

FLA Audit Profile			IEV Audit Profile		
Country	China		China		
Factory name	150015427E		150015427EV		
IEM	TUV Rheinland Hong Kong Ltd.		Openview Service Limited		
Date(s) in facility	October 9-10, 2006		December 1-2, 2010		
PC(s)	Outdoor Cap Company, Inc.		Outdoor Cap Company, Inc.		
Number of workers	1000		3900		
Product(s)	Caps		Caps		
Production processes	Cutting, Sewing, Embroidering, Assembly, Packaging		Cutting, Sewing, Embroidering, Assembly, Packaging		
			IEM Findings		
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)
1. Code Awareness					
2. Forced Labor	There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.				
3. Child Labor	No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.				
4. Harassment or Abuse	Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.				
Progressive Discipline	In accordance with Article 15 of Provisional Regulations for the Payment of Wages: Deduction of an employee's wages by an enterprise under any of the following circumstances will not be deemed an "unlawful deduction of wages": withholding and payment of individual income tax for the employee; deductions for the employee's social security contributions; deductions for child support, foster care, or alimony as mandated by a court order; fees deducted from wage where stipulated by law and regulation; reductions in wages when the enterprise's performance deteriorates, since total wages and the economic performance of the enterprise are closely related (however, under such circumstances, the wages of the employee must not fall below the local minimum wage); or any deduction of wages relating to the employee's leave of	Employers will utilize progressive discipline, e.g., escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers.			
5. Nondiscrimination	No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.				
6. Health and Safety	Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.				

Fire Safety: Health and Safety Legal Compliance	In accordance with Article 5.1.1 of Health Standard for Design of Industrial Enterprises GBZ 1-2002): Production processes and equipment that give rise to dust and toxic substances should try to be mechanized and automatic, should be operated in a hermetical environment instead of direct operation, and should adopt ventilation according to the technology. Production process that produces dust should be firstly considered to wet-style operation. Production process that produces toxic substances should use low-toxic raw material to replace the high-toxic one. If high-toxic raw material has to be used due to technology requirement, the ventilation should be strengthened.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.			
Document Maintenance/Accessibility	Safe Operation Regulations on Chemical Goods in Factory, Article 20: Material Safety Data Sheets (MSDS) shall be accessible to employees and related training shall be provided for workers.	All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language.	MSDS of some chemicals (e.g., glues, cleaning agent) were not found at the point of use.		
Evacuation Procedure	In accordance with Article 14.6 of the Fire Prevention Law of the People's Republic of China, factory shall make sure that the evacuation passages and fire exits remain unblocked and set up fire evacuation signs/plans throughout the factory to indicate evacuation directions and exit locations.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.			
Safety Equipment		All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.			

Personal Protective Equipment (PPE)	In accordance with Article 14 of Regulations of Management and Supervision on Personal Protective Equipment: The PPE provided by the production unit shall be complied with GB11651, the PPE standard issued by the state and other regulations.	Workers shall wear appropriate 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 hazardous elements including medical waste.			
Chemical Management	In accordance with Article 46 of Factory Safety and Health Rules, Enclosed electrical equipment shall be used in working places that generate large amount of steam, gas and dust. Anti-explosive electrical equipment shall be used in working places having explosive gas or dust.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.			
Chemical Management	Safe Operation Regulations on Chemical Goods in Factory, Article 20: MSDS shall be accessible to employees and related training shall be provided for workers.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	Workers using glues did not receive any training related to the safe use of glues.		
Chemical Management	Article 57 of Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution, operation permits for collecting, storing and disposing hazardous waste must be obtained by the operation units from the local environmental bureau above the county level. (Effective from April 1, 2005)	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	There was no recovery agreement for the hazardous wastes signed between the factory and a qualified disposal organization.		

Chemical Management	In accordance with article 16 of Regulation for Safety of Dangerous Chemical, units that produce, store and use the dangerous chemical should install related safety facilities in workshop or warehouse for monitor, ventilation, sun proof, air-condition, fire prevention, fire fighting, explosive prevention, pressure release, gas defense, antiseptis, counteract, anti-moisture, lighting proof, anti-static, anti-leakage, safeguard, and isolation. According to the national laws and requirements of dangerous chemical material, the above facilities and equipment should be kept and maintained safely. (Effective from March 15, 2002)	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.			
Chemical Management	In accordance with Article 14 of the Regulation For Chemical Usage Safety in Work Place: (1) In case of transferring or loading the chemicals purchased into a new container, it is required to mark clearly the descriptions of these chemicals on the newly adopted container. As to those dangerous chemicals that have been transferred or loaded into a new container, it is necessary to stick a safety precautions mark on the new container. (2) The original safety precautions mark upon those containers that contain dangerous chemicals shall not be replaced before these containers have been cleansed. (Effective from January 1, 1997)	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.			
Ventilation/Electrical/Facility Maintenance	GBZ 1-2002 Hygienic Standards for the Design of Industrial Enterprises, Article 5.1.3: Proper ventilation measures shall be implemented to ensure the air quality fulfills the requirement of GBZ 2-2002.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Monitoring of air quality at embroidering and knitting workshop was not done.		
Ventilation/Electrical/Facility Maintenance	Article 5.1.1 of Health Standard for Design of Industrial Enterprises (GBZ1-2002), production process and production equipment that generate dust and poisonous substance shall be handled by machines and automatically and such production process and production equipment shall be airtight. Ventilation measures shall be taken according to production techniques.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.			

Machinery Maintenance	1) Machinery Safety Guard Requirement (GB 8196-87), Article 2.2.1: The design of safeguards shall be reasonable and prevent any part of body from entering dangerous area. (2) In accordance with Article 32 of Factory Safety and Sanitary Regulations: Hazardous parts like conveyor belt, gear, abrasive wheel, flywheel, sewing machine, etc., shall be equipped with protective devices.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.			
Machinery Maintenance	Machinery Safety Guard Requirement (GB 8196-87), Article 2.2.1: The design of safeguards shall be reasonable and prevent any part of body from entering dangerous area.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.			
Sanitation in Facilities	GBZ 1-2002 Hygienic Standards for the Design of Industrial Enterprises, Article 6.4.3: Pest killer devices shall be installed in factory canteen areas.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	There were no pest-killer devices installed in the factory canteen. The waste water of canteen was discharged directly without any further treatment.		
7. Freedom of Association and Collective Bargaining					
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.					
Employer Interference in Registration		The employer will not interfere, to the detriment of worker's organizations, with government registration requirements regarding the formation of workers' organizations.			
8. Wages and Benefits					
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits					

Minimum Wage	In accordance with the PRC Labor Law Article 48 and Opinion of the Ministry of Labor on Several Questions concerning the Implementation of the Labor Law (1995) Article 57, employees, including those who are in probationary, training or internship period, shall not be paid lower than the local minimum standard.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.			
Legal Benefits	Article 10 of the Implementation Measures for Employee Paid Annual Leave, if the employer cannot arrange annual leave for employees, with the consent of employees, or the days of annual leave employees take is less than the legal days they can take, employer should pay the days employees do not take for 300% of normal wage which is including the employees' wage for normal working hours within this year. (Effective from September 18, 2008)	Employers will provide all legally mandated benefits to all eligible workers.			
False Payroll Records		Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.			
9. Hours of Work					
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.					
Overtime Limitations/Rest Day	In accordance with Amendment in Order of State Council No. 174 dated March 25, 1995: Each employee shall work eight (8) hours per day and forty (40) hours per week. These Regulations shall take effect from May 1, 1995 and the deadline for implementation by enterprises shall be May 1, 1997. In accordance with Article 41 of the Labor Law of the People's Republic of China (extracted): In special circumstances where an extension of working hours is required, the times worked shall not exceed three (3) hours per day under conditions which ensure the health of the workers, and the amount of overtime worked shall not exceed thirty-six (36) hours per month. In accordance with article 38 of PRC Labor Law, one day rest shall be provided to worker every week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.			

Time Records		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.			
Accurate and Complete Time Records		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.			
10. Overtime Compensation					
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.					
OT Compensation	In accordance with the PRC Labor Law article 44, the overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal work days, rest days and official public holidays respectively.	The factory shall comply with applicable law for premium rates for overtime compensation.			
Miscellaneous					

	factory records review, worker interview			According to Outdoor Cap and FLA Code of Conduct, all chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances. The factory must train workers in the safe practice of using chemicals and glues. Please provide what procedures are in order to educate the workers when working with chemicals and glues and the name and title of person responsible for training by February 1, 2007.	2/1/2007	Confirm to send by February 1st		Received signed list of workers trained for chemicals. Also, received list of chemicals in their language, all on file.	Completed
	factory records review			Please advise what company is used for hazardous waste disposal and send agreement between qualified disposal organization and the factory for our records by February 28, 2007.	2/28/2007	Confirm to send by 02/28/2007		Received hazardous waste agreement, on file. Factory advised that it is renewed annually.	Completed

Chemical building had posters posted of chemicals inside and all chemicals were properly labeled in language of workers.	Training plan was sent along with trainee signature sheets. On file at company headquarters.	Completed: MSDS of all chemicals were posted on site where chemicals used and stored.	MSDS of all chemicals, on-site observation		

Training schedule was confirmed visually during follow up.	Training plan was sent along with trainee signature sheets. On file at company headquarters.	Completed: The training on the safe use of glues was provided for relevant workers regularly.	training records, worker interview		
	Agreement was viewed during visit and a copy of agreement with translation was sent for our records to company headquarters.	Pending: The hazardous wastes were disposed of by an unauthorized organization. Factory management said that there was no qualified waste disposal organization in [Province name] Area.			

		New Finding: There were no secondary containers, and the light was not anti-explosive in the chemical mixing room.	on-site observation		
		New Finding: 30% of the small chemical containers were not properly labeled.	on-site observation		
	Received results and Air Quality testing record. All levels are good and records on file at company headquarters.	Completed: Air quality test was conducted by the local authority for the embroidering, knitting, and printing workshops.	test reports; worker and management interviews		
		New Finding: All ventilation fans did not function in the printing workshop. The chemical smell on site was very strong, although the factory has obtained a qualified air quality testing report.	on-site observation		

		New Finding: A heating machine in the assembly workshop was not equipped with a protective cover.	on-site observation		
	1) Purchasing manager confirmed pest-killer devices were installed in factory canteen. 2) Purchasing manager saw waste water filtration in working order. Factory sent picture of low water level for our files at company headquarters.	Completed: Pest-killer devices were installed in the factory canteen. Comprehensive pest control was conducted in the factory once per 2 months. The waste water of canteen was released to the city center drain and the factory paid the living waste water discharge fee to the government.	discharge disposal invoice, on-site observation, record review, interview with related staff		
		New Finding: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.			

		New Finding: Workers handbook stipulated that 1 day of annual leave not taken would be compensated by 100%, instead of 300% daily wage, as per local law required. No practical case was found during this audit.	workers' handbook		

Third-Party Verification		Company Verification Follow Up			[Status]
External Verification SCSA (September 19-20, 2011)	Documentation	Company Follow Up	Company Follow Up	Documentation	Completed, Pending, Ongoing
<p>New Finding: Monetary fines were implemented as disciplinary actions, such as workers will be deducted the current month's wage if they punched an overtime card on behalf of other workers or were trying to cheat overtime hours by punching their cards even when they were not working overtime.</p>	document review (factory notice); worker and management interviews	Monetary fines should not be used as disciplinary actions. It is recommended for the factory to have procedures and policies in place for disciplinary actions when workers are caught punching the overtime clock without authorization or wrongly manipulating time card records. Management and supervisors should be trained on procedures and policies. Accurate records of all enforcement of these procedures should be on file.	<p>December 8, 2011: The factory posted the notice for non-fines to employees and training was conducted for management and employees.</p> <p>January 9-11, 2012: The factory has confirmed that warnings are kept in the workers' files and have attached a translation of the verbal warnings, as well as clarifying the 4 types of discipline, in the new policies and procedures.</p>	Documentation of policies, posted photos of non-fine policy and training workers are all on file at home office.	Completed

<p>New Finding: The working environment testing did not cover the washing section of the factory.</p>	<p>document review, on-site observation</p>	<p>It is recommended for the factory contact the local Disease Control Center to conduct an Environmental Quality Testing in the washing section of the factory.</p>	<p>October 19, 2011: The factory contacted the Disease Control Center to do the Environmental Quality Testing, which covered the washing section in the factory.</p>	<p>A copy of the testing conducted in the washing section of the factory is on file at the home office.</p>	<p>Completed</p>
<p>New Finding: 1 safety exit was found blocked by materials.</p>	<p>on-site observation</p>	<p>Safety of the workers during an emergency evacuation is paramount. The factory management and supervisors must create procedures to be followed for all areas of the factory with dedicated people in charge of enforcing these procedures for keeping all aisles clear and exits uncluttered at all times to ensure a safe evacuation for all workers. Please send procedures and how the factory intends to enforce.</p>	<p>January 11, 2012: Factory has sent photos and procedures on the safety of unobstructed exits. March 8, 2012: Factory has sent Importance of Safe Passage document for workers and management training.</p>	<p>Documentation of training, attendees, and procedures are on file at home office.</p>	<p>Completed</p>

<p>New Finding: The workers were found wearing ordinary masks instead of activated carbon masks in the printing and washing sections.</p>	<p>on-site observation</p>	<p>The factory will provide all workers in the printing and washing areas with activated carbon masks that meet the standards issued by the state and other regulations. Training of all workers in these areas will be conducted to review the importance of wearing the proper PPE. Supervisors of both areas will enforce the policy of wearing the proper PPE. Please send documentation of training, signage sheet of all workers attending the training, and photos of workers in both areas wearing the required activated carbon masks.</p>	<p>January 6, 2012: The factory has purchased the activated carbon masks and the workers in both the printing and washing areas are now wearing them. March 8, 2012: The factory sent additional photos and training materials.</p>	<p>Photos of workers in printing and washing sections, training instruction and signage sheets are on file at home office.</p>	<p>Completed</p>
<p>New Finding: The electrical switches in the chemical warehouse were found not installed with explosive-proof devices.</p>	<p>on-site observation</p>	<p>It is recommended for the factory to install all electrical switches in the chemical warehouse with explosive-proof devices. Please send photos of the corrected switches for our files.</p>	<p>December 8, 2011: The factory has corrected and sent photo of the new explosive-proof switch in chemical warehouse.</p>	<p>Photos of corrected installation of explosive-proof device are on file at the home office.</p>	<p>Completed</p>
<p>Completed: The factory has engaged the qualified disposal organization to handle the hazardous waste.</p>	<p>agreement with waste disposal organization, management interview</p>				

<p>Completed: Secondary containers were installed for the chemicals. The light in the chemical mixing room was anti-explosive.</p>	on-site observation				
<p>Completed: Chemical containers were properly labeled.</p>	on-site observation				
<p>Completed: Ventilation fans were functional and the ventilation in the workshop was acceptable, and the air quality testing report was also available.</p>	on-site observation, document review				

<p>New Finding: At least 1 computerized sewing machine was found missing an eye shield.</p>	<p>on-site observation</p>	<p>The factory will install the required missing eye shield for the computerized sewing machine. Designated persons should be selected to monitor that all machines are properly equipped with safety equipped features in all areas of the factory. Please send photo of correction for our records and confirmation of policy for regular safety inspections of all machines and equipment.</p>			
<p>Completed: The heating machine was with a proper cover.</p>	<p>on-site observation</p>				
<p>Pending: The status of the factory in this respect was still the same as on the previous visit. The union was still under the ACFTU and performed with very limited function.</p>	<p>document review; worker and management interviews</p>	<p>December 28, 2012: There is a labor union in the factory. The labor union representatives are elected by the workers. The labor union holds regular meetings with the factory management each month. There is a collective bargaining agreement (CBA) with the labor union.</p>	<p>The factory sent copies of the CBA and minutes of the December 2012 Labor Union Meeting.</p>	<p>Documents are on file at home office.</p>	<p>Completed</p>

<p>New Finding: Various inconsistencies were noted between the time and payment records provided and other information and records gathered during the audit. For instance, although time and payment records showed that workers were not working Sundays, records obtained from production floors showed workers were required to work various Sundays, such as in July 2011. Also, records obtained from production floors showed workers were working more than 3 hours a night of overtime for the past few months, such as until 23:00 or even up to 02:00 on some occasions in July 2011. However, corresponding time and payment records showed that workers were only required to work 3 hours overtime at a maximum. Hence, workers' actual working hours and payment status could not be accurately verified during the audit.</p>	<p>document review; worker and management interviews</p>	<p>Transparency is most important between our company and suppliers. Factory should ensure that all provided documents are reliable and consistent. It is recommended for the factory to improve their management system in the areas of working hours, 1 day off in 7, and legal overtime. 1) Factory management should assign a responsible person to ensure all workers' hours of work are properly recorded and compensated, and fully reflected in all payroll records. 2) 1 day off in 7 days must be guaranteed. 3) Any overtime work exceeding legal time frame must be rejected.</p>	<p>Work with the factory is ongoing.</p>		<p>Ongoing</p>
<p>Completed: The handbook had been revised and the daily wages for untaken annual leave was 300% instead of 100%.</p>	<p>document review; worker and management interviews</p>				
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<p>New Finding: The factory was unable to provide the time record of September 2011 for review due to the problem of the time recording system.</p>	<p>document review; worker and management interviews</p>	<p>The factory is required to maintain accurate and consistent records for monitoring pay and working hours. This includes ensuring all timesheets are kept up to date, clocking systems are in working order and tally with registers, production records and cleaning reports. It is necessary that the factory has complete, accurate, and up-to-date records readily available at all times. The factory is required to comply with all applicable laws, rules and regulations on working hours, overtime and benefits.</p>	<p>Work with the factory is ongoing.</p>		<p>Ongoing</p>
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