



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** A. T. Cross Company  
**COUNTRY:** China  
**FACTORY CODE:** 470015986G  
**MONITOR:** ALGI  
**AUDIT DATE:** December 3, 2008  
**PRODUCTS:** Pens  
**PROCESSES:** Manufacturing, Composing,  
Finishing  
**NUMBER OF WORKERS:** 607



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses \_\_\_\_\_ 3  
Forced Labor: Employment Terms/Voluntary Agreement \_\_\_\_\_ 4  
Forced Labor: Other - Forced Labor \_\_\_\_\_ 6  
Freedom of Association: General Compliance Freedom of Association \_\_\_\_\_ 7  
Freedom of Association: Right to Freely Associate \_\_\_\_\_ 8  
Freedom of Association: Grievance Procedure \_\_\_\_\_ 9  
Freedom of Association: Other - Freedom of Association and Collective Bargaining \_\_\_\_\_ 10  
Harassment or Abuse: Other - Harassment or Abuse \_\_\_\_\_ 11  
Child Labor: Other - Child Labor \_\_\_\_\_ 12  
Code Awareness: \_\_\_\_\_ 13  
Health and Safety: Evacuation Requirements and Procedure \_\_\_\_\_ 14  
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness \_\_\_\_\_ 15  
Hours of Work: Rest Day \_\_\_\_\_ 16



## **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:** 607 employees enrolled in all 5 kinds of social insurance; 88 imported migrant employees all enrolled in comprehensive social insurance for migrant employees, covering only work injury, medical and pension insurances. In accordance with Art. 2 of Interim Procedures of [City name] Municipality on Comprehensive Insurance for Out-of-town Employees (Promulgated July 22, 2002 by Decree No. 123 of [City name] Municipal People's Government): in [City name], migrant workers can only be enrolled in comprehensive social insurance. However, in accordance with Art. 73 PRC Labor Law: Workers shall be provided with social insurance benefits under following circumstances: a) retirement, b) illness, c) disability caused by work-related injury or occupational disease, d) unemployment and e) childbearing.

Law: Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefit): Management and employees must participate in social insurance programs. Art. 73 of PRC Labor Law (Chapter 9 Social Insurance and Welfare): Social insurance contribution shall be fulfilled in full and in time.

**Plan Of Action:** According to audit report company received, supplier is in compliance with mandate; in [City name], migrant workers can only be enrolled in comprehensive social insurance.

**Deadline Date:**

**Supplier CAP:** Employees are provided with opportunity for vacation, sick leave, family leave (i.e., marriage, maternity, paternity and bereavement), all statutory holidays and annual paid leave based on years of service. Employees are required to submit applications for leave (vacation, sick, family) at least 3 days prior to said leave.

**Supplier CAP Date:**

**Action Taken:** See attached Employee Handbook points 4 and 5. Also see attached labor contract.

Plan  
Complete:

Plan  
Complete  
Date:

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### **Forced Labor: Employment Terms/Voluntary Agreement**

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

#### **Noncompliance**

**Explanation:** Labor contract does not reference the following topics: working hours; rest and leave; labor compensation; social insurance; labor protection against occupational hazards.

Law: Art. 17 of PRC Labor Contract Law: Employment contract shall specify following matters:

1. Name, domicile and legal representative or main person in charge of the employer,
2. Name, domicile and resident ID number or other valid ID document of employee,
3. The term of the employment contract,
4. The job description and the place of work,
5. Working hours, rest and leave,
6. Labor compensation,
7. Social insurance,
8. Labor protection, working conditions and protection against occupational hazards,
9. Other matters which laws and statutes require to be in employment contracts.

In addition to requisite terms mentioned above, an employer and employee may agree to stipulate other matters in employment contract, such as probation period, training, confidentiality, supplementary insurance, benefits, etc.



**Plan Of Action:** Company has asked supplier to amend labor contract to include information on working hours, rest, leave, etc.

**Deadline Date:** 03/31/2009

**Supplier CAP:** The factory will add working hours, rest, leave, labor compensation, social insurance and labor protection against occupational hazards in the labor contract. The factory is committed to all aspects of employment, including but not limited to, recruitment and hiring, promotion, transfer, pay, benefits, training and providing equal employment opportunity for all employees.

The factory will continue to provide equal employment opportunities, ensuring that employees or applicants are not discriminated against because of race, color, religion, sex, age, disability, family status, etc. The company is committed to making sure the ages of all staff members are in line with national laws and regulations. Employees have the ability to cancel the labor contract if national labor laws are violated.

**Supplier CAP Date:** 03/31/2009

**Action Taken:** Please see Employee Handbook point 2.1. Also, please see revised labor contract.

**Plan Complete:**

**Plan Complete Date:**

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**Forced Labor: Other - Forced Labor**

Other

**Noncompliance**

**Explanation:** The factory does not have a written policy on prohibition of forced labor.

**Plan Of Action:** The factory will create a written policy document on the prohibition of forced labor.

**Deadline Date:** 03/31/2009

**Supplier CAP:** The factory is to add a provision on the prohibition of forced labor into the labor contract. The company's Employee Handbook details company policy pertaining to the hiring of employees and the company's adherence to the national labor laws.

The company has established communication channels between the employees and the supervisors. In addition, the Ministry of Personnel staff also assists in communicating with employees regarding labor, vocational, social security and other related matters.

**Supplier CAP Date:** 03/31/2009

**Action Taken:** Please see Employee Handbook points 2.1 and 10. Also, please see revised labor contract.

**Plan Complete:**

**Plan Complete Date:**

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## Freedom of Association: General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

### Noncompliance

**Explanation:** Workers are not allowed to associate freely. As per worker interviews, workers have no knowledge of their rights to freely associate.

Law: Art. 7 of PRC Labor Law: Laborers have the right to participate in and organize trade unions. Unions represent and safeguard the legal interests of workers and proceed with activities independently.

**Plan Of Action:** The factory is to implement a policy that communicates workers' rights to freely associate and file grievances.

**Deadline Date:**

**Supplier CAP:** The factory has an Intermediation Committee, which is responsible for the mediation of general civil disputes and minor criminal cases, via the mediation process, carrying out education, organization of mediation team(s), business training and legal advocacy efforts. The trade union and staff representatives negotiate with the factory leader on matters relating to employee pay and benefits.

**Supplier CAP Date:**

**Action Taken:** Please see attached Election and Reshuffle Policy for the employee representative 1-2-3, and the Intermediation 1-2 Committee.

**Plan Complete:**

**Plan Complete Date:**

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## 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:** Explanation: The factory trade union in place at the supplier location was democratically elected by the factory workers and is administered according to current China laws.

**Deadline Date:**

**Supplier CAP:** [Factory name] has a documented (and democratic) employee-elected representation process which ensures that representative comprise 7-8% of the total work population; include the proper percentage of women and younger workers and come from all levels of the company, from first-line workers to technicians, management staff, etc. Workers have a right to be elected and the right to vote in the staff representatives' congress.

**Supplier CAP Date:**

**Action Taken:** Please see attached Election & Reshuffle Policy for the employee representation 1-2-3.



**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### **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:** According to the management, the workers have not used the suggestion box in recent years. As a result, there was no suggestion letter presented for auditors' review. In this case, it cannot be verified if the grievance system is effective in the factory.

**Plan Of Action:** Explanation: Workers generally do not use the suggestion box as a means of communicating their grievances. Workers speak directly with management when problems arise; management has resolved the problems in each case.

**Deadline  
Date:**

**Supplier CAP:** The factory has an established communication process between workers and supervisors. Employees have access to a local 24-hour hotline and can also file grievances through the staff representatives of the trade union or the Ministry of Personnel staff.

**Supplier CAP  
Date:**

**Action Taken:** Please see attached Election and Reshuffle Policy for the Employee Representative 1-2-3 and Intermediation 1-2 Committee.



**Plan  
Complete:**

**Plan  
Complete  
Date:**

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**Freedom of Association: Other - Freedom of Association and Collective Bargaining**

Other

**Noncompliance**

**Explanation:** [The factory does not have an established a policy on freedom of association.](#)

**Plan Of  
Action:** [Explanation: See above item on FOA.](#)

**Deadline  
Date:**

**Supplier  
CAP:** [The factory has an Intermediation Committee; responsible for the mediation of both general civil disputes and minor criminal cases via policies, education, organization of mediation teams, business training and legal advocacy efforts. The trade union and staff representatives negotiate with the leader of the factory on matters relating to employee pay and benefits.](#)

**Supplier CAP  
Date:**

**Action  
Taken:** [Please see attached Intermediation 1-2 for Intermediation Committee.](#)

**Plan  
Complete:**

**Plan  
Complete  
Date:**

**Harassment or Abuse: Other - Harassment or Abuse**

Other

**Noncompliance**

**Explanation:** The factory does not have an established policy on the prohibition of harassment or abuse.

**Plan Of Action:** The factory is to adopt a policy on the prohibition of harassment or abuse in its labor contracts.

**Deadline Date:** 03/31/2009

**Supplier CAP:** The harassment of any staff members or employees of the company is strictly prohibited. This is documented in the Employee Handbook and the labor contract; compliance is mandated by national labor laws. If the company violates this national labor law, employees may take a complaint to the Government Labor Arbitration Committee.

**Supplier CAP Date:**

**Action Taken:** Please see attached Employee Handbook point 9.12. Please also see attached labor contract.

**Plan Complete:**

**Plan Complete Date:**

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**Child Labor: Other - Child Labor**

Other

**Noncompliance**

**Explanation:** The factory does not have an established policy on the prohibition of child labor or age verification procedure.

**Plan Of Action:** Factory will add language regarding the prohibition of child labor into its labor contracts.

**Deadline Date:**

**Supplier CAP:** Add language regarding prohibition of child labor into labor contracts. The factory is committed to assuring that the age of employees meets all regulations. As such, in Sections 2.1.2, 2.1.3 and 2.1.4 of the Employee Handbook, [factory name] clearly states that it is prohibited to hire anyone under the age of 18. This policy is assured via an ID card check that [factory name] uses when hiring any new employees.

**Supplier CAP Date:**

**Action Taken:** Please see attached Employee Handbook points 2.1.2, 2.1.3 and 2.1.4. Please also see attached labor contract.

**Plan Complete:**

**Plan Complete Date:**

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**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:** There was a failure to establish a noncompliance reporting mechanism which would allow factory workers to contact the company.

**Plan Of Action:** Explanation: The company requires its suppliers to sign a Code of Compliance on an annual basis. In addition, the Workplace Code of Conduct is posted in each workshop area; an A. T. Cross Compliance hotline number is available for anonymous reporting of code violations.

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

**Supplier CAP:** The Code of Conduct, including hotline number, has been posted in every workshop in the factory. The factory has a local hotline number available for grievances, but also posts a compliance hotline number which is monitored by A.T. Cross Legal and Human Resource Department. There have been no calls to either hotline number to date.

**Supplier CAP Date:**

**Action Taken:** Please see Employee Handbook point 10. Please also see 3 photos showing code of conduct postings throughout the factory, and 2 photos showing hotline postings for voicing concerns. No calls have come in to the hotline to date.

**Plan Complete:**

**Plan Complete Date:**

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## 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:** The exits of the gold bar incision and polishing department do not have emergency lights.

Law: Art. 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87): Employer shall install emergency lights on evacuation passages, exits and stairwells.

**Plan Of Action:** Emergency lights for the exits were installed.

**Deadline Date:**

**Supplier CAP:** Emergency lights for the exits will be installed where necessary. The safety and health of the staff is always a primary concern for management. The company operates in accordance with the health and safety regulations. The company keeps up with policy management and maintaining the establishment of a clean, safe and healthy working environment. When new workers enter the factory, they must pass health and safety education and training by the Security Department.

**Supplier CAP Date:**

**Action Taken:** Emergency lights for the exits were installed; please see 3 photos showing such lights for each of the exits. Please see attached documents supporting evacuation plan and fire alarm method. Please also see Employee Handbook point 8.

Security Department is responsible for ensuring health and safety requirements are met.

**Plan Complete:**

**Plan  
Complete  
Date:**

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### **Health and Safety: Material Safety Data Sheets/Worker Access and Awareness**

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### **Noncompliance**

**Explanation:** MSDS for mold release agent was not posted in the injection molding workshop.

**Law:** Art. 12 of PRC Safe Use of Chemical Materials in Production Area: The chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels. MSDS should be offered to workers who use them.

**Plan Of Action:** Material Safety Data Sheets (MSDS) are posted and information provided to workers.

**Deadline  
Date:**

**Supplier CAP:** The staff actively participates in a variety of safety training and drills to help ensure the health and safety of the company's employees. The Security Department staff is responsible for ensuring that health and safety issues are prevented.

**Supplier CAP  
Date:**

**Action Taken:** Please see photo showing posting of MSDS data sheets. Please also see Employee Handbook point 8: Security Department is responsible for ensuring health and safety requirements are met.

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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### **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:** According to time records from July to November, 1 out of 25 sampled workers worked 11 consecutive days in July; 1 out of 25 sampled workers worked 12 consecutive days in July.

Law: Art. 38 of PRC Labor Law: Employer shall guarantee that its laborers have at least 1 day off per week. Reply to Questions on Working Hours, Art.9:

- a) The employer shall negotiate with the union and the employees on how to implement the system of comprehensive calculated working hours,
- b) Taking manual work regulated as the third level or higher level, laborers shall not exceed 11 consecutive work hours a day, and have at least have a day off a week.

**Plan Of  
Action:** The factory will strictly administer an overtime management system to ensure the workers' legal income.

**Deadline  
Date:**

**Supplier  
CAP:** The factory implemented a 40 hour work week and strictly complies with the National Labor Law requirements regarding rest days, vacation and overtime.

**Supplier CAP  
Date:**

**Action  
Taken:** Please see attached Employee Handbook points 2.3 and 3. Please also see attached labor contract.





**Plan  
Complete:**

**Plan  
Complete  
Date:**

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