



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Asics Corporation
COUNTRY: China
FACTORY CODE: 40021512HV
MONITOR: Social Compliance Service Asia
Ltd. (SCSA)
AUDIT DATE: December 8, 2011
PRODUCTS: Apparel
PROCESSES: Cutting, Sewing, Packing
NUMBER OF WORKERS: 900

Company Comment: Asics terminated its relationship with [Factory name] in December 2011, due to quality and price issues. This factory was a subsidiary factory of a factory owned by an Asics' vendor in Japan. Along with this vendor, Asics has striven for improvements to this factory. There were no serious human rights' violations found in this factory, such as child labor; however, improper conditions were found regarding important issues like wages, benefits, and working hours. Now, improvement of almost all these issues has been confirmed, as below: Regarding working hours, the factory: 1) tightened management of working hours and created a system for management, 2) appointed full-time staff to be in charge of managing working hours and checking both records and actual in and out times, and 3) has a concrete plan regarding the prohibition of Sunday work. The vendor also confirmed that discrepancies between time and production-related records have improved. Regarding the wage and benefits, the factory: 1) proceeded with improvement of the findings, 2) has covered the wage for statutory holidays and the extra wage of holiday work, and 3) the rate of policyholders is still low; however, the factory is proceeding with improvements on social insurance based on advice from the local government.

Regarding other issues, for example, such as fire safety, the factory has proceeded with improvement of some findings. No other FLA-affiliated brands use this factory; therefore, remediation will not be continued.

*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: 1) Management reported that the severance payments are paid on the next payday for resigned or dismissed workers. This is in violation of the local law, which requires severance payments to be paid within 5 days of termination.

2) Factory contributes toward pension and unemployment insurance for 469 out of 1020 workers, and contributes toward medical, maternity and work injury insurance for 1020 out of 1020 workers.

Plan Of Action: Adjust factory policy on the payment date for resigned workers so that it is compliant with the local government requirements.

Deadline Date: 03/09/2010

Supplier CAP: Adjust the payment date for resigned workers so it is compliant with the local government requirements.

Supplier CAP Date: 03/09/2010

Action Taken: Policy on payment to resigned staff has been revised and has been effective since January 1, 2010.

June 30, 2010: Asics conducted a follow-up visit and confirmed that the factory has paid severance payments within 3 days of termination.

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

Action Ongoing at IEV by SCSA (Social Compliance Service Asia) on December 8 and 9, 2011:

**Verified
Text:**

1) Factory management reported that the last payment for workers leaving the factory was made within 5 working days of the last working day. However, due to the absence of payment records and since access to the workers for interviews was not granted, auditors could not accurately verify if the last payment to workers was made in a proper, timely manner.

2) Based on the 2011 insurance contribution records for October 2011, the factory had 411 out of about 900 workers participate in pension insurance, 410 workers participate in medical insurance, and 406 workers participate in maternity insurance. 731 out of 900 workers were covered under the work related injury insurance. No waiver or additional commercial insurance was provided for review.

New Finding at IEV by SCSA on December 8 and 9, 2011:

1) It was noted that there was no paid sick leave provided to workers.

2) It was noted that the factory did not provide any paid statutory holidays to workers, for instance, for the [Name of holiday] on September 12, 2011.

Legal References: Article 59 of Opinions on Matters of Carrying out Labor Law of the People's Republic of China of LMI [1995] No. 309; Article 51 of the Labor Law of the People's Republic of China

Sources: document review and management interviews

Revisited by SCSA on December 28, 2011:

1) Completed: It was noted that the resigned workers were paid within 5 days as per the information and records provided.

2) Ongoing: Based on the 2011 insurance contribution records for October 2011, the factory had 411 out of about 900 workers participate in the pension insurance, 410 workers participate in the medical insurance, and 406 workers participate in the maternity insurance. 731 out of 900 workers were covered under the work related injury insurance. There is no waiver for review. Additionally, the factory purchased commercial insurance from [Insurance company and policy number has been removed] valid from March 1, 2011 till February 29, 2012 covering 618 employees under accidental/medical insurance.

3) Pending: There was no paid sick leave provided to workers.

4) Pending: Factory did not provide paid statutory holiday days to all workers.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012:

1) ASICS requires the factory to gradually increase the number of participating workers.

2) ASICS requires the factory to provide paid sick leave to workers.

3) ASICS requires the factory to provide paid statutory holidays to workers.

4) ASICS requires the factory to pay statutory holiday premiums if workers worked on the statutory holiday.

April 15, 2013: The percentage of members of the social insurance has not reached 100% yet. However, the factory made their employees join social insurance according to the requirement (40%) from the local government, and obtained the certification. The factory established rules of paid sick leave. In January 2012, the factory paid the wages for paid statutory holidays, and paid wages for working on a paid statutory holiday that had not been paid yet. Their pay roll forms were changed to include the column "statutory holidays".

Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

Explanation: New finding upon revisit by SCSA on December 28, 2011: Overtime hour calculation: Based on the time records and payments provided, it was noted that some workers were apparently not paid properly for some of their overtime hours. The overtime hours beyond 20:00 on the time records were not paid and were not included on the payment records. For instance, some workers worked overtime from 17:30 to 20:54 and the hours after 20:00 were not considered overtime hours.

Legal References: Article 36 and 44 of China Labor Law

Sources: document review, worker interviews and management interviews

Plan Of Action: ASICS requires the factory to review all the overtime records and pay slips from 2011, then compensate all the overtime hours they were shortchanged out of.

Deadline Date: 04/30/2012

Action Taken: April 2013: Remediation has not been verified yet, as time and payment records could not be obtained from the factory.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

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

Noncompliance

Explanation: New Finding on revisit by SCSA on December 28, 2011: Based on the provided time records and payroll records for the month of September 2011, it was noted that the regular work days were computed as 21 days on the time records instead of 22 days as apparent on the time records. Factory did not pay workers the overtime premium for work on September 12, 2011 [Name of holiday has been removed], despite time records that showed that workers were working on that day.

Legal Reference: Article 44 of China Labor Law Sources: document review, worker interviews and management interviews

Plan Of Action: ASICS requires the factory to compensate workers for overtime premiums earned on September 12, 2011.

Deadline Date: 04/30/2012

Action Taken: April 15, 2013: In January 2012, the factory paid wages for working on [name of holiday] which had not been paid yet.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness

WBOT.11 Workers shall be informed, orally and in writing, about overtime compensation rates prior to undertaking overtime. (P)

Noncompliance

Explanation: The payroll documents indicated all workers were paid the legal overtime rate. But 6 out of 20 interviewed workers reported that they did not know how their overtime wages are calculated.

Plan Of Action: Provide training on the wage policy to all workers. Provide refresher training annually to make sure workers understand it.

Deadline Date: 03/09/2010

Supplier CAP: Provide training on the wage policy to all workers. Provide refresher training annually to make sure workers understand it.

Supplier CAP Date: 03/09/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending at IEV by SCSA on December 8 and 9, 2011: Factory did not grant access to the workers for interviews during the audit, hence, auditor could not verify the above finding during this audit. Ongoing at Revisit by SCSA on December 28, 2011: The majority of the workers interviewed still do not know how overtime compensation is calculated.

Action Verified Date: 12/28/2011

Follow-Up Plan of Action: Deadline Date: April 30, 2012 ASICS requires the factory to post the overtime calculation method in a prominent place in the facility. ASICS requires the factory to provide overtime calculation training to the workers.

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: Attendance records from September to December 2009 show that all workers start work at 07:30 and leave at 17:30, and the lunch break is 1 hour. The factory counts these 9 hours as regular hours; hours beyond 17:30 are calculated as overtime hours, so there is 1 hour of overtime which is miscalculated, since 1 hour of overtime is paid at the regular pay rate.

Plan Of Action: Back pay should be paid to all workers for the 1 hour of overtime each day. Set up an OT management system to make sure OT is paid accurately.

Deadline Date: 03/09/2010

Supplier CAP: Pay back pay to all workers for the 1 hour of overtime each day. Set up an OT management system to make sure OT is paid accurately.

Supplier CAP Date: 03/09/2010

Action Taken: Back pay was paid to 930 workers on February 7 and an OT control system has been set up. June 30, 2010: Asics conducted a follow-up visit and confirmed that the factory is compensating overtime premiums for all workers.

Plan Complete: Yes

Plan Complete Date: 02/07/2010

Action Verified: No

Action Verified Text: Pending at IEV by SCSA on December 8 and 9, 2011: Factory was not able to provide any time records for review and did not grant access to workers for the purpose of interviews, hence, the auditor could not verify the above finding during this audit.

Pending at Revisit by SCSA on December 28, 2011: Due to inconsistencies noted between the time and payment records and other information and records obtained during the audit, workers' actual working hours and payment status could not be accurately verified. During the audit, there were serious inconsistencies between the time and payment records and the production related records and other information obtained during the audit. Hence, workers' actual working hours and wages could not be accurately verified during the audit. For instance, based on the provided time and payroll records, the regular working hours of workers was 8 hours a day. Workers were only required to work night overtime work for 2.5 hours on every Monday, Tuesday, Wednesday, Friday and Saturday, the rest day, and were required to work overtime on the rest day (Saturday) for 8 hours. Workers were not required to work any Sundays and the weekly working hours were capped at 58 hours per week. However, the manual attendance and production related records showed that workers were actually working 4 to 4.5 hours of night overtime work on a regular basis and the night overtime was also required on Saturday (a rest day) on an occasional basis. In addition, Sunday work, such as in the month September 2011, was also required.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date: April 30, 2012 ASICS requires the factory to make and maintain working hour records to keep track of every attendance and all leave times and all working hours. ASICS requires the factory to provide working hour training to the management and employees on prohibited, uncompensated overtime work.

April 15, 2013: In January 2012, the factory explained the policy, rules and procedures for management of working hours to management and employees. And the factory established a system in which the full-time staff checks a time record and physical access records. The factory began forbidding unauthorized overtime work. The factory began forbidding Sunday attendance other than to make up time due to power failure. The factory turns off all the electric lights at closing time.

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: New finding on revisit by SCSA on December 28, 2011: During the audit, there were serious inconsistencies between the time and payment records and the production related records and other information obtained during the audit. Hence, workers' actual working hours and wages could not be accurately verified during the audit. For instance, based on the provided time and payroll records, the regular working hours of workers was 8 hours a day. Workers were only required to work night overtime for 2.5 hours on every Monday, Tuesday, Wednesday, Friday and work overtime on the Saturday rest day for 8 hours. Workers were not required to work any Sunday and the weekly working hours were capped at 58 hours per week. However, the manual attendance and production related records showed that workers were actually working 4 to 4.5 hours night overtime work on a regular basis and the night overtime was also required on Saturday (rest day) on an occasional basis. In addition, Sunday work, such as in the month of September 2011, was also required.

Sources: document review, worker interviews and management interviews

Plan Of Action: ASICS requires the factory to make and maintain working hour records that register attendances and leave times and all working hours. ASICS requires the factory to provide working hour training to the management and employees on prohibited, uncompensated overtime work.

Deadline Date: 04/30/2012

Action Taken: April 15, 2013: In January 2012, the factory explained the policy, rules and procedures for the management of working hours to management and employees. And the factory established the system in which the full-time staff checks a time record and physical access records. The factory began forbidding unauthorized overtime work. The factory began forbidding Sunday attendance other than to make up for lost time due to power failure. A factory turns off all the electric lights at a closing time.

Plan Complete: No

Plan
Complete
Date:

Action No
Verified:

Action
Verified
Text:

Action
Verified
Date:

Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement

WBOT.20 All compensation records shall be maintained accurately and shall be acknowledged by the worker as accurate. (P)

Noncompliance

Explanation: New Finding upon revisit by SCSA on December 28, 2011: It was noted that the provided payroll records for the month of May 2011 and October 2011 were without worker signatures. Besides, it was noted that the payroll for the month of October 2011 stated that payments for October were made on October 12, 2011.

Legal Reference: PRC Lao Bu Fa (1994) Provisional Regulations on Payment of Wages article 6

Sources: document review, worker interviews and management interviews

Plan Of Action: ASICS requires that the factory obtain all worker signatures every month and maintain them. ASICS requires the factory to make pay slips before payday.

Deadline Date: 04/30/2012

Action Taken: April 15, 2013: The factory has checked the payment records. And the factory re-acquired the signatures from employees if management lost the pay roll. The date of the wage payment record in October 2011 was based on an input mistake.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

Wages, Benefits and Overtime Compensation: Record Maintenance

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

Noncompliance

Explanation: Factory was only able to provide the payroll records from June 2011 to September 2011 and failed to provide payroll before June 2011 and after October.

Sources: document review and management interviews

Plan Of

Action:

Deadline

Date:

Action

Taken:

Plan Yes
Complete:

Plan 12/28/2011
Complete
Date:

Action No
Verified:

Action Completed on revisit by SCSA on December 28, 2011: Factory provided payroll records
Verified from November 2010 to October 2011 for review.
Text:

Action 12/28/2011
Verified
Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility 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 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: Provide training to workers about FOA (freedom of association); Enhance the training and activities on FOA in the factory.

Deadline Date: 12/31/2010

Supplier CAP: Provide training to workers about FOA; Enhance the training and activities on FOA in the factory. The factory will make continuous improvement.

Supplier CAP 12/31/2010

Date:

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** On-going at IEV by SCSA on December 8 and 9, 2011: The function and role of the union under ACFTU remained the same. The workers were not given the right to strike in China and the union did not perform an active role in collectively negotiating the workers' wages and benefits with the factory. Despite the fact that the union was established in this factory in October 2011, there is no policy and procedure for the operation of the union, and no mandate or information on the composition of the union was available. In addition, no election, union meeting or activity records were found during the audit.

Ongoing on revisit by SCSA on December 28, 2011: There was no policy and procedure of the union operation, and no mandate or information on the composition of the union is available. Additionally there was no election, meeting or activity records found.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to establish good relations between the workers, unions and the factory. ASICS requires the factory to maintain meeting minutes for every meeting, and maintain event records and election results.

April 15, 2013: The factory union established their rules, and they provided the meeting records to ASICS.

Harassment or Abuse: Discipline/Progressive Discipline

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

Noncompliance

Explanation: Previous finding: The factory did not establish a written policy for termination/retraining.

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:** 12/28/2011

**Action
Verified:** No

**Action
Verified
Text:** Completed by the IEV by SCSA on December 8 and 9, 2011: The factory established a written policy for termination/retraining.

**Action
Verified
Date:** 12/09/2011

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: The disciplinary policy did not include procedures for workers to appeal disciplinary actions.

Plan Of Action: Complete the disciplinary policy to include appeal procedures. Provide training to workers about the policy.

Deadline Date: 03/09/2010

Supplier CAP: Complete the disciplinary policy to include appeal procedures. Provide training to workers about the policy.

Supplier CAP Date: 03/09/2010

Action Taken: June 30, 2010: Asics conducted a follow-up visit and confirmed that the factory established a disciplinary committee and modified the regulations.

Plan Complete: Yes

Plan Complete Date: 01/01/2010

Action Verified: No

Action Verified Text: Completed at IEV by SCSA on December 8 and 9, 2011: It was noted that the appeal procedure was included on the disciplinary policy.

Action Verified Date: 12/09/2011

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: Finding during the IEV by SCSA on December 8, 2011: It was noted that workers would be subject to fines of RMB 50 if they swiped a time card for others.

Legal Reference: Article 50 of the Labor Law of the People's Republic of China Sources: document review and management interviews

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending during Revisit by SCSA on December 28, 2011: Based on the notice (dated December 13, 2011) found in the factory, it was noted that workers were subject to a monetary fine of RMB 100 a day for absences without prior approval.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to eliminate all monetary fines. ASICS requires the factory to provide discipline policy training for all workers.

Child Labor: Employment of Young Workers

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

Noncompliance

Explanation: 1) 17 out of 40 juvenile workers were neither provided with a young workers' health examination nor registered with the local labour department. Management explained that the juvenile workers who joined the factory since April 2009 have not been provided with a health examination and are not registered with the local labor department.

2) As per the document review, all juvenile workers worked overtime.

Plan Of Action: Set up an OT system to make sure no juvenile workers work OT. Provide training to workers and management.

Deadline Date: 03/09/2010

Supplier CAP: Set up an OT system to make sure no juvenile workers work OT. Provide training to workers and management. ASICS will conduct periodical monitoring.

Supplier CAP Date: 03/09/2010

Action Taken: Set up an OT control system for juvenile workers starting from December 14, 2009. All juvenile workers were taken to have a health check on December 17, 2009.

June 30, 2010: ASICS conducted a follow-up visit and confirmed that the factory submitted the young workers list to the local labor bureau. The factory provided a health examination to the young workers. The factory has stopped overtime and heavy load work.

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified** Ongoing during the IEV by SCSA on December 8 and 9, 2011:

Text: 1) It was noted that the medical health check was provided to the young workers and they were also registered with the local labor department.

2) Due to the absence of the time records and a denial of worker interviews, auditors could not verify if the factory arranged for young workers to work overtime, although factory management reported that young workers were not required to work overtime.

Pending on revisit by SCSA on December 28, 2011: Based on the records provided, it was still noted that young workers worked overtime.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to provide the working hours and provide the juvenile worker policy to management and young workers. ASICS requires the factory to enhance working hour management for juvenile workers.

April 15, 2013: The factory enhanced the working hour management for juvenile workers.

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: Management reported that there were three subcontractors including: [Names of washing, embroidery and printing subcontractors have been removed]. The client appoints all three of these suppliers. The factory does not sign a cooperative agreement with these suppliers, and it does not monitor their compliance with the FLA COC (code of conduct).

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending at the time of the IEV by SCSA on December 8 and 9, 2011: The factory still does not sign cooperative agreements with these suppliers, and it does not monitor their compliance with the FLA COC.

Pending at the time of Revisit by SCSA on December 28, 2011: The factory still does not sign cooperative agreements with these suppliers, and it does not monitor their compliance with the FLA COC.

Action Verified Date: 12/28/2011

Follow-Up Plan of Action: Deadline Date April 30, 2012: ASICS requires the factory to sign a cooperative agreement with these suppliers. ASICS requires the factory to monitor their compliance with the FLA CoC.

Health and Safety: Document Maintenance/Worker Accessibility and Awareness

H&S.2 All documents required to be available to workers and management by applicable laws (such as health and safety policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language(s) spoken by the workers if different from the local language. (P)

Noncompliance

Explanation: The factory doesn't have health and safety regulations on file.

Plan Of Action: Establish internal health, safety, and environment regulations for factory use as per Nike's requirements; these requirements should be established in the appropriate language. Make the Chinese version of the MSDS available for some chemicals with only a Japanese MSDS.

Deadline Date: 03/09/2010

Supplier CAP: Establish internal health, safety, and environment regulations for factory use as per Nike's requirements and established in the appropriate language. Make the Chinese version of the MSDS available for some chemicals with only a Japanese MSDS. [Name of employee] will take charge of H&S (health and safety) issues and perform a periodical check.

Supplier CAP Date: 03/09/2010

Action Taken: June 30, 2010: ASICS performed a follow-up visit and confirmed that the factory posted Health and Safety regulations and made the Chinese version of the MSDS available for some chemicals.

Plan Complete: Yes

Plan Complete Date: 03/10/2010

Action Verified: No

Action Verified Text: Completed at the time of the Revisit on December 28, 2011: Health and safety regulations were kept on file.

Action Verified Date: 12/28/2011

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation: 1) A feasible system has not been built to clarify the factory's responsibilities and workers' duties and rights, or to assign responsibilities to the management personnel in a different level, or to set up a whistle-blowing system for potential EHS risks. A reporting system for work related accidents and EHS incidents also needs to be set up, and regular inspections need to be set up.

2) No assessment has been conducted in the factory to identify EHS hazards and to identify appropriate responses to such risks.

Plan Of Action: Establish a HSE management system procedure as per Nike's CLS requirements. Conduct a HSE assessment in the factory.

Deadline Date: 03/09/2010

Supplier CAP: Establish a HSE management system procedure as per Nike's CLS requirements. Conduct a HSE assessment in the factory. [Name of employee] will take charge of the H&S issues and perform a periodical check.

Supplier CAP Date: 01/14/2010

Action Taken: June 30, 2010: ASICS performed a follow-up visit and confirmed that:

- 1) The factory has established an EHS committee and made up a written policy.
- 2) The factory conducted the EHS assessment.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 01/10/2010

**Action
Verified:** No

**Action
Verified** Completed at the time of the Revisit on December 28, 2011:

Text: 1) Based on management interviews and the respective records provided (for instance, the organizational chart of the EHS committee and the EHS policy), it was noted that a basic EHS system and committee was established in the factory. A basic reporting system and regular inspection is also performed.

2) Based on the management interviews and inspection records provided, a basic EHS and risk assessment was carried out by the factory.

**Action
Verified
Date:** 12/28/2011

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: 1) The operation certificate for one air compressor operator expired on June 23, 2009.

2) The operation certificates for two boiler operators expired on August 15 and November 12, 2009. For the operator whose certificate expired in August 2009, the factory provided a receipt of training fee to indicate that the renewing of his operation certificate is in progress.

Plan Of Action: Review and ensure that the special equipment, specified workers, and the hazardous waste disposal contractor has a valid certificate or license.

Deadline Date: 03/31/2010

Supplier CAP: Contact the certified department to test the special equipment such as the boiler. Arrange for the specified workers (boiler operator, air compressor operator) to have training to renew their certificates. The workers are registered and waiting for the training. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 03/31/2010

Action Taken: June 30, 2010: ASICS performed a follow-up visit and confirmed items 1 and 2 above. The factory renewed these certificates.

3) The factory made a list of operators.

April 15, 2013: In January 2012, the factory said that the factory would request the government to publish a certificate. However ASICS has not received it yet.

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified** Completed at the time of the IEV by SCSA on December 8 and 9, 2011:

Text: 1) The operation certificate for the air compressor operator has been renewed.
2) The external bureau inspected the boiler and the certificate for the boiler operator was also renewed.

Finding at the time of the IEV by SCSA on December 8 and 9, 2011: It was noted that the fire inspection certificate did not cover the two single story warehouse buildings.

Legal Reference: Article 10 of Fire Prevention Law of the People's Republic of China.

Sources: factory tour and management interview

Pending at the time of Revisit by SCSA on December 28, 2011: It was noted the fire inspection certificate still did not cover the two single story warehouse buildings.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date September 30, 2012: ASICS requires the factory to obtain the fire inspection certificate for two single story warehouse buildings.

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) Only one fire drill has been conducted in the year of 2009. All interviewed workers said that only one fire drill has been conducted in this factory this year.

2) The arrows marked on the floor to indicate the evacuation direction are green and all aisles are not marked with florescent paint.

3) The exit door used by the workers in the cutting workshop through the office to evacuate does not open in the direction of evacuation.

4) There are two emergency exit doors in the inspection workshop, and one of them is locked during work hours. Both interviewed workers in this workshop say they know there are two emergency exits, but they are inclined to use the one that is always open, so they don't care about the locked emergency exit.

5) No fire fighting equipment is installed in the whole storage area for waste materials.

6) 90% of the fire extinguishers do not have up-to-date inspection records.

Plan Of Action: Examine the facilities and equipment for fire safety (e.g., safety exits, fire alarms...), repair and maintain the broken or improperly set equipment, examine the facilities, and conduct regular testing for fire fighting devices as per Nike's standards. Conduct related training and make an annual training plan for workers.

Deadline Date: 03/09/2010

Supplier CAP: Repair and maintain the fire safety facilities and equipment, and replace the broken equipment. Conduct training and make an annual training plan. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 01/14/2010

Action Taken: June 30, 2010: ASICS performed a follow-up visit and confirmed that:

- 1) The factory conducted the 1st drill on May 7th and will conduct a 2nd drill in November 2010.
- 2) The factory marked the arrows on the aisles in an eye-catching color.
- 3) The door is not an emergency exit- therefore the factory has revised the evacuation plan.
- 4) The factory has unlocked the emergency exits.
- 5) The factory has installed fire extinguishers in the whole storage area for waste materials.
- 6) The factory has inspected the fire extinguishers every month since December 2009.

April 15, 2013: The factory installed emergency lights and exit signs at the exit of the carton warehouse.

Plan Complete: Yes

Plan Complete Date: 04/15/2013

Action Verified: No

**Action
Verified
Text:**

Pending at the time of IEV by SCSA on December 8 and 9, 2011:

1) It was noted that the factory only conducted one fire drill on May 12, 2011 for the past 12 months.

Completed at the time of Revisit by SCSA on December 28, 2011:

Completed: It was noted that factory had conducted the 2nd fire drill on December 23, 2011.

Completed at IEV by SCSA on December 8 and 9, 2011:

1) It was noted that the arrows marked on the floor used yellow which is an eye-catching colour and the aisles were marked with illuminated paints.

2) It was noted that the door was classified as a non-exit and the evacuation plot plan was updated accordingly.

3) It was noted that the exit doors in the inspection workshop were unlocked during the audit.

4) It was noted that the fire extinguishers were installed in the waste materials storage areas.

5) It was noted that the fire extinguishers were subject to the regular inspection.

Finding at the time of the IEV by SCSA on December 8 and 9, 2011:

1) It was noted that at least one fire extinguisher was blocked by materials, for instance, in the carton warehouse.

2) It was noted that no emergency lighting and exit signs were installed above the exit of the carton warehouse.

3) One emergency exit in the sewing section was locked during working hours.

Legal References: Article 21 of Fire Prevention Law of the People's Republic of China; Article 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87) (1997); Article 14.6 of the Fire Prevention Law of the People's Republic of China; Article 14.6 of the Fire Prevention Law of the People's Republic of China

Sources: factory tour and management interview

Completed at the time of Revisit by SCSA on December 28, 2011:

- 1) It was noted that the fire extinguisher obstruction was removed.
- 2) It was noted that the emergency exit was kept unlocked at time of audit.

Ongoing at the time of Revisit by SCSA on December 28, 2011: It was noted that no emergency lighting and exit signs were installed at the exit of the carton warehouse.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to inspect all the emergency lights and exit signs, then install both at the carton warehouse exit.

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: 1) No cotton respirator is provided to the workers using the interlocking machines. 3 out of the 9 interviewed machine operators (33%) reported that no cotton respirator is provided by the factory but they agreed that the cotton respirator would be useful and necessary for this position.

2) The factory has not trained workers in proper lifting techniques or provided the proper items for lifting, for example, no belts were provided. All interviewees reported that the factory has not trained them in proper lifting techniques.

3) No health examination was provided to the workers using detergent. During the interview, the workers said that they were never provided with occupational health examinations but they reported wearing PPE (personal protective equipment) such as gas masks, gloves and safety glasses when working.

4) No sign to indicate the need for PPE is posted on site.

Plan Of Action: Evaluate the occupational hazards in the factory and equip workers with the proper PPE and train the workers on wearing the proper materials. Conduct occupational health examinations for the workers exposed to occupational hazards.

Deadline Date: 03/09/2010

Supplier CAP: Conducted the evaluation and added PPE for workers. Training was done and we contacted a certified hospital for an occupational health check. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 01/31/2010

Action Taken:

- 1) The factory provided cotton masks to the interlock operators.
- 2) The factory instructed workers that two people should lift anything heavier than 15kg.
- 3) The factory conducted a health check in January 2010.
- 4) The factory has posted the signs for the needed PPE.

June 30, 2010: ASICS performed a follow-up visit and confirmed that.

April 15, 2013: The factory provided protective belts to the workers who lift heavy materials. The factory provided health examinations for the workers who use detergent.

Plan Complete:	Yes
Plan Complete Date:	04/15/2013
Action Verified:	No
Action Verified Text:	<p>Completed at the time of the IEV by SCSA on December 8 and 9, 2011:</p> <p>1) It was noted that a cotton respirator was provided to workers using the interlocking machines.</p> <p>2) It was noted that the PPE sign was posted at the workshop.</p> <p>Ongoing at the time of the IEV by SCSA on December 8 and 9, 2011:</p> <p>1) Based on the information from factory management, the training on lifting heavy items has been provided to workers. However, it was noted that no lifting items were provided, such as belts. Since access to workers for the purpose of performing interviews was not granted, auditors were unable to verify if workers were trained in proper lifting techniques.</p> <p>Ongoing at the time of the Revisit by SCSA on December 28, 2011: Based on interviews with workers who were trained in proper lifting techniques. However, no lifting items were provided.</p> <p>Pending at the time of Revisit by SCSA on December 8 and 9 and December 28, 2011:</p> <p>1) It was noted that no health examination was provided to workers who were using detergent.</p>
Action Verified Date:	12/28/2011
Follow-Up Plan of Action:	Deadline Date April 30, 2012: ASICS requires the factory to provide lifting items to workers. ASICS requires the factory to provide health examination for workers who were using detergent.

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: Regular fluorescent lighting is used in all warehouses (including the cloth warehouse, the accessory material warehouse, the finished product warehouse, the carton storage areas, etc.) on the 2/F of Block 16, which is used as paper box storage.

Plan Of Action: The factory will provide flameproof lights for every warehouse.

Deadline Date: 12/31/2010

Supplier CAP: Examine the hazardous chemicals used in the factory and ensure they are properly labeled. Conduct training for workers on the hazardous chemical hazards, risks, and proper handling method.

February 24, 2011: According to what the factory reported on September 14, 2010, the factory is scheduled to install the explosion-proof lights in the warehouse in December 2010. Factory will install the explosion-proof lights in the warehouse by June 30, 2011. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 06/30/2011

Action Taken:

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing at the time of the IEV by SCSA on December 8 and 9, 2011: It was noted that the lighting in the material warehouse was still not explosive-proofed.

Ongoing at the time of the Revisit by SCSA on December 28, 2011: It was noted that the lighting in the material warehouse was still not explosive-proofed.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date September 30, 2012: ASICS requires the factory to install an explosive-proofed lighting system in the material warehouse.

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: The MSDS for the detergent (contains formaldehyde) is not complete and only has: (a) the chemical product and company (b) identification (c) composition/information on ingredients (d) summary of hazards (e) handling and storage (f) exposure controls/personal protection (g) other information.

Plan Of Action: Ensure complete and appropriate MSDS for chemicals are available for workers to use.

Deadline Date: 03/09/2010

Supplier CAP: Contact the chemical supplier to acquire the complete MSDS in the local language. [Employee name] will take charge of the H&S issues and perform a periodical check.

Supplier CAP Date: 01/31/2010

Action Taken: The factory has posted the MSDS sheets.
June 30, 2010: ASICS performed a follow-up visit and confirmed this.

Plan Complete: Yes

Plan Complete Date: 01/31/2010

**Action
Verified:** No

**Action
Verified
Text:** Completed at the time of the IEV by SCSA on December 8 and 9, 2011: MSDS with complete information was posted in the workshop. During the management interview and worker interviews, it was noted that there was a basic training/briefing provided to workers who handled the chemicals, such as the potential hazards of the chemicals.

**Action
Verified
Date:** 12/09/2011

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: [Finding at the time of the IEV by SCSA on December 8, 2011:](#)

1) It was noted that materials in the ironing section blocked some of the electrical switch boxes.

2) It was noted that a few of the electrical panels were not equipped with covers, for instance, the electrical panels in the sewing section.

[Legal Reference: Article 6.5 of the General Guide for Safety of Electric User Sources: factory tour and management interview](#)

Plan Of

Action:

Deadline

Date:

Action

Taken:

Plan [No](#)

Complete:

Plan

Complete

Date:

**Action
Verified:** No

**Action
Verified** Completed at the time of the Revisit by SCSA on December 28, 2011: It was noted that the obstruction had been removed.

Text: Ongoing at the time of the Revisit by SCSA on December 28, 2011: It was noted that some of the electrical panels/switches in workshops were still not fitted with covers.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to install a suitable cover on all the electrical panels and switches.

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: 1) All sewing machines and 5 button punching machines are not equipped with needle guards. 6 out of 9 interviewed workers (66%) using the sewing machines say they have heard of worker's fingers getting pricked by needles and they are watchful of the needle to avoid such accidents.

2) The special sewing machines such as the interlocking machines and the button sewing machines are not equipped with eye guards. 3 out of the 9 interviewed workers (33%) said that they don't like to use the eye guards and that they have never heard of any eye injuries caused by a broken needle in the factory.

3) No warning signs are posted on the dangerous machines such as the electric cutting machines.

4) The exterior inspection report for the boiler whose registration number is [registration number has been removed] expired on April 7, 2009.

5) The pressure gauges and safety valves of the two boilers and the two air compressors have not been inspected.

Plan Of Action: Machine guarding: examine and ensure all machines on site are properly guarded and the proper safety warning signs are posted on them; conduct training for workers about using the safety guards.

Deadline Date: 03/09/2010

Supplier CAP: Add safety guards for the machines; post a safety warning sign on the machine; conduct training for the workers. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 01/31/2010

Action Taken:

- 1) The factory has provided the needle guards on every sewing machine.
- 2) The factory has provided a protection cover on 85% of the interlock sewing machines.
- 4) The factory renewed the boiler certification.

June 30, 2010: ASICS performed a follow-up visit and confirmed these items.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 01/31/2010

**Action
Verified:** No

**Action
Verified** Ongoing at the time of the IEV by SCSA on December 8 and 9, 2011:

Text: 1) The needle guards were installed on the sewing machines and button punching machines. In addition, the special sewing machines, such as the interlocking machines and the button sewing machines were installed with protective eye-guards.

2) However, some workers were not using the protective shield when operating the interlocking stitching machines.

Completed at the time of the IEV by SCSA on December 8 and 9, 2011: It was noted that the pressure gauges and safety valves of the two boilers and air compressors have been inspected by an external bureau. The operation certificate for the air compressor operator has been renewed. The external bureau has inspected the boiler and the certificate for the boiler operator was also renewed.

Ongoing at the time of Revisit by SCSA on December 28, 2011: It was noted that needle guards were not installed on all the single and double needle machines. Over-lock machines and buttoning machines were installed with protective shields, and it was noted that the majority of workers used them during operation.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to install needle guards on all the single and double needle machines. ASICS requires the factory to provide training on the eye shields on the over-lock machines and buttoning machines for all the workers.

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 procedure was established in factory.

Plan Of

Action:

Deadline

Date:

Action Taken: April 15, 2013: The factory provided protective belts to the workers who lift heavy materials.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending at the time of the IEV by SCSA on December 8 and 9, 2011: There was still no ergonomic procedure and policy established in factory.

Pending at the time of the Revisit by SCSA on December 28, 2011: There was still no ergonomic procedure and policy established in the factory. For example, warehouse workers were not provided with protective belts for lifting heavy items.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to establish an ergonomic procedure and policy, and then provide training to the workers. ASICS requires the factory to provide protective belts to the workers who lift heavy materials.

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: 1) The canteen is about 600 square meters but is only equipped with 4 fire extinguishers.
2) No fire fighting equipment is installed in the kitchen.
3) There are 2 exits in the canteen but the doors open in the opposite direction of evacuation.

**Plan Of
Action:** Keep all facilities clean in the factory. Equip the factory with proper and adequate fire fighting equipment. Examine the safety exits to make sure they are properly set.

**Deadline
Date:** 03/09/2010

**Supplier
CAP:** Facilities are clean, and the canteen has been equipped with an extinguisher. The safety doors in the canteen will be included in the maintenance plan for the first half of 2010. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP 06/30/2010

Date:

Action Taken:

- 1) The factory has put two additional extinguishers in the canteen.
- 2) The factory put two extinguishers in the kitchen.
- 3) The factory has removed the doors. June 30, 2010: ASICS performed a follow-up visit and confirmed these items.

Plan Complete: Yes

Plan Complete Date: 06/30/2010

Action Verified: No

Action Verified Text: Completed at the time of the IEV by SCSA on December 8 and 9, 2011:

- 1) It was noted that additional fire extinguishers (two sets) were installed at the canteen.
- 2) Two fire extinguishers were installed in the kitchen.
- 3) The direction the doors open was also changed.

