



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Asics Corporation
COUNTRY: China
FACTORY CODE: 4000151038I
MONITOR: Social Compliance Services
Asia Ltd.
AUDIT DATE: November 25-26, 2010
PRODUCTS: Shoes
PROCESSES: Cutting, Sewing, Lasting,
Printing, QC, Packaging
NUMBER OF WORKERS: 1,681



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Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: It was noted that supporting workers, such as security guards and cleaning workers were on a fixed monthly rate (for example, RMB 1000 per month) and their overtime hours were not properly compensated with overtime wages. It was also noted that workers who were working during lunchtime were not properly compensated with overtime wages.

Legal Reference: Article 44 of China Labor Law

Source: Worker interviews, document review, management interview and observation

Plan Of Action: Factory shall check their policy against the local laws for salaried employees and revise their policy such that it is in accordance with the relevant local laws. Factory shall pay overtime premium according to the local law. Factory is requested to review the wage policy to ensure that they pay the correct overtime premium when necessary. Factory shall back pay the unpaid overtime premium. Factory should take measures to prevent work during lunchtime (e.g. cutting off power). Factory shall provide a clear new wage policy that is easy to understand for workers. The new wage policy shall be posted in a prominent place to increase workers' awareness. Factory shall conduct the awareness training for the new wage policy for all workers during orientation. Factory shall keep clear and precise payroll and working hours records. Factory shall pay wage and benefits as per with the local law. Factory shall submit the new wage policy, which should indicate the wage calculation measures. Factory shall submit the documents for back pay if necessary.

Deadline Date: 06/30/2011



Supplier CAP: According to the factory report from January 19, 2011, the wage calculation for gate guards & cleaning employees will be adjusted in January 2011. Factory will ensure that their working hours and wages meet legal requirements.

Supplier CAP Date: 01/31/2011

Action Taken: According to the factory report on February 15, 2011, they have postponed the completion date to March 5, 2011. Asics will continue discussion with factory management on fair wage payment for guards and cleaning employees, and they will have more information in the next update.

(April 21, 2011)

Asics visited factory on April 21, 2011.

1. According to FLA audit, the fixed wage of security guards and cleaning workers did not include their overtime compensation. We visited factory and investigated the wage calculation for security guards and cleaning workers. It is reported that the fixed wage was RMB 1,000 for security guards and cleaning workers, but the wage should be RMB 1,200 and RMB 1,000 respectively. We have received a detailed explanation of wage structure for fixed salary workers and confirmed that the factory has calculated the amount of fixed wage, including minimum wage and overtime compensation, according to the law. The minimum wage as of March 1, 2011 was RMB 950. Factory has paid RMB 1,350 for security guards and RMB 1,150 for cleaning workers, which includes Saturday work. We verified the payment with factory and found that the factory miscalculated slightly. Factory mentioned the exact payment should be RMB 1,441.44 for security guards and RMB 1,100.40 for cleaning workers. Factory will adjust the payment. Factory will consider the possibility of 2 Saturdays of work in a month for cleaning workers based on their business plan. The new wage structure will be reported to us by the end of May.

2. Factory reported that they have investigated with supervisors and workers about incidents where workers were working during the lunch break. They found that no sewing workers were on-duty during the lunch break, but some workers in the preparation department have been working during the lunch break. These workers are paid on a piece rate basis. According to workers' responses, they were bored during the lunch break, so they re-started their own job during the lunch break without telling their supervisors. Factory management has explained supervisors the importance of taking the rest during lunch break and has asked supervisors to make sure all workers take rest during lunch break. Supervisors have explained to workers the importance of taking rest and asked workers not to work during the lunch break. Currently, supervisors walk around the workplace to see whether any workers are working during the lunch break.

(July 15, 2011)

1. Factory is working to find out the solution to this problem. They are planning to report their solution by the end of July.

2. Back pay of the wage difference for March & April will be executed after getting the approval of factory management.

Plan No
Complete:

Plan
Complete
Date:



Wages, Benefits and Overtime Compensation: Worker Wage Access to Information

WBOT.25 Workers shall have access to understandable information from their employer about their wages and benefits. (P)

Noncompliance

Explanation: Workers shall have access to understandable information from their employer about their wages and benefits.

Source: Worker interviews and document review

Plan Of Action: Factory shall post wage and benefits policy that includes wage calculation measures in the workplace. Factory shall organize workers' awareness training regarding wage and benefits for both production workers and non-production personnel, such as security guards and cleaning workers, both at orientation and regularly throughout the year. Factory shall use the language that is spoken locally by workers. Records and photos of trainings shall be submitted to Asics.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011 factory will:

1. Post the bulletin how wages are calculated (including production bonus /perfect Attendance Award and other subsidies) on bulletin board.
2. Trainings are scheduled on wage calculation and overtime wage calculation for January 2011.
3. The related training on wage calculation and overtime wages will be recorded in written documents with photos and kept on file beginning January 2011.

Supplier CAP Date: 01/31/2011

Action Taken: In January 2011, workers in the factory site gathered in the training room. The wage policy including wage calculation was announced to the workers as awareness training and the written policy is posted on the bulletin board.

(April 21, 2011)

Asics visited factory on April 21, 2011 and got a firsthand briefing from factory management on the workers' awareness of current labor-related laws and internal policies. Factory mentioned that worker awareness training has been conducted in a timely manner in the past, so they felt confused by the auditor's judgment. They said that the 3 auditors who visited the factory did not set a closing meeting with factory due to their tight schedule, so the factory had no chance to provide a detailed explanation of the noncompliance findings in the audit report. Factory has explained to us their method of worker awareness training.

Factory has 3 channels for workers awareness. The first worker awareness channel is through management. The second is trainings provided to the worker representatives. The third is posting the written documents on the notice board. When there are new notices of labor-related laws and regulations, such as wages, benefits, etc., and/or updates of internal policies, the factory manager explains the new regulations orally to 13 members of management staff, with written documents provided to the labor committee. The 13 management staffers communicate with the department chief via documents and the department chief explains the new policies to supervisors. Supervisors orally communicate directly to their own workforce. The factory manager's explanations are recorded and kept at the factory. The person in charge of CSR calls worker representatives and holds the training for new laws, regulations and/or internal policies according to the training schedule. Worker representatives who joined the trainings are expected to help workers who lack understanding of the new laws, regulations or new internal policies. In this training, if the attendee is not quite sure about the training content, they are instructed to ask their supervisor or HR for additional explanation. CSR person develops a training schedule every 6 months and conducts the training according to the schedule to make sure that all workers receive comprehensive information. Written documents of new laws/regulation or new internal policies are posted on the notice board for workers' awareness at the same time as factory manager explanations. Factory manager's mobile phone number is written on the notice documents to make it easier to contact the factory manager directly if workers want further information.

Plan Yes
Complete:

Plan 01/31/2011
Complete
Date:

Freedom of Association: Right to Freely Associate

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

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Note: A trade union was established in the factory on September 24, 2007, which was under ACFTU. 4% of the workers are ACFTU members.



Plan Of Action: Factory shall regularly organize awareness training on FOA rights.

1. Factory shall establish a forum for dialogue between employer and employee.
 - a. Factory shall have a written policy for the system of dialogue between employer and employee.
 - b. Factory shall establish the labor-management committee and Health & Safety committee, then hold committee meetings regularly.
 - c. Factory shall establish a consultation window in workers' union.
2. Labor committee shall be fully elected by the workers themselves from among the workers and will be able to have direct dialogue with the management with the minutes of meetings kept for further follow-up purposes.
3. Workers shall be informed of the members of these committees (e.g., photos on bulletin boards).

Deadline Date: 03/31/2011

Supplier CAP: According to the factory report on January 19, 2011, the factory already conducts regular worker trainings to ensure they understand the function of the trade union and FOA. The regular trainings regarding FOA are conducted according to their plan. The labor committee meetings are regularly opened with worker representatives. On the other hand, the factory has provided workers a direct channel to appeal their concerns to factory management using short messages.

Supplier CAP Date: 01/31/2011

Action Taken: (April 21, 2011)

According to the factory management, labor committee meetings are held in the factory once per month. Shop stewards, who are elected by ballot by workers in the workshop, elect the committee members. The discussions and announcements at the committee are recorded and those records are kept on-site. Additionally, EHS committee is held separately. The new EHS members have been elected and are making the organization chart at present. Discussions and announcements at EHS committee are recorded and kept on-site as well.

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: No disciplinary record was provided for review during the audit.

Source: Worker interviews, management interview and document review

Plan Of Action: Factory is advised to keep and maintain disciplinary records with workers' signatures.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011, factory has no the written reward and punishment record. The person who is responsible for personal affairs will keep all the written reward and punishment records beginning January 1, 2011.

Supplier CAP Date: 01/01/2011

Action Taken: According to factory report on February 15, 2011, they completed this action on January 31, 2011. There are disciplinary records with workers' signatures kept and maintained on the factory site.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: It was noted that there was a policy and notice posted about monetary fines being used as disciplinary action; for example, an employee would be deducted double wages for being absent without prior notice or for making the wrong production output (RMB 100). However, workers reported that they had not experienced any of these fines.

Source: Document review, worker interviews and management interview

Plan Of Action: Factory shall abolish monetary fines. Factory shall repeatedly and regularly communicate internal rules to all workers until they become completely sure of these rules. The practice of monetary fines has a potential risk of increasing turnover due to raising workers' objections. Asics will conduct verification steps, such as internal audits or worker interviews to ensure the finding has been fully completed.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011:

1. Factory never really implements the financial penalties on employees, although factory has the written provision of rule. Since the provision for fines goes against International standards and Asics requirements, the factory decided to cancel the penalty provision fully from factory rules and other written rules, beginning February 1, 2011.
2. A person in charge will clarify the "no penalty" provisions during regular training of 2011.

Supplier CAP Date: 01/31/2011

Action Taken: According factory report on February 15, 2011, factory has maintained a practice of no monetary fines as a measure of disciplinary action, beginning January 31, 2011. A person in charge was appointed from the management.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

Health and Safety: Permits and Certificates

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

Noncompliance

Explanation: 1. It was noted that the forklift operation certification was expired on June 10, 2010.

2. Factory could not provide the building fire inspection permits for review.

Legal Reference: Article 25 of Special Appliance Quality safety Monitoring Regulation of PRC

Source: Document review, factory tour and management interview

**Plan Of
Action:**

1. Factory is recommended to update the inspection certificate of forklift.

2. Factory is recommended to consult with local authorities and get all the necessary certificates.

**Deadline
Date:**

12/20/2011

**Supplier
CAP:**

According factory report on January 19, 2011:

1. Factory will assign a person to re-train and get the certificate of Special Equipment Operator, which is issued by local quality and Technical Supervision bureau after examination.

2. Because the workshops and buildings of factory were leased from [Village name] council, village council should provide the corresponding "fire inspection certificate." Now, local village council is applying to the local fire bureau to conduct the fire inspection and issue the fire inspection certificate.

**Supplier
CAP Date:**

04/30/2011

**Action
Taken:**

There was no update for the latest report from factory. They informed us that the completion date for forklift inspection will be June 30. Asics will keep discussing with the factory management to determine the update on the inspection certificate for the forklift and whether they've successfully updated the fire inspection certificate through the local village council. They will have more information in the next update.

(April 21, 2011)

According to factory management, the forklift operators are attending the technical training course beginning April 20 for 3 days to obtain operation certificates. The operation certificate is supposed to be issued 1 week after the course, and photocopy of the certificate may be submitted to us in early May. Factory will take action to prevent a recurrence of such an incident. The certificate expiration date will be attached to the forklift body and the maintenance department will keep an eye on the expiration date during regular maintenance and inspection. CSR person orally instructs the forklift operator to be sure to update their certificate. CSR department keeps the book and maintains the expiration date and details of forklift certificate, so that they can give the operator a warning when it comes close to the expiration date.

(July 15, 2011)

The authority has not yet issued the operation certificate even though the personnel received the training course in April. It is supposed to be issued by the end of August.

(October 19, 2011)

1. The factory has obtained a new operation certificate, which has an expiration date of July 11, 2011.

2. According to factory management, village government owns the production buildings. The village government is responsible for applying for the fire inspection permits for the buildings. Factory has no choice but to ask local authority to apply for the fire inspection permit. Factory is regularly conducting fire fighting training and evacuation drills twice a year with the presence of fire authorities. Factory has completely improved the fire equipment and electronic wirings according to the fire authorities' advice. Fire authorities request that the factory provide the fire inspection permit for review every time. However, the village government is still not applying for the permit from fire authorities yet, so the factory is failing to provide the fire inspection permit of buildings.

Plan No
Complete:

Plan
Complete
Date:

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. It was noted that the fire extinguisher and hydrants in carton warehouse were blocked by sundries.

2. It was noted that the first aid kits in the workshop were stocked with insufficient items and oral medicine was stocked in the first aid kits without proper management, such as a designated person or procedure in place to make sure that workers take these medicines in a proper and safe manner.

Legal Reference: 1. Article 28 of Fire Prevention Law and 2. Article 54 of PRC Labor Law

Source: Factory tour, management interview and worker interviews

Plan Of
Action: 1. Factory shall organize the workplace and keep sundries from blocking extinguishers and hydrants. Factory shall ensure that all fire equipment remains unblocked.

2. Factory shall make a list of medical supplies and regularly check the first aid kit. Factory shall replenish the supply when necessary. Regular audits shall be conducted to prevent the same finding from occurring again.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011:

- 1a. The objects in front of fire extinguishers in the warehouse have been moved away.
- b. A person who is responsible for fire affairs will conduct inspection regularly and assure that fire equipment is unblocked.
- 2a. The supervisor of each workshop will be responsible for the management of first aid kits. The name and photo of first-aid persons will be pasted on the outside of kits.
- b. When the medicine of first-aid kits runs out or expires, the supervisors will apply for new medicine from factory clinic.

Supplier CAP Date: 01/14/2011

Action Taken: According to factory report on February 15, 2011:

1. The factory continues the practice of keeping the front of the extinguishers clear, to be prepared for unforeseeable emergency circumstances.
2. The factory appointed supervisors to check first aid kits periodically and if there are missing or expired medicines, supervisors replenish the medicines. The above 2 practices began in mid-January, 2011.

(April 21, 2011)

1. According to factory management, the department chiefs are responsible for fire equipment, such as fire extinguisher maintenance and inspection in the workshop. Each department chief appointed a responsible person for fire equipment inspection in their workshops and trained that person to undertake the routine inspection and maintenance. FLA accredited auditors checked all 286 extinguishers in the factory site and the findings were pointed out for only 1 extinguisher. The remaining extinguishers were not found to be noncompliances. After receiving the FLA audit report, factory has conducted an investigation into this case. Factory found that the workers at a storage site moved cartons near to an extinguisher so that it was easier to do their job without reporting to their supervisor. Factory has relocated the cartons to avoid recurrence of same incident.

2. According to factory management, the supervisors of each workshop were responsible for inspection and replenishment of first-aid medicines. Factory has changed the responsible person to the factory nurse to be sure of good maintenance of first-aid medicines. Factory nurse has received the procedure training of how to maintain and keep the first-aid.

Plan Yes
Complete:

Plan 01/20/2011
Complete
Date:

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: It was noted that some workers working in print section and lasting section were not wearing protective masks while handling chemicals. It was noted that workers were provided with 6 protective masks per month. Workers reported that they had difficulty getting additional masks from their supervisors when they needed them.

Legal Reference: Article 77 of Factory Safety and Health Rules Of PRC

Source: Factory touring, workers interview and management interview

Plan Of Factory is advised to provide sufficient carbon masks to the workers who work with
Action: hazardous chemicals. Factory should post instructional illustrations to encourage workers to wear PPE, and should organize chemical handling training regularly.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011:

1. Factory will distribute PPE regularly every month beginning January 2011, and will keep written records of its distribution. At the same time, factory will increase the amount of active carbon masks available for the employees of the print section.
2. A warning sign that reads, "Please wear the masks " has been posted on the wall in the workshops.

Supplier CAP Date: 01/01/2011

Action Taken: According factory update on February 25, 2011:

1. Factory has been providing PPE to the workers who handle hazardous chemicals, at no charge to the workers.
2. Factory has posted warnings to make sure workers wear PPE. They completed these actions on February 22.

(April 21, 2011)

According to factory management, the supervisors are responsible for providing workers with sufficient protective masks when necessary on the job. Department chief appointed the supervisors as the people responsible for managing the PPE of their workshops, and trained them to undertake PPE management as a routine task. Supervisors orally communicate to their own workforce that the use of personal protective equipment is not optional. The person in charge of CSR provides training to the workers who are required to use PPE on the job.

Plan Complete: Yes

Plan Complete Date: 02/22/2011

Health and Safety: Chemical Management and Training

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

Noncompliance

Explanation: It was noted that there was no anti-leakage facility (secondary container) in the lasting section and chemical material warehouse for the chemical materials.

Legal Reference: Clause 14 of the Regulation For Chemical Usage Safety in Work Place

Source: Factory touring, worker interviews and management interviews

Plan Of Action: Factory is recommended to provide second containers.

Deadline Date: 03/31/2011

Supplier CAP: According to the factory report on January 19, 2011, factory repair-shop will make the secondary container and place it in the chemical warehouse.

Supplier CAP Date: 01/31/2011

Action Taken: There was no update for the latest report from factory. They have informed us that the completion date will be March 31. Asics will continue discussion with factory management for the update of installing second containers and will have more information in the next update.

(April 21, 2011)

According to factory manager, they will complete the repair of the iron secondary container on May 31, 2011. Maintenance department is responsible for keeping an eye on the conditions of factory facilities. Department chief appointed the supervisors as the people responsible for facility conditions during regular maintenance and inspection. CSR person orally instructs the supervisors to update on the condition of the secondary container.

(July 15, 2011)

Factory has completed providing secondary container in the lasting section and chemical material warehouse for the chemical materials. Factory has appointed a person to be responsible for regular checkups and to organize regular chemical training for workers. Training records were reviewed.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

Health and Safety: 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)

Noncompliance

Explanation: 1. It was noted that electrical wires were exposed, creating a danger of electrical shock, especially at the areas near to the toilet and the cutting section.

2. It was noted that the ventilation system was not activated during the working hours. In the morning of the audit day there was strong smell of chemicals in the section.

Legal Reference: Article 6.7 of the General Guide for Safety of Electric User of PRC

Source: Factory tour, worker interview and management interview

Plan Of Action: 1. Factory is recommended to remove the bare wires and rewire completely.
2. Factory is recommended to conduct maintenance of exhaust machines regularly. Factory regularly checks the hazardous chemical conditions in the air of the workplace.

Deadline Date: 03/31/2011



Supplier CAP: According factory report on January 19, 2011:

1. Factory electrician will conduct a comprehensive inspection of the electrical equipment in the cutting section to ensure the equipment is safely installed.
- 2a. Print section supervisors check to make sure the exhaust system is open every morning.
- b. Print supervisors will ensure that the employees wear protective masks every day.

Supplier CAP Date: 01/31/2011

Action Taken: According to factory report on February 15, 2011:

1. The factory electrician has inspected the electrical wires in the working place and made the repairs necessary to ensure safe working conditions. It was completed on January 31.
2. Factory checks the exhaust machines regularly to make sure the air condition is good in the workplace. Regular checks began in January.

Plan Complete: Yes

Plan Complete Date: 01/31/2011

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: It was noted that in the sewing workshop, at least 50% of sewing machines were not equipped with needle guards, and some sewing machines' transmission belts were not equipped with pulley guards.

