



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT *

COMPANY: Yee Tung Garment Co., Ltd.
COUNTRY: China
FACTORY CODE: 830015141HV
MONITOR: Openview Service Limited
AUDIT DATE: November 3, 2011
PRODUCTS: Knitwear
PROCESSES: Auto Knitting, Linking, Stitching,
Washing, Ironing, Sewing, Finishing
NUMBER OF WORKERS: 900

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



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

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

Noncompliance

Explanation: 1. 171 out of 833 employees are enrolled in pension and unemployment insurances; 492 out of 833 employees are enrolled in medical and work injury insurances. No workers are enrolled in maternity insurance. Factory has bought life insurance for all employees.

2. Although factory has policies on paid leave, no worker has ever enjoyed these benefits. According to document review, only 2 office staff members have asked for maternity leave. Most workers do not know if they will be paid if they ask for sick leave.

Sources: documentation review; worker and management interviews

Legal references: Art. 72 of PRC Labor Law (Chapter 9 Social Security and Benefit): Management and employees must participate in social insurance programs. Art. 73 PRC Labor Law: Workers shall be provided with social insurance benefits under the following circumstances: a) retirement, b) illness, c) disability caused by work-related injury or occupational disease, d) unemployment, and e) childbearing. Art. 51 of PRC Labor Law (Chapter 5 Wages and Salaries): Wages and salaries shall be paid to laborers when they have legal holidays or take leaves for marriage or mourning and/or participate in social activities as defined by the law. Art. 58 of Implementation of PRC Labor Law: Female employees must be paid primary wages during their maternity leave. Art. 59 of Implementation of PRC Labor Law: Employees who are ill or hospitalized must be paid no lower than 80% of the local minimum standard during their legal healing period. Art. 62 of PRC Labor Law: Childbearing women shall be entitled to maternity leave no shorter than 90 days. Regulations for Special Protection on Female Workers, Art. 8: Maternity leave for childbearing women is 90 days. Therein, 15 days is for leave before childbearing. If several children are born at once, there shall be 15 additional days per child. In case of miscarriage, a female worker can get maternity leave with proof given by local hospital.



Plan Of Action: All employees are entitled to social insurance participation. Since workers have to pay their own contribution amount, some of them are not willing to do so. Whether they want to participate is at their own discretion. For the long-term plan, factory will put more effort on worker benefit training, letting the company know how the social insurance and the benefits run long term. The first target is to increase 10% each year of the participation rate. For maternity and sick leave benefits, as per our comments shared with FLA/external monitors before, using the number of claimed cases to assess if factory has actually provided them is very subjective. Factory values these comments and will keep providing more comprehensive training to all workers to ensure they know their rights and benefits. A more comprehensive training will be developed in order to strengthen workers' training to ensure that they are all aware of what their benefits entitle them to. We will cover all wages & benefits, social insurance, holiday & leave and work hours. We will also set up a Q&A section during training to see if workers have any questions about this, so we can answer them directly and immediately. For childbearing insurance, after consulting with local labor bureau, factory was informed that since June 2009, medical and childbearing insurances have been combined together in [City name]. Workers could enjoy both of these 2 insurance benefits by purchasing only medical insurance; medical insurance will be explained below. For work-injury insurance, as it is linked with add-on out-patient insurance (meaning it is covered by medical insurance), employees have to pay 0.5% on top of the employers' portion. Many workers (around 90%) are not willing to join the scheme, which is the main reason why we buy insurance through commercial insurance instead. Factory is happy to pay for injury insurance, yet workers are not willing to pay at their expense. Factory will consider setting this policy (to join the government scheme for work injury and medical next year, when commercial insurance expires in March 2011) as compulsory.

Deadline Date: 01/31/2011

Action Taken: Employee orientation is provided within 1 month from date of hire. Factory rules, worker compensation, legal benefits and workplace safety are provided. Records kept. Latest orientation was June 4, 2010. Factory will keep doing this month by month.

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified Text: (Pending)

1. Only 160 of 900 employees provided pension and unemployment insurances; 501 medical insurance; 504 work-related injury insurance; no workers provided maternity insurance in October 2011. Factory bought commercial life insurance for all employees.

2. Almost all workers knew they were entitled to paid annual, marriage, maternity and funeral leaves. Around 50% of interviewed workers did not know the sick leave policy.

Sources: 1) social insurance payment receipt, 2) worker interviews

Action Verified Date: 11/03/2011

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)

Uncorroborated Evidence of Noncompliance

Explanation: Due to inconsistencies found between time records and worker interviews, it was uncorroborated whether overtime compensation is paid correctly or not.

Source: worker interviews

Legal references: Art. 44.1 of PRC Labor Law: Employer shall pay workers no less than 150% of their regular wages if they are required to work overtime. Art. 44.2 of PRC Labor Law: Payment of wages to laborers should be no less than 200% of normal wage if employees are required to work on a day of rest and no deferred rest can be taken. Art. 44.3 of PRC Labor Law: Payment to workers should be no less than 300% of normal wage if they are required to work during a legal holiday.

Plan Of Action: Workers are entitled to their correctly paid OT compensation. During the economic downturn, factory did not have sufficient capacity almost every month; therefore, OT is not a serious issue in our factory. Factory will provide more training to workers and emphasize wage calculation method. Moreover, factory will keep on controlling OT to an acceptable level within the confines of labor law and Buyer's Code of Conduct (COC). We shall pay workers no less than 150%, 200% and 300% of their regular wages if they are required to work OT on a regular day, rest day or holiday, respectively.



Deadline Date: 11/30/2009

Action Taken: Employee orientation is provided within 1 month from date of hire. Factory rules, worker compensation, legal benefits, and workplace safety are provided. Records kept. For older workers, refreshment training is provided on half-year basis.

Plan Complete: No

Plan Complete Date: 11/30/2009

Action Verified: Yes

Action Verified Text: (Pending) As inconsistencies found between time records and related worker interviews, it was still uncorroborated whether overtime compensation was paid correctly or not.

Action Verified Date: 11/03/2011

Freedom of Association: Right to Freely Associate

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

Noncompliance

Explanation: **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor 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: Factory has set up a Health & Safety Committee to listen to workers' opinions and formulate an internal H&S policy. All worker representatives in this committee are elected by workers; they are welcome to provide the company with their opinions and suggestions in order to have a better work environment. The need for a Health & Safety Program developed from Buyer's COC and as a priority of management to promote the safety and wellbeing of all employees. Anent to this, H&S Committee was formed to ensure that the objectives of an environmentally friendly, safe and healthy workplace are met. Furthermore, H&S Committee, in partnership with HR department, Admin department and other company committees, aims to continuously improve the safety and health of the factory and the employees working herein, and to protect the environment. A quarterly meeting is conducted to discuss current H&S issues. All workers are given the right to establish and join organizations of their own choosing without previous authorization. Training will be provided to all workers about the role and function of unions in factories.

Deadline Date: 06/30/2010

**Action
Taken:**

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** Yes

**Action
Verified** (Pending)

Text: Factory trade union was established August 12, 2009. Union representatives in the factory were elected in March 2010 and October 2011, respectively, by all workers.

Sources: union election records; worker and management interviews

**Action
Verified
Date:** 11/03/2011



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 established a union August 12, 2009. However, all union representatives are nominated by the HR department instead of being elected by workers.

Sources: worker and management interviews

Plan Of Action: Apart from forming a union, factory also set up an H&S Committee to listen to workers' opinions; they are also forming an internal H&S Policy. All workers' representatives in this committee are elected by workers, and they are welcome to provide the company opinions and suggestions in order to have a better work environment. The need for an H&S program developed from Buyer's COC; it is also the priority of management to promote the safety and wellbeing of all employees. Anent to this, H&S Committee was formed to ensure that objectives of an environmentally friendly, safe and healthy workplace are met. Furthermore, H&S Committee, in partnership with HR department, Admin department, and other company committees, aims to continuously improve the health and safety of the factory and its employees, and to protect the environment. A quarterly meeting is conducted to discuss current H&S issues. Apart from this, a labor union has been set up by democratic election last month; 10 workers were elected according to workers' preferences and will. Factory will arrange periodic meetings with all worker representatives, and will also establish an open channel to hear workers' comments. Meeting minutes will be recorded. Management will review each request and case with the worker representatives, and the work-in-progress for all measures.

Deadline Date: 06/30/2010

Action Taken: We have set up an H&S Committee to hear workers' opinions and to formulate an internal H&S Policy. All worker representatives in this committee are elected by workers. They are welcome to provide opinions and suggestions to the company in order to have a better work environment and to fight for their rights. A labor union has been set up by democratic election last month, where 10 workers were elected according to workers' preferences and will. Factory will arrange periodic meetings with all worker representatives and will also establish an open channel to hear workers' comments. Meeting minutes will be recorded.



Plan Complete: Yes

Plan Complete Date: 05/31/2010

Action Verified: Yes

Action Verified Text: (Completed)

Factory's union representatives were elected in March 2010 and October 2011 by all workers.

Sources: union election records; worker and management interviews

Action Verified Date: 11/03/2011

Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation: Factory does not provide training to managers and supervisors on applying the appropriate disciplinary practices from the factory disciplinary system.

Sources: document review, management interview

Plan Of Action: Factory will ensure to provide training to managers and supervisors on applying appropriate disciplinary practices from factory disciplinary system. All training records will include training content and training photos. Materials will be maintained and ready for review next time.

Deadline Date: 06/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified: (Ongoing)

Text: Managers and supervisors trained in applying appropriate disciplinary practices, but factory did not keep any training records.

Source: management interviews

Action Verified Date: 11/03/2011



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: Factory sets age, marital and pregnancy status discrimination when hiring workers.

Source: worker interviews

Legal reference: Art. 12 of PRC Labor Law: Laborers shall not be discriminated against in employment due to their nationality, race, gender or religious belief.

Plan Of Action: Factory never sets discrimination when hiring workers. Maybe the wording used by HR department is not good; therefore, it's causing workers' confusion. Factory management does not subject their employees to any act of discrimination in employment, salary benefits, discipline, termination, or retirement on the basis of gender, race, religion, age, nationality, social, ethnic origin or political opinion. Factory employs workers according to their ability and performance in the vacancy. We will provide training to all department heads and HR departments to emphasize again about discriminatory bias and to alert them to have better communication when hiring workers. For checks and balances, our Compliance team will conduct an internal audit every month to monitor if there are any kinds of discrimination in factory to ensure this issue won't happen again.

Deadline Date: 06/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified Text: (Completed)
No discrimination requirements and practices were found in this factory.
Sources: factory's recruitment policy and procedure review; worker and management interviews

Action Verified Date: 11/03/2011

Code Awareness:

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

Noncompliance

Explanation: No confidential communication channel for workers to report factory noncompliance directly to Yee Tung.

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified Text: (Completed)
Factory tour noticed that Yee Tung's COC with confidential communication channel was posted in factory. Workers interviewed know the communication channel well.

Action Verified Date: 11/03/2011

Health and Safety: Permits and Certificates

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

Noncompliance

Explanation: Factory has 3 cargo lifts, but only 2 lift operators hold valid licenses. According to management, the other lift operator has been sent to training; however, the license is not issued yet.

Sources: document review, management interviews

Legal references: Art. 55 of PRC Labor Law (Chapter 6 Labor Safety and Health): Workers who work in special occupations shall undertake special training to obtain certificates for those occupations. Regulations for certification of workers operating at special posts in PRC, Art. 1 (Definition): Special post means some kind of work which could be potentially very dangerous to others and surrounding facilities, as well as to operator themselves. Art. 2 (Category of special posts): 1) electrician, 2) boiler operator, 3) operation on container with pressure, 4) operation with hoist, 5) operation involving explosion, 6) welding (gas cutting), 7) gas detection under mine, 8) auto vehicle driving, 9) vessel and turbine driving, 10) construction in high altitude, and 11) others according to the definition of special posts.

Plan Of Action: The outstanding operators were sent out to have training at that time and are waiting for licenses to be issued. Lift operator now has a valid license and is ready for review at next audit. We will ensure to send outstanding operators for training as early as possible to ensure factory meet H&S standards.

Deadline Date: 11/18/2009

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:** 11/18/2009

**Action
Verified:** Yes

**Action
Verified
Text:** (Pending)
There were still only 2 certified lift operators for 3 cargo lifts in the factory.
Sources: document review, management interviews

**Action
Verified
Date:** 11/03/2011

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: Evacuation aisle in linking workshop of factory #2 is blocked by products.

Sources: factory walkthrough, management interviews

Legal references: Art. 14.6 of PRC Fire Prevention Law: Keep evacuation passages and exits clear. Set up safety demarcation in accordance with national standards. Art 33. of Fire Prevention and Safety Rules of Textile Mills: There must be no obstruction around evacuation passages. Art. 43 of Fire Prevention and Safety Rules of Textile Mills: Obstructive items, such as sundry goods or other items must not be piled up around fire extinguishers or fire hydrants.

Plan Of Action: We have cleared obstacles immediately and keep evacuation aisles unblocked during work hours. Factory will emphasize importance of H&S in work environments to all workers again.

Deadline Date: 09/04/2009

Action Taken: We have asked security guard to patrol more in all production sections, to ensure all evacuation aisles aren't blocked. Factory also assigned a compliance officer to conduct random checks, so as to alert each department.

Plan Complete: Yes

Plan Complete Date: 09/04/2009

Action Verified: Yes

Action Verified Text: (Completed)
All evacuation aisles in workshops free of obstruction.
Source: on-site observation

Action Verified Date: 11/03/2011

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: 1. 5 fire extinguishers blocked by products and sundries.

2. Pressure of 3 fire extinguishers in dormitories was below legal requirements.

Sources: factory walkthrough, management interviews

Legal references: Art. 5.1.1 of Design Regulations for Fire Extinguisher Installation (GBJ 140-90): Fire extinguisher shall be installed in a distinct and easily accessible location, and shall not hinder safety evacuation. Art 43. of Fire Prevention and Safety Rules of Textile Mills: There must be no obstruction around fire extinguishers or fire hydrants.

Plan Of Action:

Deadline Date:

Supplier CAP: We have cleared obstacle and unblocked extinguishers immediately; factory also checked all fire extinguishers to ensure no blocking. Besides, factory also replaced the 3 over-pressured fire extinguishers and made sure they are at normal pressure within legal requirement.

Supplier CAP

Date:

Action Taken: We have cleared obstacle and unblocked extinguishers immediately; factory also checked all fire extinguishers to ensure no blocking. Besides, factory also replaced the 3 over pressured fire extinguishers and made sure they are at normal pressure within legal requirements.

Plan Complete: Yes

Plan Complete Date: 09/04/2009

Action Verified: Yes

Action Verified: (Completed)

Text:

1. All fire extinguishers were free of obstruction.
2. All sampled fire extinguishers were in normal working condition.

Sources: 1) visual inspection, 2) sampling inspection

Action Verified Date: 11/03/2011

Health and Safety: Personal Protective Equipment



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

Noncompliance

Explanation: 1. One-third of workers in the auto knitting workshop do not wear earplugs during work.

2. 1 washing worker does not wear boots during work.

Sources: factory walkthrough, management interviews

Legal references: Art. 74 of Factory Safety and Health Rules: Factory should provide work clothes or aprons and, according to needs, PPE to all affected workers. Art. 37 of PRC Work Safety Law: Production and business units shall provide their employees with PPE that is up to national standards or industrial specifications. They shall give instruction to their employees and see to it that they wear or use this PPE in accordance with the rules for its use.

Plan Of Action: We have provided PPE to all workers and will provide more training to them to enable them to know the importance of wearing PPE. Factory will also do random checking every day to see if workers follow the rules properly.

Deadline Date: 09/04/2009

Action Taken: PPE and training provided. A factory compliance officer conducts random checks every day and internal auditing monthly to ensure all workers wear PPE during work hours.

Plan Complete: Yes

Plan Complete Date: 09/04/2009

Action Verified: Yes

Action

Verified (Ongoing)
Text:
 1. Around 50% of workers in auto-knitting workshop did not wear earplugs during work.
 2. All washing workers wore waterproof boots during work.
 Sources: 1) on-site observation, 2) factory tour

Action 11/03/2011
Verified
Date:

Health and Safety: Chemical Management and Training

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

Noncompliance

Explanation: 2 bottles of machine oil in linking workshop of factory #2 had missing labels.

Sources: factory walkthrough, management interviews

Legal reference: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe use of chemical materials in Production area: Chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels. Material Safety Data Sheets (MSDS) should be offered to workers who use it.

Plan Of
Action: We have added labels to 2 machine oils and will keep checking to ensure none are missing. We understand that all chemicals and hazardous substances shall be properly labeled and we will follow according to the law required.

Deadline 09/30/2009
Date:

Action
Taken: Machine oil bottles are labeled. Also, our compliance officer conducted internal checking in the workshop every day to ensure all chemicals are properly labeled and stored in the right place.

Plan



Complete: Yes

Plan Complete Date: 09/04/2009

Action Verified: Yes

Action Verified: (Completed)

Text: All machine oil and other chemicals used in workshops were labeled properly.

Source: factory tour

Action Verified Date: 11/03/2011

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the

usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: 1 tank of stain remover and 1 tank of machine oil had missing MSDS.

Sources: factory walkthrough, management interviews

Legal reference: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe Use of Chemical Materials in Production area: Chemical materials used in factory should have labels. Dangerous chemical materials should bear safety labels. MSDS should be offered to workers who use it.

Plan Of Action: We will add MSDS to those 2 stain removers and machine oils and will keep checking to ensure none are missing.

Deadline Date: 09/30/2009

Action Taken: MSDS for those 2 stain removers and machine oils have been added. Besides, our compliance officer conducts internal checking in workshop every day to ensure all chemicals are with MSDS.

Plan Complete: Yes

Plan Complete Date: 09/04/2009

Action Verified: Yes

Action Verified Text: (Completed)
All chemicals had MSDS.

Sources: document review, on-site observation

Action Verified: 11/03/2011

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: (New finding on November 3, 2011)

1. Height of a working platform on first floor of production building D was around 2 meters above floor, but guard rails not installed to prevent employees from falling down.
2. Warning signs on 30% of sewing machines were in English instead of the local language, Chinese.

Source: on-site observation

Legal references: Art. 7.1.2 of Safety of Machinery - Permanent Means of Access to Machines and Industrial Facilities; Art. 28 of Law of PRC on Work

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**

Health and Safety: Bodily Strain



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

Noncompliance

Explanation: Factory fails to implement ergonomic program, e.g., providing floor mats to workers with standing jobs; chairs with backs to workers with sitting jobs; training on healthier practices such as positions, movements, etc.

Sources: factory tour, management interviews

**Plan Of
Action:**

**Deadline
Date:** 12/31/2010

**Action
Taken:** Factory has posted ergonomic posters on work floor to let everyone be aware of this.

**Plan
Complete:** No

**Plan
Complete
Date:**

**Action
Verified:** Yes

**Action
Verified
Text:** (Pending)
Factory still did not provide floor mats or chairs with backs for those related workers.
Source: on-site observation

**Action
Verified
Date:** 11/03/2011

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: On the side front of factory #2, there is an uncovered hole on the ground exposing water beneath; this is not safe if workers pass by.

Sources: factory walkthrough, management interviews

Plan Of Action: Factory has arranged for maintenance to cover the hole immediately after the audit, and will keep checking to avoid such issues from happening again.

Deadline Date: 09/04/2009

Action Taken: Maintenance covered the hole on the work floor. Also, a security team is assigned to keep on checking in the factory to ensure they provide a health and safety environment for all workers; they will report to management immediately when they find any risky issues.

Plan Complete: Yes

Plan Complete Date: 09/02/2009

Action Verified: Yes

Action Verified Text: (Completed)
Abovementioned hole had already been covered; no other uncovered hole was found.

Source: factory tour

Action Verified Date: 11/03/2011

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)

Uncorroborated Evidence of Noncompliance

Explanation: Due to inconsistencies found between time records and worker interviews, it is uncorroborated that workers are not given at least 1 day off in every 7-day period.

Source: worker interviews, time record review

Legal reference: Art. 38 of PRC Labor Law: Employer shall guarantee that its laborers have at least 1 day off per week.

Plan Of Action: Workers are entitled to at least 1 day off in every 7-day period. During the economic downturn, factory didn't have sufficient capacity almost every month; therefore, OT is not a serious issue in our factory. Factory will provide more training to workers and emphasize importance of rest days. Factory will keep on controlling OT to acceptable levels within the confines of labor law and Buyer's COC. We shall provide all workers at least 1 day off in every 7-day period.

Deadline Date: 11/30/2009

Action Taken: Training has been provided to all workers about the rest day and factory will ensure that all workers are entitled to at least 1 day off in every 7-day period.

Plan Complete: Yes

Plan Complete Date: 11/30/2009

Action Verified: Yes

Action Verified Text: (Pending)
Workers were not guaranteed to have 1 day off per 7 occasionally during peak season. For example, around 20% of workers consecutively worked October 17 – 29, 2011.

Sources: provided time record review; worker and management interviews

Action Verified: 11/03/2011

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)

Uncorroborated Evidence of Noncompliance

Explanation: Due to inconsistencies found between time records and worker interviews, it is uncorroborated that the factory keeps fake time records and payrolls.

Source: worker interviews

Plan Of Action: We will ensure all work hours are recorded accurately. We'll hold a training to educate workers that they must clock in/out while present at the factory. We will also train security to remind workers of this once they enter factory. We'll keep monitoring for a certain period of time to ensure all employees have done this. Certainly, all employees should not get lower than local minimum wage standard. Factory will schedule training to strengthen workers' awareness of company's wages system. Factory will ensure all work hours records are accurate and completely recorded so all payrolls, attendance and work hours can be verified by auditor. Training will be provided to all employees for clock in/out system. HR department will send staff to monitor process and the way employees swipe their card in timekeeping system to ensure everyone's clock ins/outs are recorded. Payroll will be checked by accounting department to make sure all wage rates are meeting minimum standard wage in order to comply with local law.

Deadline Date: 09/30/2009

Action Taken: Training has been provided to all employees for clock in/out system. HR department also sent staff to monitor the process of employees' swipe cards. Payrolls have been



reviewed and checked by accounting department. We will ensure and keep monitoring that wage rates meet the minimum wage standard which complies with local law.

Plan Complete: Yes

Plan Complete Date: 09/30/2009

Action Verified: Yes

Action Verified: (Pending)

Text: As inconsistencies found between time records and related worker interviews, it was still uncorroborated if factory kept complete/accurate time and payroll records.

Action Verified Date: 11/03/2011

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary



overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: Factory has not established a voluntary overtime system using a voluntary overtime form, recording overtime period and reasons, or asking workers to sign it.

Sources: document review, management interviews

Plan Of Action: Workers are informed in advance, usually after lunch, if OT is required on that day; they are free to leave at any time once they have completed their regular work hours. This is the system factory is currently adopting; it is verified through interviews, as employees reported that all OT is on a voluntary basis. In actual situations, asking workers to sign voluntary OT form on a daily basis is very time-consuming. We will keep our current practice.

Deadline Date: 09/30/2009

Action Taken: Workers are informed in advance, usually after lunch, if OT is required on that day, and they are free to leave at any time once they have completed their regular work hours. This is the system factory is currently adopting. This is also verified, through interviews, as employees reported that all OT is on a voluntary basis. Factory management will ensure no workers are forced to work.

Plan Complete: Yes

Plan Complete Date: 09/30/2009

Action Verified: Yes

Action Verified Text: (Completed)

Factory had already established voluntary overtime policy. Workers just needed to orally inform their team leaders if they did not want to work overtime.

Sources: document review; worker and management interviews

Action Verified 11/03/2011

Date:

Hours of Work: Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Noncompliance

Explanation: Factory obtained approval for adopting a Comprehensive Working Hours System with a valid period from January 2009 to June 2009; however, according to time record review, 2 out of 40 sampled workers' total work hours exceeded 1220 hours.

Sources: document review, management interviews

Uncorroborated evidence of noncompliance: Due to inconsistencies found between time records and worker interviews, it is uncorroborated whether weekly work hours exceed 60 and daily overtime exceeds 3 hours.

Source: worker interviews

Legal reference: Reply to Questions on Work Hours, Art.5: Providing that system of comprehensively calculated work hours is executed, in the period of comprehensively calculated work hours, actual work hours could exceed 8 hours (or 40 hours) on a specific day (or week). But, total actual work hours shall be no more than total normal work hours as regulated by law. Excess part shall be regarded as overtime and paid according to Art. 44.1 of PRC Labor Law. If employee is asked to work on legal holidays, overtime payment should be paid as regulated by Art. 44.3 of PRC Labor Law. Besides, average hours of overtime each month shall be no more than 36 hours. Art. 41 of PRC Labor Law (Chapter 4 Working Hours, Rest Days and Holidays): Employees should not be allowed to work more than 3 overtime hours per day and 36 overtime hours per month.

Plan Of Action: Factory will further improve production planning in coordination with Hong Kong Office on delivery accessories to meet deliveries in a timely manner. In addition, factory will arrange more training for workers in order to improve workers' efficiency; we hope



overall productivity will be generally increased. At this stage, we will keep limiting weekly hours to 60. Factory will control overtime to acceptable levels within confines of labor law and Buyer's COC which states work hours shall not be over 60 hours a week, and at most, 36 hours a month in the long run.

Deadline Date: 12/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified Text: (Pending)

Factory obtained approval for adopting a Comprehensive Working Hours System with a valid period from January 2011 to June 2011 and from July 2011 to December 2011. However, around 10% of workers' total work hours from January 2011 to June 2011 exceeded legal limit of 1216 hours, with the maximum of 1406. Around 70% of overtime hours from January 2011 to June 2011 exceeded legal limit of 216 hours, with maximum of 382.

Source: time record review

Action Verified Date: 11/03/2011
