



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Concept One
COUNTRY: China
FACTORY CODE: 2500151082I
MONITOR: Global Standard
AUDIT DATE: September 6 – 8, 2010
PRODUCTS: Bags
PROCESSES: Cutting, Sewing, Inspection,
Packing
NUMBER OF WORKERS: 700



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Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Noncompliance

Explanation: There are inconsistencies between wage records provided by factory management, and wage records found in working area. Productivity bonus, deductions/penalties related to swipe card (coming in late or leaving early), and monetary deductions due to violation of factory rules are not stated on wage records.

Plan Of Action:

1. Factory must just have 1 payment system and 1 wage record.
2. All legally required payroll documents, journals and reports need be available, complete, accurate and up to date.
3. Monetary deductions/penalties must be cancelled.
4. Factory needs to train the policy to all workers.
5. Factory needs a) an appointed person to monitor this and b) to send pay list to workers for them to sign, so they can check it by themselves.

Deadline Date: 10/15/2010

Supplier CAP:

1. We just have 1 payment system and 1 wage record; we are discussing a new payment system, which is still in testing and has not yet been put into effect. The new systems, which are still in testing and have not yet been put into effect, will not be shared with production department; it will just be kept by HR, Accounting and Boss/Assistant.
3. All legally required payroll documents, journals and reports will be available, complete, accurate and up to date.
4. Monetary deductions/penalties will be cancelled.
5. We will train the policy to all workers.
6. Our HR will monitor this and will send pay list to workers for them to sign, so they can check it by themselves.

Supplier CAP Date: 10/15/2010

Action
Taken:

Plan
Complete:

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. Monitor's note: 80% of the workers are members of the trade union.

Plan Of Action:

1. All workers have rights to establish and enter the trade union freely.
2. Factory needs to have policy and procedure for the trade union and needs to establish a channel of communication for workers and trade union management.
3. Trade union needs to have a meeting every 2 months. All members need to attend meetings, and meeting records are to be kept on file.
4. Factory needs to train all workers on FOA and elevate their awareness of it, so they are able to build up their own trade union without any involvement of factory management.

Deadline Date: 10/31/2010

Supplier CAP:

1. All workers have rights to establish and enter the trade union freely.
2. We will have policy and procedure for trade union and will establish a communication channel for workers and trade union management.
3. Trade union will have a meeting every 2 months. All members will attend meetings and keep meeting records on file.
4. We will train all workers on FOA and elevate their awareness of it, so they are able to build up their own trade union without any involvement of factory management.

Supplier CAP Date: 10/31/2010

Action Taken:

Plan Complete:

Plan Complete Date:



Freedom of Association: Right to Strike/Sanction for Organizing or Participating in Legal Strikes

FOA.16 Employers shall not impose any sanction on workers organizing or having participated in a legal strike. (S)

Noncompliance

Explanation: Article 4-E of Employee Handbook states "the factory will terminate the contract with workers who rise up or organize a strike and cause chaos related to production."

Plan Of Action: Factory cannot impose any sanction on workers for organizing or having participated in a legal strike; workers can rise up and organize a strike freely.

Deadline Date: 09/30/2010

Supplier CAP: We will revise Article 4-E of Employee Handbook to be "workers are entitled to rise up and organize a strike freely," and we will provide training to all workers.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

Plan Complete Date:

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: There is a grievance policy in the factory. However, complaints or suggestion records were only kept until 2008. There are no records from 2009 to present.

Plan Of Action:

1. Factory needs to keep the management of the grievance policy and have 1 person to manage it and train it to all workers.
2. Factory needs to keep all complaints or suggestion records in files by received date.

Deadline Date: 09/30/2010

Supplier CAP:

1. We will keep management of grievance policy and have 1 person to manage it and train it to all workers.
2. Administration Manager will keep all complaints or suggestion records in files by received date.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: Written disciplinary rules and procedure practiced did not include the ability for a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when disciplinary action was being imposed. Disciplinary action is taken by supervisors.

Plan Of Action:

1. Factory needs to establish an appeal system, such as the complaint box.
2. Factory needs to establish a system and have special persons to manage it.
3. It needs to be directly managed by the highest director in the factory.
4. Trade union also needs to establish an appeal system. Representatives of union trade can communicate with factory when there are some inconsistencies between factory and workers.
5. Factory needs to train the appeal systems to all workers and elevate their awareness of it.

