



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: VF Corporation
COUNTRY: China
FACTORY CODE: 3400151290J
MONITOR: Social Compliance Service Asia
Ltd.
AUDIT DATE: August 9, 2011
PRODUCTS: Headwear
PROCESSES: Cutting, Sewing, Knitting
NUMBER OF WORKERS: 999



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Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Uncorroborated Evidence of Noncompliance

Explanation: It was noted that there were inconsistencies presented between the time records and the production related records. For example, there was a daily record at the workshop that showed that workers were working on July 30, 2011 (Saturday); however, respective time records showed that workers were off on that day.

During workers' interviews, 20% of workers reported that they were working 3 hours of night overtime on almost every night during the peak season, and 10% of workers reported that they were required to work at both Saturday and Sunday in a week during rare occasions when production was really tight. However, time records showed that workers usually worked no more than 3 hours a night overtime, only on an occasional basis, and always had 1-day rest on either Saturday or Sunday.

Sources: Workers Interview, Management Interview and Document Review

Plan Of Action: In accordance with the client's standard: The factory shall maintain accurate and consistent working hours and pay records.

1) Establish a management system for daily use that ensures practices of accuracy in records. Submit relevant policy and records for review.

2) Submit a name list of the person responsible in each department for production record checking.

Deadline Date:



Supplier CAP: All records in our factory maintain transparency. Each day, before overtime work, all production records are submitted to office. There is designated person in each department responsible for checking records to ensure practices of accuracy.

Supplier CAP Date:

Action Taken: February 24, 2012 VF Comments: Noted the responsible persons for each section and the document management policy. Will verify during next on-site audit. Will ensure that all records are accurately maintained.

Plan Complete: No

Plan Complete Date:

Freedom of Association: Right to Freely Associate

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

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union, the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of nonnegotiated administrative agreements.

Notes: A trade union was established on September 27, 2004 and as per trade union chairman interview and documents review, all workers were members of the trade union, and the latest meeting was carried out on July 12, 2011.

The trade union was issued by Federation of Trade Unions of [City name], [Province name], China. As per the document review, worker interviews and management interviews, employees in each section elected trade union representatives.

Plan Of Action: It was verified that the factory has the freedom of association policy in place (Chinese version provided to VF as supporting document), which state the workers are free to associate, and collective bargaining. Workers won't be subject to harassment, intimation or discrimination from the factory. Factory also has regular meeting with the worker representatives and worker association (example meeting records provided to VF as supporting documents).

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Monetary Fines and Penalties

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

Uncorroborated Evidence of Noncompliance

Explanation: It was noted that monetary fines were imposed on employees--a practice that was in accordance with factory policy. For example, workers would be fined RMB200 if they did not properly complete the task of needle checking report for clients, but no monetary fine was noted or reported during the audit.

Sources: Workers Interview, Document Review and Management Interview

Legal Reference: Article 50 of the Labor Law of the People's Republic of China Possible

Plan Of Action:

In accordance with Article 50 of the Labor Law of the People's Republic of China, wages shall be paid monthly to laborers themselves in the form of currency. The wages paid to laborers shall not be deducted or delayed without justification, and according to Supplemental provision of Provisional Regulations on Payment of Wages (Opinions on Matters of Carrying out Labour Law of the People' s Republic of China of LMI [1995] No. 226), deduction of wages under any of the following circumstances will not be deemed an "unlawful deduction of wages":

- 1) Stipulated by law;
- 2) Stipulated in the labor contract, which was signed in accordance with the law;
- 3) Stipulated in enterprise regulation, which was established according to the law and approved by labor union;
- 4) If the wage was fluctuated on the profit margin of employing unit as per the pre-agreement, reductions in wages when the profit of employing unit decreased (however, under such circumstances, the wages of the employee must not fall below the local minimum wage);
- 5) Any deduction of wages relating to the employee leave for personal affair.

1) Factory management to check all factory's rules, regulations and policies regarding the use of monetary fines?

2) For the written "Needle detection policy", factory should amend point 3 of article — to a positive manner instead of continuing to use fines.

3) Factory should also produce an official document for the written "Needle detection policy" with factory heading, date of implementation and official signature from top management.

Deadline

Date:

Supplier

CAP:

This policy was just a draft to use to report to our customers, it was not in operation. We have deleted this article from the policy. Please see attached document. Updated policy submitted and signed by our top manager.

Supplier

CAP Date:

02/02/2012

Action

Taken:

February 2, 2012 VF Comments: Noted the amendment of point 3 of the document.

Factory should ensure all factories' rules are free of monetary fines and should maintain the official document for management.

Plan

Complete:

Yes

Plan

Complete

Date:

02/12/2012

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation: It was noted that gender restriction was stated on the factory recruitment advertisement. For example, the applicants of the embroidery worker must be female.

Sources: Worker Interviews, Document Review and Management Interview

Legal Reference: Article 12 of the Labor Law of the People's Republic of China

Plan Of Action: In accordance with Article 12 of the Labor Law of the People's Republic of China, workers shall not be discriminated against in employment, regardless of their ethnic community, race, sex, or religious belief. Did factory have a written "Nondiscrimination Policy" for HR management and staffs to follow at all times during recruiting and employment? Please send for review.

Deadline Date:

Supplier CAP: We have removed the gender requirement from our recruitment ad. We posted our "Nondiscrimination Policy" in the workshop and have also trained all employees on that policy, which is now written in worker's handbook.

Supplier CAP Date: 02/02/2012

Action Taken: [February 2, 2012 VF Comments:](#) Noted the "Nondiscrimination Policy."

Plan Complete: Yes

Plan Complete Date: 02/02/2012

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: It was noted that factory did not install a fire sprinkler system.

Sources: Factory touring, Document review and Management Interview

Legal Reference: Article 8.5.1 of Code of Design on Building Fire Protection and Prevention

Plan Of Action: In accordance with Article 8.5.1 of Code of Design on Building Fire Protection and Prevention (Excerpt): The following locations should have automatic fire extinguishing system. Self-spraying water sprinklers should be used except in locations where water is not applicable or the other areas specific by this Code: -EVA preparation, forming, cutting, empathic; wood working industrial building with land occupied more than 1,500 square meters; single story or multi-story industrial buildings of show manufacture, clothes manufacture, toy manufacture, electrical products and so on, with land occupied more than 1,500 square meters or a total covered area of more than 3,000 square meters.

Deadline Date:

Supplier CAP: Because it will cost so much money to install self-spraying sprinkler system for fire extinguishing, we may enhance the weekly inspection of facilities in our factory to reduce the fire risk to a minimum. We have started inquiry, but we are still waiting our president's decision.



Supplier 02/02/2012
CAP Date:

Action Feb 2, 2012: It was noted that factory did not install fire fighting sprinkler system in
Taken: accordance with Article 8.5.1 of "Code of Design on Building Fire Protection &
Prevention," the factory still has not created a practical solution to install the system. We
have also called the factory to find out their concern, and we were informed that it was
due to the cost of installing the fire sprinkler system as it involves quite a big monetary
investment.

Apr 12, 2013: The factory has not installed the sprinkle system till now. But they have
sufficient extinguishers, smoke detectors and fire alarm system in place. And, they have
conducted annual inspection on the fire facility from the fire consulting company, and
provided fire facility inspection report that was conducted in May 2012. Facility
Inspection report was reviewed by VF and found to be satisfactory.

Plan No
Complete:

Plan
Complete
Date:

Health and Safety: Safety Equipment and First Aid Training

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

Noncompliance

Explanation: Insufficient fire extinguishers were installed in the workshop during the audit. For example, no fire extinguisher was available at the location marked with a “ Fire extinguishers” sign in the workshop.

Legal Reference: Article 7.3.1 of Code for Design of Extinguisher Distribution in Buildings (GB50140-2005) of PRC

Plan Of Action: In accordance with Article 7.3.1 of Code for Design of Extinguisher Distribution in Buildings (GB50140-2005), the minimum fire rating distribution of the calculation unit shall be calculated as follow: $Q = K \cdot S / U$ Q: minimum fire rating distribution of the calculation unit (A or B) K: correction coefficient S: protection area of the calculation unit (m²) U: maximum protection area of a single fire rating in Type A or Type B fire concourse (m²/A or m²/B) The management to investigate the root cause based on:

- 1) Why are fire extinguishers missing where signs indicate fire extinguishers to be?
- 2) What is the management system and how will the factory prevent reoccurrence of this issue?
- 3) Who is responsible to monitor this issue?

Deadline Date:

Supplier CAP: 1) Because some extinguishers would be expired in those 2 days, so we took them for replacement.

2) We have stored some extinguishers in case there are any expired or taken for replacements.

3) Our security manager is responsible for monitoring the issue.

Supplier CAP Date:

Action Taken: Photos provided by the factory management revealed that CAP is completed.

Plan Complete: Yes

Plan Complete Date: 02/02/2012

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: It was noted that at least 2 workers did not properly use the protective needle guards while handling sewing machine.

Sources: Worker Interviews, Factory Touring, Management Interview and Document Review

Legal Reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene of PRC

Plan Of Action:

In accordance with Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, the external part or dangerous part of any transmission belts, rotational axis, transmission chain, coupling, belt wheel, gear, flying wheels, chain wheels and electric saw that is within 2 meters height of the plane where the operator is operating such device shall be equipped with safety devices. The issue is about "proper use of needle guard" while handling sewing machine, not workers to wear PPE. Factory to investigate the following:

- 1) Who is responsible for supervising the sewing workers and ensuring proper use of needle guards during working hours?
- 2) Did factory have production safety rules for sewing workers include proper use of machine and needle guard?
- 3) What are the disciplinary practices for workers if production safety rules are not followed?
- 4) Who is responsible for monitoring the issue?



**Deadline
Date:**

**Supplier
CAP:**

- 1) Supervisors of each department are responsible for monitoring sewing workers to ensure proper use of needle guards during work.
- 2) Please see attached document, which contains proper use of the safe guards. We hung the SOP on each machine.
- 3) If production safety rules are not followed, we will give an oral warning the first time, then a written warning the second time.
- 4) The team leader is responsible for monitoring the issue.

**Supplier
CAP Date:**

**Action
Taken:** [February 2, 2012 VF Comments](#): SOP is noted. Please continue to verify regular monitoring with records.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 02/02/2012

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: It was noted that at least 3 electrical control boxes were found blocked by materials on the second floor of sewing section.

Verification Method: Factory tour, worker interviews and management interview

Legal Reference: Article 6.5 of the General Guide for Safety of Electric User of PRC

Plan Of Action: In accordance with Article 6.5 of the General Guide for Safety of Electric User, there shall be sufficient space around the electric installation and electric wire. There shall be no flammable, explosive or corrosive material stored near the electric installation.

Factory management to investigate:

- 1) Did factory paint floor grids with "no obstruction" wording for all locations of electrical panels?
- 2) Did factory have a written electrical safety management policy?
- 3) Did factory enhance regular electrical safety check for entire factory with record?
- 4) Who is responsible for electrical safety checking and how often electrical safety check is conducted?
- 5) Who is assigned to monitor issue? 6) When is electrical safety training provided to workers?

**Deadline
Date:**



Supplier CAP: We trained workers to make sure all electric control boxes are in free and cannot be blocked by any material:

- 1) Photo sent for verification
- 2) & 6) Training record sent for verification
- 3) We conduct regular electrical safety checks once a week.
- 4) & 5) Our security officer is responsible for the issue.

Supplier CAP Date:

Action Taken: [February 24, 2012 VF Comments:](#) Photo, training records and regular inspection records were sent for verification

Plan Complete: Yes

Plan Complete Date: 02/24/2012

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)

Uncorroborated Evidence of Noncompliance

Explanation: It was noted that there were inconsistencies presented between the time records and the production related records. For example, the daily record at the workshop showed that workers were working on July 30, 2011 (Saturday); however, respective time records showed that workers were off on that date.

During workers' interviews, 20% of workers reported that they were actually working night overtime for 3 hours on almost every night during the peak season, and 10% of workers reported that they were required to work both Saturday and Sunday in a week on rare occasions when production was really tight. However, time records showed that workers usually worked no more than 3 hours a night overtime, and only on an occasional basis. These records showed that 1-day rest on either Saturday or Sunday was provided to workers.

Sources: Workers interview, management interview and document review

Plan Of Action: In accordance with client's standard: The factory shall maintain accurate and consistent working hours and pay records.

1) Do factory owner and top management commit to maintaining full transparency of records?

2) What is the management system regarding all production records on a daily basis and ensuring practices of accuracy in records?

1) Need to establish the management system on a daily basis to ensure practices of accuracy in records. Submit relevant policy and checking records for review.

2) Need to submit a name list of the people responsible in each department for production record checking.



**Deadline
Date:**

**Supplier
CAP:** All records in our factory maintain transparency. Each day, before the end of work, all production records are submitted to the management office, and there is designated person from each department responsible for checking records to ensure practices of accuracy.

**Supplier
CAP Date:**

**Action
Taken:** Noted the responsible persons for each session and the document management policy. Will verify during next on-site audit. Please ensure all the records are accurately maintained.

**Plan
Complete:** No

**Plan
Complete
Date:**

Hours of Work: Overtime/Reduced Mandated Overtime

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

Noncompliance

Explanation: As per factory documents review, it was noted that workers would be deducted 20% of their production bonus if they did not attend the overtime twice according to factory arrangement.

Sources: Worker interviews, management interview and document review

Legal Reference: Article 31 of Employment Contract Law of PRC

Plan Of Action: In accordance with Article 31 of Law of the People's Republic of China on Employment Contracts, Employers shall strictly implement the work quota standards and may not compel or in a disguised manner compel employees to work overtime. Where employees are assigned to work overtime, the employers shall pay overtime wages to employees in accordance with relevant state regulations.

Deadline Date:

Supplier CAP: 1) We posted "voluntary overtime policy" in the workshop and also have written it in the workers' handbook. We communicated "no deduction of bonus if workers do not attend overtime work" to all employees.

2) Please see attached picture which is this posting signed by our top manager in the workshop. The system was implemented beginning in November 2011.

Supplier CAP Date:



Action [February 2, 2012 VF Comments:](#)

Taken:

1) The posted overtime policy with management signature approval is noted. Factory will maintain these policies as records as well as posting for communication.

2) Noted the system has been implemented beginning in November. Submitted production bonus award records reviewed.

Plan Yes

Complete:

Plan 02/02/2012

Complete

Date:
