



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Concept One Accessories
COUNTRY: China
FACTORY CODE: 250015122HV
MONITOR: Openview Service Limited
AUDIT DATE: September 26, 2011
PRODUCTS: Handbags
PROCESSES: Cutting, Sewing, Packing,
Inspection
NUMBER OF WORKERS: 52

Company Comment:

Reason for Exit: Concept One decided to exit due to the non-existence of the secondary exit in the 2nd floor of the dormitory. The factory building was leased and the owner would not allow any change to be made on the structure. Due to this serious hazard for evacuation safety, we worked with factory management on moving production to a new facility.

Exit Strategy: Once Concept One and [Factory name] had confirmed that the secondary exit could not be added, the following steps were taken to ensure smooth exit:

1. No new orders were placed at the factory.
2. Reviewed production plan of current orders and confirmed timeframe of when orders can be completed and shipped.
3. Once production has finally been completed in the agreed timeframe, our internal team visited the factory to ensure that no raw materials were left.
4. Concept One production team worked with factory management who advised they have a new location, which would satisfy the safety requirement.

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



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: The factory had covered 19 out of 80 workers under work injury, medical, pension, and unemployment insurances. No maternity insurance was provided. Factory had provided extra commercial work-related injury and medical insurances for 64 workers.

Source: social insurance contribution receipt of November 2009

Legal References: Articles 73, 45, 51 of China Labor Law

Plan Of Action: 1. Factory needs to provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within legally defined time periods as per law. Factory also needs to calculate all leave and bonuses correctly.

2. Factory needs to train workers on the advantages of insurance and to continually arouse workers to buy the insurance if they do not want to buy insurance.

Deadline Date: 03/10/2010

Supplier CAP: 1. We will provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within the legally defined time periods as per law.

2. Calculate all leave and bonuses correctly.

3. Some workers do not want to buy insurance; we will train them on the advantages of insurance (work injury, medical, pension, and unemployment insurances) and continually arouse workers to buy the insurances.

Supplier CAP Date: 03/10/2010

Action Taken: [According to our internal visit on March 15, 2010:](#)

1, 2. Factory has provided all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payment, 13-month payments, maternity insurance, etc., to all eligible workers within legally defined time periods as per law, and calculates all leave and bonuses correctly.

3. Factory established a system to train and arouse the workers to buy the insurance more and more.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: [Pending:](#) The factory did not provide pension, medical, work-related injury or unemployment insurances for 32 out of 52 employees and did not provide maternity insurance for any employees. (The factory obtained the legal waiver from the local authority on August 18, 2011).

[Sources:](#) social insurance receipts, management interviews

Action Verified Date: 09/26/2011

Follow-up Plan of Action:

1. Factory needs to buy all insurances for all workers according to law, such as pension, medical, work-related injury, unemployment and maternity insurances.

2. Factory will arrange trainings for the workers who do not want to buy the insurance on the advantages of insurances every quarter, and encourage workers to buy the insurances more and more.

3. The goal is for the factory to encourage 15% more workers to buy the insurances by June 2012.

In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: Factory had confirmed that the 15% target set had already been completed and nearly all staff has been provided with mandatory insurance with the exception of individuals currently on probation; they will qualify after the probation period is over.

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: Due to various inconsistencies noted, auditors were unable to accurately verify workers' actual wages and benefits status at the facility. Per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). The majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between the time records and other information collected during the audit, so the actual status of working hours and payment could not be accurately verified during the audit. For example, production-related records showed that workers were working on various Saturdays and Sundays, such as November 28, September 20, December 6, 2009, etc.; however, corresponding time records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days and were paid 1 additional RMB per hour for working overtime on nights and rest days, which contradicts records provided by the factory. Sources: time and payment records; information obtained during the audit

Plan Of Action:

1. Factory cannot use hidden or multiple payroll records in order to hide overtime, falsely demonstrate hourly wages, or for any other fraudulent reason; payroll records maintained need to be authentic and accurate.
2. Factories need to show the pay list to workers to check and sign, so that they can double check it themselves.
3. Factories also need to train workers on signing the files with the correct date; files must be signed with the correct date.



Deadline Date: 02/01/2010

Supplier CAP: Inconsistencies were because of mistakes in calculation and clerical error.

1. We will pay attention to and calculate the payroll authentically and accurately, and we will make up payments to the worker.
2. We will also provide pay lists to workers to check and sign, so that they can double check it themselves.
3. We will also train all workers on this regulation, and will also train them on signing the files with the correct date.

Supplier CAP Date: 07/25/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending: The status of the employees' wages and working time could not be assessed accurately because inconsistencies regarding the employees' wages and overtime were found:

1. Production record review found that some employees worked on July 17 and August 20, 21, 27, and 28, 2011 (Saturdays or Sundays). However, time cards indicated that all employees had off on all those days.
2. Workers were paid a piece rate plus an efficiency bonus, but provided payrolls indicated that all employees were paid an hourly rate without any bonuses.

Sources: 1) production record and payroll record review; 2) recruitment advertisement posted at the factory gate, worker interviews, payroll record review



Action 09/26/2011

Verified

Date:

Follow-up 1. Factory will not use hidden or multiple payroll records in order to hide
Plan of overtime, falsely demonstrate hourly wages, or for any other fraudulent reason;
Action: payroll records maintained need to be authentic and accurate.

2. Factory can just use 1 payroll system and the payroll needs be authentic and accurate.

3. Factory needs to increase the number of workers and enhance the work efficiency to control the working time as indicated by law.

In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: Prior to Concept One's exit, we had reiterated with factory management on the usage of a uniform record-keeping system. Management expressed a positive attitude and confirmed to use a uniform record-keeping system.

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:

1. Factory has a trade union, but it should not just be a formality; it needs to be an available union for workers.
2. Representatives need to be elected by members and administrate the union themselves, according to the law.
3. Factory needs to have a policy and procedure for the trade union.
4. Factory needs to establish the communicating channels for workers and the trade union's management.
5. Trade union will have a meeting every 2 months, and all members need to attend it.
6. Factory needs to train all workers on FOA regulations and elevate their awareness of FOA.

Deadline Date: 02/01/2010

Supplier CAP:

1. We will establish a policy and procedure for the trade union.
2. We will establish the communicating channel for workers and trade union management, and then representatives will represent workers in negotiating with the factory.
3. The trade union will have a meeting every 2 months, and all members need attend it and keep the meeting record.
4. We will train the regulations of FOA to all workers and elevate their awareness of FOA.

Supplier CAP Date: 07/25/2011

Action Taken: According to our internal visit on July 29, 2011:

1. Factory has a policy and procedure for the trade union.
2. Factory established communication channels for the workers and the trade union management; the representatives represented the workers in negotiating with the factory.
3. The trade union has a meeting every 2 months and all members have attended it.
4. Factory has trained all workers on the regulations of FOA and has elevated their awareness of FOA.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending: There was no trade union, workers' committee or representatives in the factory.



Action Verified Date: 09/26/2011

Follow-up Plan of Action:

1. Factory is trying to establish the trade union.
2. Factory will train all workers on the regulations of FOA and will elevate their awareness of FOA.

In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: The inconsistency came when the previous factory manager left and a new one was just instated; some things were not properly communicated. When the follow-up audit occurred, the factory did not have enough documentation, which resulted in the contradictory status. The factory is on the right path now with a trade union running. They have provided proof of union meeting along with manual on membership.

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: No appeal system was available for workers being terminated or who were subject to other kinds of disciplinary action.

Plan Of Action: Factory needs to establish an appeal system, such as a complaint box. Factory needs to establish a system to manage it. The complaint box needs to be opened at a stationary time by at least 2 persons on site, and should be managed by the highest factory director directly. Factory also needs to train workers and encourage them to give suggestions.

Deadline Date: 02/01/2010

Supplier CAP: We had a complaint box, and we will establish a system to manage it. The administration will open the complaint box every day, which can be opened by at least 2 persons on site; comments need to be responded to within 10 days. Also, we added the complaint box into the company's system and all workers know it.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on July 29, 2011: Factory has a complaint box. Factory has established an appeal system. The administration has opened the complaint box every day, there are at least 2 persons on site who can open it, and the highest factory director manages it directly. The comments have been responded to within 10 days. Factory has also trained all workers on it and has aroused them to give suggestions.

Plan Complete: Yes

Plan Complete Date:

Action Verified: Yes

Action Verified Text: Completed: A written employee grievance procedure was established, which included possibilities for workers to have disciplinary action reviewed by a higher managerial position other than the manager who imposed the disciplinary action, and also included a provision that allows a worker to appeal and/or question any disciplinary action against them.

Sources: document review, worker interviews

Action Verified Date: 09/26/2011

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: Discipline policy contains monetary penalties for workers in instances like:

1. Factory regulations stated that workers found providing fake personnel information would be fined 1 month's wage as punishment.
2. Some workers also reported that they were subject to monetary fines if they were absent without prior notice.

Legal Reference: Article 50 of PRC Labor Law

Sources: factory regulations, worker interviews

Plan Of Action:

1. Monetary fines and penalties cannot be allowed and the factory must repeal this discipline policy.
2. The factory also needs to train all workers on this change and make sure all workers are aware of the fact that monetary fines are not allowed.

Deadline Date: 02/01/2010

Supplier CAP:

1. We have repealed the monetary fines and penalties and there are no monetary fines and penalties anymore.
2. We will train all the workers to make sure they are aware that monetary fines and penalties are no longer in use.
3. We will have the social compliance personnel monitor discipline to make sure these fines are no longer used.

Supplier CAP Date: 07/25/2011

Action Taken: [According to our internal visit on July 29, 2011:](#)

1. Monetary fines and penalties were repealed.
2. Factory has trained all workers on this change and all workers have been made aware of the change.
3. Factory has gotten the social compliance personnel to monitor discipline to make sure these fines are no longer used.

Plan Complete: Yes

Plan Complete Date:

Action Verified: Yes

Action Verified Text: [Completed:](#) No monetary fines were used as a disciplinary practice in the factory.
[Sources:](#) factory rules, disciplinary practices, worker interviews

Action Verified Date: 09/26/2011

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: No code of conduct (COC) from participating company was posted.

Plan Of Action: Factory needs to post the COC on the bulletin board and let all workers see it; factory also needs to have a training for all workers.

Deadline Date:

Supplier CAP:

1. We will post COC on the bulletin board so that all workers can see it.
2. We will have a training about COC for all workers.
3. We will have the person of social compliance to monitor it.

Supplier CAP Date:

Action Taken: According to our internal visit on July 29, 2011:

1. COC was posted on the bulletin board and all workers can see it.
2. Factory had a training for all workers and all workers have been made aware of the policy.
3. We will have the person in charge of social compliance monitor these issues.

Plan Complete:

Plan Complete Date:

Action Verified: No

Action Verified [Pending: There was still no COC from Concept One posted in the factory.](#)

Text: [Source: site observation](#)

Action Verified [09/26/2011](#)

Date:

Follow-up Plan of Action: [1. Factory needs to post COC on the bulletin board so all workers can see it.](#)

[2. Factory had a training about COC for all the workers.](#)

[Action Taken: Factory has posted COC on the bulletin board as an attachment.](#)

[In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: Factory has confirmed that they purchased a new display board and posted the COC so everyone can see it properly. The COC has Concept One's contact information in both phone and email. We have sent our internal team to check and confirm non-removal. Photo of posted COC sent to FLA for review.](#)

Code Awareness:

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

Noncompliance

Explanation: [New Finding as of September 26, 2011: There was no confidential noncompliance reporting mechanism that allowed workers to contact the participating company directly.](#)

[Sources: site observation, employee interviews](#)

Plan Of Action: [Factory needs to post the company contact phone number and email address on the bulletin board, so that all workers can see it and can contact our company if there is any noncompliance in the factory.](#)

Deadline [12/01/2011](#)

Date:



Supplier CAP: We will add the company's contact phone number and email address to the COC, which we will post on the bulletin board so all workers can see it.

Supplier CAP Date: 11/15/2011

Action Taken: [According to our internal visit on December 15, 2011:](#) The factory has added our company's contact phone number and email address to the COC, which has been posted on the bulletin board for all workers to see.

Plan Complete: Yes

Plan Complete Date: 11/15/2011

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. There was only 1 evacuation exit on the 2nd floor of the dormitory building.

2. Some evacuation aisles were blocked by materials.

3. Some fire extinguishers were blocked by materials.

Legal References: Article 5.3.1 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87); Article 21 of Fire Prevention Law of the PRC

Plan Of Action:

1. All buildings need have at least 2 exits for evacuation.
2. All evacuation aisles should be clear.
3. Fire fighting equipment cannot be blocked.

Deadline Date: 01/08/2010

Supplier CAP:

1. We will plan to add 1 more evacuation exit on the 2nd floor of the dormitory building in 5 months.
2. We will keep all evacuation aisles clear and free of material at all times.
3. We will keep all fire fighting equipment, such as fire extinguishers, exit lights, safety instructions, fire alarms, etc., clear and available.
4. We have appointed a person to check all fire fighting equipment and make sure all of them are available every month.

Supplier CAP Date: 07/25/2011

Action Taken: According to our internal visit on July 29, 2011:

1. All evacuation aisles are clear and fire fighting equipment is available and no longer blocked.
2. The Administration department checked it every week.
3. Factory has appointed a person to check all fire fighting equipment and make sure all of them are available every month.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified: Ongoing:

- Text:**
1. There was only 1 exit for evacuation on the 2nd floor of the dormitory building.
 2. No evacuation aisles were blocked by goods.
 3. 2 fire extinguishers were blocked by materials in 1 of the raw material warehouses.

Source: site observation

Action 09/26/2011

Verified

Date:

Follow-up 1. Factory needs to add 1 more exit for evacuation on the 2nd floor of the dormitory
Plan of building in 5 months.

Action:

2. Factory needs to keep all evacuation aisles clear and free of materials at all times.

3. Factory needs to keep the area where the fire fighting equipment is kept clear and free of materials at all times.

4. Factory has appointed 1 person to check that the area where the fire fighting equipment is kept and the evacuation aisles are clear.

In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: The factory is still trying to persuade the facility owner to add the secondary exit.

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 temporary warehouse was not equipped with any fire fighting equipment.

Legal References: Article 21 of Fire Prevention Law of the People's Republic of China;
Article 2.4.3.16 of Manual of Basic Data for Industrial Safety and Health of PRC

Plan Of All working places need to be equipped with enough safety and medical equipment.
Action:

Deadline 02/01/2010

Date:

Supplier CAP: 1. We have equipped enough safety and medical equipment for the temporary warehouse.

2. Our administration department will check every month.

3. We will also train all workers how to handle the equipment.

Supplier CAP Date: 07/25/2011

Action Taken: According to our internal visit on July 29, 2011:

1. Enough fire fighting equipment was equipped for the temporary warehouse.

2. The administration department checks it every month.

3. Factory has trained all workers how to handle the equipment.

Plan Complete: Yes

Plan Complete Date:

Action Verified: Yes

Action Verified Text: Completed: Adequate and proper extinguishers were available in the temporary warehouse.

Source: site observation

Action Verified Date: 09/26/2011

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: No secondary containment was available for chemicals in the storage area and no proper material safety data sheets (MSDS) were posted.

Legal References: Article 16 of Regulation for Safety of Dangerous Chemical; Clause 27 of the Regulation For Chemical Usage Safety in Workplace

Plan Of Action: 1. Need to equip secondary containment for chemicals in the storage area with proper MSDS posted.

2. Need to establish a policy on how to display the proper MSDS for the chemicals and how to make sure the proper MSDS are posted for the chemicals.

3. Need to train the workers on the policy.

Deadline Date: 07/25/2011

Supplier CAP: 1. We added a secondary containment for chemicals with MSDS posted.
2. We will establish a policy on how to show the proper MSDS for the chemicals and make sure the proper MSDS are posted for the chemicals.

3. We will train the policy to the workers.

Supplier CAP Date: 07/25/2011

Action Taken:

Plan Complete: Yes

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing: There was no secondary containment system and MSDS for the diesel storage area near the kitchen. (The secondary containment system and MSDS were available for the chemicals in the chemical warehouse.)

Source: site observation

**Action
Verified
Date:** 09/26/2011

**Follow-up
Plan of
Action:** 1. Factory needs to have secondary containment for the diesel storage area.
2. Factory needs to have a proper label for the diesel drums and post MSDS.

Action Taken:

1. The factory has added the secondary containment for the diesel storage area.
 2. The diesel drums have a properly posted label and MSDS.
-

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: [No pulley guard equipped for some sewing machines.](#)

[Legal Reference:](#) Article 32 of PRC Factory Safety and Health Rules

Plan Of Action: [Need to equip pulley guards on all sewing machines.](#)

Deadline Date: [02/01/2010](#)

Supplier CAP:

- [1. We have equipped pulley guards on all sewing machines.](#)
- [2. We will train all workers on the importance of safety.](#)
- [3. The production management will check them every day and our Administration department will check them every month.](#)

Supplier CAP Date: [07/25/2011](#)

Action Taken: [According to our internal visit on July 29, 2011:](#)

- [1. All sewing machines were equipped with pulley guards.](#)
- [2. Factory has trained all workers on the importance of safety.](#)
- [3. The production management checks the sewing machines every day and the Administration department checks them every month.](#)

Plan Complete: [Yes](#)

Plan Complete Date:

Action Verified: Yes

Action Verified Text: Completed: The pulley guards were installed on the rotating belts of all sewing machines.
Source: site observation

Action Verified Date: 09/26/2011

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: The factory has yet to establish an ergonomics system. It is recommended for the factory to consider minimizing bodily strains when designing workstations or creating seating arrangements, such as providing back rests for workers. In addition, floor mats can be provided for workers who are required to stand for long hours.

Plan Of Action: The factory needs to improve the ergonomics system to minimize bodily strains through changing the design of the workstation, work methods, and tools. The factory also needs to have a training for all workers and let them know how to minimize bodily strains by using correct work methods.

Deadline Date: 02/01/2010

Supplier CAP: We will improve the ergonomics system to minimize bodily strains via the design of the workplace, work methods, and tools. Also, we also have a training for all workers.

Supplier CAP Date: 01/11/2010

Action Taken: [According to our internal visit on July 29, 2011:](#) The ergonomics system was improved to minimize bodily strain. The factory changed the chairs so that they have back rests, and also had a training for all workers to tell them how to minimize bodily strains by using correct work methods and tools.

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: [Pending:](#) The factory still did not establish an ergonomics system. For example, the stools for the sewing and packing workers had no back rest, and floor mats were not provided for the cutting workers who had to stand for long hours.

[Source:](#) site observation

Action Verified Date: 09/26/2011

Follow-up Plan of Action: Factory needs to establish an ergonomics system to minimize bodily strains through changing the design of the workstation, work methods, and tools:

1. We will provide the stools with back rests for the sewing and packing workers.
2. We will provide floor mats for cutting workers who have to stand for long hours.
3. Factory need have a training for all workers and let them know how to minimize bodily strains with correct work methods.

[In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit:](#) Factory has purchased chairs with back rests for workers and floor mats for those who are required to stand for long hours. Training was also provided on how to minimize bodily strains with correct work methods. Training documents and photo sent to FLA for review.

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: Due to various inconsistencies, auditors were unable to accurately verify workers' actual working hours and rest day status at the facility. Per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). The majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during the audit, so the actual status of working hours and payment could not be accurately verified during the audit. For example, production-related records showed that workers were working on various Saturdays and Sundays, such as November 28, September 20 and December 6, 2009, etc. However, corresponding time and other records showed that respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

Legal References: Articles 36 and 41 of PRC Labor Law

Sources: time records, production-related records, worker interviews

Plan Of Action:

1. The working time records need to be accurate and comply with all local laws, regulations, and procedures concerning hours of work, public holidays, and leave. The factory also needs to let all workers know the regulations.
2. The factory needs to provide the pay list with working hours for the workers to check and sign, so that they can double check it themselves.
3. Factory needs to have a person to monitor it.
4. Factory also needs to establish a system to control and improve the overtime via the following aspects: a) raise workers' working efficiency accordingly to activate workers' working motivation; factory can work out a reasonable task and can supply a reward to persons who finish the task in advance; b) arrange regular maintenance, repair machines, and update them with new machines, so that the machines work smoothly and thus raise the working efficiency; c) make a good and accurate production plan as per legal work time, and get orders from customers as per production plan; and d) work with customers on the production lead time as per production plan when getting orders from customers.

**Deadline
Date:**

**Supplier
CAP:** We will keep accurate working time records and arrange working hours reasonably, with no more than 36 hours overtime per month and at least 1 day off every 7-day period.

1. We will pay attention to and calculate the payroll authentically and accurately.
2. We will also provide pay lists with working hours for workers to check and sign, so that they can double check it themselves.
3. We will have the social compliance personnel monitor these changes and also train the workers to sign the files with the correct date.
4. Factory also needs to establish a system to control and improve the overtime via the following aspects: a) raise workers' working efficiency accordingly to activate workers' working motivation; factory can work out a reasonable task and can supply a reward to persons who finish the task in advance; b) arrange regular maintenance, repair machines, and update them with new machines, so that the machines work smoothly and thus raise the working efficiency; c) make a good and accurate production plan as per legal work time, and get orders from customers as per production plan; and d) work with customers on the production lead time as per production plan when getting orders from customers.

**Supplier
CAP Date:**

**Action
Taken:** According to our internal visit on July 29, 2011:

1. The factory kept accurate records and complied with all local laws, regulations, and procedures concerning hours of work, public holidays, and leave. Also, all workers know the regulations.
2. The factory provided the pay list with working hours for the workers to check and sign, and they can double check it themselves.
3. The factory has the social compliance personnel monitoring the situation and all workers have gotten training on signing the files with the correct date.

4. The factory established a system to control and improve overtime via the following aspects: a) we worked out a reasonable task and supplied a reward to persons who finish the task in advance to activate workers' working motivation and raise workers' working efficiency; b) arranged regular maintenance and repair for machines and replaced some of the machines with new ones, so machines can work smoothly and raise the working efficiency; c) made a good and accurate production plan as per the legal work time, and we are getting orders from customers as per the production plan; and d) we have worked with customers about production lead time as per production plan when getting orders from customers.

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending: The status of the employees' wages and working time could not be assessed accurately because inconsistencies regarding the employees' wages and overtime were found:

1. Some employees worked on July 17 and August 20, 21, 27, and 28, 2011 (Saturdays or Sundays). However, the time cards indicated that all employees rested on all those days.

2. Workers were paid by piece rate plus an efficiency bonus; however, provided payrolls indicated that all employees were paid by an hourly rate without any bonus.

Sources: 1) production and payroll record review; time card review; 2) recruitment advertisement posted at the factory gate, worker interviews, payroll record review

Action Verified Date: 09/26/2011

Follow-up Plan of Action: 1. Factory will not use hidden or multiple payroll records in order to hide overtime, falsely demonstrate hourly wages, or for any other fraudulent reason; payroll records maintained need to be authentic and accurate.

2. Factory can just use 1 payroll system and the payroll needs to be authentic and accurate.

3. Factory needs to provide the pay list with working hours for workers to check and sign, so that they can double check it by themselves.

4. Factory needs to have a person to monitor it. 5. Factory also needs to establish a system to control and improve the overtime via the aspects below: a) raise workers' working efficiency accordingly to activate workers' motivation; the factory can work out a reasonable task and can supply a reward to persons who finish the task in advance; b) arrange regular maintenance, repair machines, and update with new machines, so that machines can work smoothly and raise the working efficiency; c) make a good and accurate production plan as per legal work time, and get orders from customers as per production plan; and d) work with customers on the production lead time as per production plan when get orders from customers.

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: Due to various inconsistencies, auditors were unable to accurately verify workers' actual working hours and rest day status at the facility. Per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). The majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during the audit, so the actual status of working hours and payment status could not be accurately verified during the audit. For example, production-related records showed that workers were working on various Saturdays and Sundays, such as November 28, September 20 and December 6, 2009, etc. However, corresponding time and other records showed that the respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

Sources: time and payment record review; production-related record review; information obtained during the audit

Legal Reference: Article 38 of China Labor Law

Plan Of Action: Need to arrange at least 1 day off in every 7-day period. The factory needs to train workers on all regulations, so that workers can monitor it themselves. Factory also needs to have a person to monitor it.

Deadline Date: 02/01/2010

Supplier CAP:

1. We will arrange at least 1 day off in every 7-day period. If workers must work on a rest day, an alternative day off will be provided within that same 7-day period.
2. We will train workers on the regulation and add it into our worker manual, so that workers can monitor it themselves.
3. The social compliance person in the factory will monitor it, too.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on July 29, 2011:

1. Factory has provided at least 1 day off in every 7-day period for all workers.
2. Factory has trained all workers on the regulations and added the new regulation to their worker manual; all workers have learned it and can monitor it themselves.
3. The social compliance person in the factory has also been monitoring this.

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending: The status of the employees' wages and working time could not be assessed accurately because inconsistencies regarding the employees' wages and overtime were found:

1. Some employees worked on July 17 and August 20, 21, 27, and 28, 2011 (Saturdays or Sundays). However, the time cards indicated that all employees rested on all those days.

2. The recruitment advertisement posted at the factory gate and worker interviews indicated that workers were paid by piece rate plus an efficiency bonus, but provided payrolls indicated that all employees were paid by an hourly rate without any bonus.

Sources: 1) production record review time cards, 2) recruitment advertisement posted at the factory gate, worker interview, payroll record review

Action Verified Date: 09/26/2011

Follow-up Plan of Action:

1. Factory needs to arrange at least 1 day off in every 7-day period. If workers must work on a rest day, an alternative day off will be provided within that same 7-day period.
2. Factory will train workers on the regulation and add it to the factory's worker manual, so that the workers can monitor it themselves.
3. The social compliance person in the factory will also monitor the situation.

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: 1. Due to various inconsistencies, auditors were unable to accurately verify workers' actual working hours and rest day status at the facility. Per records provided, the regular work week was from Monday to Friday; workers were not required to work on rest days (Saturdays and Sundays). The majority of workers' weekly working hours were between 46 to 48 hours. However, various inconsistencies were found between time records and other information collected during the audit, so the actual status of working hours and payment status could not be accurately verified during the audit. For example, production-related records showed that workers were working on various Saturdays and Sundays, such as November 28, September 20 and December 6, 2009, etc. However, corresponding time and other records showed that the respective workers were off on these dates. In addition, some workers reported that they were required to work on rest days, such as Saturdays and Sundays.

2. Factory could not provide time records and payment records for some workers for review.

Sources: 1) time and payment record review; production-related records; information obtained during the audit

Legal References: Articles 36 and 41 of PRC Labor Law; Article 16 of Wage Payment Regulation of [Province name] Province

Plan Of Action: 1. Need to arrange work times as per law, and keep accurate and authentic time records.
2. Factory also needs to train workers on the regulations. 3. Factory needs to provide pay lists with working hours for workers to check and sign, so that they can double check it themselves.

Deadline Date: 02/01/2010

Supplier CAP: We will arrange working times according to law, and keep accurate and authentic time records.

1. We will pay attention to and calculate payroll authentically and accurately.
2. We will also provide pay lists with working hours for workers to check and sign, so that they can double check it themselves.
3. We will also train workers that they must sign the files with the correct date.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on July 29, 2011:

1. Factory has arranged working times according to law and has kept accurate and authentic time records.
2. Factory has trained workers on the regulations and on signing the files with the correct date.
3. Factory has provided pay lists with working hours for workers to check and sign, so the workers can double check the hours themselves.

Plan Complete: Yes

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending: The status of the employees' wages and working time could not be assessed accurately because the following inconsistencies regarding employees' wages and overtime were found:

1. Some employees worked on July 17 and on August 20, 21, 27, and 28, 2011 (Saturdays and Sundays). However, the time cards indicated that all employees rested on all those days.

2. The recruitment advertisement posted at the factory gate and worker interviews indicated that workers were paid by piece rates plus an efficiency bonus, but provided payrolls indicated that all employees were paid an hourly rate without any bonus.

Sources: 1) production record review, time card review, 2) recruitment advertisement posted at the factory gate, worker interviews, provided payroll records

**Action
Verified
Date:** 09/26/2011

**Follow-up
Plan of
Action:** 1. Factory needs to arrange working times as per law and to keep authentic and accurate time records.

2. Factory also needs to train workers on the regulations. 3. Factory will add the regulations to the factory's worker manual and provide pay lists with working hours for workers to check and sign, so that they can double check the hours themselves.

In the summer of 2012, Concept One ended its relationship with this factory with the following summary of efforts based on the previous audit: We discussed the inconsistent record issue with factory management and emphasized the importance of transparency with correct time/pay records. They had confirmed to us that they will use 1 uniform system for recording.

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: No voluntary overtime application system was established at the facility for the workers; however, workers reported that overtime was on a voluntary basis.

Plan Of Action: Factory needs to establish a voluntary overtime application system for workers. The departments need to send voluntary overtime application forms for workers and managers to sign when overtime is needed. They also need have a training for all workers about this system.

Deadline Date: 02/01/2010

Supplier CAP: We established a voluntary overtime application system for workers. The departments must send voluntary overtime application forms for workers and managers to sign when overtime is needed. Departments also need to send application forms with signatures to the administration for record-keeping purposes. We will have a training for all workers on this system.

Supplier CAP Date: 01/11/2010

Action Taken: According to our internal visit on July 29, 2011: A voluntary overtime application system was established for workers. The departments must send voluntary overtime application forms for workers and managers to sign when overtime is needed. Departments also need to send application forms with signatures to the administration for record-keeping purposes. All workers had a training about the system.

Plan Complete: Yes

Plan Complete Date:

Action Verified: Yes



Action Verified Text: [Completed:](#) The voluntary overtime application system was established in the factory. There is a voluntary overtime policy, and workers need to fill out the application form before working overtime. Interviewed workers confirmed they could refuse overtime without being punished.

[Sources:](#) document review, worker interviews

Action Verified Date: 09/26/2011
