



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Mainland Headwear

COUNTRY: China

FACTORY CODE: 900015449HV

MONITOR: Openview Service Limited

AUDIT DATE: November 8, 2011

PRODUCTS: Headwear

PROCESSES: Cutting, Embroidery, Sewing,
QC, Ironing, Packing

NUMBER OF WORKERS: 2,823

*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. Per information gathered from workers and management and record review, there was no paid late marriage leave (additional 10 days paid leave for people married female after 23 years old and male after 25 years old) provided in the factory.

2. Per insurance receipt review from September 2009 to November 2009, and information gathered from workers and management, the factory provided pension for 2175 out of 3210 employees and unemployment insurance for 2 out of 3210 employees; it did not provide maternity insurance for any employee in November 2009. The local social insurance management bureau issued a certificate on July 15, 2009, saying that the factory bought social insurance for workers according to local governmental requirements, and there was no female worker who was a local resident of proper age working in the factory; therefore, there was no need for the factory to buy maternity insurance. Workers signed agreements with the factory saying that they were either willing or unwilling to buy pension. The factory would provide pension for workers who were willing to buy it.

Legal References: 1. Article 51 of China Labour Law, 2. Article 73 of China Labour Law

Plan Of Action: 1. The late marriage leave policies would be set up and made public to each employee.
2. Not every employee wishes to buy pension, as 8% of their salary would be deducted. We received complaints from employees when we wanted every employee to join. Thus, we decided to only buy pension for those who voluntarily chose it. Meanwhile, we promote the pension policies to every employee in our monthly EHS trainings and orientation trainings, hoping the pension covering percentage will grow over time.

Deadline Date: 01/14/2012

Action Taken:	<p>1. The late marriage leave policies have been set up and made public to each employee. It is also included in our 2010 employee handbook.</p> <p>2. Not every employee wishes to buy pension, as 8% of their salary would be deducted. We received complaints from employees when we wanted every employee to join. Thus, we decided to only buy pension for those who voluntarily chose it. Meanwhile, we promote the pension policies to every employee in our monthly EHS trainings and orientation trainings, hoping the pension covering percentage will grow over time. The last EHS training about social insurance was December 28, 2009.</p>
Plan Complete:	Yes
Plan Complete Date:	02/26/2013
Action Verified:	No
Action Verified Text:	<p>1. Completed: During the audit, this finding had been corrected. Paid late marriage leave was provided to workers.</p> <p>2. Ongoing: The factory purchased injury and medical insurance for 2785 out of 2785 employees; pension insurance for 2189 out of 2785 employees; unemployment insurance for 3 out of 2785 employees; and maternity insurance for 7 out of 2785 employees. Factory submitted the workers' written consent for those workers who requested not to join the pension social insurance for review. Per factory management information, the factory only purchased unemployment and maternity insurance for workers who were local residents.</p> <p>Sources: 1. Document review, worker interviews, management interview; 2. factory provided social insurance receipt of September 2011</p>
Action Verified Date:	

Follow-up January 14, 2012: The date shows that the insurance coverage rate is going up, showing
Plan of the result of the training. We will continue to have training from time to time to let
Action: employees know about the importance of the social insurance. March 12, 2013 update:
All employees are covered 100% for workplace injury, medical, and unemployment
insurances. 75% are covered with old-age insurance. From March, we will expand to
cover all employees with maternity insurance 100% and increase 10% of old-age pension
by 10% every year until all employees are covered 100%. The budget is place. However,
some workers are reluctant to buy old-age pension, as most of them do not have faith in
the current old-age pension. Since this year, all old-age insurance is mandatory for new
coming workers. We will continue to promote the scheme in the bulletin board and
conduct promotion training in monthly trainings.

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

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

Noncompliance

Explanation: New Finding: Different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and on Sundays in different months, e.g., ironing section workers worked night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in the month of April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sunday. The paystub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged occasionally for the past few months. However, time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. At least 20 workers reported they only had rest days October 1-3, 2011 in October 2011. However, respective time records showed they were given a rest day on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interview

Plan Of Action:	QC records and in and out records that the auditors found were the drafts that employees jotted down. There were all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post a calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) is required by laws and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember the 3 days off that the laws require and, thus, misled auditors. Also, some of the embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not, or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular work hours and on Sundays.
Deadline Date:	03/31/2012
Action Taken:	February 26, 2013 update: The factory has compared against their attendance records and production records. Some unauthorized overtime was identified. The production supervisors and managers were educated. During the internal audit in February and SCI assessment in December, no inconsistency was identified again.
Plan Complete:	Yes
Plan Complete Date:	02/26/2013
Action Verified:	No

Action
Verified
Text:

Action
Verified
Date:

Wages, Benefits and Overtime Compensation: Minimum Wage

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

Noncompliance

Explanation: New Finding: During the assessment, different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and Sundays on different months, e.g., ironing section workers were working night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sundays. In addition, the pay stub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged for them occasionally in the past few month. However, the time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. In addition, at least 20 workers reported that they only had rest days on October 1-3, 2011 in October 2011. However, respective time records showed that they were given rest days on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interview

Plan Of Action:	QC records and in-and out records that the auditors found were drafts that employees jotted down. There are all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) are required by law and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember 3 days off that the laws require and, thus, misled auditors. Also, some embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular working hours and on Sundays.
Deadline Date:	03/31/2012
Action Taken:	February 26, 2013 update: The factory has compared against their attendance records and production records. Some unauthorized overtime was identified. The production supervisors and managers were educated. During the internal audit in February and SCI assessment in December, no inconsistency was identified again.
Plan Complete:	Yes



Plan 02/26/2013
Complete
Date:

Action No
Verified:

Action
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Text:

Action
Verified
Date:

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: New Finding: Different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and on Sundays in different months, e.g., ironing section workers worked night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in the month of April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sunday. The paystub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged occasionally for the past few months. However, time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. At least 20 workers reported they only had rest days October 1-3, 2011 in October 2011. However, respective time records showed they were given a rest day on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interviews

Plan Of Action:	QC records and in-and out records that the auditors found were drafts that employees jotted down. There are all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) are required by law and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember 3 days off that the laws require and, thus, misled auditors. Also, some embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular working hours and on Sundays.
Deadline Date:	03/31/2012
Action Taken:	February 26, 2013 update: The factory has compared against their attendance records and production records. Some unauthorized overtime was identified. The production supervisors and managers were educated. During the internal audit in February and SCI assessment in December, no inconsistency was identified again.
Plan Complete:	Yes
Plan Complete Date:	02/26/2013
Action Verified:	No

Action
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Text:

Action
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 to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In 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:	Although our trade union is under ACFTU, it still functions well. The president of the trade union was elected by our employees. The representatives negotiate with factory management on important issues and meet with the management once every 2 months to exchange opinions, for example, Chinese New Year (CNY) holidays and annual party arrangements. The trade union is also a channel for employees to let out their demands. Right before CNY, the employees hoped the employers could help book tickets in advance. The employers received the demands from the trade union; thusly, the administrative department set up a ticket-booking program for CNY this year. The trade union also works closely with the local ACFTU, holding trainings for our employees. The most recent training was held November 4, 2009; a doctor from the local hospital was invited to give a lecture on general medical knowledge and birth control.
Deadline Date:	04/30/2010
Action Taken:	Update: On August 12 and 13, the local ACFTU and our trade union worked together and held a Safe Production Training. A professional trainer was invited to our facility and gave lectures to boost the employees' awareness of safety. About 300 employees participated.
Plan Complete:	No
Plan Complete Date:	
Action Verified:	No
Action Verified Text:	<p>Pending: There was a union established in the facility in October 2009 and it was reported that all workers were members of the union. The union was under the ACFTU. The functions and roles of the union under ACFTU still remained the same. Workers were not given the right of strike in China and the union did not perform an active role in collectively negotiating the workers' wages and benefits with the factory.</p> <p>Sources: worker interviews, document review, management interviews</p>

**Action
Verified
Date:**

**Follow-up
Plan of
Action:** January 14, 2012: Although the trade union is still under ACFTU and unions are given the right to strike in China, the trade union still functions well in our facility. The trade union gathers once per month to have meetings. The trade union is also one of the grievance channels in our facility. Besides, employees in China already know their rights and know how to bargain and negotiate with employers nowadays.

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: It was confirmed by regulation review and management interview that the disciplinary system did not include workers the ability to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action was being imposed.

**Plan Of
Action:** The appeal system is written in our new 2010 employee handbook, clearly stating the appeal mechanism. The handbook would make its debut after Chinese New Year and a training would be held, giving a lecture to every employee on every updated policy.

**Deadline
Date:** 05/31/2010

Action Taken: The appeal system is written in our new 2010 employee handbook, clearly stating the appeal mechanism. The handbook also made its debut in April. Training was also held, so that every employee knows every updated policy. The appeal system is also included in our orientation training, so that every one could make use of this system.

Plan Complete: Yes

Plan Complete Date: 04/01/2010

Action Verified: Yes

Action Verified Text: Completed: During the audit, per document review and worker interviews, the finding had been corrected. The respective system and policy was established and workers were communicated the policy as well.

Action Verified Date: 11/08/2011

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: New Finding: During the factory tour, the monetary fine notices were found in the workshop, such as the notice posted in the building D stating that workers would be fined RMB 100 if they using packing boxes for resting at noon. In addition, per document review, it was noted that monetary fine practices were found in the factory, such as workers would be fined RMB 100-125 if they were absent from work without proper prior application and approval by factory.

Sources: worker interviews, document review, management interview

Plan Of Action: The production floors are forbidden to give out monetary fine notices as warnings to employees from now on. Discipline notices can only be issued by the Administrative Department in the future.

Deadline Date: 01/14/2012

Action Taken: February 26, 2013 update: All supervisors and managers are instructed not to issue any disciplinary action against workers. All actions are conducted by the Administrative Department in order for these kind of violations to go extinct. In the 2012 internal audit and SCI audit, no such finding was found.

Plan Complete: Yes

Plan Complete Date: 02/26/2013

Action Verified: No

Action
Verified
Text:

Action
Verified
Date:

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation: It was confirmed by factory walkthrough that there was an age (18 to 30 years old) limitation on a recruitment advertisement posted at the entrance of the factory gate.

Legal References: Article 12 of China Labour Law; Article 20 of Provisions on Employment Services and Employment Management

Plan Of Action: We would immediately remove any discrimination from our recruitment advertisements. We already have non-discrimination policies in place and we would keep educating our employees, especially our administrative staff members who handle recruiting work.

Deadline Date: 03/31/2010

Action Taken: On March 26 and August 6 in 2010, we held trainings on our anti-discrimination policies. 8 of our administrative staff participated in the training, especially our recruiting staff.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 03/26/2010

**Action
Verified:** Yes

**Action
Verified
Text:** Completed: During the audit, this finding had been corrected. There was no age or other kinds of discriminatory practice found in the recruitment process.

Sources: document and policy review; worker interviews, management interview

**Action
Verified
Date:** 11/08/2011

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. Based on review-related records and factory management interview, it was found that there was no Fire Permit or Structure Safety Inspection Certificate for production building D available in the factory.

2. There were 6 lifts in the factory, but only 3 workers received lift operation certificates, among of whom 1 worker's certificate expired on August 5, 2009.

Legal References: 1. Article 13 of China Fire Prevention Law, Article 61 of China Construction Law, 2. Article 39 of Regulations on Safety Supervision over Special Equipment

Plan Of Action: 1. Fire Permit and Structure Safety Inspection Certificate for Production D is already in process. However, there was 1 fatal fire in the local area. It is very difficult to obtain such kind of permit at this stage of time. We would continue to urge the local government.

2. Will renew the expired operation certificates as soon as possible. These kinds of certificates' expiration date would be on the checklist of our internal audit in the future to avoid repeated noncompliance. Meanwhile, we would look for 3 more certificated operators or select workers to be certificated internally.

Deadline Date: 03/31/2011

Action Taken: Up to August, we still cannot have the permit from the government. Please extend the completion date to December while we urge the local government.

August 20, 2010: We currently have 4 workers who have certificates and they are all effective. We will continue to see if there are candidates who can retrieve the certificates.

Plan Complete: Yes

Plan Complete Date: 06/30/2012

Action Verified: No

Action Verified Text: Ongoing: 1. During the audit, the factory provided the Structure Safety Inspection Certificate for Building D for review, but the factory still could not provide the fire permit of Building D for review.

2. There were 6 lifts in the factory, but only 2 workers who had lift operation certificates.

New Findings: 1. 1 emergency exit on the second floor of building D was blocked by goods.

2. Most of the evacuation plot plans in the workshop were posted in the wrong direction, such as on the fifth floor of Building A. In addition, the evacuation plot plans in dormitory Building C did not mark the position of the extinguishers.

3. 1 emergency exit on the fourth floor of Building D was not installed with an emergency light and exit sign. In addition, no emergency light and exit sign were installed at the 1 emergency exit at the kitchen, which is in the single-story canteen building.

Legal References: Article 28 of Fire Prevention Law of the People's Republic of China; Article 16 of the Fire Prevention Law of the People's Republic of China; Article 11.3.1 of the Code for design of building fire protection and prevention (GB50016-2006) Sources: factory tour, inspection record review, worker interview, management interview

**Action
Verified
Date:**

**Follow-up
Plan of
Action:** Ongoing: 1. The factory is currently installing smoke detectors and sprinkling system. A fire certificate will be retrieved after those fire facilities are done.

2. The factory will send 4 more existing employees for the lift operation certificates.

New Finding: 1. The sundries were removed from the exit immediately.

2. Factory will review and replace all evacuation plans with wrong directions. 3. Install the missing exit signs on the fourth floor in Building D and the canteen.

March 12, 2013 update: The fire certificate was obtained in mid-2012. We have 2 designated full-time safety staff in the factory. They monitor the factory very closely. There are 4 fire drills every year and they require all workers to participate in them. All new coming workers all receive a fire awareness training and all existing workers receive the same training during the monthly trainings.

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: It was confirmed through factory walkthrough that the medical supply in the first aid kits in the canteen and washing department were insufficient according to medical supply lists kept in first aid boxes.

Legal Reference: Article 23 of China Law on Prevention and Control of Occupational Diseases

Plan Of Action:	We would distribute the medical supply weekly checklists to washing department and canteens for them to check internally. Also, we would hold designated staff in the washing department and canteens responsible when there is a shortage.
Deadline Date:	01/14/2012
Action Taken:	We have distributed the medical supply weekly checklists to the washing department and the canteens for them to check internally. Also, we held the assistant in the washing department and the supervisors in the canteens responsible. Reference photos sent to the FLA for review.
Plan Complete:	Yes
Plan Complete Date:	03/31/2010
Action Verified:	No
Action Verified Text:	<p>Pending: Medical supplies in the first aid kit in the sewing and embroidery workshop in the Building D were insufficient according to medical supply lists in the first aid boxes.</p> <p>New Findings: 1. At least 2 pieces of fire equipment were blocked in the workshop, such as on the second floor of Building D.</p> <p>2. The factory did not install the fire sprinkle system.</p> <p>Legal References: Article 28 of Fire Prevention Law of the People's Republic of China; Article 8.5.1 of Code of Design on Building Fire Protection and Prevention (Extract)</p> <p>Sources: factory tour, management interview</p>
Action Verified Date:	

Follow-up Plan of Action: Pending: The factory has refilled those medical supplies. People in charge of those kits are now required to check the kits every 2 days, instead of once a week and are to refill when supply is low.

New Findings: 1. The sundries were removed immediately from the fire equipment.

2. The sprinkling system is currently in progress and will be finished by the end of February. The production floor also receives an internal self-check list to conduct self-checks daily.

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: It was confirmed through factory walkthrough that workers operating sweatband machines did not wear masks.

Legal Reference: Article 54 of China Labour Law

Plan Of Action: For certain fabrics, there would be some debris generating from sweatband machines. Masks will be distributed to sweatband operators. Personal protective equipment (PPE) trainings would be provided to them as well.

Deadline Date: 01/14/2012

Action Taken: For certain fabrics, there would be some debris generating from sweatband machines. Masks have been distributed to sweatband operators. PPE trainings have been provided to them as well to make sure they use the PPE in a right way when they need to. Reference photos have been sent to the FLA for review.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 03/19/2010

**Action
Verified:** No

**Action
Verified
Text:** Pending: During the audit, there was at least 1 worker who did not wear a mask while operating the sweatband machine.

Sources: factory tour, worker interviews, management interview

**Action
Verified
Date:**

**Follow-up
Plan of
Action:** January 14, 2012: The worker was asked to wear a mask immediately and was told the risk of not wearing the mask again. Also, the supervisor is required to monitor and supply the masks. Compliance Department will conduct internal audit on this specific item weekly.

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: White oil used on the fourth floor in production Building A was placed beside workers drinking water bottles; 3 barrels of white oil (around 5kg per barrel) were placed right on the floor without proper secondary methods to prevent possible leaking.

Legal Reference: Article 16 of Regulations on the Safety Administration of Dangerous Chemicals

Plan Of Action: The white oil would be taken away from the drink area immediately. We already have secondary container to avoid possible leaking. However, designated user did not put the barrel back properly, leaving it on the floor. We would continue to train the staff and hold them for responsibility.

Deadline Date: 03/31/2010

Action Taken: The white oil has been taken away from the drink area immediately. We already have secondary container to avoid possible leaking. However, designated user did not put the barrel back properly, leaving it on the floor. We have been training the staff and hold them for responsibility. Reference photos sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 03/31/2010

Action Verified: Yes

Action Verified Text: Completed: During the audit, per factory tour, the finding had been corrected and white oil was properly stored.

Action Verified Date: 11/08/2011

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: New Finding: It was noted that at least 4 electrical control boxes were blocked by goods in the workshop, for example, on the sixth floor of Building D.

Legal Reference: Article 6.5 of the General Guide for Safety of Electric User

Sources: factory tour, worker interviews, management interview

Plan Of Action: January 14, 2012: The sundries were removed from the electrical boxes immediately. The production floor also received an internal self-check list to conduct self-check daily.

Deadline Date: 01/14/2012

Action Taken:

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action
Verified
Text:

Action
Verified
Date:

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: It was confirmed through factory walkthrough that covers of moving belts of 3 small washing machines were insufficient, which were not enough to cover all belts.

Legal Reference: Article 6.1.6 of General rules of design on health and safety of production facility (GB5083-1999)

Plan Of Action: We will add enough coverage to these 3 new small washing machines as soon as possible.

Deadline Date: 01/14/2012

Action Taken: We have added enough coverage to these 3 new small washing machines. Reference photos sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 03/31/2010

Action Verified: No

Action Verified Text:

Completed: During the audit, it was noted that the finding had been corrected and full covers were available and installed.

New Finding: At least 6 eyelet machines were not equipped with eye shields. In addition, at least 10 workers did not use the eye shields while operating the eyelet machines.

Legal Reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene

Sources: factory tour, worker interview, management interview

Action Verified Date: 11/08/2011

Follow-up Plan of Action: January 14, 2012: Factory has installed the missing guards to the machines and reminded the employees of the risks of not using the guards while operating. Compliance Department will conduct an internal audit on this specific item weekly.

Health and Safety: Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

Noncompliance

Explanation: On-site observation found that 2 exit doors on fourth and fifth floors in dormitory Building C had no exit signs. It was confirmed through factory walkthrough that there were only 2 emergency lights on each floor in dormitory Building C. The distance between these 2 emergency lights was much longer than 20 meters as per legal regulation.

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Pending: It was found that the exit signs were still not installed on the above areas and it was noted that the distance between emergency lighting was still not in line with the requirement.

Sources: factory tour, management interview

**Action
Verified
Date:**

Follow-up The factory has installed another set of exit signs and emergency lights to the 2 ends and
Plan of the middle of hallway in Dormitory C. Completed January 14, 2012
Action:

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: New Finding: During the assessment, different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and on Sundays in different months, e.g., ironing section workers worked night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in the month of April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sunday. The paystub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged occasionally for the past few months. However, time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. At least 20 workers reported they only had rest days October 1-3, 2011 in October 2011. However, respective time records showed they were given a rest day on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interview

Plan Of Action: QC records and in and out records that the auditors found were the drafts that employees jotted down. There were all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post a calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) is required by laws and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember the 3 days off that the laws require and, thus, misled auditors. Also, some of the embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not, or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular work hours and on Sundays.

Deadline Date: 01/14/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action
Verified
Text:

Action
Verified
Date:

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: *New Finding:* During the assessment, different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and on Sundays in different months, e.g., ironing section workers worked night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in the month of April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sunday. The paystub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged occasionally for the past few months. However, time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. At least 20 workers reported they only had rest days October 1-3, 2011 in October 2011. However, respective time records showed they were given a rest day on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interview

Plan Of Action: QC records and in and out records that the auditors found were the drafts that employees jotted down. There were all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post a calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) is required by laws and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember the 3 days off that the laws require and, thus, misled auditors. Also, some of the embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not, or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular work hours and on Sundays.

Deadline Date: 01/14/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action
Verified
Text:

Action
Verified
Date:

Hours of Work: Time Recording System

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

Noncompliance

Explanation: 3 out of total 5 workers interviewed off site, and 2 out of a total 42 workers interviewed on site reported that they usually worked 6:30pm to 8:30pm or 10:30pm at night, sometimes on Sundays. But based on time record review from December 2008 and November 2009, no overtime hours past 7:30pm or Sunday work for non-embroidering workers were found. Based on the review of trimming records, broken needle logs, raw material distribution records, workers leave records, other production records and time records, it was found that there was no any discrepancy among these records.

Plan Of Action:	Right before the CNY in 2009, some workers were arranged to work overtime on Sundays because the production scheduling was quite busy. We obtained their consent and they were compensated with OT premium. The interviewees might just happen to be those employees who worked on Sundays. As for OT at night reported in the findings, they might be workers from the embroidery department that work in 2 shifts. Considering that there is only a small ratio of employees reporting differently, we think the worker could probably be too nervous during the interview, misunderstanding the question, and thus gave out the wrong answers. We also investigated by ourselves: from records in December 2008 to November 2009, there are no non-embroidery workers who worked OT on Sundays or late in weekdays. We also questioned the production floor manager if there were employees working off the clock to earn extra piece rate salary. However, they all guaranteed there was no such a situation. To prevent such situation, the top management has already made an announcement that one working off clock for extra salary is strictly forbidden. Compliance Department also has stepped in and monitored internally.
Deadline Date:	03/31/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	
Action Verified:	No

**Action
Verified
Text:**

Pending: During the assessment, different sources of information from different types of production-related records and worker statements, e.g., QC records, in and out records, showed that workers (not including embroidery section workers) had worked night overtime after 18:00 and on Sundays in different months, e.g., ironing section workers worked night overtime after 18:00 in October 2011 and sewing section workers were working on various Sundays, e.g., in the month of April 2011. However, the respective time and payment records showed that workers were not working night overtime beyond 18:00 and not working on Sunday. The paystub obtained from workers during the audit had a different structure and amount of wages when compared with the corresponding time and payment records provided by the factory, e.g., in July and August 2011. During on-site and off-site interviews for further verification, at least 15 workers (except embroidery workers) reported that they needed to work night overtime until 21:00 or 21:30 regularly from Monday to Friday and sometimes on Saturday; Sunday overtime was also arranged occasionally for the past few months. However, time records showed that these workers were not required to work any overtime beyond 18:00 and they were not required to work on Sunday. At least 20 workers reported they only had rest days October 1-3, 2011 in October 2011. However, respective time records showed they were given a rest day on Sundays in October 2011 and they were given rest from October 1-5, 2011. In view of the inconsistencies from different sources and channels, auditors could not accurately verify the actual working hours, wages and benefits status of workers at the facility.

Sources: worker interviews, document review, management interview

**Action
Verified
Date:**

Follow-up Plan of Action: QC records and in and out records that the auditors found were the drafts that employees jotted down. There were all kinds of information, including personal schedule, bank information, and so on. We will train all staff and stress the importance of record keeping, especially regarding the accurate date. Factory will also post a calendar and ask all staff to keep their records accurately and also will set up internal checking procedures to double check those production records regularly. Through investigations, from July to October, a few departments did work overtime beyond 18:00 until 20:30 or so occasionally; this is all captured by our time record system. Also, for China's National Day, 3 days off (October 1-3) is required by laws and there were another 2 days off (October 4-5) to make up the Sunday and Saturday. Some employees might merely remember the 3 days off that the laws require and, thus, misled auditors. Also, some of the embroidery employees only took days off from October 1-3, because they rotate their days off. The factory does not know for sure if these 20 people are embroidery department or not, or if there was a miscommunication during the worker interviews. However, given the high percent of employees that reported differently from the time record system, the factory will conduct an internal audit to see if there is any department or production processes working overtime without authorization. The factory will specify that all overtime requires written approval from management. To avoid any unauthorized overtime, the Compliance Department and Administrative Department will inspect departments after regular work hours and on Sundays.
