



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: adidas Group
COUNTRY: China
FACTORY CODE: 530015746G
MONITOR: Level Works Limited
AUDIT DATE: July 29 – 30, 2008
PRODUCTS: Apparel
PROCESSES: Cutting, Sewing, Pressing,
Finishing, Packing
NUMBER OF WORKERS: 960



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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: Not all workers in factory were entitled to all 5 types of social insurance schemes: All workers had participated in disability insurance caused by work-related injury or occupational disease; only 513 out of the 1030 workers had participated in injury, retirement and unemployment insurances. The factory bought commercial injury insurance for the remaining 50% of the employees. Furthermore, there were no workers who had participated in childbearing insurance.

Sources: document review, 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 the law; and according to 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.

Note: According to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory. However, migrant workers from other provinces could not participate in childbearing insurance.

Plan Of Action:

1. Factories are required to contribute to work-related injury and maternity insurance schemes for all employees first, and then increase other contributions to other insurance schemes (e.g., retirement, unemployment, and medical insurances) in order to fully meet the legal requirement. Based on updated (June 25, 2009) [City name] social insurance notice, childbearing insurance scheme merged into medical insurance in [City name]. As a result, a separate childbearing insurance scheme no longer exists in [City name]. Any worker with 2 or more years of seniority who buys into regular medical insurance receives childbearing insurance automatically. However, based on adidas SEA requirement, factories must provide maternity benefits to all employees, including those with less than 2 years of seniority who cannot receive childbearing insurance through social insurance scheme. Therefore, SEA Team requires factories develop a policy committing to cover this benefit for workers that don't meet 2-year requirement. In other words, workers can be reimbursed for childbearing costs from factory equal to coverage given by social insurance scheme.

2. Factory is required to submit plan on how it will achieve compliance and communicate this scheme to workers.

Deadline Date: 06/30/2009

Supplier CAP: A plan has been developed for the progressive expansion of the social insurance coverage, with a pension insurance scheme with up to 60% coverage by the end of 2008.

Supplier CAP Date: 03/31/2009

Action Taken: December 31, 2012 update (review of latest social insurance payment receipt):

1. Factory just increased pension insurance coverage for all employees from previous 50% up to current 51.8%.

2. Except pension scheme, factory has enrolled all employees in other social insurance schemes (medical, injury, unemployment), after communication with the factory management, SEA agrees to extend the timeline of the milestones as below:

* By July 2013, suppliers should cover a minimum 60% of workers into social security scheme;

* By July 2014, suppliers should cover a minimum 80% of workers into social security scheme;

* By July 2015, suppliers should cover 100% of workers into social security scheme.

December 14, 2011 update (review of latest social insurance payment receipt):

1. Factory has increased pension insurance coverage for all employees from previous 23% up to current 50%.

2. Except for pension insurance, factory provided all employees with other social insurance schemes (medical, injury, unemployment), SEA still requires factory to follow milestones below:

* July 2012: Suppliers should cover minimum 60% of workers in social security scheme;

* July 2013: Suppliers should cover minimum 80% of workers in social security scheme;

* July 2014: Suppliers should cover 100% of workers in social security scheme.

June 27, 2011 update (review of June 2011 social insurance payment receipt):

1. 232 out of 1,036 employees total provided pension and unemployment insurances (23%), a very tiny progress over last year.

2. All employees (1,036) provided work-related injury and medical insurances.

3. For childbearing insurance, all workers either receive childbearing insurance from social insurance scheme (30%) or through factory's internal coverage (70%). adidas Group SEA team will communicate with supplier and agent in Japan to reach milestones below:

- * July 2012: Suppliers should cover minimum 60% of workers in social security scheme;
- * July 2013: Suppliers should cover minimum 80% of workers in social security scheme;
- * July 2014: Suppliers should cover 100% of workers in social security scheme.

November 11, 2010 update (review of October 2010 social insurance payment receipt):

1. 230 out of total 1,160 employees provided pension and unemployment insurances (20%), the same proportion as the middle of this year. Based on factory's explanation, reasons for a lack of increase in coverage include: a) most workers originate from rural districts, and are reluctant to join, as they are not confident of receiving benefits after they return to their hometown; b) some workers declined to bear their 8% personal contribution, particularly newly recruited employees; c) worker turnover rate affects increase of participants, as newcomers just replaced resigned workers. After communication between management and SEA team, factory committed to improving number of participants to up to 35% by mid-2011, and up to 50% by end of 2011.

2. All employees (1,160) provided work-related injury and medical insurances.

3. For childbearing insurance, all workers either receive childbearing insurance from social insurance scheme (25%) or through factory's internal coverage (75%).

4. Factory developed policy related to childbearing internal coverage, based on adidas SEA requirement. For workers not qualified to enjoy childbearing insurance scheme, factory committed to cover this benefit based on social insurance scheme requirements. In other words, workers can claim back costs from factory (when they deliver a baby) at same level as social insurance scheme.

May 25, 2010 update (May 2010 social insurance payment receipt review):

1. 244 out of total 1195 employees provided pension and unemployment insurances (20%).

2. All employees (1195) provided work-related injury and medical insurances.

3. For childbearing insurance, all workers either receive childbearing insurance from social insurance scheme (20%) or through factory's internal coverage (80%). 4. Factory developed policy related to childbearing internal coverage based on adidas SEA requirements. For workers not qualified to enjoy childbearing insurance scheme, factory committed to cover this benefit based on social insurance scheme requirements. In other words, workers can claim back costs from factory (when they deliver a baby) at same level as social insurance scheme.



[December 15, 2009 update \(document review\):](#)

Factory failed to reach their target during the last 6 months.

[May 8, 2009 update \(document review, management interview\):](#)

Factory has not achieved any improvement yet and should implement their remediation plan in a reasonable time frame.

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: [Factory provided attendance and payroll records that were un dependable and unverifiable; therefore, compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.](#)

Sources: record reviews: a) QC in-line inspection record (1 worker carried out inspection April 4, 2008 (public holiday), b) medicine-releasing records in cutting section first aid kits (1 worker injured and used medicine at work September 9, 2007 (Sunday), c) materials backing to warehouse records (2 material warehouse workers worked February 24, 2008 (Sunday), d) workers' daily piece rate records (some sewing section workers worked July 27, 2008 (Sunday), but these public holiday and Sunday hours were not indicated on workers' time attendance records. No information on payroll records demonstrating these hours were paid by factory. Corroborated by worker interviews.

Plan Of Action: Transparency is most important between our company and suppliers. Factory should ensure all documents provided are reliable and consistent. Factory is required to improve their management system, especially in work hours and compensation aspects:

1. Factory should set up an OT application and related approval procedure.
2. Management should assign a person responsible for ensuring all workers' hours of work are properly recorded, compensated, and fully reflected in payroll record.



3. Factory should provide time records for workers to review and recognize before each payment.

Deadline Date: 06/30/2009

Supplier CAP: In order to avoid similar occurrences, we developed related policy/procedure to settle such issues and control excessive work hours:

1. All departments are required to submit their OT applications to top management level for approval.
2. OT application might only be approved with sufficient reason within 20 hours per week time frame limitation. Any OT work exceeding legal time frame must be rejected.
3. 1 day off for every 7 days must be guaranteed.
4. Any infringement of these company policies will be severely dealt with.
5. All departments should strictly implement our production planning.

Supplier CAP Date: 03/31/2009

Action Taken: June 27, 2011 update (worker interviews, document review, time record review (January to June 2011)):

1. No falsified/inconsistency issue found. No workers raised this issue during interviews.
2. Factory provided time records for workers to review and verify before each payment.
3. Factory strictly follows their OT application and approval procedure and controls their weekly work hours to be less than 60 hours.
4. No hours of work violations found.
5. Factory has assigned 1 senior manager to implement OT application and approval procedure after last FLA IEM. This procedure has been implemented properly as per January to June 2011 records review.

November 11, 2010 update (worker interviews, time and production record review (May to October 2010)):

1. No falsified/inconsistency issues found. No interviewed workers raised these issues.
2. Factory provided time records for workers to review and verify before each payment.
3. Factory has established a written OT application and approval procedure.
4. No hours of work violations.

5. Factory assigned 1 senior manager to implement OT application and approval procedure after last FLA IEM. Procedure has been implemented properly per May to October 2010 record review.

6. During May 2010 audit, excessive work hours issues identified; SEA team contacted our sourcing unit in Japan to discuss how to solve this. 1 senior representative from sourcing unit in Japan traveled to factory to discuss a correction action plan (CAP) regarding how to control this and promised to check CAP implementation to avoid this happening again. Based on last visit, factory implemented CAP properly this period (May to October) by: a) strictly implementing work hours policy (at least 1 day off in 7, no more than 60 hours/week or 11 hours in a single day etc.), which is posted in prominent place for all workers' awareness, b) implementing OT application and approval procedure, c) increasing work capacity by recruiting 369 new workers to control work hours issue, d) arranging (week of June 21) regular weekly management meeting to check compliance issues.

May 25, 2010 update:

1. No falsified/inconsistency issue found in time and production records; no workers raised this issue during interviews in last 3 FLA IEM follow-up visits;

2. Worker interviews confirmed factory provided time records for workers to review and recognize before each payment;

3. Factory has set up written OT application and approval procedure during last visit, but failed to implement it strictly, especially in January, March, and April 2010;

4. Factory assigned 1 top management person responsible for OT application and approval procedure after last FLA IEM. However, this person cannot control excessive work hours issues while their orders are fully out of their real work capacity especially in January, March, and April 2010: a) most workers worked more than 60 hours weekly (maximum: 84 hours/week), b) 1 day off in 7 cannot be guaranteed (maximum: 28 days/month), and c) daily work hours exceed 12 hours.

5. In order to solve excessive work hours issues, SEA communicated with our sourcing unit in Japan (we, SEA, reiterated that factory must control excessive work hours issue before next visit/audit, failure to meet this target may result in SEA enforcement action, including Warning Letter 1 issued), sourcing unit requested factory to submit CAP regarding how to control this issue and promised to check CAP implement to avoid the possibility of similar problem happening again. In updated CAP, factory committed to: a) strictly implementing work hours policy and posting it in prominent place in workplace, b) strictly following OT application and approval procedure (#3) starting June 21 2010, c) expanding work capacity by recruiting 369 new workers to control work hours issue, d) from week of June 21, arranging weekly management meeting to check compliance issues, any important issue will be reported to sourcing unit and SEA immediately, e) reducing dependency on manpower by automation (using more advanced computerized sewing machine with functions of cutting thread automatically).

[December 15, 2009 update \(document review, worker interviews\):](#)

No inconsistency identified; however, hours of some workers exceeded 60 hours/week, and no 1 day off in 7 during last 6 months.

[May 8, 2009 update \(document review, worker interviews, on-site visit\):](#)

No inconsistency found. This issue will be further monitored on future visits.

Plan Yes

Complete:

Plan 06/27/2011

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, Trade Union Act prevents establishment of trade unions independent of sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of Trade Union Act are contrary to fundamental principles of FOA, including non-recognition of the right to strike. As a consequence, all factories in China fall short of ILO standards on the right to organize and bargain collectively. Recently, however, the government introduced new regulations that could improve functioning of labor relations mechanisms. Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. Trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 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: Factory should educate workers on their right to FOA and Collective Bargaining (CB); then should enhance internal 2-way communication system between management and employees (e.g., set up worker-management communication committee, hold regular meetings). Grievance system should be effective and addressed to all employees.

Deadline Date: 03/31/2009

Supplier CAP: We have plans to hold more communication meetings between management and workers, and to improve our grievance system and address it to all workers.

Supplier CAP Date: 03/31/2009

Action Taken: June 27, 2011 update (document review, visual inspection):

1. Written FOA and CB policy established.
2. Policy still posted on bulletin board for workers' review.
3. In order to enhance closer communication between management and employees, factory conducts regular training programs on company's policies and workers' rights, such as FOA and CB, Workers' Union and Representatives monthly. Training contents conveyed to both management and employees through meetings and other notification channels;
4. Latest training for this policy was to 40 supervisors/managers on June 20, 2011 by a separate meeting.

November 11, 2010 update (document review):

1. Written FOA and CB policy established.
2. Policy posted on bulletin board for workers' review.
3. In order to enhance closer communication between management with employees, factory launched various training programs on company's policies and workers' rights, such as FOA and CB, Workers' Union and Representatives. Contents of training conveyed to both management and employees through meetings and other notification channels;
4. 25 supervisors/managers have been trained on this policy in a separate meeting.



May 25, 2010 update (document review, training record review):

1. Written FOA and CB have been set up.
2. Policy posted on bulletin board for workers to read.
3. Policy verbally communicated to all workers by a separate meeting April 2010; however, no records can be shown that supervisors/managers have been trained on this policy.
4. Factory has educated workers of their rights via a separate meeting.

December 15, 2009 update (document review):

Factory has educated workers of their rights via a separate meeting.

May 8, 2009 update (document review, worker interviews):

Factory only educates workers on their right to FOA and CB during vocational training. Factory should educate workers about their rights via a separate meeting.

Plan Yes
Complete:

Plan 06/27/2011
Complete
Date:



Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: Worker representative candidates should be first recommended by on-site team leader; they were selected by workers from those candidates. Worker representatives must be approved by factory management and then can be effective.

Sources: document review; worker and management interviews

Plan Of Action: Worker representative candidates should be fully elected by workers themselves, instead of recommended by on-site team leader or factory management.

Deadline Date: 03/31/2009

Supplier CAP: We will encourage workers to elect their representatives by themselves as per auditor recommendation from last FLA audit.

Supplier CAP Date: 03/31/2009

Action Taken: June 27, 2011 update (document review, worker interviews, last meeting's minutes):

1. Currently, there is a Trade Union Committee in the factory. There are 9 members, elected by all employees;
2. Committee conducts regular meetings on a monthly basis;
3. Last meeting's (May 11, 2011) minutes indicated the meetings' main content: a) how to enhance satisfaction/or sense of belonging for all employees; b) how to enhance communication channels through trade union and others, and c) how to optimize welfare of workers.



November 11, 2010 update (document review, worker interviews, meeting minutes):

1. Factory set up a Trade Union Committee in December 2009. There are 9 members in this committee that were elected by all employees;
2. Committee conducts regular meetings on a monthly basis;
3. Issues raised by workers' representatives: content covered included working conditions, dormitory-living conditions, issues with the canteen, etc.
4. Most raised issues received feedback from top management or were addressed.

May 25, 2010 update (document review, last meeting's minutes):

1. Factory established union committee in December 2009. There are 9 members, and 2 were fully elected by workers themselves;
2. This committee held 3 meetings since its establishment, last meeting was in June 2010, meeting minutes were kept for review;
3. At last meeting following items/topics discussed: a) any new policy/procedure, before its application, must be fully discussed and agreement reached between management and union; b) some potential risks exist in canteen (e.g. slippery floor), it should be solved immediately; c) 1 member raised that current temperature is too hot, especially in production workplace; representative from management agreed to install air conditioner in canteen and production area.

December 15, 2009 update (document review):

Workers' Committee set up in June 2009.

May 8, 2009 update (document review, worker interviews):

Only 2 workers elected by workers as their representatives. To date, no Workers' Committee has been set up.

Plan Complete: Yes

Plan Complete Date: 11/11/2010

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: [Factory did not have an effective inspection certificate of competency on cargo lift.](#)

Sources: document review, management interview

Plan Of Action: [Factory should improve their management system and assign personnel to review all required certificates to ensure they are valid and up to date.](#)

Deadline Date: [03/31/2009](#)

Action Taken: [June 27, 2011 update:](#)
Factory has assigned people responsible for all certificate updates; mentioned cargo lift certificate is valid until July 17, 2012.

[November 11, 2010 update \(document review\):](#)
Factory has updated their cargo lift inspection certificate from local authority; this certificate is valid until July 17, 2011.

[May 25, 2010 update \(cargo lift inspection certificate review\):](#)
Certificate is valid until October 26, 2010.

[May 8, 2009 update \(document review\):](#)
Cargo lift inspection certificate has been updated.

Plan Complete: [Yes](#)

Plan Complete Date: [11/11/2010](#)

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 passage and 1 emergency exit were blocked by goods. No emergency light installed at 1 emergency exit on 1st floor of dormitory building B. No exit sign affixed on an emergency exit on 1st floor in dormitory building B.

Sources: factory tour, worker interviews

Plan Of Action: 1. Factory should set up a safety system and assign personnel to inspect all fire prevention facilities (e.g., fire extinguishers, hydrants, exit signs, emergency lighting, evacuation route, exit doors, fire alarm, etc.) on a regular basis to ensure these facilities are will function in an emergency.

2. a) management must ensure all evacuation routes, emergency exits, including stairs, are equipped with battery-backed emergency lights, b) proper signs should be installed at all emergency exits; there should be arrows indicating all evacuation routes.

Deadline Date: 03/31/2009

Supplier CAP: All findings have been settled or corrected. We plan to hold more training to increase awareness of our employees and to implement our procedure strictly in fire prevention aspect to avoid this kind of case happening again.

**Action
Taken:**

June 27, 2011 update (visual inspection, document review):

1. In order to improve Health and Safety management system, factory has introduced OHSAS 18001 management system and achieved OHSAS 18001:2007 certificate from DNV (Det Norske Veritas). Certificate is valid until December 2011;
2. Written Health & Safety policy/procedure established;
3. H&S Committee set up and meets on a quarterly basis. Meeting minutes filed. Some meeting minutes posted on bulletin board for workers' reading;
4. 1 safety officer has been assigned responsible for all fire safety (e.g., fire extinguishers, hydrants, exit signs, emergency lighting, evacuation route, exit doors, fire alarm, etc.) and for inspecting these facilities on a monthly basis;
5. All emergency exits have installed exit signs and emergency lights; all evacuation routes marked with arrows indicating the evacuation direction.

November 11, 2010 update (visual inspection, document review):

1. In order to improve the Health and Safety management system, factory has introduced OHSAS 18001 management system and achieved OHSAS 18001:2007 certificate from DNV (Det Norske Veritas). This certificate is valid until December 2011;
2. Written H&S policy/procedure have been established;
3. Health & Safety Committee has been set up and meets on a quarterly basis. Meeting minutes are filed. Some meeting minutes were posted on the bulletin board for workers to read;
4. 1 safety officer has been assigned responsible for all fire safety (e.g. fire extinguishers, hydrants, exit signs, emergency lighting, evacuation route, exit doors, fire alarm, etc.) and for inspecting these facilities on a monthly basis;
5. All emergency exits have installed exit signs and emergency lights; all evacuation routes marked with arrows indicating the evacuation direction.



May 25, 2010 update (visual inspection, document review):

1. In order to improve H&S management system, factory has introduced OHSAS 18001 management system and achieved OHSAS 18001:2007 certificate from DNV (Det Norske Veritas);
2. Written Health & Safety policy/procedure has been set up;
3. H&S Committee has been set up and meets on a quarterly basis and keeps meeting minutes; some meeting minutes posted on bulletin board for workers to read;
4. 1 safety officer assigned responsible for all fire prevention activities (e.g., fire extinguishers, hydrants, exit signs, emergency lighting, evacuation route, exit doors, fire alarm, etc.), inspection work, inspecting these facilities on a monthly basis;
5. All emergency exits have installed exit signs and emergency lights; evacuation routes marked with arrows indicating evacuation direction.

December 15, 2009 update (visual inspection):

Mentioned issues have been corrected.

May 8, 2009 update (visual inspection):

Even though aforementioned issues have been corrected, similar problems were still found in other places. Factory should complete their procedure and ensure HSE committee is functional.

Plan Yes
Complete:

Plan 11/11/2010
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: 4 fire extinguishers and 2 fire hydrants were blocked.

Sources: factory tour, worker interviews

Plan Of Action: Factory should assign personnel to inspect all fire extinguishers and fire hydrants on a regular basis to ensure all fire prevention facilities are not blocked at any time.

Deadline Date: 03/31/2009

Supplier CAP: We have assigned personnel to inspect all our fire extinguishers and fire hydrants on a regular basis to avoid these facilities being blocked again.

Action Taken: June 27, 2011 update (document review, visual inspection):

1. No fire prevention facility was blocked during this visit;
2. 1 qualified safety officer has been assigned responsible for checking that all fire extinguishers and hydrants work;
3. Safety officer inspected all fire prevention facilities (including extinguishers and hydrants) on a monthly basis and signed their name on the inspection card.

November 11, 2010 update: (document review, visual inspection):

1. No fire prevention facility was blocked during this visit;
2. 1 qualified safety officer has been assigned responsible for checking that all fire extinguishers and hydrants work;
3. Safety officer inspected all fire prevention facilities (including extinguishers and hydrants) on a monthly basis and signed their name on the inspection card.

December 15, 2009 update (visual inspection):

No extinguisher or fire hydrant was blocked.



May 25, 2009 update (document review, visual inspection):

1. No fire prevention facility was blocked during this visit;
2. 1 qualified safety officer has been assigned responsible for checking that all fire extinguishers and hydrants work;
3. Safety officer inspected all fire prevention facilities (including extinguishers and hydrants) on a monthly basis and signed their name on the inspection card.

May 8, 2009 update (visual inspection):

- 1 extinguisher was still found placed on floor.

Plan Yes

Complete:

Plan 11/11/2010

Complete

Date:

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: No MSDS for chemicals posted.

Sources: factory tour, management interviews

Plan Of Action: Factory is required to provide all MSDS of current chemicals in use and post them in all necessary areas (e.g., in chemical warehouse).

Deadline Date: 03/31/2009

Supplier CAP: We have posted MSDS of our current chemical stock in all necessary areas.



Supplier
CAP Date:

Action Taken: [June 27, 2011 update \(visual inspection; March 10, 2011 training record review\):](#)
MSDS have been posted on wall of the chemical warehouse. Stain-removing operators have been trained in reading MSDS and in using adequate personal protective equipment (PPE).

[November 11, 2010 update \(visual inspection, training record review\):](#)
MSDS have been posted on wall of the chemical warehouse. All workers who handle chemicals have been trained in reading MSDS and in using adequate PPE.

[May 25, 2010 update \(visual inspection, training record review\):](#)
MSDS have been posted on the wall of the chemical warehouse. All workers who handle chemicals have been trained on the MSDS information during chemical handling training, and on how to use adequate PPE during regular HSE training (twice per year).

[May 8, 2009 update \(visual inspection\):](#)
MSDS have been posted in the chemical warehouse.

Plan Complete: Yes

Plan Complete Date: 11/11/2010

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: Factory provided attendance and payroll records that were undependable and unverifiable; therefore, compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.

Sources: a) QC in-line Inspection Records review (1 worker carried out inspection April 4, 2008 (public holiday); b) medicine releasing records in cutting section first aid kits (1 worker injured and used medicine September 9, 2007 (Sunday); c) materials backing to warehouse records (2 workers from material warehouse worked February 24, 2008 (Sunday); d) workers' daily piece-rate records (some sewing section workers worked July 27, 2008 (Sunday); but these public holiday and Sunday work hours were not indicated on workers' time attendance records. There is no information on payroll records demonstrating these hours were paid by factory. Corroborated by worker interviews.

Plan Of Action: Transparency is most important between our company and suppliers. Factory should ensure all documents provided are reliable and consistent. Factory is required to improve OT procedure, and ensure their management systems ensure all workers are paid legal OT premium for all OT/holiday work. Management must ensure all work completed by workers is recorded by time recording system, and is illustrated in payroll records. Management should assign a person responsible for ensuring all workers' hours of work are properly compensated and reflected in payroll.

Deadline Date: 06/30/2009

Supplier CAP: We have inspected and developed our related policy/procedure to avoid this issue from happening again.

Supplier CAP Date: 03/31/2009



Action Taken: [June 27, 2011 update \(document review; worker interviews; time and production record reviews \(January to June 2011\)\):](#)

1. No falsified/inconsistency issue found. No workers raised this issue during interviews.
2. Interviewees confirmed factory provided time records for workers to review and verify before each payment.
3. Factory strictly follows their OT application and approval procedure and controls their weekly working hours to ensure they are less than 60 hours/week.
4. No hours of work violations found.
5. Factory has assigned 1 senior manager to implement OT application and approval procedure after last FLA IEM. This procedure has been implemented properly as per record review.

[November 11, 2010 update \(document review; time and payment record review \(May to October 2010\); worker interviews\):](#)

1. No falsified/inconsistency issue found. No worker raised this issue during interviews last audit visit;
2. a) No worker paid less than local minimum wage; b) all workers paid 150% of normal hourly rate or piece rate as OT premium while they worked OT on normal days (Monday to Friday); c) all workers paid 200% of normal hourly rate or piece rate as OT premium while they worked OT on rest days (Saturdays, Sundays); d) no workers worked on public holidays in 2010.
3. Interviews confirmed factory provided time records for workers to review and verify before each payment;
4. Factory assigned 1 top management staff person responsible for all payment approval work.



May 25, 2010 update (document review; time and payment record review (January to April 2010); worker interviews):

1. No falsified/inconsistency issue found; no worker raised this issue during interviews in the last 3 FLA IEM follow-up visits;
2. a) No worker paid less than local minimum wage; b) all workers paid 150% of normal hourly rate (based on local minimum wage calculation), as OT premium while they worked OT on normal days (Monday to Friday); c) all workers paid 200% of normal hourly rate (based on local minimum wage calculation) as OT premium while they worked OT on rest days (Saturday, Sundays); d) no workers worked public holidays in 2010.
3. Interviews confirmed factory provided time records for workers to review and recognize before each payment;
4. Factory has assigned 1 top management person responsible for all payment approval work.

May 8, 2009 update (document review, worker interviews):

No inconsistency found during on-site visit or worker interviews. This issue will be further monitored in future.

December 15, 2009 update (document review, worker interviews):

No inconsistency was found or raised by workers during interviews.

Plan Complete: Yes

Plan Complete Date: 06/27/2011