Deadline Date: 09/30/2010

Supplier CAP:

1. We had a complaint box and will establish a system to manage it.
2. Complaint box will be opened every day, by at least 2 persons on site; comments will be responded to within 10 days.
3. It is managed by our boss directly.
4. Trade union will establish an appeal system with the telephone number of the trade union and local Labor Bureau. Workers can lodge a complaint via the phone number. When trade union gets complaints from workers, representatives will communicate with factory to resolve it. Trade union needs to file and keep all records of complaints. Trade union will notify all workers of the results via Advice or a meeting with all staff, if there is great influence.
5. We will provide training to all workers and we will add it to Employee Handbook.

Supplier CAP 09/30/2010

Date:

Action

Taken:

Plan

Complete:

Plan

Complete

Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: Disciplinary records are not kept in workers' personnel files. No records or signatures indicating that workers are informed and accept the disciplinary action against them.

2 samples reviewed by auditor, indicating no evidence of informing workers about the process are, as follows:

1. August 27, 2010: 1 female worker took her child to work area. Although supervisor did alert her of this infraction many times, she did not follow factory rules. Under this circumstance, worker will be punished with a fine of RMB 100.

2. August 13, 2010: 1 male worker left factory earlier than normal work hours without informing a supervisor or applying for leave in advance. Although supervisor did alert him many times, he did not follow factory rules. Under this circumstance, worker will be punished with a fine of RMB 50.



Plan Of Action:

1. Any monetary fines and penalties cannot be allowed; factory must repeal this discipline.
2. Factory also needs to train it to all workers to elevate their awareness of it.
3. Factory needs to inform workers when a disciplinary procedure has been initiated against them. Factory also needs to keep records of all disciplinary actions taken with workers' signatures.

Deadline Date: 09/30/2010

Supplier CAP:

1. We will repeal monetary fines and penalties; no monetary fines and penalties anymore.
2. We will provide training to all workers to elevate their awareness of it.
3. We will inform workers when a disciplinary procedure has been initiated against them. We will also keep the records of all disciplinary actions taken with workers' signatures.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

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: Auditors observed that factory uses monetary fines and penalties for disciplining workers. According to the announcement posted in work area, workers will be fined RMB 100 for taking a child to the work area and RMB 50 for the factory leaving early.

Plan Of Action:

1. Any monetary fines and penalties cannot be allowed; factory must repeal this discipline.
2. Factory also needs to provide training to all workers and elevate their awareness of it.

Deadline Date: 09/30/2010

Supplier CAP:

1. We will repeal monetary fines and penalties; no monetary fines and penalties anymore.
2. We will provide training to all workers and elevate their awareness of it.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Sexual Harassment

H&A.14 Employers shall refrain from: any act of sexual harassment; any unwelcome invitation or request, implicit or explicit, whether or not accompanied by threats; any lascivious look or other gesture associated with sexuality; and any unnecessary physical contact such as touching, caresses, pinching or assault. Employers shall not offer “ or take any action that may suggest an offer of “ recruitment, continued employment, promotion, improved working conditions, preferential work assignments or other preferential treatment of any kind in actual or implied exchange for a sexual relationship, nor subject workers to prejudicial treatment of any kind in retaliation for refused sexual advances or corrected inappropriate behavior. (S)

Noncompliance

Explanation: No sexual harassment policy and no confidential communication channel established at factory.

Plan Of Action:

1. Factory needs to establish a sexual harassment policy and a confidential communication channel.
2. Factory needs to provide training to all workers and elevate their awareness of it.

Deadline Date: 09/30/2010

Supplier CAP:

1. We will establish the sexual harassment policy and also establish the confidential communication channel.
2. We will provide training to all workers to elevate their awareness of it. .

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

Plan Complete Date:

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: Recruitment advertisement for recruiting security guards posted at factory entrance revealed that there is discrimination based on both age and gender. Advertisement states "male and under age 30," instead of basing recruitment on experience and skills.

Plan Of Action: Factory cannot have any discrimination bias for recruitment, such as age and gender; recruitment should be based on experience and skills instead.

Deadline Date: 09/30/2010

Supplier CAP: We will cancel the limit of age and gender and will have no discrimination for recruitment.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

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: Pressure inspection certification for air compressor expired August 1, 2010.

Plan Of Action:

1. Factory needs to check and make sure all certifications are valid at all times.
2. Factory needs to reapply for the inspection certification for air compressor.

Deadline Date: 10/31/2010

Supplier CAP:

1. We will check all certifications every month and make sure all of them are valid.
2. We will reapply for the inspection certification for air compressor.

Supplier CAP Date: 10/31/2010

Action Taken:

Plan 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: There was only 1 fire extinguisher in sewing department. According to Fire Law of China, there should be at least 2-5 fire extinguishers together as a group at the same location. Glass at fire hose box was broken at warehouse. There are 2 fire extinguishers blocked by materials at warehouse.

Legal Reference: Fire Law of China

Plan Of Action:

1. Factory needs to equip all work places with enough fire extinguishers as per law.
2. Factory needs to have an appointed person to check and make sure all fire equipment is good and valid.
3. Surroundings of all fire equipment need to be clear and cannot be blocked.
4. Factory needs to provide training on fire fighting techniques to all workers.

Deadline Date: 09/30/2010

Supplier CAP:

1. We will check and equip all work places with enough fire extinguishers as per law.
2. We will have an appointed person to check all fire equipment every month to make sure all of them are good and valid.
3. We will keep surroundings of all fire equipment clear and not blocked.
4. Factory will provide training in fire fighting techniques to all workers.

Supplier CAP Date: 09/30/2010

**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**

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: There is no secondary container for machine oil, which is stored at warehouse.

Legal Reference: Production Safety Law of China

**Plan Of
Action:**

1. Factory needs to store chemicals in secondary containment at storage area with proper Material Safety Data Sheets (MSDS) in Chinese posted.
2. Factory needs to train workers on how to show the proper MSDS for chemicals.
3. Workers who handle chemicals need to have training in chemical storage.

**Deadline
Date:** 09/30/2010

**Supplier
CAP:**

1. We will have a secondary container to store chemicals with proper MSDS in Chinese posted.
2. We will train workers on how to show the proper MSDS for chemicals.
3. Workers who handle chemicals will have training in chemical storage.

Supplier CAP 09/30/2010

Date:

Action

Taken:

Plan

Complete:

Plan

Complete

Date:

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: Auditors observed several fire safety risks:

1. Exit doors in work area and warehouse open inwards.
2. Warehouse is cluttered with items that present a hazard to fire and evacuation.
3. Wires for some machinery are uncovered and near flammable materials.

Legal Reference: Fire Law of China

**Plan Of
Action:**

1. Factory needs to change and make sure all exit doors at work area and warehouse open outwards.
2. Factory needs to stock items in categories; they cannot be mixed.
3. All wires need be covered and safe. Flammable materials need to be separate from any dangerous goods.
4. Factory needs to check everywhere in factory to avoid any hidden dangers.



Deadline 10/15/2010
Date:

Supplier 1. We will change all exit doors in work area and warehouse to open outwards.
CAP: 2. We will store items in categories; they will not be mixed.
3. We will check and make sure all wires are covered and safe. We will also make sure flammable materials are separate from any dangerous goods.
4. We will check everywhere in factory to avoid any hidden dangers.

Supplier CAP 10/15/2010
Date:

Action
Taken:

Plan
Complete:

Plan
Complete
Date:

Health and Safety: 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)

Noncompliance

Explanation: No needle protection guards on all sewing machines. There are 11 special sewing machines either without gear covers, or with covers broken.

Plan Of Action:

1. Factory needs to equip all sewing machines with needle protection guards.
2. Factory needs to equip all special sewing machines with gear covers or unbroken covers, depending on need.
3. Factory needs to establish policy to manage this and train workers on the importance of safety.

Deadline Date: 10/15/2010

Supplier CAP:

1. We will equip all sewing machines with needle protection guards.
2. We will equip all special sewing machines with gear covers or unbroken covers, depending on need.
3. Administration department will check this every month and will train workers on the importance of safety.

Supplier CAP Date: 10/15/2010

Action Taken:

Plan Complete:

Plan Complete Date:

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: There is no first aid guidance posted at the area of the first aid kit.

Plan Of Action: Factory needs to post the first aid guidance at the area of the first aid kit.

Deadline Date: 09/30/2010

Supplier CAP: We will post the first aid guidance at the area of the first aid kit.

Supplier CAP Date: 09/30/2010

Action Taken:

Plan Complete:

Plan Complete Date:
