



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** SanMar  
**COUNTRY:** China  
**FACTORY CODE:** 650015983G  
**MONITOR:** Level Works Limited  
**AUDIT DATE:** November 25 – 26, 2008  
**PRODUCTS:** Garments  
**PROCESSES:** Cutting, Sewing, Pressing,  
Inspection, Packing  
**NUMBER OF WORKERS:** 139



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses ..... 3

Wages, Benefits and Overtime Compensation: Minimum Wage ..... 4

Wages, Benefits and Overtime Compensation: Payment for All Hours Worked..... 6

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments ..... 8

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation ..... 9

Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage  
Compensation ..... 11

Wages, Benefits and Overtime Compensation: False Payroll Records..... 13

Forced Labor: Employment Terms/Voluntary Agreement ..... 15

Freedom of Association: Right to Freely Associate..... 16

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and  
Programs ..... 18

Freedom of Association: Other - Freedom of Association and Collective Bargaining ..... 19

Harassment or Abuse: Discipline/Review of Disciplinary Action ..... 20

Harassment or Abuse: Other - Harassment or Abuse..... 21

Child Labor: Young Worker Identification System ..... 22

Health and Safety: Chemical Management and Training ..... 23

Health and Safety: Machinery Maintenance and Worker Training ..... 24

Hours of Work: Rest Day ..... 25

Hours of Work: Time Recording System ..... 27

### **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:** In accordance with PRC Labor Law Article 72, employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with law; according to Article 73, laborers shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment and e) childbearing. Therefore, according to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory. It was noted that while all employees were participating in disability caused by work-related injury or occupational disease insurance, only 38 out of 139 employees were participating in retirement insurance and illness or injury insurance; no worker covered under unemployment insurance or childbearing insurance. (However, a waiver was provided during the assessment.)

Note: As per the factory management, it was noted that all workers (local and migrant workers from other provinces) could participate in all 5 types of social insurance.

**Plan Of Action:** Factory shall provide all legally mandated holidays, leave, benefits and bonuses to all eligible workers within legally defined time periods. While short-term waiver for certain benefits has been provided by local government, factory requested to increase the social insurance participation to include retirement insurance and illness or injury insurance and all other required social insurance amounts as required by PRC Labor Law. While factory has indicated that local government has not advised when plan needs to achieve 100% participation, factory has agreed to increase participation rate gradually over next few years. We have agreed together that SanMar will review progress during future monitoring visits.

**Deadline Date:** 03/31/2009



**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting the factory was progressively increasing participation in social insurance even though legal waivers from the government exist. All employees had participated work-related injury insurance and 83 out of 175 (47%) employees had participated in retirement and medical insurances. No employees had participated in unemployment and childbearing insurances, yet management agrees to progressively work towards full legal participation in these as well.

July 2009: SanMar conducted follow-up audit in July 2009, noting 37 out of 168 employees participated in retirement insurance and illness or injury insurance schemes; 164 out of 168 employees participated in work-related injury or occupational disease insurance. No employees participated in unemployment and childbearing insurance schemes. While this is a vast improvement in benefits, factory continues to agree to work towards 100% participation and has agreed to increase participation by at least 10% per year until all workers are covered.

**Plan Complete:** No

**Plan Complete Date:**

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### **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:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, there is no information shown on payroll records to demonstrate these working hours have been paid by the factory. Concerned workers interviewed to corroborate issue.



**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff has been put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation and also confirming that legal minimum wages and other forms of compensation have been paid correctively to the employees.

July 2009: Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and payroll records show that legal minimum wages have been paid accurately to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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

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

**Noncompliance**

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, is no information shown on payroll records to demonstrate these working hours have been paid by factory. Concerned workers interviewed to corroborate issue.

**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009



**Action Taken:** [July 2011 update:](#) Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff has been put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation and also confirming that legal minimum wages and other forms of compensation have been paid correctively to the employees.

[July 2009:](#) Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and payroll records show that legal minimum wages have been paid accurately to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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### **Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments**

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

#### **Noncompliance**

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, is no information shown on payroll records to demonstrate these working hours have been paid by factory. Concerned workers interviewed to corroborate issue.

**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009



**Action Taken:** July 2011 update: Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff has been put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation and also confirming that legal minimum wages and other forms of compensation have been paid correctively to the employees.

July 2009: Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and payroll records show that legal minimum wages have been paid accurately to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

### **Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation**

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

#### **Noncompliance**

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, there is no information shown on payroll records to demonstrate these working hours have been paid by the factory. Concerned workers interviewed to corroborate issue.



**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff has been put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation and also confirming that overtime premiums have been paid correctively to the employees.

July 2009: Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and payroll records show that legal minimum wages have been paid accurately to workers. Factory paid 150%, 200% and 300% basic wage for overtime work on weekdays, rest days and statutory holidays, respectively, per legal requirement.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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

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

### **Noncompliance**

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, there is no information shown on payroll records to demonstrate these working hours have been paid by the factory. Concerned workers interviewed to corroborate issue.

**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009



**Action Taken:** [July 2011 update](#): Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff has been put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation and also confirming that wages and other forms of compensation have been paid correctively to the employees.

[July 2009](#): Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and payroll records show that legal minimum wages have been paid accurately to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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### **Wages, Benefits and Overtime Compensation: False Payroll Records**

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

#### **Noncompliance**

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, there is no information shown on payroll records to demonstrate these working hours have been paid by the factory. Concerned workers interviewed to corroborate issue.

**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009



**Action Taken:** [July 2011 update:](#) Factory had agreed and confirmed that inconsistent documentation is no longer a persistent issue since new procedures and staff put into place. SanMar conducted a further follow-up audit in July 2011 noting no inconsistent documentation.

[July 2009:](#) Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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### **Forced Labor: Employment Terms/Voluntary Agreement**

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

#### **Uncorroborated Evidence of Noncompliance**

**Explanation:** 1. In accordance with PRC Labor Contract Law Article 10, a written employment contract shall be concluded in establishment of employment relationship. Where an employment relationship has already been established, but no written employment contract has been concluded simultaneously, written employment contract shall be concluded within 1 month from employee's date of start. It was noted there were 3 workers that had not signed labor contracts with factory.

2. In accordance with PRC Labor Contract Law Article 16, an employment contract shall be agreed by employer and employee and shall come into effect after employer and employee affix their signatures or seals to text of employment contract. Employer and employee shall each hold 1 copy of text of employment contract. It was noted there were 2 workers reported that were not provided with copies of employment contract.

**Plan Of Action:** Factory shall ensure written employment contracts are concluded within 1 month of initial employment date. In addition, SanMar has requested that factory review all worker files, identify any without written agreements and rectify with an appropriately signed copy as soon as possible. Factory management also requested to review worker orientation and hiring policies to ensure written policies include discussion of revised policy to ensure employment contracts are concluded in establishment of employment.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting the factory had signed labor contracts with all employees within 30 days of commencing employment. A copy of signed contracts given to the employee for acknowledgement.

July 2009: Factory has appropriately entered into signed employment contracts with employees, including all new employees within 1 month of employment date. Employee personnel files reviewed and found that employment contracts are maintained and signed within 1 month of employment date. Copy of signed employment contract provided to employees for their records; per our interviews with workers, these new procedures are in place and operating effectively.

**Plan Complete:** Yes

Plan 07/12/2011

Complete

Date:

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### **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 Oct. 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 Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.





**Plan Of Action:** Factory management shall recognize and respect right of employees to freedom of association and collective bargaining. Currently, union at factory is functioning as a grievance channel, as well as representing workers in other employment functions. Factory encouraged to enhance and to expand existing communication channels and training to all workers surrounding freedom of association. Factory should ensure participation of both workers and managers in the development of these programs to ensure workers are clear on their rights on freedom of association. Training on policies and procedures for freedom of association shall be provided to all levels of workers, refreshed at least annually, and be given during all new employee orientations.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting that the factory has established a written policy for recognizing and respecting freedom of association and collective bargaining. Based on our review of documents, factory management has continued to communicate this policy to all employees periodically.

July 2009: Based on our document review and worker interviews, factory has now established a written policy for recognizing and respecting freedom of association and collective bargaining. In addition, management provided training on this new policy to all workers June 15, 2009. We encourage management to hold similar training sessions for new employees during orientation and at least annually with workers, as well as continuing to make improvements to enhance communication systems between management and workers.

**Plan Complete:** No

**Plan Complete Date:**

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

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

**Noncompliance**

**Explanation:** Factory trade union representatives were all office staff or supervisors; group does not include any production workers.

**Plan Of Action:** Factory shall not interfere with election of trade union representatives and all trade union representatives shall be elected by workers in full freedom. SanMar encourages greater representation on the union for all employees and requests factory to respond accordingly with a plan to ensure greater participation by production workers. Training on policies and procedures for freedom of association shall be provided to all levels of workers, refreshed at least annually and be given during all new employee orientations.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting that 5 office staff/supervisors and 4 production workers from cutting, sewing and finishing departments were selected as employee representatives.

July 2009: Based on our document review and worker interviews, factory has now established a written policy for recognizing and respecting freedom of association and collective bargaining. In addition, management provided training on this new policy to all workers June 15, 2009. While factory follows governing Chinese law concerning freedom of association and collective bargaining, production workers have yet to be elected to trade union. We have again requested a plan to ensure greater participation by production workers.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011



## Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

### Noncompliance

**Explanation:** It was noted that factory did not have a written policy recognizing and respecting freedom of association and collective bargaining.

**Plan Of Action:** Factory requested to establish written policy for recognizing and respecting freedom of association and collective bargaining and to ensure appropriate and timely training is provided to all workers at least annually. Similar training materials shall be communicated to all new workers during orientation.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting that the factory has established a written policy for recognizing and respecting freedom of association and collective bargaining. Based on our review of documents, factory management has continued to communicate this policy to all employees periodically.

July 2009: Factory established written policy for recognizing and respecting freedom of association and collective bargaining. Policy stated that factory respects freedom of association and collective bargaining, and does not interfere with any union action. Workers would not be discriminated, disciplined, harassed by factory management for joining any union. Training was provided to workers June 15, 2009. Per worker interviews, workers confirmed that they understood this policy.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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### 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 noted that there was no written policy or procedure provided by factory for review of disciplinary actions by someone at a higher managerial position than manager who initially imposed the disciplinary action.

**Plan Of Action:** Factory shall develop written policies and procedures to include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than manager who imposed disciplinary action. Once established, appropriate communication of released policies and procedures to be provided to all employees, new employees during orientation, as well as annually at employee training sessions.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting the factory had established a written policy for reviewing workers' discipline with higher managerial position than the manager who imposed the disciplinary action. Based on our review of documents, General Manager was responsible to review all discipline actions and make the final approval.

July 2009: Factory established written procedure for review of disciplinary actions by manager at a higher position than manager who initially imposed disciplinary action. Procedure was communicated to all workers. Per procedure, general manager responsible for reviewing all disciplinary actions and making the final approval.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

**Harassment or Abuse: Other - Harassment or Abuse**

Other

**Noncompliance**

**Explanation:** It was noted that factory did not have harassment and abuse policy.

**Plan Of Action:** Factory is requested to establish written harassment and abuse policy and communicate policy to all workers at least annually, as well as during all new employee orientations.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting the factory had established a written harassment and abuse policy.

July 2009: Factory established harassment and abuse policy; training was provided to all workers June 15, 2009. Per worker interviews, all workers confirmed that they understood this new policy and were not aware of any harassment or abuse instances at factory.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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### Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

#### Noncompliance

**Explanation:** It was noted factory did not have system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.

**Plan Of Action:** According to law, factory shall establish an identification system to identify workstations and operations that are inappropriate for young workers and to ensure any young workers are appropriately prohibited from performing such operations.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar had conducted a follow-up audit in July 2011 noting the factory had established a policy identifying workstations and operations that are inappropriate for young workers. The young workers have been told about these stations and operations that are inappropriate for them when being hired and defined that the positions of cutting, pressing, chemical using and boiler operating are not appropriate for young workers. All supervisors have been tasked with ensuring that any young workers are not found working in or around these stations.

July 2009: No system established for identifying workstations and operations that are inappropriate for young workers. Factory requested to develop such identification system to ensure any young workers are appropriately prohibited from performing operations according to applicable laws.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

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## 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:** In accordance with Regulation of Chemical Safety Usage in Workplace, Article 19, unit shall, according to danger of chemical, identify containing, transportation or storing equipment with specific color, label or sticker. It was noted that there was no label attached on chemical for identification for 2 bottles of spot cleaning solution used in Inspection Section.

**Plan Of Action:** Factory requested to label all chemical containers and monitor that all containers are properly labeled. An appropriate level of staff shall be responsible for storage and tracking of chemicals, as well as documentation and management of restricted substances.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July 2011 noting that labels were attached on all chemical containers for identification properly.

July 2009: An Office Director was assigned to monitor and manage an appropriate chemical safety program. All chemicals are now stored in safe, secondary containers and affixed with safety labels. Material Safety Data Sheets (MSDS) and Personal Protective Equipment (PPE) are available in chemical using areas. During visit by SanMar staff in July 2009, these new controls over chemical safety issues were operating effectively.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011

## 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:** In accordance with Safety Manufacturing Law Article 29, The design, manufacture, installation, application, inspection, maintenance, repair of and safety facilities shall comply with national or industrial standards. Manufacturing units shall maintain and inspect safety facilities regularly to ensure they are in good working condition. Maintenance and inspection records should be properly maintained and assigned to relevant staff. It was noted that safety eye shields were not used properly for about 90% of the overlocking sewing machines in Sewing Section.

**Plan Of Action:** Factory management shall ensure that safety eye shields are used appropriately for all overlocking sewing machines and shall enforce all workers to use machinery guards properly. While training is provided to workers to educate them on appropriate use of eye shields, line supervisors shall monitor more closely and ensure that inspection and maintenance of machines is documented and retained.

**Deadline Date:** 03/31/2009

**Action Taken:** July 2011 update: SanMar conducted a follow-up audit in July noting the workers who operate overlocking sewing machines are using the safety eye shields properly.

July 2009: Factory has provided appropriate safety training to educate workers using machine guard as well as safety eye shield. During visit by SanMar staff in July 2009, workers were observed operating overlocking sewing machines using safety eye shields properly.

**Plan Complete:** Yes

**Plan Complete Date:** 07/12/2011



### Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

### Noncompliance

**Explanation:** Factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, compliance status of “minimum wage,” “overtime wage” and “overtime hours” could not be verified.

Supporting evidence/sources: Production records (Broken Needle Records, Daily Inspection Records, etc.) showed workers from sewing and inspection sections worked October 4, 18, 25 and November 1, 15, 2008 (all Saturdays), but these working hours were not indicated on workers' time card records. Moreover, there is no information shown on payroll records to demonstrate these working hours have been paid by the factory. Concerned workers interviewed to corroborate issue.

**Plan Of Action:** Factory shall pay workers at least legal minimum wage or prevailing industry wage, whichever is higher. Factory has explained that majority of these issues are result of human error and lack of accurate documentation procedures. Factory requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure progressive steps are taken by factory management to ensure payment for all hours worked meets legal requirements. We expect to receive a clear timeline for improvements from factory and will follow up accordingly during our monitoring visits at factory. We are also encouraged that factory has agreed to assign a compliance manager to review internal improvements made at least quarterly.

**Deadline Date:** 03/31/2009



**Action Taken:** [July 2011 update:](#) Factory had agreed and confirmed that inconsistent documentation is no longer being produced. SanMar conducted a follow-up audit in July 2011 to verify that this issue has been addressed and from our review of attendance records and other documents in April 2011, it was noted that the employees had worked 13 consecutive days without 1 rest day. We have discussed the issue with management and have requested further improvements be made to ensure workers are provided with sufficient rest days.

[July 2009:](#) Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found and records indicate that all employees worked 6 days and had 1 rest day in a week.

**Plan Complete:** No

**Plan Complete Date:**

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### 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)

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**Deadline Date:** 03/31/2009



**Action Taken:** [July 2011 update:](#) SanMar conducted a follow-up audit in July 2011 noting that documentation of records appears consistent. From the attendance records, however, it was noted that the employees had worked monthly overtime for 68 hours, 56 hours and 62 hours in May, June and July, respectively. As a result, we have discussed the issue with management and have requested further improvements be made to ensure compliance with legally mandated working hours.

[July 2009:](#) Root cause of inconsistent documentation appears to be human error and lack of training and monitoring. An Office Director has been assigned to monitor documentation system and employees responsible to ensure all information is accurate and consistent. SanMar conducted follow-up audit in July 2009 noting no inconsistent documentation. Attendance and payroll records reviewed and all documents cross checked with daily production records, warehouse in/out records, inspection records, broken needle records and thorough interviews with workers. No inconsistencies found.

**Plan Complete:** No

**Plan Complete Date:**

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