

## FLA Audit Profile

Factory Code	400215855G
Country	China
FLA Affiliate	Asics, Umbro
Monitor	SGS (Societe General du Serveillance)
Audit Date	November 12, 2008
Products	Bags
Processes	Cutting, Sewing, Packing
Number of Workers	543



**FAIR LABOR**  
ASSOCIATION™

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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
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:**

Five kinds of social insurances could be provided as per local social insurance administrative department. But the factory did not provide all five social insurances to all employees. Only retirement insurance and unemployment insurance were provided to 530 out of 543 employees. No maternity, accident and medical insurance were provided. Based on interview with workers, they were willing to have social insurance if the factory provide to them. Remarks: One waiver was obtained from the local social insurance administrative department to prove that such percentage meets the local requirement. This violated China Labor Law: 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) child-bearing.

**Plan Of Action:**

Not paying social insurance is now against the Chinese Labor Law. All five types of social insurance including pension, unemployment, medical, industrial injure and maternity must be covered across all employees. It is strongly recommended that the factory pay 5 types of social insurance to 100% of employees. Factory is required to produce an action plan including timescales of which shall be applied to introducing remaining social insurance benefits to the employees.

**Deadline Date:**

12/31/2012

**Supplier CAP:**

1. The factory plans to provide gradually commercial health insurance, maternity insurance for all staff by the end of 2009. 2. The factory plans to provide gradually governmental industrial injury insurance, health insurance, maternity insurance for 30% staff the end of 2010. 3. The factory plans to provide gradually governmental industrial injury insurance, health insurance, maternity insurance for 70% stall the end of 2011. 4. The factory plans to provide gradually governmental industrial injury insurance, health insurance, maternity insurance for all staff the end of 2012.

**Supplier CAP Date:**

12/31/2012

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

Comments:

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** Based on the payrolls from Oct 2007 to Sep 2008 provided by the factory, all workers were compensated at a legal mandated rate for their overtime hours, 150%, 200% and 300% of regular pay for overtime work on weekdays, rest days and statutory holidays respectively according to the relative attendance records. But deficiencies were found of overtime payment. The factory did not pay for weekday overtime and rest-day overtime which were found in the production records but did not register in the attendance records. For example, no payment was paid for the workers who worked overtime on 17 & 23 August, 6 & 13 & 20 & 21 Sep based on the payrolls provided by the management. This violated 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 per cent of the normal wages if the extension of working hours is arranged; (2) to pay no less than 200 per cent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and (3) to pay no less than 300 per cent of the normal wages if the extended hours are arranged on statutory holidays.

**Plan Of Action:** Factory should compensate all overtime according to the law, which is 150%, 200% and 300% of regular pay. The factory is required to immediately back pay the employees in question and document this action. Furthermore, all leave and bonuses shall be calculated correctly. 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 the factory and under applicable laws. Employers shall communicate orally and in writing to all workers all relevant information in the local language spoken by the worker and worker should sign to confirm they understand.

**Deadline Date:** 04/20/2009

**Supplier CAP:** 1. Factory will check and make up for the payment that was less than the minimum wage. 2. Factory will train the employee about the method of calculating the wages and the notice of stop. 3. Factory will distribute the wages materials to employees.

**Supplier CAP Date:** 04/20/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** According to China Law, 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). Independent unions are legally prohibited in Chinese factories. There is a trade union established in this factory, which was led by management and local official ACFTU. The chairman of the trade union is Office supervisor of the factory. Most workers participated in the selection of trade union. Main leaders were selected by the workers.

**Plan Of Action:** The factory does not fully understand freedom of association. Factory management needs to be educated so that they fully understand the need for collective bargaining & freedom of association within the factory for the workers' benefit. Employees have the right to elect representatives of their organizations and to conduct activities without employer's interference. Thus, the employer should not interfere with workers' right to freely associate by controlling such groups committees and forces. All employees should receive full training to understanding their right to freely associate.

**Deadline Date:** 04/29/2009

**Supplier CAP:** 1. Factory will post the relevant Laws on notice board in a prominent place. 2. Factory will hold FOA training for all management, and the management is required to communicate to the all workers.

**Supplier CAP Date:** 04/29/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Miscellaneous: A. Code Awareness

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** The company did not train factory's management and workforce on the Code obligations.

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**Plan Of Action:** UMBRO Code of Conduct has been sent out along with acknowledgment document and obligations are signed by each manufacturer & licensee. The factory is required to communicate the code to all workers and post in local language accordingly. ASICS requires the factory to organize the worker awareness training as well as Umbro.

**Deadline Date:** 04/01/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Umbro and ASICS confirmed that factory has posted Umbro and ASICS Code of Conduct in a prominent place.

**Plan Complete:**

**Plan Complete Date:** 04/01/2009

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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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
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** No non-compliance reporting mechanism was established between the Companies and workers. No non-retaliation policy was established.

**Plan Of Action:** The factory has been issued a CSR remediation/monitoring log communicated by the licensee containing step by step corrective action plan. Umbro CSR team will conduct regular monitoring visits and also communicate with the factory on a regular basis through email and telephone. Workers can contact Umbro through the same channel. ASICS requires the factory to attach our local contact point call at the bottom of poster. Stickers will be hand-carried to factory.

**Deadline Date:** 05/10/2009

**Supplier CAP:** 1. Factory will establish control procedures and system for internal grievances. 2. Factory will draft grievance letter format. 3. Factory will regularly collect the grievance letters and the factory response will be posted on the notice board. 4. Factory will classify the contents of the grievances/complaints, and analyze the grievance charts.

**Supplier CAP Date:** 05/10/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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**Miscellaneous: B. Illegal Subcontracting**

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MISC.1 Illegal Subcontracting

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	2 (out of 5)

**Explanation:** The factory used some subcontractors in the production of embroidery and printing. The factory stated that all subcontractors were approved by its clients. But the factory did not provide evidence to prove that these subcontractors had been approved by ASICS and Umbro.

**Plan Of Action:** The Factory is required to submit all subcontracting facility information prior to production upon signing the manufacturing authorization agreement. The factory is urged to immediately provide subcontractor information. ASICS requires the factory to monitor their subcontractors by their own responsibility. The lists of subcontractors shall be submitted to ASICS.

**Deadline Date:**

**Supplier CAP:** 1. Factory will sign the agreement with subcontracting facility. 2. Factory will submit the subcontract lists to UMBRO and ASICS.

**Supplier CAP Date:** 07/10/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Health and Safety: R. Machinery Maintenance and Worker Training**

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** All computer sewing machines were not equipped with broken needle safeguards. The transmission belts of 7 sewing machines had no protective device. This violated General rules for designing the production facilities in accordance with safety and health requirements 3.1.2 Safeguards should be installed, where it is necessary for the operator to approach the moving part of the operating machine. 3.1.6 While the height of any below device is within 2M from the horizontal surface of operator, any transmission belt, rotating shaft, driving chain, couplings, pulleys, gear wheel, flywheel, chain wheel, electric saw and other dangerous parts should be equipped with protective device.

**Plan Of Action:** 100% of sewing machines must have fitted needle guards. It is also required that 100% of sewing machines shall be fitted with pulley guards. Steps should be taken in order to prevent fire and personal injury. Factory should appoint a responsible employee to ensure that the health and safety policy is enforced and all areas of the policy are covered. The

Employer is required to develop, maintain and regularly review a written health and safety policy. The policy must, at least be aimed at complying with legal minimum safety and health standards, regulations and procedures, such as fire for safety, PPE, safety equipment, C]chemical handling, storage, toilet hygiene, drinking water. MSDS should be communicated clearly to workers and posted to all chemical storage areas. Safety training should encourage workers to use PPE and instruct them on the reasons for it and how to use it properly. This shall then be communicated to all workers in the local language. Maintained equipment should be clearly marked with regular inspection sheet showing all requirements and load limits, weight capacities and kept up to date etc.

**Deadline Date:**

**Supplier CAP:** 1. Factory will recheck the safety guards of all sewing machines. 2. Factory will move off the incompetent machine from workshop. 3. The CSR department will inspect the workshop once per week.

**Supplier CAP Date:** 07/30/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Hours of Work: B. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** Inconsistencies were identified between production records and provided attendance records. In particular, the production daily reports of sewing workshop showed that there were some sewing workers working on 17 & 23 August, 6 & 13 & 20 & 21 Sep and 18 & 19 Oct of 2008. However, the provided attendance records were indicating that all workers rested on those days. In addition, some sampled interviewed workers said they worked on Sundays sometimes. Therefore on estimated basis, some workers in sewing workshop had worked at least 12 days continuously in Sep and Oct of 2008. This violated China Labor Law, Article 38: The employing unit shall guarantee that its staff and workers have at least one day off in a week.

**Plan Of Action:** The factory is required to maintain accurate and consistent records for monitoring pay and working hours. This includes ensuring all time sheets are kept up to date, clocking systems tally with registers, delivery notes, needle logs inspection, production reports and cleaning records etc. All information must match from employee to employee, to determine code compliance. It is necessary that factory has available, complete and accurate and up to date records. The factory is required to implement a clocking or time card system to log all employees' timings, breaks, starts and finishes. The factory is required comply with all applicable laws, rules and regulations on working hours, overtime & benefits. When a worker is hired, the factory must disclose to the worker the regular working hours

per day, the applicable wage rate, the policies regarding overtime hours and payment, and probation period if applicable. The factory must have a written policy which states/allows workers have one day off in every seventh day at least. Since ASICS is cautious to avoid the factory hiding their actual situation, we do not require improvement too quickly unless it is certain the factory will be able to, and want to, meet benchmarks for compliance. ASICS requires the factory to take steps to improve on the rest day issue under a spirit of continuous improvement. The actual performance shall be submitted on 20th every months.

**Deadline Date:** 05/10/2009  
**Supplier CAP:** 1. The factory will request the labor bureau issue a new certificate with number of staff and working process in the coming one month.  
**Supplier CAP Date:**  
**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**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
11/10/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

**Explanation:** Inconsistencies were identified between production records and provided attendance records. In particular, the production daily reports of sewing workshop showed that there were some sewing workers working on 17 & 23 August, 6 & 13 & 20 & 21 Sep and 18 & 19 Oct of 2008. However, the provided attendance records were indicating that all workers rested on those days. Moreover, both the payrolls and attendance records showed no any overtime was arranged in Sep 2008; all workers did not work overtime on Sundays in Aug, Sep and Oct of 2008; and workers sometimes overtime worked till 20:30 on weekdays, but some sampled interviewed workers said they sometimes worked on Sundays and overtime till 22:30 on weekdays sometime. In addition, other production daily reports of sewing workshop showed that some sewing workers worked on 9 Nov 2008, but the provided attendance records were indicating that these workers rested on this day, Sampled interviewed workers and management staffs said that these workers did not work on 9 Nov 2008. Due to the inconsistencies mentioned above, it appeared that the factory failed to completely and accurately record all working hours of employees. Based on the provided attendance records, production records and workers interview, it estimated that the monthly overtime might be up to 90 hours and weekly working hours might be up to 66 hours. Some workers in sewing workshop had worked at least 12 days continuously in Sep and Oct of 2008 Both the management and workers confirmed that the overtime was generally arranged for all production workers in a day or



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month. Therefore, the auditor estimated that approximately 75% of workers had worked excessive overtime, especially for workers in sewing, cutting and packing workshops. This violated China Labor Law, Article 41: The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours.

**Plan Of Action:**

The factory is required to maintain accurate and consistent records for monitoring pay and working hours. This includes ensuring all time sheets are kept up to date, clocking systems tally with registers, delivery notes, needle logs inspection, production reports and cleaning records etc. All information must match from employee to employee, to determine code compliance. It is necessary that factory has available, complete and accurate and up to date records. The factory is required to implement a clocking or time card system to log all employees' timings, breaks, starts and finishes. The factory is required comply with all applicable laws, rules and regulations on working hours, overtime & benefits. When a worker is hired, the factory must disclose to the worker the regular working hours per day, the applicable wage rate, the policies regarding overtime hours and payment, and probation period if applicable. ASICS requires the factory to do the necessary action as Umbro requested.

**Deadline Date:**

05/10/2009

**Supplier CAP:**

1. The factory will request the labor bureau issue a new certificate with number of staff and working process future one month.

**Supplier CAP Date:**

04/29/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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