

| FLA Audit Profile | |
|-------------------|---|
| Factory Code | 920044161H |
| Country | Macau |
| FLA Affiliate | Twins |
| Monitor | Social Compliance Service Asia |
| Audit Date | September 3, 2009 |
| Products | Caps & Hats |
| Processes | Sewing, assembling, ironing and packing |
| Number of Workers | 22 |



Table of Findings:

| | |
|--|---|
| Freedom of Association: Z. Grievance Procedure _____ | 2 |
| Freedom of Association: ZB. Other - Freedom of Association and Collective Bargaining _____ | 2 |
| Harassment or Abuse: C. Discipline/Review of Disciplinary Action _____ | 3 |
| Miscellaneous: A. Code Awareness _____ | 4 |
| Health and Safety: I. Evacuation Requirements and Procedure _____ | 5 |
| Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance _____ | 6 |
| Health and Safety: R. Machinery Maintenance and Worker Training _____ | 7 |
| Health and Safety: T. Bodily Strain _____ | 7 |
| Hours of Work: S. Sick Leave _____ | 8 |

Freedom of Association: Z. Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers.
(P)

| | Audit Date | Audit Type | Audit Scope | Auditor | Score |
|-------------------------------|--|------------|--|--|---------------|
| | 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |
| Explanation: | A Suggestion box and written procedures are available. However no written procedure was visibly posted for the workers. | | | | |
| Plan Of Action: | The management team needs to post written procedures and deliver them to all employees. It is critical that the management team fully understands the importance of employees being able to communicate any grievances without fear or intimidation from management. | | | | |
| Deadline Date: | 10/27/2009 | | | | |
| Supplier CAP: | We had posted the written procedure beside the suggestion box. | | | | |
| Supplier CAP Date: | 10/28/2009 | | | | |
| Action Taken: | The factory has posted the written procedure on the wall next to the suggestion box. They have discussed the procedure with all employees. | | | | |
| Plan Complete: | | | | | |
| Plan Complete Date: | | | | | |
| Action Verified: | | | | | |
| Action Verified Text: | | | | | |
| Action Verified Date: | | | | | |
| Comments: | | | | | |
| Confidential Comments: | | | | | |

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

Other

| | Audit Date | Audit Type | Audit Scope | Auditor | Score |
|--|------------|------------|--|--|---------------|
| | 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: No written policy of freedom of association was available to the workers.

Plan Of Action: The management must create a freedom of association policy and post it for all employees to review. The management must also hold meetings with employees and managers to discuss the Freedom of Association plan.

Deadline Date: 10/27/2009

Supplier CAP: We have set up Freedom of association written policy and posted it to all the workers publicly.

Supplier CAP Date: 10/28/2009

Action Taken: The factory has set-up a Freedom of Association policy and posted it in the public areas for all employees to see.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Confidential Comments:

Harassment or Abuse: C. 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)

| Audit Date | Audit Type | Audit Scope | Auditor | Score |
|------------|------------|--|--|---------------|
| 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: There is no appeals system for workers who received disciplinary actions or were terminated.

Plan Of Action: The management needs to build an appeal system, post it for all employees, and hold meetings with the employees to explain it. The management team will also assemble a committee that will spearhead the review of all disciplinary actions imposed on workers. It is important for the management team to closely monitor all employees and manager interactions.

Deadline Date: 10/27/2009

Supplier CAP: We will add an appeal system for workers who received disciplinary actions or were terminated. We will post this system publicly for all workers to see. We will also add it to the employee handbook.

Supplier CAP Date: 10/28/2009

Action The factory has added an appeals system for all employees who have received

Taken: disciplinary action or termination. This policy has been posted for all workers to see as well as being added to the workers handbook.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Confidential Comments:

Miscellaneous: A. Code Awareness

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

| Audit Date | Audit Type | Audit Scope | Auditor | Score |
|------------|------------|--|--|---------------|
| 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: No COC training was provided to educate employees on factory and company standards.

Plan Of Action: The management will post the COC for all employees to see. They will also review the code with all employees and members of management. The COC will be updated yearly and posted around the factory. The COC plan will clearly lay out who will conduct the trainings, how many times a year this training will take place as well as when and how the training will be delivered.

Deadline Date: 10/27/2009

Supplier CAP: We had made plans of training on the COC and will retain the records later on.

Supplier CAP Date: 11/11/2009

Action Taken: The factory is in the process of creating a COC Training Program. Once it is finalized, they will begin training sessions with all employees.

Plan Complete:

Plan Complete Date:

Action Verified:

Action

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Date:
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Health and Safety: I. 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)

| Audit Date | Audit Type | Audit Scope | Auditor | Score |
|------------|------------|--|--|---------------|
| 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: 1) One of the evacuation plot plans at the sewing unit was blocked by sundries. Government Decree 57/82M Workplace Hygiene & Work Safety Section, Chapter 2). 2) One of the emergency exit lights at packing unit was found malfunctioning. 3) A blocked fire hose and fire alarm were found at the sewing unit. Potential root cause is that there is no effective regular inspection system in place and workers are lacking of awareness in this respect. (Government Decree 57/82M Workplace Hygiene & Work Safety Section, Chapter 2).

Plan Of Action: Management needs to conduct a daily walk-through of the factory to look for any boxes or items that are blocking evacuation plans. The management team should also create a monthly checklist of signage, entrances/exits, safety equipment etc in order to properly conduct monitoring and ensure full compliance at all times. A monthly checkup of all lighting and signage should be conducted on a monthly basis as well. The management should post signs in the areas in which product seems to build up so that blockages do not occur.

Deadline Date: 10/27/2009

Supplier CAP: We will remove the things in front of the evacuation plot plans at the sewing unit immediately to assure no blocking. We are checking all the emergency exit lights of the factory area and will exchange all the broken ones before Sep 11th, 2009. We will remove all the block things in front of the fire hose and alarm to assure unblocked.

Supplier CAP Date: 11/11/2009

Action Taken: The factory has unblocked the fire hoses. They have also unblocked the evacuation plot plan and have instructed all employees to make sure that the plot is always visible. Factory employees now conduct a daily walk through of the facility to ensure that there are no blockages. The facility is currently having all emergency exit lights inspected as well as changing any that are broken.

Plan Complete:

Plan Complete Date:

Action
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Action
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Text:

Action
Verified
Date:

Comments:

Confidential
Comments:

Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

| Audit Date | Audit Type | Audit Scope | Auditor | Score |
|------------|------------|--|--|---------------|
| 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: Two electrical panels at the packing unit were found without proper label and were equipped with plastic protectors (shield). Potential root cause is that there is no periodic inspection system in place. (Government Decree 57/82M Workplace Hygiene & Work Safety, Chapter 2)

Plan Of Action: Management needs to implement a bi-annual inspection of the entire facility. Electrical testing and safety equipment should be conducted and installed. All electrical panels are to be re-numbered and labeled correctly and eligibly so that all can understand.

Deadline Date: 10/27/2009

Supplier CAP: We have sought help from a professional electrical company to check all the panels. We will install necessary plastic protectors and labels for all the electrical panels needed before Sep 11, 2009.

Supplier CAP Date: 09/11/2009

Action Taken: An electric company has been hired by the factory to inspect all panels, to install plastic protectors and label all panels. This is a project that is currently in the works. Many of the panels have been inspected and updated.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
Confidential
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Health and Safety: R. 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)

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|------------|------------|--|--|---------------|
| 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |

Explanation: One of the sewing machines was not equipped with needle guards. The over-locking machine (1 unit) was found not equipped with eye shield. (Government Decree 57/82M Workplace Hygiene & Work Safety, Chapter 3, Section 1)

Plan Of Action: All equipment should be monitored on a daily/ monthly basis. Management needs to implement a structured checkup of all equipment in the factory. The management needs to work with the employees and encourage feedback on a daily basis so that any and all issues can be resolved right away.

Deadline Date: 10/27/2009

Supplier CAP: We will inspect all machines and install the proper eye Shields and needle guards on them.

Supplier CAP Date: 10/28/2009

Action Taken: The factory installed needle guards and eye shields to the sewing machines.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
Confidential
Comments:

Health and Safety: T. 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)

920044161H – Macau: Twins

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|-------------------------------|--|------------|--|--|---------------|
| | 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |
| Explanation: | No ergonomic system was implemented for workers in the designing workstation. Workers were not provided with training on proper lifting techniques. | | | | |
| Plan Of Action: | Management needs to inspect all workstations for proper seating, standing and reaching requirements. Each work station needs to be set-up in a manner in which limits bodily strains. In addition, a training program on proper lifting techniques and the use of PPE's is to be implemented. It is important for each employee to use PPE's at all times. | | | | |
| Deadline Date: | 10/27/2009 | | | | |
| Supplier CAP: | We plan to provide ergonomic chairs which can be adjusted. | | | | |
| Supplier CAP Date: | 11/11/2009 | | | | |
| Action Taken: | The factory is currently inspecting all chairs in the facility and replacing them with chairs that properly adjust for ergonomic conditions. | | | | |
| Plan Complete: | | | | | |
| Plan Complete Date: | | | | | |
| Action Verified: | | | | | |
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| Action Verified Date: | | | | | |
| Comments: | | | | | |
| Confidential Comments: | | | | | |

Hours of Work: S. Sick Leave

HOW.19 Employers shall provide workers with sick leave as required under local laws, regulations and procedures. (S)

| | Audit Date | Audit Type | Audit Scope | Auditor | Score |
|------------------------|---|------------|--|--|---------------|
| | 09/03/2009 | External | FLA Independent External Monitoring | Social Compliance Service Asia (SCSA) | Noncompliance |
| Explanation: | Workers were not paid for sick leave in accordance to the newly implemented law for compensation. Workers received only 50% of sick leave compensation. (Article 53, section 2, Employment relation act of Macau) | | | | |
| Plan Of Action: | Management must review all compensation laws and familiarize themselves with any and all changes. These laws must be adhered to at all time. They need to review all payroll records and make sure that everyone's compensated correctly as of the date of the law changed. | | | | |

Deadline 10/27/2009
Date:

Supplier CAP: We have adjusted the procedure on sick and injury leave. The sick leave policy now complies with the employment relations Act of Macau.

Supplier CAP 10/27/2009
Date:

Action The factory has adjusted the procedure on sick leave. This procedure is currently
Taken: being adhered to.

Plan
Complete:

Plan
Complete
Date:

Action
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Action
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Action
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Date:

Comments:
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