



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Crocs, Inc.
COUNTRY: China
FACTORY CODE: 560015757GV
MONITOR: Wilson Wang
AUDIT DATE: August 2-3, 2011
PRODUCTS: Footwear
PROCESSES: Manufacture of Shoes
NUMBER OF WORKERS: 2,391

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



CONTENTS:

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

Freedom of Association: Right to Freely Associate..... 5

Freedom of Association: Employer Interference and Control..... 7

Harassment or Abuse: Discipline/Review of Disciplinary Action 8

Harassment or Abuse: Discipline/Training of Management..... 10

Non-Discrimination: Medical Examination 11

Code Awareness:..... 13

Code Awareness:..... 15

Code Awareness:..... 16

Health and Safety: General Compliance Health and Safety 18

Health and Safety: Permits and Certificates 19

Health and Safety: Evacuation Requirements and Procedure..... 21

Health and Safety: Safety Equipment and First Aid Training..... 23

Health and Safety: Personal Protective Equipment..... 25

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness..... 27

Health and Safety: Bodily Strain 28

Health and Safety: Toilets 30

Hours of Work: General Compliance Hours of Work..... 32

Hours of Work: Rest Day..... 33

Hours of Work: Time Recording System 34

Hours of Work: Overtime/Reduced Mandated Overtime 36

Hours of Work: Overtime/Calculation Over Period Longer Than One Week 37

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, 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: Facility fails to register all its workers with social insurance system. As per social insurance receipt of July 2008, facility registered 1,919 out of 2,394 workers with occupational injury insurance, 70 out of 2,394 workers with pension insurance, 10 workers with medical insurance, 6 workers with child bearing insurance.

Sources: document review, management interview

Legal References: Article 72 of PRC Labor Law (Chapter 9 Social Security and Benefit): Management and employees must participate in social insurance programs. Article 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.

Plan Of Action: Factory has to ensure that social insurance has been purchased for all the workers according to the requirements of the local Insurance Bureau.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Factory reported that they had purchased the social insurance according to local government requirement, with local government official's approval.

October 16, 2008: The factory has obtained local government approval, showing that they have already fulfilled the requirement by local government in terms of social insurance. Verified by Crocs Social Compliance audit team.

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing: Based on receipts of June 2011, only 502 out of 3,617 workers had participated in retirement insurance, all workers had participated in work-related injury insurance and medical insurance, 17 out of 3,617 workers had participated in childbearing insurance, and no worker had participated in unemployment insurance.

Sources: document review, management interview

Legal Reference: PRC Labor Law Article 72

**Action
Verified
Date:** 08/03/2011

**Follow-up
Plan of
Action:** Require that factory management purchase each social insurance according to labor law. Suggest factory management share social insurance knowledge with workers to improve purchase rate.

1. Crocs social compliance team required that factory management purchase each social insurance according to labor law;
2. Crocs social compliance team suggested that factory provide related insurance benefit training to their workers to ensure all workers purchase social insurance;
3. Crocs social compliance team suggested factory to purchase some commercial insurance for workers if they can.

Desired Complete Date: June 30, 2013

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: In China, workers have the right of freedom of association and collective bargaining. A labor union was set up in June 2008. Currently there are approximately 260 union members. No evidence suggests that the union holds branch elections. Union representatives are from management.

Sources: management interview, worker interview, document review

Legal Reference: Article 7 of PRC Labor Law: Laborers have the right to participate in and organize trade unions. Unions represent and safeguard the legal interests of workers and proceed with activities independently.

Plan Of Action: The factory has to ensure that the establishment of the labor union is in accordance with the law and the workers are not being prohibited from association.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Factory has established union according to the legal requirement of the law and approved from local authority.

October 16, 2008: Crocs Audit team confirmed that union has been established. Interviews of the workers have been conducted, and no evidence shows that the factory prohibits the workers from association. The workers also report that they are satisfied with the union's performance.

Plan Complete: No

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Through management and worker interviews, union representatives now come from both management and worker populations. Candidates for union representative are recommended by workers and then elected by union members, including workers.

Pending: 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.

**Action
Verified
Date:** 08/03/2011

**Follow-up
Plan of
Action:** Ensure labor union members have the right of freedom to select/or to be selected;
Monitor factory management to ensure that the right to labor union is respected.



Freedom of Association: Employer Interference and Control

FOA.3 Employers shall refrain from any acts of interference with workers' organizations, including acts that are designed to establish or promote the domination, financing or control of workers' organizations by employers. (S)

Noncompliance

Explanation: Management interfered with the setup of the labor union; the existing labor union was set up with the help of factory's management. All election procedures and labor union policies are enacted by management instead of by workers themselves. Union representatives are from management. As per management's wishes, union representatives never approach the factory for freedom of association issues.

Sources: management interview, worker interviews, document review

Plan Of Action: The factory has to ensure that the establishment of the labor union is in accordance with the law and the workers are not being prohibited from association.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Factory has established union according to the legal requirement of the law and approved from local authority.

October 16, 2008: Crocs Audit team confirmed that union has been established. Interviews with the workers have been conducted, and no evidence shows that the factory prohibits the workers from association. The workers also reflect that they are satisfied with the union's performance. Workers' representatives are being included in the union.

Plan Complete: Yes

Plan Complete Date: 10/16/2008

Action Verified: Yes



Action Verified Text: Completed: Through document review, management interview and workers interview, some production workers were involved in trade union, all union representatives were elected by all union members, the representatives included production workers and management, the representatives held irregular meetings with top management to discuss and solve workers' suggestions and complaints. The factory did not interfere with the setup of labor union.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Ensure labor union members have the right of freedom to select/or to be selected; Monitor factory management release freedom right to labor union. We arranged an ITS audit in [Factory name] on July 10, 2012, this finding was not discovered in the audit, so the finding is closed. Issued by November 6, 2012.

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: Facility does not have a policy that provides workers with an opportunity to challenge or make appeals against the disciplinary decisions made by management.

Sources: management interview, documentation review

Plan Of Action: October 16, 2008: Factory needs to establish procedures and channel for employees' appeals. Policy will be posted on the Notice Board outside the work floors and employees access points. Also the policy will be listed in the employee handbook that each worker receives.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Factory established a procedure for appeal and complaints by means of a Social Responsibility office and the suggestion box. Workers also received employee handbooks that listed the appeal channel. Orientation training program also provided information to the workers regarding their worker's right.

October 16, 2008: Crocs audit team confirmed that the appeal channel has been established, handbook has been distributed and orientation has been carried out. Through worker interviews, we discovered that workers are clear about the appeal channel.

Plan Complete: Yes

Plan Complete Date: 10/16/2008

Action Verified: Yes

Action Verified Text: Completed: Through document review and factory tour, it was noted that the factory had established a written appeal procedure; workers could bring up their complaints or appeals through the suggestion box or report to factory manager directly.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Monitor factory management set up compliance system; Ensure factory set up compliance mailbox/hotline in the factory. We arranged an ITS audit in [Factory name] on July 10, 2012, and this finding did not come up in the audit. The finding is closed. Issued by November 6, 2012.

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: Management is not trained on the factory's disciplinary policy or in applying appropriate disciplinary practices.

Sources: management interview, document review

Plan Of Action: Factory needs to establish communication channels to the employees regarding disciplinary policy. The disciplinary policy has been listed in the employee handbook that has been distributed to each employee. The workers can also issue their complaints to the Social Compliance department, which is housed in the dormitory.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Disciplinary policy has been listed in the employee handbook, which has been distributed to each employee. Workers can read the handbook anytime to familiarize themselves with the policies. Orientation program also included such information.

October 16, 2008: Social Compliance issues including disciplinary policies have been discussed during the managerial meeting.

Plan Complete: Yes

Plan Complete Date: 10/16/2008

Action Verified: Yes



Action Verified Text: Completed. Through document review and management interview, the factory has provided training on disciplinary policy to management on a yearly basis since 2009.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

Non-Discrimination: Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Noncompliance

Explanation: Facility required all workers undergo a physical examination that includes a section to test for Hepatitis at the time of hiring. If workers suffer from this ailment, the facility will decline to hire the workers.

Sources: management interview, documentation review

Plan Of Action: Facility only checked for hepatitis among workers via physical examination at the time of hiring. Factory requires them to bring their own chopsticks and bowls for meals to prevent the spread of disease. They were not being discriminated against or refused employment because of the health check result.

May 8, 2009: Crocs is working with the factory to take out the test entirely.

Deadline Date: 06/30/2009

Action Taken: October 16, 2008: To verify if any discrimination resulted from this physical check. We understand that there is a need to identify workers who carry Hepatitis, and to take necessary precautions in preventing the spread of the disease among other workers.

December 12, 2008: Poster had been posted, and training had been carried out to raise awareness and educate the workers. June 18, 2009: The factory has canceled testing for hepatitis for the workers.

Plan Complete: Yes

Plan Complete Date: 12/12/2008

Action Verified: Yes

Action Verified Text: Completed: Through document review, management interview and worker interview, it was noted that Hepatitis test has not been included in any health examinations in the factory since 2009.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: CoC of Crocs has been provided to factory in English; however, no local language (Chinese) CoC has been provided to factory.

Sources: document review, management interview

Plan Of Action: Factory is required to communicate with the workers about the social compliance requirement of Crocs.

Deadline Date: 09/01/2008

Supplier CAP: September 1, 2009: The factory had communicated with the workers through posters and the employee handbook. The employee handbook contains the social compliance requirements of Crocs; workers can read the handbook anytime to familiarize themselves with the policies. Orientation program had been provided to the workers regarding their workers' rights and benefits.

Supplier CAP Date: 08/31/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date: 11/06/2012

Action Verified: No

Action Verified Text: Ongoing: Through document review and management interview, it was noted that CoC of Crocs had been provided to factory in English; however, no local language (Chinese) CoC had been provided to factory.

Sources: document review, management interview

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Crocs SC team provide Chinese CoC to factory management; provide CoC training to factory management; suggest factory management train their staff and workers.

1. Crocs company has drafted a new CoC document, and we will provide new posters to each factory;
2. Crocs company has provided to our main shoe factory top management training about our new CoC;
3. Crocs company also requires factory to provide related training to their management and all workers.

Desired Completion Date: October 31, 2012

The new Crocs CoC will be in English and the local language, and [Factory name] posted new CoC in the factory. Issued by November 6, 2012.

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.

Noncompliance

Explanation: CoC of Crocs is not posted.

Sources: factory tour, management interview

Plan Of Action: Factory is required to post the Crocs Social Compliance requirement in local language.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: The factory has posted the requirements in local language.

Plan Complete: Yes

Plan Complete Date: 11/06/2012

Action Verified: No

Action Verified Text: Ongoing: Through factory tour, it was noted that the factory did not post Crocs CoC.
Sources: factory tour, management interview

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Monitor factory management post Crocs CoC in the factory; Ensure that factory management assigns a staff member to be in charge of this issue. Spot-check CoC posted.

1. Crocs company has drafted a new COC document, and we will release a new poster to each factory with a different language according to each factory's location;
2. Crocs company has provided training to top management at our main shoe factory about our new COC;
3. Crocs company also requires the factory to provide related training to their management and all workers.

Desired complete date: October 31, 2012

We have released the new Crocs CoC to [Factory name], they will post it in the each work floor, so this finding is closed. Issued by November 6, 2012.

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 noncompliance reporting mechanism that allows workers to contact Crocs.

Sources: factory tour, management interview

Plan Of Action: Crocs will ask the factory to post the contact information of Crocs representatives in the factory.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: The contact information for Crocs representatives has been posted in the factory with names.

Plan Complete: Yes

Plan Complete Date: 10/16/2008

Action Verified: Yes

Action Verified Text: Completed: Through factory tour and management interview, a hotline number for Crocs was posted in workshop. Workers could report any complaint or suggestion through this hotline.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Monitor factory management set up compliance system. Ensure factory set up compliance mailbox/hotline in the factory.

We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.



Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: New Finding: The factory only provides occupational disease health check to its workers at the time of hire, but no such examination was provided to workers at the time of employment and at time of leaving.

Sources: document review, workers interviews, management interviews

Legal Reference: PRC Occupational Disease Prevention Law Article 32

Plan Of Action: Ensure that the factory provides health examinations to workers at the time of employment and at time of departure; Require that factory management provides updates to the workers' name list and health check reports monthly.

Deadline Date: 08/31/2011

Action Taken: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012. The factory has provided the health check reports for review.

Plan Complete: No

Plan Complete Date: 07/10/2012

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)

Uncorroborated Evidence of Noncompliance

Explanation: 1. 3 out of 23 canteen workers do not have health certificates.

2. 50 out of 53 security guards do not have the legally mandated security guard licenses.

Sources: document review, security guard interview, management interview

Legal References: Article 55 of PRC Labor Law (Chapter 6 Labor Safety and Health): Workers who work in the special occupation shall undertake special training and obtain the certificates for such occupation. Article 3 of Determination Made by the Ministry of Public Security on Consolidating the Industry of Security Guards: The security guards should have the occupational licenses issued by the department of public security and be registered with the local police station.

Plan Of Action: The factory should ensure that each canteen staff person has gone through the health check. Only those who pass the check can work in the canteen. Provide orientation and training to the security guards. Each guard shall obtain a certificate as per law.

Deadline Date: 09/01/2008

Action Taken: October 16, 2008: The staff of the canteen had carried out their health checks. Each of the canteen employees has received a health certificate. The security guards have obtained certificates after training.

February 25, 2009: The factory established a system to keep track of the expiration dates of these certificates and has designated people to help to update these certificates when they expire.

Plan Complete: Yes

Plan Complete Date: 07/10/2012

Action Verified: No

Action Verified: 1. Ongoing: The health certificates of all kitchen staff had expired on May 14, 2011.

Text: Remark: As per factory management's statement, all health certificates were in the process of renewal.

2. Completed: Through document review, all security guards in the factory had obtained security guard licenses.

3. New Finding: The inspection certificate of one cargo lift and two forklifts had expired.

Sources: 1), 3) document review, management interviews

Legal References: 1) PRC Law on Food Safety Article 34, 3) PRC Special Appliance Quality Safety Monitoring Regulation Article 28

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Require that factory management provide annual health checks to ensure updated health certificates; Require that factory management renew each kitchen staff member's health certificate before it expires.

1. Crocs social compliance team will require factory provide annual health check to all kitchen staffs.

2. Crocs social compliance team will push factory to renew their kitchen staff's certification before expiration.

Desired Completion Date: November 1, 2012

We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

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)

Uncorroborated Evidence of Noncompliance

Explanation: 1. The warehouse in Block F does not have a properly marked evacuation route. Aisles are not marked with lines and arrows indicating the evacuation directions.

2. 1 emergency exit is located in the raw material warehouse. Another one, located in the warehouse of Block F, is both locked and blocked by goods.

Sources: factory tour, management interview

Legal References: Article 14.6 of PRC Fire Prevention Law: Keep the evacuations passages and exits clear. Set up the safety demarcation in accordance with national standards.

Article 33 of Fire Prevention and Safety Rules of Textile Mills: There must be no obstruction around evacuation passages.

Plan Of Action: Evacuation lines with arrows indicating the evacuation route need to be marked in the warehouse. Also, remove the lock, the goods that are blocking the exit should be moved away, and the aisles must be kept clear of obstacles.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Evacuation lines with arrows are being added. Also, the locks and goods have been removed.

December 12, 2008: The factory had designated the Social Responsible Office to carry out daily inspection of the fire prevention equipment and emergency exits.

Plan Complete: Yes



Plan Complete Date: 12/12/2008

Action Verified: No

Action Verified Text:
1. Completed: Through factory tour and visual inspection, the aisles were marked with arrows marked indicating the evacuation directions in the warehouse in Block F.
2. Completed: Through factory tour and visual inspection, all emergency exits in the factory were clear and unblocked.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued on November 6, 2012.

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. First aid procedures are not posted beside the first aid kits for view and knowledge of workers.

2. All first aid kits in the factory are locked;

3. 20% of the first aid kits lack necessary first aid materials.

Sources: factory tour, management interview

Plan Of Action: 1. Factory is required to establish a first aid procedure and post it in the canteen. Establish first aid drug usage procedures and post them on the first aid kits for employee reference.

2. At least 2 employees trained in first aid should be placed on each floor, who hold the keys to the first aid kits. Also, the cell phone numbers of these trained employees should be posted on each first aid box, so that they can be called upon in case of emergency.

3. The first aid kits should be placed on each work floor. The Right Section Staff will monitor the drug usage situation and restock any first aid materials in a timely manner.

Deadline Date: 09/01/2008

Action Taken: October 16, 2008: The factory has established the first aid procedure. Designated workers have been trained in first aid and cell phone numbers of the first aid responders has been posted. The first aid kits have been placed on each work floor.

February 25, 2009: The Social Responsibility Office is designated to supervise the H&S items in the factory and report to the management in a timely manner. Corrective actions will be taken after the analysis of the cause has been carried out.



Plan Complete: Yes

Plan Complete Date: 02/25/2009

Action Verified: Yes

Action Verified Text:

1. Completed: Confirmed through factory tour and visual inspection, the first aid procedure was posted beside each first aid kit in all workshops.
2. Completed: Confirmed through factory tour and visual inspection, all first aid kits in the factory were unlocked.
3. Completed: Confirmed through factory tour and visual inspection, sufficient medicines and tools were stored in all first aid kits.

Action Verified Date: 08/03/2011

Comments: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

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: 30% of workers in building A, 20% of workers in building B and 10% of workers in building D are exposed to excessive noise levels in the factory and are not provided with earplugs.

Sources: factory tour, management interview

Legal Reference: Article 74 of Factory Safety and Health Rules: Factory should provide working clothes or aprons and, according to needs, PPE to all affected workers.

Plan Of Action: All the injection operators and desk cleaners shall wear earplugs. The supervisors and Social Compliance staff should monitor this daily.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: Hazard assessment system has been established and the hazardous area has been identified. Workers in the noisy area are provided with earplugs with records and training.

February 25, 2009: The Social Responsibility Office is designated to supervise the H&S items in the factory and report to the management in a timely manner. Corrective actions will be taken after the analysis of the cause has been carried out.

Plan Complete: Yes

Plan Complete Date: 07/10/2012

Action Verified: No

Action Verified Text: Ongoing: Through factory tour, it was noted that around 4 workers did not wear earplugs in injection section in production building C.

Source: factory tour

Legal Reference: PRC Safety Manufacturing Law Article 37

Action Verified Date: 08/03/2011

Follow-up Plan of Action: Require that factory management provide PPE training for workers; Require factory management to correct errors in PPE management when they occur.

1. Crocs social compliance team will require factory management to check that workers' PPE is used.

2. Crocs social compliance team will require factory management to provide PPE training to their workers and new staff.

3. Crocs social compliance team also will randomly inspect workers' PPE in their workshop.

Desired Completion Date: August 15, 2012

We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued on November 6, 2012.

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: 50% of chemicals stored in the chemical warehouse are missing MSDS.

Sources: factory tour, management interview

Legal Reference: Article 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: The factory is required to post MSDS in the chemical warehouse.

Deadline Date: 09/01/2008

Action Taken: September 1, 2008: MSDS has been posted in the glue mixing area and the chemical warehouse.

February 25, 2009: The Social Responsibility Office is designated to supervise the H&S items in the factory and report to the management in a timely manner. Corrective actions will be taken after the analysis for the cause has been carried out.

Plan Complete: Yes

Plan Complete Date: 02/25/2009

Action Verified: Yes



Action Verified Text: Completed: Through factory tour, it was noted that proper MSDS for all chemicals were available in chemical warehouse.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

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: Workstations are not designed for ergonomic concerns. Workers with sitting jobs are not provided with chairs with back supports; workers with long standing jobs are not provided with floor mats.

Sources: factory tour, management interview

Plan Of Action: The factory should make changes to the employees' rest hours and provide flexible breaks for them.

May 8, 2009: Crocs is working with the factory to see if chairs or floor mats can be provided to the workers.

Deadline Date: 05/30/2009

Action Taken: October 16, 2008: The workers received flexible breaks.

February 25, 2009: The Social Responsibility Office is designated to supervise the H&S items in the factory and report to the management in a timely manner. Corrective actions will be taken after the analysis for the cause has been carried out.

June 18, 2009: The H&S officer of the factory had carried out an evaluation. Depending on the nature of the job, the workers who can be seated at work are given seats.

Plan Complete: Yes

Plan Complete Date: 06/18/2009

Action Verified: Yes

Action Verified Text: Completed: Through factory tour, chairs with back supports were provided to some workers with sitting jobs in the factory.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Noncompliance

Explanation: Toilet facilities are not equipped with soap and toilet paper.

Sources: factory tour, management interview

Legal References: Article 68 of PRC Factory Safety and Sanitary Regulations: The factory should be equipped with bathroom, toilet, dressing room, retiring room and female workers' restroom if needed. Restrooms and other facilities described above should be maintained clean and functional. Article 29. Factory Safety Regulations: Working area should set hand wash equipment according to needs and provide soap.

Plan Of Action: Factory should provide soap and toilet tissue in the restrooms.

Deadline Date:

Action Taken: September 1, 2008: The factory provided soap and tissue in the toilets.

February 25, 2009: The Social Responsibility Office is designated to supervise the H&S items in the factory and report to the management in a timely manner. Corrective actions will be taken after the analysis of the cause has been carried out.

Plan Complete: Yes

Plan Complete Date: 07/10/2012

Action Verified: No

Action Verified Text: Ongoing: Toilet facilities are not equipped with soap and toilet paper.
Sources: factory tour, management interview
Legal References: Article 68 of PRC Factory Safety and Sanitary Regulations; Article 29. Factory Safety Regulations

Action Verified Date: 08/03/2011

Follow-up Plan of Action: 1. Crocs social compliance team will require that factory management provide soap and tissue in the washroom.
2. Crocs social compliance team will ensure factory management assign a staff member who is in charge of this issue.
Desired Completion Date: August 15, 2012
We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, the finding is closed. Issued by November 6, 2012.

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: New Finding: It was noted that the monthly overtime hours of 13 out of 15 randomly selected workers ranged from 42-131 hours in June 2011 (Most current month), 5 out of 5 ranged from 66 -85 hours in April 2011 (Random) and 5 out of 5 ranged from 60 -108 hours in January 2011 (Random).

Sources: document review, worker interviews, management interviews

Legal Reference: PRC Labor Law Article 41

Plan Of Action: Request the department leader to control the overtime working hours, ensure workers have 1 day rest in a week at least; also let our IT staff revise our system which will have automatic reminders when workers work 7 days consecutively, then the Human Resource department will forward the list to the related department.

Deadline Date:

Action Taken:

1. [Factory name] top management made commitment to make continuous improvements. [Factory name] has set internal policy for OT control: Set up excessive OT approval procedure: to be approved by senior leadership only. Planning team shall arrange production plan within hour limit. Set KPI for managers and supervisors. Provide bonus to workers to for improved efficiency.
2. To monitor the process, Crocs requires [Factory name] to report their working hours every week.
3. Crocs requires [Factory name] to report their working hours if they exceed 60 hours/week.
4. Crocs requires [Factory name] to obtain a waiver from local labor authority if OT exceeds legal limit.

Desired Completion Date: June 30, 2013

Plan No
Complete:

Plan
Complete
Date:

Hours of Work: Rest Day

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

Noncompliance

Explanation: New Finding: Through reviewing July 2010 to July 2011 time attendance records, around 10% workers had worked more than 6 days without 1 day off, the most consecutive working days were 27.

Sources: document review, worker interviews, management interviews

Legal Reference: PRC Labor Law Article 38

Plan Of Action: Require factory management execute worked 6 consecutive days with 1 day off requirement. Require factory management report working hours weekly.

Deadline
Date:



- Action Taken:**
1. Crocs requires [Factory name] to report their working hours every week. Crocs has been keeping track of these reports.
 2. Crocs requires [Factory name] report their working hours if they exceed 60 hours/week or if Sunday work is required.
 3. Crocs requires [Factory name] to obtain a waiver if OT exceeds legal limit.
 4. [Factory name] has set up internal control for working hours control.

Desired Completion Date: June 30, 2013

Plan Complete: No

Plan Complete Date:

Hours of Work: Time Recording System

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

Noncompliance

Explanation: Working hours for all workers before April 2008 are manually recorded by line supervisors instead of workers themselves.

Sources: document review, management interview, worker interview

Plan Of Action: An electronic system has already been installed in April 2008. The employees will swipe time cards to record their working hours.

Deadline

Date:

Action Taken: Electronic sweeping card system had been installed in the factory and the workers are using the sweeping cards to record the working hours themselves.

Plan Complete: Yes

Plan Complete Date: 08/15/2008

Action Verified: Yes

Action Verified Text: Completed: Through document review, worker interview and factory tour, all workers were using computer barcode attendance system to record normal working hours and few overtime hours, other overtime hours were recorded manually by supervisors, but the records were confirmed and signed by workers every month.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

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: Facility has not set up a voluntary OT hours system.

Sources: document review, management interview

Plan Of Action: Factory is required to establish voluntary overtime policy. Employees who do not want to conduct overtime will only need to provide a No Overtime Notice to the line leader and they can refuse to do the overtime.

Deadline Date:

Action Taken: October 16, 2008: The voluntary overtime policy had been established. Workers who do not want to work OT can use the No Overtime Notice to refuse OT. The factory had communicated with the workers through posters and the employee handbook. Workers can read the handbook anytime to familiarize themselves with the policies. Orientation programs had been provided to the workers regarding their workers' rights and benefits.

Plan Complete: Yes

Plan Complete Date: 10/16/2008

Action Verified: Yes

Action Verified Text: Completed: Through document review, the factory had established voluntary OT policy.

Action Verified Date: 08/03/2011

Follow-up Plan of Action: We arranged an ITS audit in [Factory name] on July 10, 2012, this finding did not come up in the audit, so the finding is closed. Issued by November 6, 2012.

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: As per review of time records and payroll records of June 2008, weekly working hours of 23 workers from the finished goods department exceeded 60 hours, with the maximum being 66 hours, which exceeds the limits of 60 hours/week as prescribed by FLA.

Sources: document review, management interview

Plan Of Action: Factory is required to establish a policy that the working hours of each section shall not exceed 60 hours per week. The factory has made efforts to improve the condition, e.g., better planning and control of the production schedule.

Deadline Date: 09/01/2008

Action Taken: October 16, 2008: Most of the workers have been limited to 60 hours.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Ongoing: Through reviewing July 2010 to July 2011 time attendance records, weekly working hours of around 10% workers were 63-77 hours.

Sources: document review, management interview

Action Verified Date: 08/03/2011

Comments: Require factory management to reduce workers' OT working time to a reasonable level; Require that factory management report working hours weekly. Spot-check working hours record at any moment.

1. Crocs social compliance team will require factory management reduce workers OT working hours.

2. Crocs social compliance team will require factory management report working hours weekly.

3. Crocs social compliance team will require factory management report to Crocs' office if their total working hours exceed over 60 hours.

Desired Completion Date: November 1, 2012. No comment. Issued by November 6, 2012.

February 25, 2013:

1. Crocs requires [Factory name] to report their working hours by week. It has been tracking these reports. Based on the provided time records, the working hours are now within 60 hours/week.

2. Crocs requires [Factory name] to report their working hours if they exceed 60 hours/week limit or if Sunday work is required.

3. Crocs requires [Factory name] to obtain a waiver if OT exceeds legal limit.



4. [Factory name] has set up internal control for working hours control.

5. [Factory name] top management has made a commitment to make continuous improvements. [Factory has set internal policy for OT control: Set up excessive OT approval procedure: to be approved by senior leadership only. Planning team shall arrange production plan within hour limit. Set KPI for managers and supervisors. Provide bonus to workers to for improved efficiency.

Desired Completion Date: June 30, 2013.