Legal Reference: Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, PRC

Source: Factory tour, management interviews and worker interviews

Plan Of Action: Factory shall install missing needle guards and sewing machine belt covers. Factory shall ensure that all machines are regularly inspected and will prepare the sewing machines' maintenance records. Missing needle guards and sewing belt cover will be replaced on time. Factory shall conduct training for all workers so that workers know to check their own machines' safety equipment, including belt cover and needle guard. Factory shall ensure that all workers conduct these inspections.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011, the repair shop of the sewing section will conduct comprehensive inspections for the sewing machines and will re-install the belt guards and needle guards to assure all the machines are in good and safe condition.

Supplier CAP Date: 02/28/2011

Action Taken: According factory report on February 15, 2011, they have inspected all the sewing machines in the production area and equipped them with belt covers to make sure they are safe for workers. The needle guards have been installed on the sewing machines, however, the workers sent their complaints to factory manager saying that the guards are inconvenient to their sewing. Factory has explained to each worker the importance of needle guards, and the decision was given to them whether to use needle guards or not.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: It was noted that toilet doors at the sewing workshop were damaged and could not be locked.

Source: Factory tour, management interviews and worker interviews

Plan Of Action: Factory is advised to repair the broken doors and be sure the locks are functional at all times.

Deadline Date: 03/31/2011

Supplier CAP: According factory report on January 19, 2011, factory will assign a person to repair the locks promptly.

Supplier 01/31/2011
CAP Date:

Action Taken: According factory report on February 15, 2011, they repaired the locks on the toilet doors on February 15.

(April 21, 2011)

According to factory management, maintenance department is responsible for keeping an eye on the conditions of factory facilities. Department chief appointed the supervisors as the people responsible for facility conditions during regular maintenance and inspection. CSR person orally instructs the supervisors to be sure to update the sanitary conditions of factory facilities.

Plan Complete: Yes

Plan Complete Date: 02/15/2011

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: It was noted that the weekly working hours of workers, mainly in the sewing section, exceeded 60 hours a week. For instance, the weeks of October 11-17, 2010 and October 25-31, 2010 reached 75 hours.

Legal Reference: Article 41 of PRC Labor Law

Source: Document review, worker interviews, management interviews



Plan Of Action: Factory shall comply with local laws and Asics requirements regarding weekly working hours. Factory should have a clear Working Hours policy in place that includes overtime to ensure that weekly, monthly and yearly working hours do not violate local law. HR division will check working hours to ensure that weekly working hours do not exceed the legal regulation. HR staff and CR staff need to work together to regularly review overtime hours. Factory will set up an overtime control plan and regular meetings with concerned divisions shall be organized to for overtime awareness. Factory shall educate all workers about the Working Hour policy. In cases where overtime work is necessary, factory will make a reasonable work plan based on factory capacity to ensure that every worker's hours are within the legal regulation. Factory shall plan to increase productivity and effective workload including tight lead times or raw material supplying risks. Factory shall review the production plan and submit the working hours reduction plan to Asics.

Deadline Date: 12/20/2011

Supplier CAP: According to factory report on January 19, 2011, a person who is charge of the production section will submit the detailed report on reducing the working hours based on the order sheets and production plan.

Supplier CAP Date: 03/31/2011

Action Taken: According to factory report, they have not developed a plan for reducing the working hours. Asics will continue discussion with factory management for providing reduction plan of working hours and there will be more information in the next update.

(April 21, 2011)

According to factory management, a delay in production caused the weekly working hours to reach 75 hours. They have already caught up on production. We verified time records from January 2011 to March 2011. We have confirmed that the factory working hours are 60 hours per week. They will develop production schedules that arrange the working hours based on order quantities. Factory management told us that they could reduce the working hours according the production schedule. The working hour reduction plan will be discussed with the production manager and submitted to us by the end of May 2011.

(July 15, 2011)

Factory has made the overtime reduction plan. The plan aimed for 3 hours of overtime per day and 18 hours overtime per week. They are in the final stage for negotiations with the Production department to implement a maximum working hours plan of 66 hours per week.

(October 19, 2011)

According to working hours record, the maximum working hours was 60 hours per week in September 2011. A gradual improvement plan, as explained above, will be implemented until the monthly overtime hours are reduced to 36 hours monthly.

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: It was noted that workers did not have at least 1 rest day per 7 during peak production periods. For example, workers worked without a rest day from September 6 to September 21, 2010.

Legal Reference: Article 38 of PRC Labor Law

Source: Worker interviews, document review and management interviews



Plan Of Action: Factory shall provide 1 day off per 7 days. Factory shall review its production schedule to find out why rest days were sometimes skipped, and will take action to deal with the problem. Factory shall make a reasonable work plan based on factory capacity to ensure every worker gets a rest day. Factory shall plan to increase productivity and effective workload including tight lead times or raw material supply risks. Factory shall submit the progressive improvement plan to Asics.

Deadline Date: 12/20/2011

Supplier CAP: According factory report on January 19, 2011, factory production section will take action to improve working conditions, strengthening management to improve productivity and ensure at least 1 rest day in 7 days. An assigned person will report the production/rest plan regularly.

Supplier CAP Date: 03/31/2011

Action Taken: According to factory report, the factory has showed no progress on providing a production plan to include rest days. Asics will continue discussion with factory management on providing rest days to workers and they will have more information in the next update.

(April 21, 2011)

Beginning in January 2011, workers are provided with weekend holidays and statutory holidays. Every month, HR department has a meeting with production department to determine the next month's holidays. Workers are entitled to take 1 rest day per 7 days. Supervisors announce holidays orally to workers and the dates are posted in a written document on the notice board. Factory management decided to provide 1 rest day with 7 days and statutory holidays throughout this year, and managers have been ordered to strictly follow these guidelines. We checked the holiday plan from January to April 2011 against the attendance records and noted that Sunday holidays and Statutory holidays were provided.

Plan Yes
Complete:

Plan 04/21/2011
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: It was noted that factory management only provided manual attendance records with check marks, without in/out times. As per factory management information, the old electrical swipe system used before October 2010 stopped functioning and no data had been maintained. They actually used the manual record for calculating workers' wages. They started the new computerized time recording system in November 2010. It was noted that some workers, such as workers in sewing section, were working during lunchtime, however, the manual attendance records were not capturing these additional hours.

Source: Document review, management interviews, worker interviews

Plan Of Action: Factory is advised to install electric time cards and keep precise and complete working time records for all workers, including guards and cleaners.

Deadline 03/31/2011
Date:

Supplier CAP: (January 19, 2011)
Factory will post the bulletin and require all employees to clock in and out to ensure that employees' working hours are recorded by the E-Attendance Checker instead of manual records.

Supplier CAP Date: 01/14/2011

Action Taken: According to the factory report, the factory has postponed the completion date to March 5, 2011. Asics will continue discussion with factory management about a precise time recording system for workers and they will have more information in the next update.

(April 21, 2011)

Factory reports that they introduced an electric time recording machine on March 5, 2011 to record and keep the precise and complete working hours of all workers. Factory has explained to us how they have increased worker awareness of how to record exact working hours using the swipe cards. Factory has 3 channels for workers awareness. The first is through management. Second are trainings of the worker representatives. Third is posting the written documents on the notice board. The factory manager orally explained the new time recording policy to 13 managers with written documents at the labor committee. The 13 managers communicate to department chiefs with documents and department chief explains the information to supervisors. Supervisors orally communicate directly with their own workforce. The contents of the explanation are recorded and kept at factory. The person in charge of CSR held the training for new time recording policy for the worker representatives. Worker representatives who joined the trainings are expected to be the helpers for the workers who lack understanding of the time recording policy and procedure. If the attendee is not quite sure of the contents of the supervisor trainings, they are instructed to ask their supervisors or HR division for additional explanation. Written documents of new time recording policies are posted beside the time recorder for workers' awareness on March 17, 2011. Factory manager's mobile phone numbers are listed on the notice documents to make it easier to contact them directly if workers want more detailed information.

Plan Complete: Yes



Plan Complete Date: 03/17/2011

Action Verified: No