Action Verified Date: 12/09/2011

Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Noncompliance

Explanation: 1) There are about 320 female workers working in the four-story production building, but only 8 toilets are available for them to use.

2) More than 50% of the toilet doors are broken or missing.

Plan Of Action: Repair the toilet facilities and add privacy seats to meet Nike's standard.

Deadline Date: 05/31/2011

Supplier CAP: Repair the doors and rebuild the toilets as part of the maintenance plan during the first half of 2010. [Employee name] will take charge of H&S issues and perform a periodical check.

Supplier CAP Date: 05/31/2011

Action Taken: 1) The factory will build a new toilet facility beside of the four-story production building.
February 24, 2010: According to the factory report on September 14, 2010, the factory is planning to build a new toilet facility in May 2011.

2) The factory repaired the toilet doors.

June 30, 2010: ASICS performed a follow-up visit and confirmed that.

1) Due to the remodeling of the factory, they will build the new toilet facility by May 31, 2012. The factory informed ASICS on June 2, 2011.

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Completed at the time of the IEV on December 8, 2011 and checked during the Revisit on December 28, 2011: 1) Toilet doors are found to be in an acceptable condition and the toilet stalls each had a private door. Pending at the time of the IEV on December 8, 2011 and checked during the Revisit on December 28, 2011: 1) It was noted that the toilet facility is still being constructed, hence, the number of toilets were still the same.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline September 30, 2012: ASICS requires the factory to construct new toilets immediately.

Hours of Work: General Compliance Hours of Work

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

Noncompliance

Explanation: 1) Attendance records from September 2009 to December 2009 show that all the workers start to work at 7:30 and leave at 17:30, and the lunch break is 1 hour. The factory counts these 9 hours as regular hours and hours worked after 17:30 are calculated as overtime, so there is 1 hour of overtime that is miscalculated.

2) The attendance records provided by management indicated that workers worked 63-64.5 hours per week from September to December. The records showed that during this period workers usually ended their daily work shift at 21:30 or 22:00 on Monday, Wednesday and Friday, while the work shift ended at 17:30 or 18:00 on Tuesday, Thursday and Saturday. Management explained that the working time of each department is the same starting around September each year due to production requirements, and this situation continues until the [Name of holiday]. Management reported that one potential reason for the overtime is the high turnover rate of workers, which leads to lower efficiency.

Plan Of Action: Set up the OT management system to be compliant with [Name of other brand that this factory makes apparel for has been removed]. Provide training to workers and management.

Deadline Date: 03/09/2010

Supplier CAP: Set up OT management system to be compliant with [Name of other brand that this factory makes apparel for]. Provide training to workers and management.

Supplier CAP Date: 03/09/2010

Action Taken: Starting January 01, 2010, the factory controls OT to within 3 hours/day and work hours do not exceed 60 hours/week.

April 15, 2013: In January 2012, the factory explained the policy, rules and procedures for the management of working hours to management and employees. The factory established a system in which the full-time staff checked a time record and physical access records. The factory began forbidding unauthorized overtime work. The factory began forbidding Sunday attendance other than to make up time due to a power failure. The factory turns off all the electric lights at a closing time.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending at the time of the IEV by SCSA on December 8 and 9, 2011: Factory was not able to provide any time records for review and did not grant the access to workers for the purpose of conducting interviews. Hence, the auditor could not verify the above findings during this audit.

Pending at the time of revisit by SCSA on December 28, 2011: Due to inconsistencies found and due to the unreliability of the time records provided, the workers actual work hours cannot be accurately verified. During the audit, there were serious inconsistencies between the time and payment records and the production related records and other information obtained during the audit. Hence, workers' actual working hours and wages could not be accurately verified during the audit. For instance, based on the provided time and payroll record, the regular working hours of workers were 8 hours a day. Workers were only required to work night overtime work for 2.5 hours every Monday, Tuesday, Wednesday, and Friday and work 8 hours of rest day overtime on Saturday. Workers were not required to work any Sundays and the weekly working hours were capped at 58 hours per week. However, the manual attendance and production related records showed that workers were actually working 4 to 4.5 hours of night overtime work on a regular basis and the night overtime was also required on Saturday (a rest day) on an occasional basis. In addition, Sunday work, such as in September 2011, was also required.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to make and maintain working hours record which register every attendance and leave time and all working hours.
ASICS requires the factory to provide working hours training to the management and employees for prohibited uncompensated overtime work.

Hours of Work: Protected Workers (Women and Young Workers)

HOW.4 The factory shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age of 18. (S)

Noncompliance

Explanation: Document review revealed that all the juvenile workers worked overtime.

**Plan Of
Action:** Set up an OT system to make sure no juvenile workers work OT. Provide training to workers and management.

**Deadline
Date:** 03/09/2010

**Supplier
CAP:** Set up an OT system to make sure no juvenile workers work OT. Provide training to workers and management.

**Supplier CAP
Date:** 03/09/2010

**Action
Taken:** Set up an OT control system for juvenile workers and control their work hours starting on December 14, 2009. April 15, 2013: The factory enhanced the working hour management for juvenile workers.

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing at the time of the IEV by SCSA on December 8 and 9, 2011: Due to the absence of the time records and due to the fact that the auditors were denied access to workers for interviews, auditors could not verify if the factory arranged for young workers to work overtime despite the fact that the factory management reported that young workers were not required to work overtime.

Pending at the time of the Revisit by SCSA on December 28, 2011: Based on the records provided, it was still noted that young workers worked overtime.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to provide working hours, protect juvenile workers, and provide the juvenile work hour policy to management and young workers. ASICS requires the factory to enhance the working hour management for juvenile workers.

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: The attendance records did not distinguish between regular working hours and overtime hours on a regular workday. During the weekdays, workers punch-in in the morning, and punch-out for lunch break, punch-in again after lunch break, then punch out when they finish for the day with overtime hours included. Only the overtime hours on weekends are recorded separately.

Plan Of Action: Set up a system to make sure work time is accurately recorded

Deadline Date: 03/09/2010

Supplier CAP: Set up system to make sure work time accurately recorded

Supplier CAP Date: 03/09/2010

Action Taken: Starting July 01, 2010, workers have to punch a time card, according to the FLA requirement. Workers punch-in in the morning, and punch-out for lunch break, punch-in again after lunch break, punch-out again after the regular finish time, and punch-in again when their overtime hours start, then punch-out again when they finish for the day.

April 15, 2013: In January 2012, the factory explained the policy, rules and procedures for the management of working hours to management and employees. The factory established a system in which the full-time staff checked a time record and physical access records. The factory forbade unauthorized overtime work. The factory forbade Sunday attendance other than to make up time due to power failure. The factory turns off all the electric lights at a closing time.

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending at the time of the IEV by SCSA on December 8 and 9, 2011: Factory was not able to provide any time records for review and did not grant the auditors access to workers in order to perform worker interviews, hence, the auditor could not verify the above findings during this audit.

Revisited by SCSA on December 28, 2011: Completed: There was a time in-and-out record for the start of the day, and a meal break in-and-out record; overtime in-and-out was also provided on the time records.

Finding at the time of the IEV by SCSA on December 8 and 9, 2011: Factory could not provide any time records for review.

Sources: document review and management interviews

Revisited by SCSA on December 28, 2011: Ongoing: It was noted that the factory could not provide time records for 5 workers for the month of July and October 2011; and 6 workers for the months of May and October 2011.

New finding by SCSA at the time of Revisit on December 28, 2011: During the audit, there were serious inconsistencies between the time and payment records and the production related records and other information obtained during the audit. Hence, workers' actual working hours and wages could not be accurately verified during the audit. For instance, based on the provided time and payroll records, the regular working hours for workers were 8 hours a day. It was reported that workers were only required to work night overtime for 2.5 hours on every Monday, Tuesday, Wednesday, Friday and work overtime on the Saturday rest day for 8 hours. Workers were not required to work any Sunday and the weekly working hours were capped at 58 hours per week. However, the manual attendance and production related records showed that workers were actually working 4 to 4.5 hours of night overtime on a regular basis and the night overtime was also required on Saturdays (rest day) on an occasional basis. In addition, Sunday work, such as in September 2011, was also required as per the production related records.

Sources: document review, worker interviews and management interview

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to make and maintain working hour records that register every attendance and all leave times and all working hours. ASICS requires the factory to provide working hour training to the management and employees on prohibited uncompensated overtime work.

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: The attendance records provided by management indicated that workers worked 63-64.5 hours per week from September to December. The records showed that during this period workers usually ended their daily work shift at 21:30 or 22:00 on Monday, Wednesday and Friday, while the work shift ended at 17:30 or 18:00 on Tuesday, Thursday and Saturday. Management explained that the working time of each department is the same starting in September of each year in order to meet the production requirements, and this situation does not end until the [Name of holiday].

Plan Of Action: Set up an OT system to make sure the daily OT stays within 3 hours. Provide training to workers and management.

Deadline Date: 03/09/2010

Supplier CAP: Set up an OT system to make sure the daily OT stays within 3 hours. Provide training to workers and management.

Supplier CAP Date: 03/09/2010

Action Taken: Starting January 1, 2010, the factory will control OT so it stays within 3 hours/day and the work hours do not exceed 60 hours/week.

April 15, 2013: In January 2012, the factory explained the policy, rules and procedures for the management of working hours to management and employees, and the factory established a system in which the full-time staff check a time record and physical access records. The factory forbade unauthorized overtime work. The factory forbade Sunday attendance other than to make up for time lost due to power failure. The factory turns off all the electric lights at a closing time.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 01/01/2010

**Action
Verified:** No

**Action
Verified
Text:** Pending at the time of the IEV by SCSA on December 8 and 9, 2011: Factory was not able to provide any time records for review and did not grant the auditors access to workers in order to perform worker interviews, hence, the auditor could not verify the above findings during this audit.

Pending on revisit by SCSA on December 28, 2011: Due to inconsistencies noted between the time and payment records and other information and records obtained during the audit, workers' actual working hours and payment status could not be accurately verified. During the audit, there were serious inconsistencies between the time and payment records and the production related records and other information obtained during the audit. Hence, workers' actual working hours and wages could not be accurately verified during the audit. For instance, based on the provided time and payroll records, the regular working hours for workers were 8 hours a day. It was reported that workers were only required to work night overtime for 2.5 hours on every Monday, Tuesday, Wednesday, Friday and work overtime on the Saturday rest day for 8 hours. Workers were not required to work any Sunday and the weekly working hours were capped at 58 hours per week. However, the manual attendance and production related records showed that workers were actually working 4 to 4.5 hours of night overtime on a regular basis and the night overtime was also required on Saturdays (rest day) on an occasional basis. In addition, Sunday work, such as in September 2011, was also required as per the production related records.

**Action
Verified
Date:** 12/28/2011

**Follow-Up
Plan of
Action:** Deadline Date April 30, 2012: ASICS requires the factory to make and maintain working hour records, register every attendance and all leave times, and register all the working hours. ASICS requires the factory to provide working hour training to the management and employees on prohibited, uncompensated overtime work.

Hours of Work: Extraordinary Business Circumstances/Forced Labor

HOW.11 In case of extraordinary business circumstances, employers shall make reasonable efforts to secure voluntary overtime work prior to mandating involuntary overtime. Employers must get workers voluntary consent periodically for all overtime that is above the 12 hours as provided for in the Code and that is not due to extraordinary business circumstances. (P)

Noncompliance

Explanation: Finding at the time of the IEV by SCSA on December 8, 2011: It was noted that workers were required to apply for leave when they did not want to work overtime, for instance, for overtime on Saturday or Sunday.

Legal Reference: PRC Lao Bu Fa (1995) No. 309 article 71

Sources: document review and management interview

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**

**Action No
Verified:**



Action Verified Text: Pending at the time of the Revisit by SCSA on December 28, 2011: It was noted that workers were required to apply for leave when they did not want to work overtime, for instance, when they did not want to work overtime on Saturday, night overtime, etc.

Action Verified Date: 12/28/2011

Follow-Up Plan of Action: Deadline Date April 30, 2012: ASICS requires the factory to establish a voluntary overtime work policy. ASICS requires the factory to use the voluntary overtime application sheet, which the employee has to submit to the factory, if workers would like to do overtime work.
