



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Yee Tung Garment Co., Ltd.

**COUNTRY:** China

**FACTORY CODE:** 830015141H

**MONITOR:** ALGI

**AUDIT DATE:** September 2-3, 2009

**PRODUCTS:** Knitwear

**PROCESSES:** Auto Knitting, Linking,  
Stitching, Washing, Ironing, Sewing,  
Finishing

**NUMBER OF WORKERS:** 833



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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 have asked for maternity leave. Most workers do not know if they will be paid if they ask for sick leave.

Law: 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) child bearing. 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 were 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: The maternity leave for childbearing women is 90 days. Therein, 15 days is for leave before childbearing. Providing that several children are born at once, there shall be 15 additional days per each child. In case of miscarriage, the female worker could 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 me know how the social insurance runs and the benefits in long run. The first target is to increase 10% each year of the participation rate. For the maternity and sick leave benefit, as per our comments shared with FLA/external monitors before, using the number of claimed cases to assess if the factory has actually provided them is very subjective. On the other hand, the factory values their 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. We will cover all wages and benefits, social insurance, holiday and leave and working hours. We will also set up a Q&A section during training to see if workers have any questions about it so that we can answer them directly and immediately. For the child-bearing insurance, after consulting with the local labor bureau, they were advised that ever since June 2009, the purchases of medical insurance and child-bearing insurance have been combined together in [city name]. Workers could enjoy both of these two insurance benefits by the purchase of only medical insurance and medical insurance will be explained below. For the work-injury insurance, since it is linked up with the add-on out-patient insurance, which means covered in medical insurance, the employee has to pay 0.5% on top of the employer's portion. Many of the workers (around 90%) are not willing to join the scheme and that's the main reason why we buy through commercial insurance instead. Factory is happy to pay for the injury insurance yet workers are not willing to pay at their expense. And, factory will consider setting this policy as compulsory to join the government scheme for work injury and medical next year when the commercial insurance expires in March 2011.

**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. The latest orientation was done on June 4, 2010. Factory will keep doing this month by month.

**Plan Complete:** No

**Plan  
Complete  
Date:**

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**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.

Law: Art. 44.1 of PRC Labor Law: The 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 the normal wage if the 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 the normal wage if they are required to work during a legal holiday.

**Plan Of  
Action:** Workers are entitled to their overtime compensation being paid correctly. During the economic downturn, the factory didn't have sufficient capacity almost every month; therefore, overtime is not a serious issue in our factory. Factory will provide more training to workers and emphasize the wages calculation method. Moreover, factory will keep on controlling overtime to an acceptable level within the confines of labor law and Buyer's COC. We shall pay workers no less than 150%, 200% and 300% of their regular wages if they are required to work overtime 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 11/30/2009

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 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 the Health & Safety Committee to listen to the workers' opinions and formulate an internal Health & Safety Policy. All worker representatives in this committee are elected by the workers and they are welcome to provide the company with their opinions and suggestions in order to have a better working environment. The need for the Health & Safety Program developed from the Buyer's Code of Conduct and as a priority of the management to promote the safety and wellbeing of all its employees. Anent to this, a Health & Safety Committee was formed to ensure that the objectives of an environmentally friendly, safe and healthy workplace are met. Furthermore, the Health & Safety Committee, in partnership with the HR Department, the Admin Department and other committees in the company, aims to continuously improve the safety and health of the factory and the employees working herein, and that the environment is protected. A quarterly meeting is conducted to discuss the current safety and health 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 function of unions in factories and all workers would have a basic knowledge after that. Training will be provided to all workers about the role and function of unions in factories, all employees will fully understand and be aware of a union's function after joining such training.

**Deadline  
Date:** 06/30/2010

**Action  
Taken:**

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

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

**Deadline Date:** 06/30/2010

**Action Taken:** We have set up a Health & Safety Committee to hear workers' opinions and formulate an internal H&S Policy. All worker representatives in this committee are elected by the workers. They are welcome to provide opinions and suggestions to the company in order to have a better working 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. The factory will arrange periodic meetings with all worker representatives and also establish an open channel to hear workers' comments. The minutes of the meeting will be recorded.



Plan Complete: Yes

Plan Complete Date: 05/31/2010

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### 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:** According to management interview and document review, the factory does not provide training to managers and supervisors on applying the appropriate disciplinary practices from the factory disciplinary system.

**Plan Of Action:** The factory will ensure to provide training to managers and supervisors on applying the appropriate disciplinary practices from the 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:

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**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 the workers.

Law: 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:** The factory never sets discrimination when hiring workers. Maybe the wording used by the HR department is not good therefore it's causing the workers' confusion. Factory management does not subject his/her 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 head and HR departments to emphasize again about discriminatory bias and alert them to have better communication while hiring workers. For Check-and-Balance, our Compliance team will conduct an internal audit every month to monitor if there are any kinds of discrimination in our factory to ensure this issue won't happen again.

**Deadline Date:** 06/30/2010

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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**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:** There is no confidential communication channel for workers to report factory noncompliance directly to Yee Tung.

**Plan Of Action:** Yee Tung's Code Of Conduct has been posted on the notice board for all employees to see. The hotline has been indicated clearly in the COC and Yee Tung is free to answer calls from workers at anytime. Anyway, the factory will ensure to provide COC training to all employees, including the new hires, so they are aware of the direct communication channel to headquarters.

**Deadline Date:** 11/30/2009

**Action Taken:** Training to all the workers (especially new workers) about the confidential communication channel has been provided to ensure they know how to contact Yee Tung Group if they have any problems to claim for themselves.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2009

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## 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 the management, the other lift operator has been sent to training; however, the license is not issued yet.

Law: Art. 55 of PRC Labor Law (Chapter 6 Labor Safety and Health): Workers who work in special occupations shall undertake special training to obtain the certificates for such occupation. Regulations for the 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 the operator himself. 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:** In fact, the outstanding operators were sent out to have training at that time and are waiting for the license to be issued. Now the lift operator has got a valid license already and is ready for review in the next audit. We will ensure to send outstanding operators for training as early as possible to ensure the factory meets health and safety standards.

**Deadline Date:** 11/18/2009

**Action Taken:** We have sent one worker to attend the training with certificate received.

**Plan Complete:** Yes

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

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## 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 the linking workshop of factory No.2 is blocked by products.

Law: Art. 14.6 of PRC Fire Prevention Law: Keep the evacuations passages and exits clear. Set up the 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 the fire extinguishers or fire hydrant.

**Plan Of Action:** We have cleared the obstacle immediately and keep the evacuation aisle unblocked during working hours. The factory will emphasize the importance of health & safety in working environments to all workers again.

**Deadline Date:** 09/04/2009

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

**Plan Complete:** Yes

**Plan Complete Date:** 09/04/2009

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## 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 (FE) were blocked by products and sundries.

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

Law: 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 the safety evacuation. Art 43. of Fire Prevention and Safety Rules of Textile Mills: There must be no obstruction around the fire extinguishers or fire hydrant.

**Plan Of  
Action:**

**Deadline  
Date:**

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

**Supplier CAP  
Date:** 11/18/2009

**Action  
Taken:** We have cleared the obstacle and keep the extinguishers unblocked immediately; factory also checked all FE to ensure no blocking. Besides, factory also replaced the 3 overpressure fire extinguishers and made sure they are at normal pressure with the legal requirement.

**Plan  
Complete:** Yes

**Plan  
Complete  
Date:** 09/04/2009

## 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 auto knitting workshop do not wear earplugs during work.  
2. One washing worker does not wear boots during the work.

Law: Art. 74 of Factory Safety and Health Rules: Factory should provide working 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 are up to national standards or industrial specifications, and they shall give instruction to their employees and see to it that they wear or use these PPE in accordance with the rules for their use.

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

**Deadline Date:** 09/04/2009

**Action Taken:** PPE provided and training provided. In addition, a factory compliance officer conducts random checks every day and internal auditing monthly to ensure all the workers wear PPE during the working hours.

**Plan Complete:** Yes

**Plan Complete Date:** 09/04/2009

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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:** 2 bottles of machine oil in the linking workshop of factory No.2 had missing labels.

Law: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe use of chemical materials in Production area: The chemical materials used in the factory should have labels. Dangerous chemical materials should bear safety labels. 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 Date:** 09/30/2009

**Action Taken:** The machine oil bottles are labeled. In addition, 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

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### 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.

Law: Art. 12 of PRC Safe Use of Chemical Materials in Production Area: Safe use of chemical materials in Production area: The chemical materials used in the 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 two 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 the workshop every day to ensure all the chemicals are with MSDS.

**Plan Complete:** Yes

**Plan Complete Date:** 09/04/2009

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### 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 and training on healthier practices such as positions, movements, etc.

**Plan Of Action:** The factory will consider implementing ergonomic programs by providing floor mats to workers with standing jobs. Due to the job nature (linking), the space limitation and work floor design, it's difficult to change all the chairs without backs in the short-run. The factory will provide backrests to some particular workers, like pregnant women, first. And we will ensure workers are free to take breaks in case they feel tired.

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

**Action Taken:** Factory has posted ergonomic posters at the work floor to let everyone be aware of it.

**Plan Complete:** No

**Plan Complete Date:**

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**Health and Safety: Other - Health and Safety**

Other

**Noncompliance**

**Explanation:** In the side face of No. 2 factory, there is an uncovered hole on the ground exposing water beneath, which is not safe if workers pass by.

**Plan Of Action:** The 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 done covering the hole on the work floor. In addition, a security team is assigned to keep on checking in the factory to ensure the factory provides a health & safety environment to all workers, and they will report to management immediately when they find any risky issue.

**Plan Complete:** Yes

**Plan Complete Date:** 09/02/2009

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### 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 the inconsistencies found between time records and worker interviews, it is uncorroborated that workers are not given at least 1 day off in 7 day period.

Law: Art. 38 of PRC Labor Law: Employer shall guarantee that its laborers have at least one 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, the factory didn't have sufficient capacity almost every month; therefore, overtime is not a serious issue in our factory. Factory will provide more training to workers and emphasize the importance of rest day. Moreover, the factory will keep on controlling overtime to acceptable levels within the confines of the labor law and Buyer's COC. We shall provide all workers at least one 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 the factory will ensure that all workers are entitled to at least one day off in every 7 day period.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2009

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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)

**Uncorroborated Evidence of Noncompliance**

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

**Plan Of Action:** We will ensure all the working hours are recorded in an accurate way. We'll hold a training to educate the workers that they must clock in/out while they are present at the factory. We will also train the security to remind the workers once they enter the 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 the local minimum wage standard. Anyway, the factory will schedule a training to strengthen the workers about company's wages system. Moreover, the factory will ensure all working hours records are accurate and completely recorded so that all payroll, attendance and working hours can be verified by the auditor. Training will be provided to all employees for the clock in/out system. Moreover, the HR department will send staff to monitor the process and the way employees swipe their card in the timekeeping system to ensure everyone's clock-in & clock-out will be recorded. Furthermore, payroll will be checked by the accounting department to make sure all the 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 in/out system. The HR department also sent staff to monitor the process of the employees' swipe cards. Payrolls have been reviewed and checked by the accounting department. We will ensure and keep monitoring that wage rates meet the minimum wage standard which comply with local law.

**Plan Complete:** Yes

**Plan Complete Date:** 09/30/2009

**Hours of Work: Overtime/Reduced Mandated Overtime**

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

**Noncompliance**

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

**Plan Of Action:** 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 working hours. This is the system the factory is currently adopting. This is also verified through the interviews that employees reported all OT is on voluntary basis. In actual situations, asking workers to sign the 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 working hours. This is the system the factory is currently adopting. This is also verified through the interviews that employees reported all OT is on voluntary basis. Factory management will ensure no workers are forced to work.

**Plan Complete:** Yes

**Plan Complete Date:** 09/30/2009

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### 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:** The factory obtained approval for adopting a Comprehensive Working Hours System with a valid period from January 2009 to June 2009, however, according to time records review, 2 out of 40 sampled workers' total working hours exceed 1220 hours.

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

Law: Reply to Questions on Working Hours, Art.5: Providing system of comprehensively calculated working hours is executed, in the period of comprehensively calculated working hours, the actual working hours could exceed 8 hours (or 40 hours) on a specific day (or week). But total actual working hours shall be no more than total normal working hours regulated by law. The excess part shall be regarded as OT and paid according to Art.44.1 of PRC Labor Law. If employee is asked to work on legal holidays, OT payment should be paid as regulated by Art.44.3 of PRC Labor Law. Besides, average hours of OT 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 OT hours per day and 36 OT hours per month.

**Plan Of Action:** Factory will further improve production planning in coordination with the 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 working hours shall not be over 60 hours/week, and at most 36 hours/month in long run.

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

**Action Taken:**

Plan            No  
Complete:

Plan  
Complete  
Date: