



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT *

COMPANY: Kranos Corporation DBA
Schutt Sports

COUNTRY: China

FACTORY CODE: 940015189HV

MONITOR: Openview Service Ltd.

AUDIT DATE: September 15, 2011

PRODUCTS: Plastic Toys

PROCESSES: Injection Molding, Assembly,
Inspection, Packing

NUMBER OF WORKERS: 12

FLA Comment: This report was submitted to the FLA and the FLA-affiliated company by the accredited independent external monitor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

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



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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: 1. According to national law, all 5 types of social insurance schemes (a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment, and e) childbearing) should be provided for all employees of factory.

2. Last social insurance/security payment was made July 10, 2009. Only 6 out of 17 employees had participated in injury, disability caused by work-related injury or occupational disease, unemployment and retirement insurances. Moreover, no workers who had participated in childbearing insurance without any written waiver obtained from local social insurance bureau.

Sources: document review; worker and management interviews

Legal references: PRC Labor Law Article 72: Employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with law. PRC Labor Law Article 73: Laborers shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment, and e) childbearing.

Plan Of Action: Schutt Sports requires, as a condition of ongoing business, that supplier remediate this and achieve compliance to PRC Labor Laws as outlined in Schutt Sports Supplier Expectations Agreement. Schutt shall create and fund a mechanism for supplier conformance direct to factory that does not rely on export broker for compliance activities.

Deadline Date: 02/07/2010

Supplier CAP: Supplier consents to Schutt-supplied corrective action plan and will undertake a series of changes to achieve compliance to PRC Labor Law Chapter 9 Social Insurance and Welfare (Articles 72, 73). It has been recognized that there was a misunderstanding on Article 71; thus, original comments have been removed. Employee files required to contain this information.

Supplier CAP Date: 02/26/2010

Action Taken: Schutt engaged services of outside HK-based 3rd party consultant to provide direct guidance to factory and guide them on methods to achieve compliance. Factory visit conducted in June of 2010 to confirm this and a revision to Supply Agreement signed after confirmation of improvement. Subsequent visits in September 2010 and March 2011.

Plan Complete: Yes

Plan Complete Date: 03/19/2011

Action Verified: No

Action Verified Text: (Completed) All employees provided with 5 types of social insurances (e.g., pension, medical, maternity, work-related injury, and unemployment insurances).

Sources: social insurance receipt review, employee interviews

Action Verified Date: 09/15/2011

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

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

Noncompliance

Explanation: Only 100% of normal rate paid to workers for first 8 work hours on rest days and public holidays. RMB 3.50 per hour paid to night shift workers for OT after first 8 hours each day; RMB 4.50 per hour paid to day shift workers for OT after first 8 hours each day.

Sources: document review; worker and management interviews

Legal reference: PRC Labor Law, Article 44: Overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal work days, rest days and official public holidays, respectively.

Plan Of Action: Buyer requested seller and subcontractor to comply with all requirements and maintain records of compliance, and further, to inform buyer if ordering practices would create a hardship for factory on meeting delivery dates. Buyer will change orders to eliminate hardship and manufacture items in their US factory as needed.

Deadline Date: 07/01/2010

Supplier CAP: Seller and subcontractor agreed to make changes and incorporate in formal agreement.

1. Seller/subcontractor will inform Schutt of lead time issue and capacity.
2. Seller will adjust price accordingly.
3. Seller agrees to record OT and payroll and to allow freedom of access to records.

Supplier CAP Date: 07/16/2010

Action Taken: July 2010: Factory visit conducted in June 2010 to confirm this; revision to Supply Agreement signed after confirmation of improvement.

September 2010: Factory visit to ensure documents in employee file were in place.

January 2011: Schutt agrees to price increase.

March 2011: Meeting held to verify that combination of reduced work and increased payment were sufficient to reduce factory pressure. Seller was disappointed in reduced orders, but acknowledged it was making a difference.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 03/19/2011

**Action
Verified:** No

**Action
Verified
Text:** (Pending) Employees' OT wages could not be assessed accurately, because inconsistent OT records found: Some employees worked some Sundays (September 5, 19, 26, 2010; January 23, 2011; February 6, 13, 20, 27, 2011; March 6, 13, 20, 27, 2011; April 17, 2011; and June 5, 12, 2011). However, time cards indicated that all employees rest on all Sundays.

Source: production record review

**Action
Verified
Date:** 09/15/2011

**Follow-up
Plan of
Action:**



Forced Labor: General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

Noncompliance

Explanation: Factory did not provide workers with a copy of employment contracts.

Sources: Documentation: worker and management interviews

Legal reference: PRC Labor Contract Law, Article 16: An employment contract shall become effective when employer and employee have reached a negotiated consensus thereon, and each of them has signed or sealed the text of such contract.

Plan Of Action: Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010.

Deadline Date: 02/07/2010

Supplier CAP: Supplier and subcontractor agreed to include an employment contract for every employee, to retain, and to make these records available to employee and auditors alike.

Supplier CAP Date: 05/03/2010

Action Taken: Supplier installed record keeping and employee communication procedures. They were verified on June 2010 visit.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified: (Completed) Factory provided copies of labor contracts to all employees.

Text: Sources: labor contract review, employee interviews

Action 09/15/2011
Verified
Date:

Forced Labor: Personal Worker Identification and Other Documents

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

Noncompliance

Explanation: No copy of identification document in personnel files.

Sources: document review, management interview Legal reference: PRC State Council Order No. 364, Regulation on Prohibition of Child Labor (effective from December 1, 2002) Article 4: When recruiting employees, employing units shall verify identity cards of applicants, and must not employ those juveniles who have not reached 16 calendar years of age. Employing unit shall appropriately maintain employees' employment register and materials being verified.

Plan Of Action: Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. During original visit in 2008, examples of such documents were provided to an interpreter. A source inspector from Hong Kong has been hired and began work with Schutt Sports in December 2010. This source inspector has experience in other PRC factories and is tasked with independent verification, monitoring, reporting, and recommendation. This subsequently included a request to complete an employee record system for hiring, employment, and training.

Deadline Date: 02/19/2010

Supplier CAP: Supplier to complete all requirements per this section, including training and record keeping, and request 3rd party consultant to visit and verify.

Supplier CAP Date: 02/19/2010

Action Taken:	Both consultant and Schutt provided on-site visits, and further recommendation on improvements to documentation. These were concluded in June to Schutt Sports' satisfaction and an annual agreement signed. 1. Factory allocated space and resources to employment hiring records, training, employment and pay documentation. 2. Factory created a traceable system and allowed random audits of employee records without notification. 3. Records were created by employee, with a file for each. These covered training, ID for verification activities, traceable to individual pay records that included OT, insurance, hours paid and rate of pay. Verified in September 2010 and March 2011.
Plan Complete:	Yes
Plan Complete Date:	03/19/2011
Action Verified:	No
Action Verified Text:	(Completed) Factory verified employees' age identification documents and kept copies on file. Sources: personnel file review, employee interviews
Action Verified Date:	09/15/2011

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: Ensure compliance with PRC Law; the request was made to inform workers of their rights during hiring process; to ensure current staff had been informed in writing and by meeting of these rights; and that a statement of these rights be displayed in the workers' area on a board.

Deadline Date: 03/05/2010

Supplier CAP: Shall maintain compliance with PRC Law and maintain documentation. Acknowledges that PRC law is in contrast to goal of Social Compliance and Responsibility. Factory informed employees of their rights and opportunities under the law both verbally and in writing, and posted a notice in factory workers' area on a board in injection-molding department (main room of small factory).

Supplier CAP Date: 03/05/2010

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:** 03/19/2011

**Action
Verified:** No

**Action
Verified
Text:** (Pending) No independent trade union in the factory.

**Action
Verified
Date:** 09/15/2011

**Follow-up
Plan of
Action:**

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: Factory did not have internal comment or grievance system.

Sources: document review, management interview

Plan Of Action: Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. Good management practices should be instituted that provide for this necessity.

1. Factory shall demonstrate that employees have been trained in their rights under employment law.
2. Factory shall permanently post these employee rights in an area reserved for employee communication.

Deadline Date: 02/07/2010

Supplier CAP: Supplier and subcontractor agree to install process for grievance procedures. The form shall be in conformance to PRC Labor Law.

1. Employees' training on rights and factory process is documented in personnel file.
2. Employee rights are permanently posted.

Supplier CAP Date: 05/30/2010

Action Taken: Schutt Sports and 3rd party consultant confirmed supplier and subcontractor had met goals as required by Schutt to fulfill requirements outlined in Supply Agreement. Verification contributed to signing the revised Supply Agreement.

1. Employment files checked in September 2010 included training on grievance system.
2. Employment rights notification was posted at that time.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 03/19/2011

**Action
Verified:** No

**Action
Verified
Text:** (Completed) Factory established written grievance policy and procedure on October 12, 2009. All workers know the grievance procedure, and they could raise their concerns through suggestion boxes or communicate with management directly.

Source: Social Responsibility Management Handbook review

**Action
Verified
Date:** 09/15/2011

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: Factory did not have system to ensure workplace was free from any type of harassment and abuse due to the lack of relevant policies.

Sources: document review, management interview

Plan Of Action: Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. Presence of a policy statement guide is expected.

Deadline Date: 02/07/2010

Supplier CAP: PRC law provides specific guidelines for disciplinary action, harassment and abuse. Supplier will institute a procedure for workplace to comply with PRC laws.

Supplier CAP Date: 05/28/2010

Action Taken:

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified Text: (Completed) Factory established written anti-harassment and abuse policy on October 12, 2009. Workers knew policy well; no any harassment and abuse practice found.
Source: Social Responsibility Management Handbook review

Action Verified Date: 09/15/2011

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: Anyone who took unauthorized leave for 1 day would be deducted 3 days' wages.

Sources: factory rule and regulation review

Legal reference: PRC Labor Law, Article 50: Wages shall be paid monthly to laborers in the form of currency. Wages paid shall not be deducted or delayed without justification.

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: (Completed) Factory canceled the illegal wage deduction policy.
Sources: Social Responsibility Management Handbook review; factory rule and regulation review; worker and management interviews

Action Verified Date: 09/15/2011

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: Factory did not have a system to verify the ages of its employees.

Sources: document review, management interview

Plan Of Action: Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. Original plant findings' sampled documents indicated management had some documents. A new source inspector has been hired from Hong Kong to work directly with factory on compliance. Failure to achieve compliance with this requirement will result in terminating the business relationship.

Deadline Date: 03/31/2010

Supplier CAP: Factory agreed to create and maintain a system to verify the ages of its employees and to include age verification for prospective new employees. Records of hired employees to be retained and made readily available to management, customer, and outside.

Supplier CAP Date: 04/01/2010

Action Taken:

Plan Complete: No

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified Text: (Completed) Factory verified age identification documents of all employees and kept all ID copies on file.
Sources: Social Responsibility Management Handbook review, workers' personnel file review, employee interviews

Action Verified Date: 09/15/2011

Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Explanation: Factory did not have a system to ensure that special protections for young workers are upheld as required by applicable laws.

Sources: Document review, management interview

Plan Of Action: Schutt Sports has requested that NO workers be employed below 16, and that compliance to this requirement is a reason for disqualifying factory from business. Failure to reach compliance in Q1 of 2010 shall result in business suspension.

Deadline Date: 03/31/2010



Supplier CAP: Supplier will conform fully to PRC Labor Law for workers' ages.

Supplier CAP Date: 05/03/2010

Action Taken: Supplier created a process to conform to PRC Labor Law, with documentation of hired workers and employment screening process. Schutt Sports verified this during an on-site visit in June 2010.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified Text: (Completed) There were no juvenile workers in factory. Factory would provide legally required protections for juvenile workers if hiring them in the future.
Sources: Social Responsibility Management Handbook review, personnel file review, employee interviews

Action Verified Date: 09/15/2011

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: Factory did not have a non-discrimination policy.

Sources: document review, management interview

Plan Of Action: Presence of a statement in the policy manual for this was requested and shall be confirmed the week of February 2, 2010.

Deadline Date: 02/07/2010

Supplier CAP: Supplier consented to include a non-discrimination policy in compliance with PRC Labor Law.

Supplier CAP Date: 03/01/2010

Action Taken: On-site visit conducted in June 2010 to confirm the non-discrimination policy was in place. Verified its presence and inclusion in local procedure manual at factory. Ensured this section was incorporated into the Supplier Agreement.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified Text: (Completed) Factory established the written non-discrimination policy on October 12, 2009; workers knew the policy well.

Sources: Social Responsibility Management Handbook review, personnel file review, employee interviews

Action Verified
Date: 09/15/2011

Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: Company did not provide a code of conduct to the factory.

Sources: document review, management interview

Plan Of Action: Code of conduct was provided to both factory and agent/broker in 2009. Additional written copies will be hand delivered (electronic version already sent) and signed for in February 2010.

Deadline Date: 02/07/2010

Supplier CAP: Signed copy of acceptance to FLA Code during site visit to acknowledge acceptance.

Supplier CAP Date: 02/06/2010

Action Taken: Verified in February visit and in June 2010 in both Mandarin (local language) and English; further included FLA code in Supply Agreement.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action (Completed) Schutt Sports provided the code of conduct to the factory.

Verified

Text: Source: document review

Action 09/15/2011

Verified

Date:

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.

Noncompliance

Explanation: 1. Workers not orally informed of code or code provisions at time of induction and on an ongoing basis.

2. Company did not send compliance staff or designated service providers to visit and implement the company compliance program in the factory.

Sources: 1) worker and management interviews; 2) management interview

Plan Of Action: 1. Employer shall provide written notice, in local language and orally at time of hire and in each month during which the majority of production is expected (April, May, June, July, and August).

2. Company shall provide additional compliance oversight to factory via actual visits and employment of outside service provider (source and compliance inspector from Hong Kong).

Deadline 02/07/2010

Date:

Supplier CAP: Molder shall be in compliance to verbal and written standards by April 2010 when production is likely to recommence.

Supplier CAP 03/31/2010

Date:

Action Taken: Buyer sent compliance staff and made 2 personal visits in 2010 to verify that subcontractor provided written and oral notice on code provisions to ensure workplace standards were communicated to factory workers. Included provision in Supplier Agreement.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified: (Completed)

Text: 1. Factory provided training regarding Schutt Sports' Code of Conduct to all employees, and posted it on the notice board.

2. Schutt Sports audited factory on June 8, 2010.

Source: 1) document review, on-site observation, employee interviews; 2) document review, management interviews

Action Verified Date: 09/15/2011

Code Awareness:

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

Noncompliance

Explanation: 1. Company did not provide confidential noncompliance reporting mechanism which allows factory workers to contact the company directly.

2. Company did not provide guidance to factory on establishment of internal grievance procedure.

Sources: 1) worker and management interviews; 2) management interview

Plan Of Action: Through evaluation during February 2010 site visit shall reach agreement on how this is to be done. Determined a secure channel of communication direct to Schutt was essential and would be created by posting of buyer's contact information in Mandarin.

Deadline Date: 02/07/2010

Supplier CAP: Shall provide for publication of secure communication channel for factory workers via factory positions in local language and in English.

Supplier CAP Date: 05/28/2010

Action Taken: Factory management under guidance from Buyer created and published in local language and English a method for factory workers to contact Buyer on issues related to noncompliance with the FLA code and PRC Labor Law. This is posted in the factory workplace in view of production workers.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action	(Completed)
Verified	
Text:	1. Posted code of conduct contained confidential noncompliance reporting mechanism, such as email, telephone, etc. 2. Factory established written grievance policy and procedure on October 12, 2009. Workers could raise their concerns through suggestion boxes or communicate with management directly. Sources: 1) document review; 2) Social Responsibility Management Handbook review
Action	09/15/2011
Verified	
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. No emergency evacuation plan posted in the factory.

2. No fire alarm system installed in the factory.

3. 1 out of 2 emergency exits of injection molding workshop was locked.

4. No training on evacuation procedures provided to workers.

Sources: 1, 2, 3) factory tour; 4) document review; worker and management interviews

Legal references: 3) PRC Fire Service Law, Article 14(6): Enterprises and business units shall ensure that all evacuation passages and emergency exits are clear and posted with fire safety evacuation signs; 4) PRC Fire Prevention Law, Article 16.4: Factory shall organize fire drill exercises to employees regularly.

Plan Of Action: (TBD) Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. Outside assistance may be required after on-site visit to further clarify requirements of this section for size of manufacturing facility. Factories with the presence of certain materials may require additional protocols to ensure appropriate worker safety.

1. As part of employee training, factory shall provide training and actual live drill.
2. Factory shall maintain clear all exits and aisles for evacuation.
3. An alarm system shall be maintained that is approved.
4. Factory shall document these.

Deadline Date: 03/31/2010

Supplier CAP: Buyer shared findings with factory owner/manager who concurred with findings and pledged to make improvements to evacuation and fire systems.

Supplier CAP Date: 05/28/2010

Action Taken: Supplier posted evacuation procedures in local language, provided training, and improved fire alarm system to meet standards of local codes.

1. Marked all emergency exits with signs.
2. Trained employees in evacuation procedures and posted diagrams in production areas for evacuation.
3. Acquired additional fire extinguishers and marked their locations and how to use them.
4. Instituted work rules for clear aisles and entrances/exits. Verified again in September 2010.

Plan Complete: Yes

Plan Complete Date: 03/19/2011

Action Verified: No

Action (Completed)
Verified
Text:

1. Emergency evacuation plan posted in the factory.
2. Fire alarm system installed in the factory.
3. All emergency exits in factory unlocked during work time.
4. Evacuation procedure training given to workers twice yearly, latest March 28, 2011.

Sources: visual inspection, document review

Action 09/15/2011
Verified
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:

1. No fire extinguisher equipped in finished production warehouse.
2. 2 fire extinguishers blocked in injection molding section.
3. No procedure posted that deals with first aid.
4. No trained medical personnel on site.

Legal references: 1) PRC Fire Service Law, Article 14(5): enterprises and business units shall be responsible for installation of appropriate fire service equipment and facilities, posting fire safety signs and arrange regular inspections and maintenance to ensure all equipment and facilities operate properly in good condition. 2) PRC Design Regulations for Fire Extinguisher Installation (GBJ 140-90), Article 5.1.1: Fire extinguishers shall be installed in distinct and easily accessible location and shall not be hindered. 4) PRC Factory Safety and Sanitary Regulations, Article 87: Factories shall educate workers in correct use of protection articles. Workers performing dangerous work (e.g., electrical and gas workers) should be taught first aid procedures.

Plan Of Action: TBD. Schutt Sports has requested documentation of compliance and shall conduct an on-site visit with manufacturer the week of February 2, 2010. Outside assistance may be required after on-site visit to further clarify requirements of this section for size of manufacturing facility. Factories with presence of certain materials may require additional protocols to ensure appropriate worker safety. Factory indicated their belief that factory's small size excludes them from certain provisions. No proof or independent verification has been made. Thus, compliance is expected and is likely easily achieved.

Deadline Date: 02/07/2010

Supplier CAP: Address fire extinguisher deficiencies in warehouse and at machinery.

1. Additional fire extinguishers to be purchased.
2. Fire extinguishers shall not be blocked and their locations marked.
3. Staff and management shall be trained in use of fire extinguishers.
4. Some members of staff shall be trained in emergency first aid.

Supplier CAP Date: 02/26/2010

Action Taken:

1. Purchased additional fire extinguishers and signs and placed in accordance with local codes. Confirmed in June 2010 inspection.
2. Access to extinguishers maintained and clear, with markings visible at some distance to identify their location and colored to ensure access was maintained.
3. Production employees questioned indicated they had received a demonstration on fire extinguisher use.
4. Office Manager and production supervisor trained in emergency first aid and a kit was available in the production area.

Plan Complete: Yes

Plan Complete Date: 03/19/2011

Action Verified: No

Action Verified Text: (Ongoing)

1. Adequate fire extinguishers equipped in finished production warehouse, as well as in other workplaces.
2. No fire extinguisher blocked in injection molding section or in other workplaces.
3. First aid procedure posted in the factory, and workers knew the procedure well.
4. No trained medical personnel in the factory.

Source: visual inspection

Action Verified Date: 09/15/2011

Follow-up Plan of Action:

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: 1. Factory did not post signs or diagrams indicating the need for personal protective equipment (PPE) in crushing room of injection molding section.

2. No handrail equipped for ladders of all injection molding machines.

Plan Of Action: Ensure factory provides these safeguards and confirm through site inspection week of February 2, 1010.

Deadline Date: 02/07/2010



Supplier CAP: Supplier shall install handrail at injection molding machines and post signs for PPE throughout manufacturing.

Supplier CAP Date: 05/28/2010

Action Taken: Confirmed that corrective action taken and witnessed in June 2010 inspection.

Plan Complete: Yes

Plan Complete Date: 06/16/2010

Action Verified: No

Action Verified Text: (Ongoing)
1. Factory posted signs or diagrams indicating need for PPE in crushing room of injection molding section.

2. 1 out of the 2 injection molding machine ladders not equipped with handrails.

Source: visual inspection

Action Verified Date: 09/15/2011

Follow-up Plan of Action:

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: 1. About 50% of workers worked overtime for 4-5 hours per day, and up to 156.5 hours per month in September 2008.

2. 50% of workers worked 61-84 hours per week from July - December 2008, and from February - August 2009.

Sources: 1) document review; worker and management interviews; 2) document review; worker and management interviews

Legal reference: 1) PRC Labor Law, Article 41: Employing unit may extend working hours due to requirements of its production or business after consultation with trade union and laborers, but extended work hour for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, extended hours shall not exceed 3 hours a day under the condition that health of laborers is guaranteed. However, total extension in a month shall not exceed 36 hours.

Plan Of Action: Review PRC Law and ensure a method and policy exist. Factory to ensure compliance and notification to Schutt of potential conflicts caused by demand of goods exceeding labor capacity which could only be delivered through exceeding work hours allowed. Schutt will provide guidance to Agent/Broker and Seller/Subcontractor on methods to resolve this.

Deadline Date: 05/28/2010

Supplier CAP: Seller factory and agent agree to notify buyer when demand exceeds labor capacity and/or ability to subcontract portions thereof. Period of potential overtime is seasonally driven by US customers and is typically short in duration. A timely notification will be given after receipt of order from buyer.

Supplier CAP Date: 05/28/2010

Action Taken: Schutt Sports agreed to and included in agreement to accept notification from Agent [Agent name] of purchase order delivery requests that exceed capacity. Schutts' action shall be to reduce purchase order to a level acceptable to agent by producing in buyer's own factory without penalty to agent or factory.

1. Schutt increased US supply of unassembled components to allow US factory to build items during peak demand and reduce level of work at factory supplier.
2. Schutt decreased amount of purchases for finished goods items and adjusted both their MRP system which drives demand to seller, and increased inventory of items in US in off season.
3. Schutt maintains mold capable of producing like items and has shifted some demand internally and created Kanbans to drive more assembly at US factory.
4. Seller has advised when they could not meet demand (December - January 2010) rather than take extraordinary efforts.
5. Net result has been a reduction in total amounts of finished goods purchased from seller and an increase of internal production.

Plan Complete: Yes

Plan Complete Date: 03/19/2011

Action Verified: No

Action Verified Text: (Pending) Employees' overtime could not be assessed accurately because inconsistent overtime records found. Some employees worked some Sundays (September 5, 19, 26, 2010; January 23, 2011; February 6, 13, 20, 27, 2011; March 6, 13, 20, 27, 2011; April 17, 2011 and June 5, 12, 2011). Yet, time cards indicated all employees rest on all Sundays.

Source: production record review

Action Verified Date: 09/15/2011

Follow-up Plan of Action:

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: 50% of workers worked 30 or 31 days without 1 day off in June and July 2009.

Sources: document review; worker and management interviews

Legal reference: PRC Labor Law, Article 38: Employing unit shall guarantee that its staff and workers have at least 1 day off in a week.

Plan Of Action: Schutt Sports has: a) offered factory the necessary price incentives to 1) hire additional staff to deal with seasonal demand and 2) outsource to other facilities to eliminate overtime and b) made provisions to change its purchases to spread demand over a greater time to assist in eliminating overtime; c) agreed to manufacture some products in US during peak periods to eliminate excess demand that results in extended days of production, and d) requested that supplier provide a written capacity profile that reflects standard hours. Schutt would only purchase to the "capacity" of a compliant system and NOT place orders that might result in factory choosing to work excess overtime.

Deadline Date: 02/26/2010

Supplier CAP: Seller to notify buyer of purchases that exceed worker capacity to produce with hours of service allowed by PRC labor law. Hours of work shall be guaranteed in writing, and seller acknowledges requirement in writing and shall maintain records to demonstrate compliance.

Supplier CAP Date: 05/28/2010

Action Taken: Verified and agreed in final agreement in June 2010.

Plan Complete: Yes

Plan 06/16/2010

Complete

Date:

Action No

Verified:

Action (Pending) Whether 1 day off per 7 was guaranteed at all times could not be assessed
Verified Text: accurately because inconsistent overtime records found. Some employees worked some Sundays (September 5, 19, 26, 2010; January 23, 2011; February 6, 13, 20, 27, 2011; March 6, 13, 20, 27, 2011; April 17, 2011 and June 5, 12, 2011). However, time cards indicated that all employees rest on all Sundays.

Source: production record review

Action 09/15/2011

Verified

Date:

Follow-up

Plan of

Action:

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: (New finding, September 15, 2011) Employees' overtime could not be assessed accurately because inconsistent overtime records found. Some employees worked some Sundays (September 5, 19, 26, 2010; January 23, 2011; February 6, 13, 20, 27, 2011; March 6, 13, 20, 27, 2011; April 17, 2011 and June 5, 12, 2011). However, time cards indicated that all employees rest on all Sundays.

Source: production record review

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**

Hours of Work: Annual Leave

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

Noncompliance

Explanation: [\(New finding on September 15, 2011\)](#) Factory only provided 1 day paid annual leave for employees who served in factory more than 1 year, violating the regulation that at least 5 days paid annual leave should be provided to those employees.

[Sources: payroll and time record review; worker and management interviews](#)

[Legal reference: Article 3 of Regulations on Paid Annual Leave for Employees](#)

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

Plan No
Complete:

Plan
Complete
Date:
