



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Asics
COUNTRY: China
FACTORY CODE: 400215183HV
MONITOR: Level Works Limited
AUDIT DATE: October 12, 2011
PRODUCTS: Caps
PROCESSES: Cutting, Sewing, Trimming
and Finishing
NUMBER OF WORKERS: 83

*To read the original IEM report of 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: Based on the records provided, 171 workers were covered under the work-related injury insurance and 57 workers were covered under unemployment, retirement and medical insurance. No worker was covered under the maternity insurance. Waiver from the social insurance bureau was presented.

Legal Reference: Article 73 of PRC Labor Law

Plan Of Action: The New Contract Labor Law established on January 1, 2008 mandates that all 5 types of social insurance including pension, unemployment, medical, industrial injury and maternity must be covered across all employees. The waiver does not correct the noncompliance; however, it does bring the guidelines in with local minimums.

Action: Factory Management should arrange and communicate a scheduled plan to provide 100% of the insurances to the employees over the course of the next calendar year.

Deadline Date: 12/31/2012

Supplier CAP: Hanesbrands' (HBI) and Asics' auditors visited the factory on November 10, 2009. As discussed, factory top management agreed to increase the social insurance coverage step by step, say, a 4% increase every 3 months. That means the social insurance coverage will be 60% by end of 2010, 80% by end of 2011, and 100% by end of 2012.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No



**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing. Through review of the social insurance receipt of September 2011, it was noted that only 39 out of 83 workers had participated in unemployment, retirement, and medical insurance (all workers had participated in work-related injury and maternity insurance). Waiver from the social insurance bureau was presented.

Sources: document review, management interview

Legal References: PRC Labor Law Article 72 & Article 73

**Action
Verified
Date:** 10/12/2011

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

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

Noncompliance

Explanation: During the audit, various inconsistencies were noted between the time and payment records provided and other records and information obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009, such as April 4 (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28 (Sunday) and July 5 (Sunday), etc. However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from the worker interviews, both on site and off site, also presented inconsistencies between the information indicated on the time and payment records provided. Hence, auditors were unable to accurately verify workers' actual benefits and wage status at the facility.

Legal Reference: PRC Labor Law, Article 44

Plan Of Action: The issues are a lack of transparency, questions of payments, overtime, and 1 rest day in 7. Asics prefers to work with suppliers that are transparent about business practices. According to PRC Labor Law, Article 44, the overtime payment shall not be lower than 0%, 200%, and 300% of the employee's normal rate for overtime on normal working days, rest days, and official public holidays, respectively. Also, Asics' Code of Conduct requires that employees receive 1 rest day out of every 7.

Action:

1) Within 30 days, the factory management must complete an hours of work analysis evaluating the total number of hours and days worked by employees and how their wages are calculated.

2) Using the analysis, management must develop a schedule for providing all employees 100% of wages according to the PRC overtime compensation laws and provide them all with 1 day of rest for every 7 days worked.

3) Within 180 days, management must demonstrate that they are paying all employees the appropriate wages and benefits for the work they perform.

Deadline 05/01/2010
Date:

Supplier HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the
CAP: factory agreed to record all working hours clearly and accurately from December 1, 2009 on. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to: 1) provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system and control all workshop keys so that they are only used by authorized persons.

Supplier CAP 11/10/2009
Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action Verified Text: Pending. The compliance status of 'Overtime hours,' 'Overtime wage' and 'Minimum wage' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in the sewing section, there were production output records on June 12th, 2011, July 24th, 2011 and September 4th, 2011 (Sundays); however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, b) based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, and 5th, 2011 (Sunday and holidays); however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, and c) based on the internal product transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays); however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Sources: document review; management and worker interviews

Legal Reference: FLA Benchmarks

Action Verified Date: 10/12/2011

Wages, Benefits and Overtime Compensation: Minimum Wage

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

Noncompliance

Explanation: During the audit, various inconsistencies were noted between the time and payment records provided and other records and information obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009 such as April 4, (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc. However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from the worker interviews, both on site and off site, also presented inconsistencies between the information indicated on the time and payment records provided. Hence, auditors were unable to accurately verify workers' actual wage status at the facility.

Legal Reference: Article 48 of PRC Labor Law

Plan Of Action: The factory must maintain accurate records to account for all total hours worked, including overtime. With an accurate count of working hours for all employees, the factory must ensure that they are paid the appropriate wage meeting the legal minimum wage for normal work hours and overtime hours. The factory must clarify how wages are calculated and demonstrate to all employees that they are being paid at a rate meeting or exceeding the legal minimum wage.

Action: Within the next 30 days, management must develop a plan that ensures all workers are being paid properly. This must include an hours of work analysis that indicates who is not being paid overtime and provide a timeline for paying all overtime hours for all employees.

Deadline Date: 05/01/2010

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As the payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to: 1) provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system and control all workshop keys so that they are solely used by authorized persons.

Supplier CAP 11/10/2009

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Action No

Verified:

Action

Verified

Text:

Pending. The compliance status of 'Minimum wage' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in sewing section, there were production output records on June 12th, 2011; July 24th, 2011; and September 4th, 2011 (Sundays); however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, b) based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, and c) based on the internal products transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Sources: document review; management and worker interviews

Legal References: FLA Benchmarks

Action 10/12/2011
Verified
Date:

Wages, Benefits and Overtime Compensation: Training and Probation Wage

WBOT.3 Where probation or training wages are legally allowed, no worker shall be paid a probation or training wage for more than three months cumulatively. (S)

Noncompliance

Explanation: During the audit, various inconsistencies were noted between the time and payment records provided and other records and information obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009, such as on April 4, (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc.

However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from worker interviews, both on site and off site, also presented inconsistencies between the information indicated on the time and payment records provided. Hence, auditors were unable to accurately verify workers' actual wage status at the facility.

Legal Reference: Article 44 and 51 of PRC Labor Law

Plan Of Action: The factory shall pay wage rates for overtime (under or within the legal limit) and piecework that exceeds the normal minimum wage. The factory must meet all applicable laws and regulations--at least an additional 50% of the regular salary rate for overtime. According to PRC Labor Law, Article 44, the overtime payment shall not be lower than 150%, 200% and 300% of the employee's normal rate for overtime on normal working days, rest days and official public holidays, respectively.

Action: Within the next 60 days, management must develop a plan that ensures all workers are being paid properly. This must include an hours of work analysis that indicates who is not being paid overtime and provide a timeline for paying all overtime hours to all employees.

Deadline 12/31/2009
Date:

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to:

1) Provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system and control all workshops keys so that they are only used by authorized persons.

Supplier CAP 11/10/2009
Date:

**Action
Taken:**

Plan No
Complete:

**Plan
Complete
Date:**

Action No
Verified:

Action Verified Text: Pending. The compliance status of 'Minimum wage' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in the sewing section, there were production output records on June 12th, 2011; July 24th, 2011 and September 4th, 2011 (Sundays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, b) based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days, and c) based on the internal products transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Sources: document review; management and worker interviews

Legal References: FLA Benchmarks

Action Verified Date: 10/12/2011

Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: Factory representative was unable to demonstrate the calculation method of the production bonuses paid to workers.

Plan Of Action: The factory shall provide clear and demonstrable methods for calculating all aspects of wages. This includes the calculation of production bonuses for employees.

Action: Management must provide the formula used to calculate wages to the workers. This must include a breakdown of the wages for all hours worked (normal and overtime) and include the calculation of production bonuses. Finally, the wage calculations must be explained to all employees and posted throughout the work area for all to see.

Deadline 12/31/2009
Date:

Supplier HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the
CAP: factory agreed to provide detailed pay stubs to all employees with all of the necessary
terms included, and provide training and education to employees to ensure all clearly
understand the wage calculation method.

Supplier CAP 11/10/2009
Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action Completed. Through management interviews and document review, the factory
Verified established a written production bonus calculation method and posted it on site in the
Text: workshop for workers to read. The relevant training was also provided to workers.

Sources: document review, factory tour, management interviews

Action 10/12/2011
Verified
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: During the audit, various inconsistencies were noted between the time and payment records provided and other records and information obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009 such as on April 4 (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc.

However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from worker interviews both on site and off site also presented inconsistencies between the information indicated on the time and payment records provided by the factory management. For example, some workers reported that they were required to work on some Sundays to deal with the production demand over the past several months. Some even reported that they needed to work on a statutory holiday to cope with the tight production. Some of them reported that they were on a piece rate basis without any overtime premium during overtime hours. However, their respective time records indicated that they had not worked on any Sunday or public holidays. In view of the above findings, auditors concluded that the time and payment records provided by the factory were unreliable and could not accurately reflect workers' actual hours of work and payment status at the factory.

Plan Of Action: The issues are a lack of transparency, question of payments, overtime and one rest day in seven. Asics prefers to work with suppliers that are transparent about business practices.

Actions:

- 1) Management must review their record keeping practices and ensure that all records are accurate and available for review.
- 2) Within 30 days the factory management must complete an hours of work analysis evaluating the total number of hours and days worked by employees and how their wages are calculated.

3) Using the analysis, management must develop a schedule for providing all employees 100% of wages according to the PRC overtime compensation laws and provide them all with one day of rest in seven days worked.

4) Within 180 days management must demonstrate that they are paying all employees the appropriate wages and benefits for the work they perform.

Deadline 05/01/2010
Date:

Supplier HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the
CAP: factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to: 1) provide training to production supervisors and to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 3) set up a practical security system and control all workshop keys so they are solely used by authorized persons.

Supplier CAP 11/10/2009
Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action Verified Text: Ongoing. The compliance status of 'Overtime hours', 'Overtime wage' and 'Minimum wage' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in the sewing section, there were production output records on June 12th, 2011, July 24th, 2011 and September 4th, 2011 (Sundays); however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. b) Based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. c) Based on the internal products transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Sources: document review; management and worker interviews

Legal Reference: FLA Benchmarks

Action Verified Date: 10/12/2011

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 relation mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at member assemblies and trade unions must be accountable to their members. The trade union has the responsibility of consulting 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. The factory did not take any action on workers' freedom of association so far. There was a trade union in the facility but it was not independent, and no evidence indicated that the management had encouraged the union to collect any suggestions from employees and adopt them when revising factory policies.

Plan Of Action: Factory management must minimally establish a communication commission/committee whereby workers, supervisors and management form a committee structured so that workers can offer suggestions and express grievances without any fear of retaliation. After establishing the committee, management must educate all employees about the committee and how they can make use of it.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, top factory management committed to completing the function of the on-site trade union according to the relevant law. 1) Factory has an on-site trade union; however, as we well know, there are no independent trade unions in China, and the factory did not pay sufficient attention to it. 2) Factory planned to adopt it in future management practices, in order to collect the comments of the union while setting or revising internal policies, taking disciplinary actions, etc., as these are also required by the local law.

Supplier CAP 11/10/2009

Date:

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified** Pending. The factory did not have any action plan for this recently.

Text: Sources: management interview and worker interviews

**Action
Verified
Date:** 10/12/2011

Harassment or Abuse: Discipline/Review of Disciplinary Action

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

Noncompliance

Explanation: Factory did not establish an appeal procedure and system for disciplining or terminating workers.

Plan Of Action: The law requires a system in place where an employee can confidentially raise their grievances and maintain documentation related to the resolution of such grievances. It is recommended that the factory ensures that workers' grievances are heard and addressed by following a logical grievance reprisal system. The factory should also implement and encourage the adoption and use of suggestion boxes and/or an open door policy.

Action: The factory is required to implement a new policy which will clearly state that employees have the right to appeal and question any disciplinary action against them and may have a third party present at the action hearing.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. 1) Factory has a written procedure in place. 2) Factory planned to add terms to the existing procedure to emphasize the appeal procedure. 3) Managers and supervisors need to be trained to properly take care of disciplinary actions; workers also need to be trained to understand their right to appeal any improper disciplinary actions. As discussed, the factory agreed to take the actions below:

Immediate Action: Factory will hold a training session for management about the disciplinary rules and regulations in mid- November to make sure management and supervisors use proper measures when employees break rules and regulations.

Long-Term Plan: Factory will make sure proper disciplinary measures are taken if rules and regulations are disobeyed. Factory will provide training and education to management and employees about factory policies and how to avoid disciplinary measures.

Supplier CAP 11/10/2009

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Action No

Verified:

Action Verified Text: Completed. Through document review, the factory established a written disciplinary procedure. The discipline procedure indicates that workers could appeal the disciplining results or termination to the HR department, and the HR department would investigate and give a quick answer within 2 days.

Sources: document review and management interview

Action 10/12/2011

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: Factory did not provide code of conduct training to workers and there was no company code of conduct poster in the local languages posted at the facility.

Plan Of Action: Action: The brand will send code of conduct posters to the factory. Additionally, the brand will contact factory representatives to discuss the workplace standards. Following the workplace standards discussion, the factory is required to regularly review the code of conduct standards with employees.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory will post both Asics' and HBI's Code of Conduct posters in its facility upon receiving them from customers. Relevant training will be conducted for all employees within one month after that.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Ongoing. As per the factory tour and management and worker interviews, the factory posted the COC of Asics in Chinese in the factory, but the factory did not provide a formal code of conduct training to workers.

Sources: factory tour and management and worker interviews

Legal Reference: FLA Benchmarks

Action 10/12/2011
Verified
Date:

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: Fire permit did not cover the one-story material warehouse.

Legal Reference: Article 13 of Fire Prevention Law of PRC

Plan Of Action: The factory is required to apply for a fire permit for the one-story material warehouse.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory will further consult with the local authority for the application, but they are not sure if they can get it.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending. Through document review, the fire permit still did not cover the one-story material warehouse building.

Source: document review

Legal Reference: PRC Fire Prevention Law Article 13

**Action
Verified
Date:** 10/12/2011

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) It was noted that some fire hydrants were blocked.

Legal Reference: Article 21 of Fire Prevention Law of PRC

2) It was noted that one first aid kit was empty and the other first aid kits were with insufficient supplies.

Legal Reference: Article 31, Factory Safety and Sanitary Regulation of PRC

Plan Of Action: Action: 1) The factory is encouraged to create a Health and Safety Team responsible for identifying issues, such as blocked fire hydrants and insufficient supplies in the first aid kits, within the factory. The team should regularly check the health and safety conditions in the factory. Any violations found should be recorded and immediately addressed with management to ensure a timely remediation. 2) Management should regularly educate employees of the safety issues and their remediation. 3) Management should restock the supplies of the first aid kit and remove any obstacles blocking the fire extinguishers.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to take the actions below:

Immediate Action: Factory has adopted measures to make sure all fire extinguishers are unblocked. Factory has put yellow marks around the fire extinguishers.

Long-Term Plan: Factory manager would walk through the factory to make sure the fire extinguishers are unblocked and check the fire extinguishers regularly. Factory will train the management and employees about the importance of keeping the fire extinguishers free of obstructions.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Ongoing. As per factory tour, 1) all fire hydrants were kept unblocked and could be easily accessed; 2) it was noted that around 20% of first aid kits were found with insufficient supplies.

Source: factory tour

Legal Reference: FLA Benchmarks

Action
Verified
Date: 10/12/2011

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Workers at the cutting section did not use earplugs while working in a noisy environment.

Legal Reference: Article 37 of Safety Manufacturing Law of PRC

Plan Of Action: Exposure to sustained noise in excess of 85 decibels can result in health issues and permanent hearing loss.

Action: Management shall provide and train workers on the proper use of personal protective equipment (PPE) for hearing protection in the cutting section.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, factory agreed to take the actions below:

Immediate Action: Factory has provided earplugs to the cutting operators.

Long-Term Plan: Factory would monitor the wearing of PPE and train the users on their proper use. Factory would monitor the noise on work floors.

Supplier CAP 11/10/2009

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Action No

Verified:

Action Completed. As per factory tour, all workers working in the cutting section wore earplugs
Verified properly during operation.

Text:
Source: factory tour

Action 10/12/2011

Verified

Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Factory did not provide secondary containment for chemicals stored at the workshop.

Legal Reference: Article 20 of PRC Regulation of Chemical Safety in the Workplace



Plan Of Action: Secondary containment prevents spillage from containers that may leak in the chemical storage area.

Action: Management should re-examine their chemical management system to include secondary containment for chemicals stored at the workshop.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, factory agreed to take the actions below:

Immediate Action: Factory has assigned staff to check that all chemicals are being used properly and make sure all containers are properly labeled; all were properly used with second containers.

Long-Term Plan: Factory to hold the chemical training on a regular basis to ensure chemicals are properly used and stored to avoid any possible hazards.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed. As per factory tour, secondary containments were available for all the chemicals used in the workshops.

Source: factory tour

Action 10/12/2011
Verified
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 material safety data sheet (MSDS) in the local language was posted out in the chemical usage areas.

Legal Reference: Article 12 of Regulation of Safety of Dangerous Chemicals

Plan Of Action: The factory's chemical management system must include: 1) an inventory of all chemicals housed and used at the facility. 2) An MSDS for each of the chemicals. 3) Copies of the MSDS to be housed in the storage area as well as the area where the chemical is in use. 4) The chemical management system is to include training for employees; employees must (using the chemicals) identify the proper MSDS for each chemical and read the instructions listed in the MSDS.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to take the actions below:

Immediate Action: Factory has assigned staff for checking all chemicals being used and making sure all chemicals are used with proper MSDS.

Long-Term Plan: Factory to hold the chemical training on a regular basis to ensure chemicals are properly used and stored to avoid any possible hazards.

Supplier CAP Date: 11/10/2009

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing. As per factory tour, MSDS for most chemicals, such as trichloroethane (detergent), etc., were posted on site for workers' acknowledgement. However, there was still no MSDS posted on site for some of the chemicals used, such as machine oil, etc.

Source: factory tour

Legal Reference: Regulation For Chemical Usage Safety in Workplace clause 27

**Action
Verified
Date:** 10/12/2011

Health and Safety: Bodily Strain

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

Noncompliance

Explanation: No ergonomic program was available.

Plan Of Action: Action: 1) It is recommended that the factory provide the management team with training in ergonomics. 2) Training should focus on preventing repetitive stress injuries and proper lifting techniques. 3) Where possible, management should outfit employees with training and equipment, such as lifting belts, that can prevent work related injuries.

Deadline Date: 05/01/2010

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory is not very knowledgeable about ergonomics, and would first need a thorough study on this topic to evaluate how to modify the current workstations before providing training to workers. Factory plans to provide rubber mats in the cutting station within 2 weeks. Asics will share ergonomics materials with the factory for worker safety training.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed. Through document review and management and worker interviews, the factory provided ergonomic training to the sewing workers and cargadors, and the diagram for explaining the ergonomics was posted on-site in the workshop.

Sources: document review, factory tour; management and worker interviews

Action Verified Date: 10/12/2011

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: During the verification, various inconsistencies were noted between time and payment records provided and information and records obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009 such as on April 4, (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc.

However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, the information obtained from worker interviews both on site and off site was inconsistent with the information indicated on the time and payment records provided by the factory management. For example, some workers reported that they were required to work on some Sundays to deal with the production demand over the past several months. Some even reported that they needed to work on a statutory holiday to cope with the tight production. However, their respective time records indicated that they had not worked on any Sunday or public holidays. In view of the above findings, auditors concluded that the factory-provided time and payment records were unreliable and could not accurately reflect workers' actual hours of work and payment status at the factory.

Legal Reference: Article 36 and 38 of PRC Labor Law

Plan Of Action: The factory must maintain accurate records to account for all hours worked including overtime. With an accurate count of working hours for all employees, the factory must ensure they are paid the appropriate wage meeting the legal minimum wage for normal work hours and overtime hours. The factory must clarify how wages are calculated and demonstrate to all employees that they are being paid at a rate meeting or exceeding the legal minimum wage.

Deadline Date: 12/31/2009

Supplier CAP: HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to 1) provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system so only authorized personnel had control of workshop keys.

Supplier CAP Date: 11/10/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending. The compliance status of 'Overtime hours' and 'Working hours' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in the sewing section, there were production output records on June 12th, 2011, July 24th, 2011 and September 4th, 2011 (Sundays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. b) Based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. c) Based on the internal products transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Source: document review and worker interviews

Legal Reference: FLA Benchmarks

Action Verified Date: 10/12/2011

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: During the verification, various inconsistencies were noted between time and payment records provided and information and records obtained during the audit. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009 such as on April 4, (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc.

However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from worker interviews both on site and off site was also inconsistent with the information indicated on the time and payment records provided by the factory management. For example, some workers reported that they were required to work on some Sundays to deal with the production demand over the past several months. Some even reported that they even needed to work on a statutory holiday to cope with the tight production. However, their respective time records indicated that they had not worked on any Sunday or public holidays. In view of the above findings, auditors concluded that the factory provided time and payment records that were unreliable and could not accurately reflect workers' actual hours of work and payment status at the factory.

Legal Reference: Article 38 of PRC Labor Law

Plan Of Action:	Asics prefers to work with suppliers that are transparent about their business practices. Action: 1) management must review their record keeping practices and ensure that all records are accurate and available for review. 2) Within 30 days, the factory management must complete an hours of work analysis evaluating the total number of hours and days worked by employees and how their wages are calculated. 3) Using the analysis, management must develop a schedule for providing all employees 100% of wages according to the PRC overtime compensation laws and provide them all with one day of rest in seven days worked. 4) Within 180 days, management must demonstrate that they are paying all employees the appropriate wage and benefits for the work they perform.
Deadline Date:	05/01/2010
Supplier CAP:	<p>HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.</p> <p>Factory was required to: 1) provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system so that only authorized personnel have control of the workshop keys, so that workers can't go to the workshops on rest days on their own will.</p>

Supplier CAP 11/10/2009

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Action No

Verified:

Action Pending. The compliance status of 'Rest days' issues could not be verified due to the
Verified following discrepancies noted: a) based on the daily production records in the sewing
Text: section, there were production output records on June 12th, 2011, July 24th, 2011 and
September 4th, 2011 (Sundays); however, the provided barcode attendance records
indicated that relevant workers (even all workers in the factory) did not work on these
days. b) Based on the daily production records in the finishing section, there were
production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011
(Sunday and holidays); however, the provided barcode attendance records indicated
that relevant workers (even all workers in the factory) did not work on these days. c)
Based on the internal products transfer records, some workers had worked on
September 4th, 2011 and October 4th, 2011 (Sunday and holidays); however, the
provided barcode attendance records indicated that relevant workers (even all workers
in the factory) did not work on these days.

Sources: document review and worker interviews

Legal Reference: FLA Benchmarks

Action 10/12/2011

Verified

Date:

Hours of Work: Time Recording System

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

Noncompliance

Explanation: Based on the information provided by factory management and the provided time and payment records, the factory is using the punch time card system to record workers' attendance. It was noted that the regular working hours were 8 hours a day from 08:00 to 17:30 with a 1.5-hour meal break. The workweek was 5 days a week from Monday to Friday. In addition, 8 hours Saturday overtime work was occasionally required. Sunday was the rest day for workers. The working hours were 48 hours a week in most of the past 12 months. During the verification, various inconsistencies were noted. For example, the various production records collected from different sections showed that workers were working on various rest days and holidays in 2009 such as on April 4, (Saturday), April 6 (swapped holiday for Dragon Boat Festival), June 28, (Sunday) and July 5, (Sunday), etc.

However, the corresponding time and payment records of the respective workers indicated that they were off on the mentioned dates. In addition, it was noted that the information obtained from worker interviews both on site and off site was inconsistent with the information indicated on the time and payment records provided by the factory management. For example, some workers reported that they were required to work on some Sundays to deal with the production demand over the past several months. Some even reported that they even needed to work on a statutory holiday to cope with the tight production. However, their respective time records indicated that had not worked on any Sunday or public holidays. In view of the above findings, auditors concluded that the factory-provided time and payment records were unreliable and could not accurately reflect workers' actual hours of work and payment status at the factory.

Plan Of Action: Asics prefers to work with suppliers that are transparent about their business practices and who maintain authentic and accurate records.

Action: 1) Management must review their record keeping practices and ensure that all records are accurate and available for review. 2) Time cards must correspond with all other documents, production records, broken needle, quality records, etc.

Deadline 12/31/2009
Date:

Supplier HBI and Asics auditors visited the factory on November 10, 2009. As discussed, the
CAP: factory agreed to record all working hours clearly and accurately from December 1, 2009 onwards. Top factory management explained that some workers go to workshops to work on rest days without announcing it to management. As payment is basically calculated by piece rate, the management and employees may have paid more attention to the production output, disregarding the working hours.

Factory was required to 1) provide training to production supervisors to set proper production goals for individual workers and teams to make sure all could complete their duties without excessive overtime work and 2) set up a practical security system so that only authorized personnel have control of the workshop keys, so that workers can't go to workshops on rest days on their own will.

Supplier CAP 11/10/2009
Date:

Action
Taken:

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action Pending. Based on the provided records, workers worked for 5 days a week, Monday-
Verified Friday, in one shift. Normal working hours were from 8:00am to 5:30pm with 1.5 hours
Text: of lunchtime from 12:00pm to 1:30pm. Workers worked no overtime at night; only 8 hours of overtime hours on Saturdays were arranged for the workers. All workers were entitled to at least one rest day per week on Sundays.

The compliance status of 'Working hours' and 'Overtime hours' issues could not be verified due to the following discrepancies noted: a) based on the daily production records in the sewing section, there were production output records on June 12th, 2011, July 24th, 2011 and September 4th, 2011 (Sundays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. b) Based on the daily production records in the finishing section, there were production output records on September 4th, 2011 and October 2nd, 3rd, 5th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days. c) Based on the internal products transfer records, some workers had worked on September 4th, 2011 and October 4th, 2011 (Sunday and holidays), however, the provided barcode attendance records indicated that relevant workers (even all workers in the factory) did not work on these days.

Source: document review and worker interviews

Legal Reference: FLA Benchmarks

Action 10/12/2011
Verified
Date:

Hours of Work: Sick Leave

HOW.19 Employers shall provide workers with sick leave as required under local laws, regulations and procedures. (S)

Noncompliance

Explanation: Factory did not provide paid sick leave to workers and no written policy in this respect was available.

Legal Reference: Article 59 of Opinions on Matters of Carrying Out Labor Law of PRC of LMI (1995) No. 309

Plan Of Action:	The Chinese labor law guarantees sick leave. Action: 1) Within 60 days the factory must develop procedures for paying employees their sick leave. 2) Employees must be trained on how much sick leave they are entitled to and how the company pays for it.
Deadline Date:	12/31/2009
Supplier CAP:	HBI and Asics auditors visited the factory on November 10, 2009. As discussed, top factory management agreed to establish an internal paid sick leave policy within one week, in accordance with the local law requirement.
Supplier CAP Date:	11/10/2009
Action Taken:	
Plan Complete:	No
Plan Complete Date:	
Action Verified:	No
Action Verified Text:	Pending. Through management interviews, it was noted that the factory still did not have a written policy regarding sick leave, and no worker applied for sick leave in the past. Sources: document review; management and worker interviews Legal Reference: PRC Opinion of the Ministry of Labor on Several Questions concerning the Implementation of the Labor Law article 59
Action Verified Date:	10/12/2011
