



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Olivet International

COUNTRY: China

FACTORY CODE: 103001510841

MONITOR: Social Compliance Service Asia

AUDIT DATE: June 8 – 9, 2010

PRODUCTS: Ice Bags, Nylon Lunch Bags

PROCESSES: Cutting, Sewing, Packing

NUMBER OF WORKERS: 541



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

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

Noncompliance

Explanation: According to the social insurance payment receipt in April 2010 provided by factory management, it was noted that out of 541 employees: 43 were provided with pension insurance, 451 were provided with medical insurance, 448 were provided with work-related injury insurance, 27 were provided with maternity insurance and only 1 was provided with unemployment insurance. Factory provided waiver from local social insurance bureau.

Law Reference: Article 73 of PRC Labor Law

Plan Of Action: HR will set up a process which clearly identifies the number of employees currently covered by mandated insurance and a goal to add non-covered employees in the future. Insurance will be the most challenging component of the process, although we will work to ensure compliance with all applicable laws.

As a goal, Olivet will set the following timetable: within 6 months of plan's adoption, add 10% more of total workforce to social insurance; within 12 months of plan's adoption, add 20% more of total workforce to social insurance; within 18 months of plan's adoption, add 40% more of total workforce to social insurance; within 24 months of plan's adoption, add remaining 30% of total workforce to social insurance.

Deadline Date: 11/30/2010

Supplier CAP: 1. The factory should be in compliance with China's legal requirements regarding social insurance.

2. Currently, local government is working to increase the level of participation in social insurance.

Factory will follow the local requirements and increase the participation percentage yearly, understanding this will take time. While the goal of the FLA-affiliated companies should be full legal compliance, the unique challenge posed by the formidable variance between market practices and local law necessitates a more pragmatic approach, one based on a model of continuous improvement.



Supplier CAP [12/30/2010](#)

Date:

Action
Taken:

Plan [No](#)
Complete:

Plan
Complete
Date:

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

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

Noncompliance

Explanation: [Due to inconsistencies noted between time and payment records provided, along with other information and records obtained during the audit, actual status of wages and benefits could not be accurately verified.](#)

[Law Reference: Article 51 and Article 45 of PRC Labor Law](#)



Plan Of Action: Factory needs to maintain accurate time and payment records in order to ensure proper payment of wages and accrual of benefits. HR must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified. HR needs to set up a process that clearly states a worker's wages and needs to make an amendment to the employee contract indicating any changes. HR needs to ensure they will monitor this process strictly. The goal for each employee will be to provide an individual work contract with written information on wage level (both normal working hours and overtime) and different wage components applied, as well as non-monetary benefits (paid holidays, social provisions, etc.). Pay slips will be distributed regularly to all workers which will list: total hours worked; distinction between normal working hours pay and overtime pay; number of pieces produced and corresponding piece rates; eventual wage deductions and their reasons; a statement of earnings showing the gross amount dissected to show taxation deductions. Workers will also have free access to payroll administrator should a mistake need to be corrected.

Deadline Date: 11/30/2010

Supplier CAP: The factory needs to maintain accurate time and payment records in order to ensure proper payment of wages and accrual of benefits. Factory HR must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified. The goal for each employee will be to provide an individual work contract with written information on wage level (both normal working hours and overtime) and different wage components applied, as well as non-monetary benefits (paid holidays, social provisions, etc.). Pay slips, through the IC Card (Integrated Circuit Card) process, are regularly available to all workers. Pay slips tally total hours worked; distinction between normal working hours pay and overtime pay; eventual wage deductions and their reasons; a statement of earnings showing the gross amount dissected to show taxation deductions. Workers also have free access to payroll administrator should a mistake need to be corrected.

1. Management will be asked to illustrate compliant benefit policies in the Employee Handbook, which will be distributed among factory employees.
2. Management will be asked to show proof that time off for national holidays was granted, in the form of randomly selected time cards and pay stubs, on a quarterly basis.
3. All evidence of leave and legal benefits will be maintained on employee records.

Each employee has an IC Card to record their working time on a computer. All working time records are published for employees. Every employee can re-check and confirm the amount of time worked versus the amount of time recorded. A history of time cards and payment stubs are maintained in each employee file.



Supplier CAP 12/30/2010

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Minimum Wage

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

Noncompliance

Explanation: As per the payroll records provided from June 2009 to May 2010, factory paid the basic wage according to legal base wage on the time records provided. But, as per workers' interview information and the trial workers' recruitment information, workers were paid RMB 35 per day, which was lower than the local minimum wage, RMB 41.3.

Law Reference: Article 48 of the Labor Law of the PRC

Plan Of Action: The company will maintain proper reporting forms in the file of each worker to demonstrate compliance with plan. Reporting forms will include, but are not limited to, the IC Card in order to ensure proper payment of wages and accrual of benefits.

Deadline 11/30/2010

Date:



Supplier CAP: The factory will pay all employees according to the law. Alleged incidences of paying employees less than what is legally allowed will not be tolerated. HR will maintain accurate time and payment records through an IC Card in order to ensure proper payment of wages and accrual of benefits. The IC Card serves as an electronic reporting form, as it records the amount of time worked; it can be printed and filed along with a copy of the employee's pay for that time period. Factory HR staff will maintain a true copy of each in the employee's record to ensure actual status of wages and benefits are accurately recorded and paid. HR staff will monitor this process strictly.

Supplier CAP 12/30/2010
Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

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: As per temporary worker recruitment advertisement and worker interviews, trial workers were paid RMB 35 per day, which was lower than local minimum wage, RMB 41.3 (for an 8-hour regular working day). Factory could not provide the attendance records of trial workers, so the actual working and overtime hours could not be verified. As per worker interview information, they needed overtime if the production was required.

Law Reference: Article 44 of the Labor Law of the PRC



Plan Of Action: The factory does not intend to hire temporary employees. In order to ensure accurate reporting, HR staff will maintain accurate time, attendance, and payment records in order to ensure proper payment of wages. Factory HR staff must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified. HR staff will maintain the worker's wages in each employee's record. HR will amend each employee contract indicating any changes. HR staff will ensure this is strictly monitored.

Deadline Date: 11/30/2010

Supplier CAP: Factory does not use temporary workers. If factory used temporary workers in the past, it will no longer do so. Aforementioned IC Card will ensure proper recording of time worked, payment of wages and accrual of benefits.

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: False Payroll Records

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

Noncompliance

Explanation: Due to inconsistencies noted between time and payment records provided, along with other information and records obtained during the audit, the actual status of wages and benefits could not be accurately verified.

Law Reference: Article 51 and Article 45 of PRC Labor Law

Plan Of Action: We commit to the following:

Avoiding Double Recording:

1. Keep proper records of wages open for inspection.
2. Avoid double records and falsification of wage recording, generally associated with wage non-payment or underpayment, which do not induce manager to find solutions.

Checking the Existence of the Non-Payment Problem:

1. Check that all employees over the last 12 months have been paid on a regular basis and without delay.

If this was not the case, try to identify:

1. Whether this happened more than once over the last 12 months;
2. What the payment delay was;
3. What wage amounts are unpaid and what they represent in terms of your total wage funds.

Finding a Solution to Non-Payment:

1. If delay in payment occurred, make sure you know why, so you can find possible solutions and ensure that this will not happen again in the future.
2. If it was a technical problem due to difficulties of wage calculation (maybe due to the piece rate calculation), put the necessary technical and human means in place to avoid repeating such a delay.
3. If you could not pay wages because you had used all your resources to cover other costs (raw materials, transportation, purchase of equipment, etc.), you should ensure (a) that payment of wages will now be considered a priority payment and (b) better planning of your expenditures.



Checking the Existence of the Underpayment Problem:

1. Monitor underpayment and ensure that all categories of employees are being paid all the sources of payment they should be paid.
2. Try to identify source of underpayment: basic wage payment, piece rates, overtime, bonuses (related to individual and/or collective performance), other bonuses (seniority, attendance, skills, etc.), paid holidays, social security, non-monetary benefits, etc.
3. If underpayment of overtime did occur, see how you could eventually replace overtime with other organizational changes, such as shift work, and eventually a night shift (see also dimension on payment of working time).
4. Identify what categories of workers were most concerned. If one category was particularly concerned, make sure their wage fixing system will be modified, so that they will receive the same treatment as all other employees.

Ensuring Proper Information on Wage Payments:

1. Check whether the employees are well informed of what dates they are paid.
2. If they are not paid on those dates, check whether or not they are informed of the delay and the reasons for it.

Deadline Date: 11/30/2010

Supplier CAP: Factory will continue to use the IC Card as an accurate daily timekeeping mechanism. Copies of records, which reflect time worked and payment, will be maintained in each employee file. Company representatives will continue to perform follow-up visits to confirm this strategy for improvement every 3 months and ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Factory has a clear policy and guidelines on wages and compensation that is well communicated to all workers inside factory. The policy and guidelines clearly state the management's commitment to pay workers no less than minimum wage, as well as the overtime premium requested by law. A grievance system is in place for employees.

If and when this policy is not followed to include:

Avoiding Double Recording:

1. Keep proper records of wages open for inspection.
2. Avoid double records and falsification of wage recording, generally associated with wage non-payment or underpayment, which do not induce manager to find solutions.

Checking the Existence of the Non-Payment Problem:

1. Check that all employees over the last 12 months have been paid on a regular basis and without delay.



If this was not the case, try to identify:

1. Whether this happened more than once over the last 12 months;
2. What the payment delay was;
3. What wage amounts have been unpaid and what did they represent in terms of your total wage funds.

Finding a Solution to Non-Payment:

1. If delay in payment occurred, make sure you know why, so you can find possible solutions and ensure that this will not happen again in the future.
2. If it was a technical problem due to difficulties of wage calculation (maybe due to the piece rate calculation), put the necessary technical and human means in place to avoid repeating such a delay.
3. If you could not pay wages because you had used all your resources to cover other costs (raw materials, transportation, purchase of equipment, etc.), you should ensure (a) that payment of wages will now be considered a priority payment and (b) better planning of your expenditures.

Ensuring Proper Information on Wage Payments:

1. Check whether or not the employees are well informed of what dates they are paid.
2. If they are not paid on those dates, check whether or not they are informed of the delay and the reasons for it.

Supplier CAP

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

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: It was noted that most of the workers and workers' representatives were not aware of the actual calculation of wages and overtime compensation.

Plan Of Action: The factory needs to maintain accurate time and payment records in order to ensure proper payment of wages and accrual of benefits. Factory's HR staff must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified and can prove employees have been made aware of actual calculation of wages and overtime compensation. HR needs to set up a process that clearly states a worker's wages and needs to make an amendment to the employee contract indicating any changes. HR staff needs to ensure that they will monitor this process strictly.

Information on wages should be provided to all employees: when they are hired through the individual work contract; during the production process (through regular communication channels); and at the time of wage payment with an informative pay slip. Social dialogue on wages should be encouraged by allowing trade unions in the company and encouraging them to negotiate on wage issues through wage bargaining. Such bargaining can lead to the signature of a collective agreement, stipulating the conditions for wage fixing.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete 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: During the factory tour, it was found out that about 50 trial workers were working in the facility as provided by a contractor. As per the factory management, these workers were on a trial basis; they would hire the potential workers permanently after the trial period of about 1 week or more. However, no related documents such as personnel records, employment contracts, payrolls and time cards were available for these workers.

Law Reference: Article 4 of State Council Order No. 364 of People's Republic of China

Plan Of Action: The factory needs to maintain accurate employee/personnel records, employee contracts, payrolls, and time cards on all employees, regardless of whether or not they are referred by a contractor. Factory HR staff must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified and can prove employees have been made aware of actual calculation of wages and overtime compensation. HR needs to set up a process that clearly states a worker's wages and needs to make an amendment to the employee contract indicating any changes. HR staff needs to ensure that they will monitor this process strictly.

Deadline Date: 11/30/2010

Supplier CAP: HR Staff will monitor all personnel records for all each employee, regardless of how long they have worked for the company. While an employee may be new to the company, and therefore a trial employee, the same information required for non-trial employees will be maintained in each employee's record. HR staff will be responsible for maintenance of these records.

Supplier CAP Date: 02/23/2011

Action Taken:

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 \(FOA\); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions \(ACFTU\). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.](#)

**Plan Of
Action:**

We acknowledge that labor relations in China do not meet core ILO standards due to the maturity level of their industrial relations.

We acknowledge a long-term, joint advocacy effort is needed to enable better labor relations in China and includes:

1. The freedom to form or join organizations without fear. The policy and procedure should also guarantee protection at all times against acts of anti-union discrimination, including “blacklisting” or discrimination in hiring practices, dismissal, transfer, relocation, demotion, deprivation or restrictions of any kind (remuneration, social benefits, vocational training) that may cause serious prejudice to the workers concerned.
2. Factories should have a written policy on equality of opportunity and treatment that underpins all aspects of labor-management relations. Any procedure that is developed should be consistent with this policy. Having the policy in writing makes it easier to disseminate to workers and to ensure consistency in its interpretation and application.
3. There should also be written procedures to implement the policies governing the employment relationship. Procedures should be sufficiently detailed so that they name the persons (or functions) responsible for implementing each aspect of the policies and the persons (or functions) that supervise such implementation. Procedures should (a) be written clearly; (b) use objective criteria; (c) apply to all workers in the same fashion; and (d) put a premium on transparency. Procedures should be reviewed and revised frequently in order for them to reflect the current needs of the enterprise.
4. All processes should be documented in order to avoid questions about their impartiality. The documentation generated should serve to show that processes are consistent with policies and procedures adopted by management.
5. Workers should be informed and trained on policies and procedures so that they know about them, will use them, and will perceive them as just and impartial. Workers should also be informed and trained promptly on any changes to policies and procedures.

REMEDATION BY PARTICIPATING COMPANIES, SUPPLIERS AND LICENSEES:

1. When monitors identify violations of national law, FOA principles, or the benchmarks of the FLA Workplace Code of Conduct, the participating company, supplier or licensee has an obligation to put a remediation plan in place.
2. If the findings reported by the monitors do not constitute violations as such, but represent a risk of future violations due to the lack of policies, procedures or training, the participating company, supplier or licensee should make recommendations to the factory for the development of such.

Deadline Date: 05/30/2011

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)

Noncompliance

Explanation: During factory tour, monetary fine policy for “request of supplementary material” was observed. It stated that workers, supervisors and managers were fined 10-40% of supplementary material amount from wages in case the supplementary percentage exceeds the limit as fixed by factory.

Law Reference: Article 50 of the Labor Law of the People’s Republic of China

Plan Of Action: The factory will 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. Factory must refrain from any real or perceived use of monetary fines and penalties, and will maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified. HR needs to set up a process that clearly states a worker’s employment rights and needs to make an amendment to the employee contract indicating any changes. HR staff needs to ensure that they will monitor this process strictly.

Deadline Date: 11/30/2010

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

Child Labor: Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

Noncompliance

Explanation: During the factory tour, it was found out that about 50 trial workers were working in the facility, as provided by a contractor. As per the factory management, these workers were on a trial basis; they would hire the potential workers permanently after the trial period of about 1 week or more. However, no related documents such as age records, employment contracts, payrolls and time cards were available for these workers.

Law Reference: Article 4 of State Council Order No. 364 of People's Republic of China

**Plan Of
Action:** The factory needs to maintain accurate employee/personnel records, employee contracts, payrolls, and time cards on all trial workers, regardless of whether or not they are referred from a contractor. Factory HR staff must maintain proper reporting forms to ensure actual status of wages and benefits can be accurately verified and can prove employees have been made aware of actual calculation of wages and overtime compensation. HR needs to set up a process that clearly states a worker's wages and needs to make an amendment to the employee contract indicating any changes. HR staff needs to ensure that they will monitor this process strictly.

**Deadline
Date:** 12/30/2010

**Action
Taken:**

Plan No
Complete:

Plan
Complete
Date:

Miscellaneous: Illegal Subcontracting

MISC.1 Illegal Subcontracting

Uncorroborated Evidence of Noncompliance

Explanation: As per the management information, they did not subcontract any process out. However, the QA work contribution records gathered from workshop noted factory had a number of finished goods subcontractors and that QA staff were distributed to different subcontractors to conduct the quality check. The goods release records were collected in the factory entrance and it was noticed that some raw material and bags for rework were sent to subcontractors, too. However, auditors were not able to identify if such subcontractors were properly disclosed to the FLA brand.

Plan Of Action: The factory needs to identify subcontracting work being done, if any, and appropriately disclose such work to the FLA. Factory leadership personnel must accurately communicate all subcontractors employed toward finished goods. Factory staff must maintain proper reporting forms to ensure accurate disclosure of all subcontractors, if any, for auditors as well as appropriate FLA reporting forms. Factory staff needs to set up a process that clearly states any subcontractor work. Factory staff needs to ensure that they will monitor this process strictly. Additionally, Olivet will routinely pay unannounced visits to factory (at least once per month) to ensure no subcontracting evidence is noted.

Deadline Date: 11/30/2010



Supplier CAP: The factory does not use subcontractor work. If and when the factory does engage in subcontracting work, the factory will identify subcontracting work being done and appropriately disclose it to the FLA. If this should occur, factory leadership personnel will accurately communicate the need for subcontractors, in compliance with FLA requirements. Factory staff must maintain proper reporting forms to ensure accurate disclosure of all subcontractors, if any, for auditors as well as appropriate FLA reporting forms. Factory management has ensured no subcontracting will be accepted by developing a full cycle of product development.

Supplier CAP Date: 12/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

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: It was found out that factory did not provide occupational health checks for workers engaged in operations involving risks of occupational diseases, such as painting and chemical handling.

Law Reference: Article 32 Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases

Plan Of Action: The factory management will develop an annual training plan, to include:

1. Occupational health checks for workers engaged in operations involving risks of occupational diseases, such as painting and chemical handling.
2. Clear objectives and a time line. This training plan should be approved by top management.
3. All trainings should be adequately documented and followed up.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

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: It was found out that (a) one block, one-story chemical warehouse, (b) one block, two-story kitchen with kitchen workers' dormitory building and (c) the electrical control room could not be covered by the fire permit.

Law Reference: Article 13 of Fire Prevention Law of the People's Republic of China

Plan Of Action: The factory has been asked to work on gaining approval for fire permits in all areas noted not to be covered during audit. The factory also needs to conduct fire alarm testing on a timely basis to ensure proper function, with adequate records for future reference.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

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: 1. It was observed that the secondary exit of the sampling room was locked during work hours.

2. Some aisles on work floors were found blocked.

Law Reference: Article 14.6 of the Fire Prevention Law of the People's Republic of China

Plan Of Action: Factory will appoint a security guard to check all aisles daily and ensure they are accessible and unblocked. A log will be maintained to ensure compliance. As part of Employee Orientation, employees will be trained to monitor their work space and report any unsafe aisle obstruction.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

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: It was observed that some fire fighting equipment on work floor was blocked and that the chemicals warehouse was not equipped with anti-explosive lights and fire fighting equipment.

Law Reference: Article 28 of Fire Prevention Law of the People's Republic of China

Plan Of Action: Factory personnel will review and reschedule the inspection for all fire fighting equipment available in the factory and ensure all fire extinguishers will be inspected weekly, with proper checklists and records available. Also, training for responsible person on how to conduct inspections effectively is necessary. Factory personnel will also determine local law compliance for chemical warehouse and equip it with all required anti-explosive lights and fire fighting equipment. Factory to develop specific missing checklists based on local guidelines for all types of fire fighting equipment, and to train personnel on how to conduct inspections effectively (with available training records).

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Noncompliance

Explanation: Workstations were not properly designed, as there are ergonomic concerns and no risk assessment was made.

**Plan Of
Action:** The factory will purchase all relevant workstation equipment, including seating and standing arrangements, to minimize bodily strain. Factory personnel will be trained in proper lifting techniques and such training will be documented in employee personnel files.

**Deadline
Date:** 11/30/2010

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: A temporary warehouse was located in one of the dormitory buildings, where at least 3 employees were living.

Law Reference: Article 15 of Fire Prevention Law of the People's Republic of China

Plan Of Action: Factory personnel will remove all warehouse related material from dormitory building.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: During the audit, it was noted that factory used an electronic time recording system to record workers' attendance. It was noted that workers' regular working hours were between 8:00-12:00 and 13:30-17:30, with 1 to 2 hours overtime work arranged. The regular work week was from Monday to Friday; no Saturday and Sunday overtime was arranged. Due to the inconsistencies found, this section could not be verified although official hours and payroll records showed no such activity.

Law Reference: Article 51 and Article 45 of PRC Labor Law

**Plan Of
Action:**

1. The root cause of the electronic reporting problem was uncovered during the audit.

Full compliance with local laws is the standard, with improved documentation of actual time worked the goal. We will work closely with factory management team to improve transparency issues by introducing new business opportunities which provide more income. Additional income, at least in the short term, provides motivation for increased awareness and change which, in the long run, leads to systemic changes being sought.

**Deadline
Date:**

11/30/2010

**Supplier
CAP:**

1. The factory will develop a clear work time policy to ensure employees are compensated per their employee contract.

2. The factory will develop a clear overtime policy to ensure employees do not exceed the legal limit of overtime and are fully compensated for overtime worked.

3. Top management needs to verbally communicate this policy to all departments. Frequent meetings between relevant departments should be followed up to ensure that everyone is aware of overtime (OT) issues. In the case that any OT issues arise, all departments must work together to solve these problems together.

4. HR/CR needs to work closely in tracking workers' OT hours. Additionally, OT control plan needs to be set up.



Supplier CAP 12/30/2010

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:
