plan Of Action:** Asics requires the factory to pay wages within 1 month according to the local law.

**Deadline Date:** 04/30/2012

**Action Taken:** Asics audited the factory July 18, 2012. Wages were paid on the 28th every month in the first half of 2010. According to the transfer record, it has been improved and wages are paid on the 25th every month. However, according to an interview with a manager, when a provision day was a holiday, it turned out that it may be paid on the next day. Asics requested the improvement. Working hours and pay slips were sent to FLA for review.

**Plan Complete:** Yes

**Plan Complete Date:** 07/18/2012

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### **Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments**

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

#### **Noncompliance**

**Explanation:** The factory did not sufficiently pay the workforce for their overtime before April 2008 due to wrong calculation.

Sources: worker and management interviews; review of payrolls from August 2007 to July 2008

Legal Reference: China Labor Law, Article 44: The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: 1. To pay no less than 150% of the normal wages if the extension of working hours is arranged; 2. To pay no less than 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; 3. To pay no less than 300% of the normal wages if the extended hours are arranged on statutory holidays.



**Plan Of Action:** Factory is required to keep accurate and clear working hours and to pay overtime benefits in accordance with the law.

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

**Supplier CAP:** Factory has a restructured wage and attendance system from April 2008. Wage calculation will become accurate and clear.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** The factory has clearly mentioned compensating for overtime according to the law in the new wage policy. Factory pays overtime premium to workers for all overtime working hours in full compliance with the law. The wage policy has been posted on site for the purpose of worker awareness.

Source: review of company policy on August 2010

**Plan Complete:** Yes

**Plan Complete Date:** 09/25/2008

**Action Verified:** No

**Action Verified Text:** SCSA visit, October 21, 2011: Pending: The factory could not provide time and payment payroll documents for review during the audit. Therefore, the actual status of workers' overtime payment could not be accurately verified.

SCSA revisit, December 29, 2011: Pending: Due to the lacking of complete time and payment records, workers' actual overtime wages status could not be accurately determined.

**Action Verified Date:**

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## Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

### Noncompliance

**Explanation:** Since April 2008, the factory did not pay workers for their off-clock overtime due to management failure.

Sources: payroll review; worker and management interviews

Legal Reference: China Labor Law, Article 44: The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: 1. To pay no less than 150% of the normal wages if the extension of working hours is arranged; 2. To pay no less than 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; 3. To pay no less than 300% of the normal wages if the extended hours are arranged on statutory holidays.

**Plan Of Action:** Factory is not allowed to force workers to perform off-clock overtime work. Factory is required to fully record accurate and clear working hours. Overtime benefits should be paid to workers, in accordance with the law.

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

**Supplier CAP:** Factory has a restructured wage and attendance system from April 2008 to ensure the overtime benefit.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** The factory has kept a clear record of working hours, including overtime work. Factory is compensating overtime work based on the new wage policy. Factory also announced to all workers that they are not allowed to do overtime work after 7pm, and the factory is conducting working hours control throughout the site.

Source: time record for August 2010

**Plan Complete:** Yes

**Plan Complete Date:** 09/25/2008

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory could not provide time and payment payroll documents for review during the audit. Therefore, the actual status of overtime payment of workers could not be accurately verified.

[SCSA revisit, December 29, 2011: Pending:](#) Due to lack of complete time and payment records, workers' actual overtime wages status could not be accurately determined.

**Action Verified Date:**

### **Wages, Benefits and Overtime Compensation: Worker Wage Awareness**

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

#### **Noncompliance**

**Explanation:** [The factory did not train its workforce on wages and benefits; workers appeared to have little knowledge on their wage calculation.](#)

[Source: worker interviews](#)

**Plan Of Action:** [Wage calculation shall be posted on the bulletin board. The factory is required to orally explain the wage calculation to all workers.](#)

**Deadline Date:** 12/31/2008

**Supplier CAP:** [The factory will post the labor-related laws and information. At the same time, the wage calculation will be put up on the notice board.](#)

**Supplier** 10/08/2008  
**CAP Date:**

**Action Taken:** The factory has documented all statutory benefits and posted them in the prominent place on site. Workers can access to the information at anytime. Factory introduced the wage calculation method to new workers during the hiring process. If workers have any questions, they can ask their supervisors.

Source: August 2010 company policy review

**Plan Complete:** Yes

**Plan Complete Date:** 10/08/2008

**Action Verified:** No

**Action Verified Text:** SCSA visit, October 21, 2011: Pending: Workers reported that they still had limited understanding on the wage calculation and that no respective training on wage calculation was provided to them.

Source: worker interviews

SCSA revisit, December 29, 2011: Pending: Workers reported that they still had limited understanding on the wages and piece rate wages calculation and that no respective training on wage calculation was provided to them.

Source: worker interviews

**Action Verified Date:**

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**Forced Labor: Freedom in Employment**

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

**Uncorroborated Evidence of Noncompliance**

**Explanation:** The factory did not establish a policy on the pre-payment practice to prevent workers from being in debt to the factory. Although they had a limit (1 month's wage) on the wages pre-paid to workers.

**Plan Of Action:** Factory should establish a policy on pre-payment practices. Factory should not force any workers to go into debt to the factory.

**Deadline Date:** 12/31/2008

**Supplier CAP:** Factory will review the system.

**Supplier CAP Date:** 10/08/2008

**Action Taken:** Factory has reviewed the system and established a policy on pre-payment practice.

**Plan Complete:** Yes

**Plan Complete Date:** 10/08/2008

**Action Verified:** No

**Action Verified Text:** SCSA visit, October 21, 2011: Pending: The factory could not provide written documents or policy for review during the audit.

SCSA revisit, December 29, 2011: Pending: The factory could not provide written documents or policy for review during the audit.

**Action Verified Date:**

### Forced Labor: Employment Records

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

#### Noncompliance

**Explanation:** [October 21, 2011](#): The factory could not provide workers' personnel documents for review, such as personnel files and labor contracts.

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

Sources: worker and management interviews

SCSA revisit, December 29, 2011: Pending: The factory still could not provide workers' personnel documents for review, such as personnel files, age-proof documents, labor contracts, etc. Factory management said the key person was not present and away for a meeting.

**Plan Of Action:** Asics requires the factory to send copies of the following documents: personnel files, personal resumes, age-proof documents, and labor contracts.

**Deadline Date:** 04/30/2012

**Action Taken:** Asics audited the factory July 18, 2012. When SCSA audited, the manager was taking a business trip and was not able to show documents. Asics confirmed that there was no defect in pertinent documents. The age check is carried out also by referencing the Department of Public Safety. Age-proof document sent to FLA for review.

**Plan Complete:** Yes

**Plan Complete Date:** 03/19/2013

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## Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

**Explanation:** **FLA Comment:** The Chinese constitution guarantees Freedom of Association (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.

Auditor's note: There was a trade union representing workers established in the factory. But, the union was led by management and local official ACFTU. The HR manager, [Employee name], was chairwoman of the union.

**Plan Of Action:** Factory is required to explain to workers that they support the freedom of association. At the same time, the factory should orally explain to workers about workers' rights.

**Deadline Date:** 12/31/2008

**Action Taken:** Asics is shifting to train the factory for effective grievance channels to be set up inside factory. Asics thinks that setting up the grievance system inside the factory may help workers and factory in the long run. Asics is encouraging the factory to conduct fair elections for workers' representatives by workers.

**Plan Complete:**



**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** [SCSA visit, October 21, 2011](#): Pending: The factory could not provide union related documents for review; therefore, the actual status could not be accurately verified.

[SCSA revisit, December 29, 2011](#): Pending: The factory could not provide union related documents for review; therefore, the actual status could not be accurately verified.

**Action  
Verified  
Date:**

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### **Freedom of Association: Right to Collective Bargaining/Compliance with Collective Bargaining Agreement**

FOA.22 Employers, unions and workers shall honor in good faith, for the term of the agreement, the terms of any collective bargaining agreement they have agreed to and signed. Worker representatives and workers shall be able to raise issues regarding compliance with a collective bargaining agreement by the employer without retaliation or any negative effect on their employment status. (S)

#### **Noncompliance**

**Explanation:** [There was no collective bargaining agreement available in the factory.](#)

**Plan Of  
Action:** [Factory shall start negotiation with labor union about Collective Bargaining Agreement \(CBA\).](#)

**Deadline  
Date:** [12/31/2008](#)

**Action  
Taken:** [Factory has concluded Collective Bargaining Agreement with labor union.](#)

[July 25, 2011](#): The factory said on May 31 that they have implemented the orientation to new employees regarding freedom of association. The list of new employees who have taken the orientation was presented. New employee orientation is continuously conducted in a timely manner.





**Plan Complete:** Yes

**Plan Complete Date:** 10/15/2008

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011](#): The factory could not provide related documents for review during the audit.

[SCSA revisit, December 29, 2011](#): [Pending](#): The factory could not provide related documents for review.

**Action Verified Date:**

**Follow-up Plan of Action:** [Deadline Date](#): September 30, 2012 Asics requires the factory to conclude CBA with workers' union. Asics requires the factory to establish a Health & Safety Committee and enhance communication with workers' representation.

Asics audited the factory on July 18, 2012. When SCSA audited, the manager was taking a business trip and was not able to show documents. Asics confirmed that collective bargaining agreement exists. The CBA has been sent to FLA for review.

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## Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

### Noncompliance

**Explanation:** The factory was deducting wages (RMB 30-200) from workers who broke the factory rules.

Sources: discipline policy, worker interviews

**Plan Of Action:** Factory is required to apply progressive disciplinary practices instead of monetary fines.

**Deadline Date:** 12/31/2008

**Supplier CAP:** Factory will set up a Discipline Committee according to the advice of Asics.

**Supplier CAP Date:** 12/31/2008

**Action Taken:** This issue has been remedied in a sustainable way. Factory has defined the range and rule of fines and the responsible person for making decisions on fines. The discipline policy was modified to within the confines of the law.

Source: review of company policy on August 2010

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) There was still the practice of monetary fines in the factory; for instance, workers were subject to a fine of RMB 50 to 80 for causing work-related injuries.

[Sources:](#) document review, work-injury records, worker interviews

[SCSA revisit, December 29, 2011: Pending:](#) There was still a monetary fine practice in the factory; for instance, workers were subject to fine of RMB 50 to 80 for causing work-related injuries.

[Sources:](#) work-injury records, worker interviews

**Action Verified Date:**

**Follow-up Plan of Action:** [Deadline Date:](#) April 30, 2012 Asics requires the factory to eliminate all monetary fines. Asics requires the factory to establish a discipline policy and to shift from monetary fines.

Asics audited the factory July 18, 2012. Asics checked the discipline policy; it has been improved from monetary fine. Disciplinary policy has been sent to FLA for review.

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### 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:** [October 21, 2011:](#) The factory could not provide workers' personnel documents for review, such as personnel files, age-proof documents, etc. Factory management said the key person was not present and away for a meeting.

[Legal Reference:](#) Article 7 of PRC Labor Contract Law, LMI [2003] No. 9 III(II) (extracted)

[Sources:](#) worker and management interviews

[SCSA revisit, December 29, 2011: Pending:](#) The factory could not still provide workers' personnel documents for review, such as personnel files, age-proof documents, labor contracts, etc. Management said key person was not present and away for a meeting.



**Plan Of Action:** [Deadline Date: April 30, 2012](#) Asics requires the factory to send copies of the following documents: personnel files, age-proof documents, and labor contracts.

**Deadline Date:**

**Action Taken:** Asics audited the factory on July 18, 2012. When SCSA audited, the manager was taking a business trip and was not able to show documents. Asics confirmed that there was no defect in the pertinent documents. The age checks are carried out also by reference to Department of Public Safety. Age-proof document sent to FLA for review.

**Plan Complete:** Yes

**Plan Complete Date:** 03/19/2013

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### **Child Labor: Hazardous Work for Young Workers**

CL.7 No person under the age of 18 shall undertake hazardous work, i.e., work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of persons under the age of 18. (S)

#### **Noncompliance**

**Explanation:** The factory had young worker protection policy and procedure. However, it appeared that the factory did not carry out the policy seriously. At least 1 juvenile worker was exposed to hazardous working conditions, by gluing in the workshop.

[Source: worker interview](#)

**Plan Of Action:**

**Deadline Date:**

**Action Taken:**



**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011](#): Pending: The factory could not provide the personnel file, proof of age document and other related documents for review.

[SCSA revisit, December 29, 2011](#): Pending: The factory could not provide the personnel file, proof of age document and other related documents for review.

**Action Verified Date:**

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**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Explanation:** [1. No noncompliance reporting mechanism was established between the company and factory's workers.](#)

[2. No non-retaliation policy was established by the company or the factory.](#)

**Plan Of Action:**

**Deadline Date:**

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011](#): Pending: The factory could not provide related documents for review during the audit.

[SCSA revisit, December 29, 2011](#): Completed: During the audit, the factory provided the policy and records in respect to communication and grievance. Based on information provided by factory management and workers and the records provided, the factory had established the system, written policy, and procedure on noncompliance reporting and non-retaliation. The factory also communicated the policy to workers. The discipline policy has been sent to FLA for review.

**Action Verified Date:** 12/29/2011

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### Health and Safety: General Compliance Health and Safety

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

#### Noncompliance

**Explanation:** [October 21, 2011](#): The factory did not arrange occupational health checks for the polishing workers.

[Legal Reference](#): Article 32 Law of the PRC on the Prevention and Treatment of Occupational Diseases

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

[SCSA revisit, December 29, 2011](#): Pending: The factory still did not arrange occupational health checks for the polishing workers.



**Plan Of Action:** Asics requires the factory to provide occupational health checks for the polishing workers.

**Deadline Date:** 04/30/2012

**Action Taken:** Asics audited the factory July 18, 2012. Factory has arranged occupational health checks for the polishing and gluing workers. A copy of the health check record has been sent to FLA for review.

**Plan Complete:** Yes

**Plan Complete Date:** 03/19/2013

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### Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

#### Noncompliance

- Explanation:**
1. The factory's buildings did not pass the fire safety acceptance check by the local authority.
  2. The factory did not obtain the wastewater emission permit.
  3. The factory did not designate a qualified supplier to dispose of the hazardous waste.

**Plan Of Action:**

**Deadline Date:**

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** SCSA visit, October 21, 2011: Pending:

1. The factory buildings did not pass the fire safety acceptance check by the local authority.
2. The factory did not obtain the wastewater emission permit.
3. The factory did not designate a qualified supplier to dispose of the hazardous waste.

Legal References: Article 13 of Fire Prevention Law of the PRC; Article 20 of Law of the PRC on Prevention and Control of Water Pollution; Article 57 of Law of the PRC on Prevention and Control of Solid Waste Pollution

Sources: document review; worker and management interviews

SCSA revisit, December 29, 2011: Pending:

1. The factory buildings still did not pass the fire safety acceptance check by the local authority.
2. The factory still did not obtain the wastewater emission permit.
3. The factory still did not designate a qualified supplier to dispose of the hazardous waste.

**Action Verified Date:**



**Follow-up** Deadline Date: September 30, 2012

**Plan of**

**Action:**

1. Asics requires the factory to apply for fire safety acceptance check with the local authority.
2. Asics requires the factory to apply for the wastewater permit with the local authority.
3. Asics requires the factory to make inquiries to suppliers, which are qualified for hazardous waste disposal. If they do not have the qualification, please designate a qualified supplier to dispose of the hazardous waste.

Asics audited the factory on July 18, 2012.

1. Since the factory was built before the system was established, the factory does not need to acquire the fire safety acceptance.
2. Asics confirmed that the factory has a wastewater permit. Asics confirmed that the factory has designated a qualified supplier to dispose of the hazardous waste; factory has their certificate. The certificate has been sent to FLA for review.
3. Asics confirmed that the factory has an exhaust permit.

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### **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:** No emergency light was installed in the packing workshop.

Legal Reference: Fire Prevention Law of the PRC, sub-paragraph (6), Article 14: Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities:... (6) Ensuring that evacuation channels and safety exits are unblocked; putting up signs for fire prevention safety evacuation in keeping with the state provisions...

**Plan Of Action:** Factory should install emergency lights in the packing workshop. Factory is required to conduct periodic checks on safety equipment.

February 21, 2011: Factory has been requested to submit the policy and procedure for the fire safety system and the personal protective equipment (PPE) system.

**Deadline Date:** 10/15/2008

**Supplier CAP:** Factory will improve immediately.

**Supplier CAP Date:** 09/28/2008

**Action Taken:** July 25, 2011: Factory said on May 31 they installed the emergency lights in the packing workshop. In the morning session, the supervisor in each department makes workers aware of H&S and working conditions.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Ongoing: No emergency light was installed at the exits of the development department and the moulding section.

Legal Reference: Article 11.3.1 of the Code for Design of Building Fire Protection and Prevention (GB50016-2006)

Sources: factory tour, management interview

New Finding, SCSA visit, October 21, 2011:

1. Some evacuation plot plans had the wrong evacuation directions.
2. No exit signs were installed at some emergency exits.

Legal References: Article 14.6 of the Fire Prevention Law of the PRC; Article 11.3.4 of the PRC Code for Design of Building Fire Protection and Prevention

Sources: factory walkthrough; worker and management interviews Possible Root Cause: Factory does not have an effective routine inspection system on the health and safety conditions at the facility.

SCSA revisit, December 29, 2011: Completed: Emergency lights were installed at the exits of the development department and the moulding section.

SCSA revisit, December 29, 2011: Pending:

1. Some evacuation plot plans still had wrong evacuation directions.
2. There still some emergency exits with no exit signs installed.

**Action  
Verified  
Date:**

**Follow-up** Deadline Date: April 30, 2012

**Plan of  
Action:**

1. Asics requires the factory to correct the evacuation directions on every evacuation plot plan.
2. Asics requires the factory to install exit signs at every emergency exit.

Asics audited the factory July 18, 2012. Exit signs had been installed at each emergency exit. There was almost no inconsistency in evacuation plot plans. There was no inconsistency in the evacuation route painted on the floor. However, there was 1 evacuation plot plan where the exit in a closed spot was shown. Asics requested the improvement. The evacuation plot plan has been sent to FLA for review.

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## Health and Safety: Safety Equipment and First Aid Training

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

### Noncompliance

**Explanation:** 1 fire extinguisher in the workshop was not functioning.

Legal Reference: Fire Prevention Law of the PRC, Sub-paragraph (5), Article 14: Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities: (5) Deploying fire fighting facilities and equipment, putting up fire prevention safety signs pursuant to relevant state provisions, and organizing inspection and maintenance at regular intervals to ensure that fire fighting facilities and equipment are in perfect condition and effective. ... Management units of residential areas for inhabitants should, pursuant to the relevant provisions of the preceding paragraph, fulfill fire prevention safety responsibilities and do a good job in fire prevention safety work in residential areas.

**Plan Of Action:** The factory should replace the extinguisher with a new one. The factory is required to conduct periodic checks of firefighting equipment.

February 21, 2011: The factory has been requested to submit the policy and procedure of the fire safety system and the PPE system.

**Deadline Date:** 10/15/2008

**Supplier CAP:** Factory will improve immediately.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** July 25, 2011: The factory reported on May 31 that they have completed checking out of all the extinguishers on the site. They appointed a responsible person for regular checking in the facility. The detailed checklist is prepared for regular checkout.

**Plan Complete:** Yes

**Plan  
Complete  
Date:** 05/02/2011

**Action  
Verified:** No

**Action  
Verified  
Text:** [SCSA visit, October 21, 2011](#): Completed: Fire extinguishers were functioning at the workshop.

[New Findings, SCSA visit, October 21, 2011](#):

1. Some fire extinguishers were put on the floor directly and not properly mounted.
2. Some fire fighting equipment was blocked by material at the raw material warehouse.

[Legal References](#): Article 5.1.3 of the PRC Code for Design of Extinguisher Distribution in Buildings; Article 28 of Fire Prevention Law of the PRC

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

[SCSA revisit, December 29, 2011](#): Completed:

1. Fire extinguishers were properly mounted.
2. Fire extinguisher was free from blockage. Photos were sent to FLA for review.

**Action  
Verified  
Date:** 12/29/2011

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## Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

### Noncompliance

**Explanation:** Some workers in the silk screen workshop did not wear PPE while working, although masks were available. The factory should educate workers on wearing PPE.

Legal Reference: Production Safety Law of the PRC, Article 37: The production and business operation entities shall provide labor protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.

**Plan Of Action:** The factory is required to explain to workers about the hazards of Volatile Organic Compound (VOC). Factory shall encourage workers to wear masks when they are working. Asics suggests the factory appoint a responsible person or set up an H&S Committee to regularly check the H&S conditions in the factory.

February 21, 2011: The factory has been requested to submit the policy and procedure for the safety fire system and the PPE system.

**Deadline Date:** 10/15/2008

**Supplier CAP:** Factory will improve immediately.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** July 25, 2011: Factory said on June 30 that PPE are provided to all operators who are related to chemical handling. Supervisor in each department makes workers' aware of the safe handling of chemicals in the morning session.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA revisit, October 21, 2011: Pending: Some workers were found not wearing protective masks and gloves while handling chemicals.](#)

[Legal Reference:](#) Law of the PRC on Production Safety, Article 37

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

[SCSA revisit, December 29, 2011: Pending: Some workers were still found not wearing protective masks and gloves while handling chemicals.](#)

**Action Verified Date:** 07/18/2012

**Follow-up Plan of Action:** [Deadline Date:](#) April 30, 2012 Asics requires the factory to: 1) provide carbon masks and gloves to workers handling chemicals, 2) provide training on wearing PPE to workers, and 3) post poster on wearing PPE in the workshop.

Asics audited the factory on July 18, 2012. PPE has been provided and wear; poster has been posted. Asics re-requested: 1) improvement so that posters are enlarged and 2) education for workers. Photos of workers wearing PPE have been sent to FLA for review.

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## 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:** [October 21, 2011:](#)

1. No emergency eye-washing equipment was installed in the chemical warehouse and the high frequency section.
2. No secondary containment was available in the chemical usage area and no material safety data sheets (MSDS) were posted as well.

Legal References: Article 23 of Law of the PRC on the Prevention and Treatment of Occupational Diseases; Article 27 of the Regulation For Chemical Usage Safety in Work Place

Sources: factory tour; worker and management interviews

SCSA revisit, December 29, 2011: Pending: Some chemicals in use were still without secondary containment and no MSDS were posted.

SCSA revisit, December 29, 2011: Ongoing: No emergency eye-washing equipment was installed in the high frequency section. The eye wash station was already in place in the chemical store.

<b>Plan Of Action:</b>	Asics requires the factory to: 1) install secondary container at the chemical use workshop and chemical warehouse, 2) post MSDS at the chemical use workshop and chemical warehouse, and 3) install emergency eye wash equipment in the high frequency section.
<b>Deadline Date:</b>	04/30/2012
<b>Action Taken:</b>	Asics audited the factory on July 18, 2012. Secondary container has been installed. High frequency section was closed. Now factory has no high frequency section.
<b>Plan Complete:</b>	No



**Plan  
Complete  
Date:**

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**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:** Excessive weekly work hours were conducted before April 2008, with an average number of 65 hours.

Sources: factory-provided time records from September 2007 to September 2008

**Plan Of Action:** The factory shall record clear and accurate working hours and practice total work hour control.

**Deadline Date:** 10/15/2008

**Supplier CAP:** The factory has restructured wage and attendance system from April 2008. Factory will set overtime to be finished by 7pm.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** The factory is controlling overtime to be finished by 7pm. Asics is working with our business unit to have more dialogue with the factory. The order quantity is increased for some amount to let them tackle CSR issues easier. There are some improvements and the dialogue with the factory is very good.

**Plan Complete:** No

**Plan Complete  
Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory was unable to provide the time records for review; factory management reported that the responsible person was away. Hence, workers' actual working hours could not be accurately verified.

[SCSA revisit, December 29, 2011: Pending:](#) The factory was unable to provide complete time records for review and only some manual written time records for October and November 2011 were provided, in which a "tick" was used to mark workers' attendance and there was no indication of actual working hours on overtime hour work in the record. For December 2010 to September 2011, based on Production Manager [Production manager name] and [Employee name]'s information, the workers' regular working hours were 10 hours (Monday to Saturday); additional overtime hours would not be recorded as workers work on a piece rate basis. Although there were no complete and accurate time records available, auditors estimated that the workers' working hours could have exceeded 60 hours per week after considering the information for the manual records and worker and management interviews.

**Action Verified Date:**

**Follow-up Plan of Action:** [Deadline Date:](#) June 30, 2012

Asics requires the factory to make and maintain working hours records, which register every attendance and leave time and all working hours. Asics requires the factory to pay all overtime work. According to law, even piece rate workers have a right to get overtime premium. Therefore, the factory has to pay overtime premium to workers. Asics requires the factory to make a plan for reducing working hours to within 60 hours per week.

Asics audited the factory July 18, 2012. Factory has introduced the comprehensive working hours system and the government approved it. The factory is carrying out lawful working-hours management. Asics explained the standard to the factory. Comprehensive working hours system and working hours were sent to FLA for review.

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**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:** The factory failed to guarantee employees at least 1 day off in every 7 days before April 2008; most workers only had 2-3 days off a month.

Source: factory-provided time records September 2007 to September 2008

Legal Reference: China Labor Law, Article 38: The employing unit shall guarantee that its staff and workers have at least 1 day off in a week.

**Plan Of Action:** Factory shall record accurate and clear working hours and practice total rest day management. Factory shall inform Asics of the updates on rest day taken by workers.

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

**Supplier CAP:** Factory has restructured wage and attendance system from April 2008.

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

**Action Taken:** 1 day's rest in every 7 days is given to workers according to the corrective action plan.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory was unable to provide the time records for review as factory management reported that the responsible person was away. Hence, workers' actual working hours and consecutive working days could not be accurately verified.

[SCSA revisit, December 29, 2011: Pending:](#) The factory was unable to provide complete time records for review and only some manual written time records for October and November 2011 were provided. Workers were not guaranteed with 1 day's rest in 7, such as working consecutively from November 7 - 19, 2011 (13 days) and October 6 - 29, 2011 (24 days).

[Sources:](#) manual written time records from October to November 2011, worker interviews

**Action Verified Date:**

**Follow-up Plan of Action:** [Deadline Date:](#) June 30, 2012

Asics requires the factory to: 1) make and maintain working hours records which register every attendance and leave time and all working hours, 2) reduce working hours and provide 1 day rest every 7 days, and 3) pay 200% of holiday work premiums as according to local law.

Asics audited the factory on July 18, 2012. Asics checked that a working-hours managerial system, the overtime pay calculation method, and the pay slips were exact. According to management interview, the time record machine was out of order in October and November 2011. Working hours and pay slip and comprehensive working hours system sent to FLA for review.

[Source:](#) management interview

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### 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:** Deficiencies were found in the factory's work hours records from April to September 2008. Extra overtime was off-clock due to management failure; the estimated weekly working hours might be up to 70 hours. It was a deficiency in management practices. Top management did not allow OT after 7pm, but production managers in workshops arranged OT from 19:00 - 21:00 Mondays, Wednesdays, and Fridays, and 16:45 - 18:00 on Saturdays to cope with the production necessity. Workers were not required to swipe their timecards for these OT hours. Management was not aware of this operation, so time card records did not cover these OT hours. Top management thought they were cheated; this was a management deficiency. Management was not hiding these extra OT hours against auditors. Approximately 50% of workers were involved. Anyway, the time records (since April 2008) indicated that weekly working hours were controlled to below 60.

**Plan Of Action:** Factory is required to keep all management and supervisor personnel informed of prohibition of off-clock overtime work. Factory shall eliminate any unfair time recording.

**Deadline Date:** 10/15/2008

**Supplier CAP:** Factory has restructured wage and attendance system from April 2008. Factory will control overtime to be finished by 7pm.

**Supplier CAP Date:** 09/25/2008

**Action Taken:** Factory has restructured the attendance system. Factory does not force worker for overtime. Factory is managing overtime up to 7pm and workers clock out.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** [SCSA visit, October 21, 2011: Pending:](#) The factory could not provide time and payment records for review, as factory management reported that the responsible person was away. Hence, the actual working hours and payment status could not be accurately verified during the audit. Working hours comprehensive system, working hours and pay slip sent to FLA for review.

[SCSA revisit, December 29, 2011: Pending:](#) Due to the lack of complete time and payment records, workers' actual working hours, wages and benefits status could not be accurately determined.

**Action Verified Date:**

**Follow-up Plan of Action:** [Deadline Date: June 30, 2012](#)

Asics requires the factory to make and maintain: 1) working hours record which registers every attendance and leave time and all working hours and 2) accurate pay slip.

Asics audited the factory on July 18, 2012. Asics checked that a working-hours managerial system, the overtime pay calculation method and pay slip were exact. According to an interview with a manager, the time record machine was out of order in October and November 2011. Comprehensive working hours system and pay slip sent to FLA for review.

[Source: management interview](#)

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**Hours of Work: Annual Leave**

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

**Noncompliance**

**Explanation:** The factory did not provide annual leaves to workers.

Legal Reference: Regulations on Paid Annual Leave for Employees, Article 3: The annual leave shall be 5 days for employees who have worked for 1-10 year(s); 10 days for employees who have worked 10-20 years; and 15 days for employees who have worked for 20 years or more. The annual leave shall be additional to national legal holidays and off days.

**Plan Of Action:** Factory is required to establish paid leave system in accordance with law and communicate it to all workers.

**Deadline Date:** 08/31/2009

**Supplier CAP:** Factory will start from January 1, 2010.

**Supplier CAP Date:** 12/24/2012

**Action Taken:** Factory has established paid leave system; however, it is not become effective yet.

February 8, 2011: According to factory report on November 23, 2009, factory has not enforced the paid leave system on site. The factory has reported that as recession hit the economy, orders declined, triggering intensifying competition; therefore, the factory had been facing tough financial conditions. The factory has informed that they would review the order situation and see the feasibility of the production operation. After this study, they will report the plan for paid leave practice.

February 18, 2011: According to factory report on February 9, 2011, the factory has established the annual paid leave system according to the local law.

**Plan Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** [SCSA visit, October 21, 2011: Pending:](#) Factory could not provide related documents and records for review due to the responsible person being away; hence, the actual status of the annual leave benefits could not be accurately verified.

[SCSA revisit, December 29, 2011: Pending:](#) Due to lack of supportive documents and complete time and payment records, the status of the annual leave benefit could not be accurately verified. Per worker interviews, no paid annual leave was provided.

[Source:](#) worker interviews

**Action  
Verified  
Date:**

**Follow-up** [Deadline Date:](#) June 30, 2012

**Plan of  
Action:** Asics requires the factory to: 1) make and maintain working hours record which registers every attendance and leave time and all working hours, 2) make and maintain accurate pay slips, and 3) provide paid annual leave to workers according to local law.

Asics audited the factory on July 18, 2012. Asics checked that a working-hours managerial system, overtime pay calculation method, and pay slip were exact. According to an interview with a manager, the time record machine was out of order in October and November 2011. The factory provides paid annual leave to the workers based on local law since April 2012. Comprehensive working hours system sent to FLA for review.

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