

FLA Audit Profile		IEV Audit Profile	
Country	China	Country	
Factory	470015395E	Factory	
IEM	ALGI	IEV	
Date(s) in facility	August 28-29, 2006	Date(s) in facility	
PC(s)	AT Cross	PC(s)	
Number of workers	505	Number of workers	
Product(s)	Ball Pen, Pencil, Pen	Product(s)	
Production processes	Injection Molding, Assembling, Polishing, Punching, Packing, Packing Box-Making	Production processes	
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance
1. Code Awareness			
Code posting/information		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	No Code of Conduct was observed posted in the facility compound.
Worker/management awareness of Code		FLA Principle of Monitoring, Obligation of Companies: 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.	PC has not conveyed code obligations to either management or workforce.
Confidential noncompliance reporting channel		FLA Principle of Monitoring, Obligation of Companies: 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.	The Company has not established a confidential complaint mechanism in the factory for workers to report complaints.

Policy			
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.			
Policy			
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.			
Age Documentation		Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	One employee's registration form shows the worker was born in 1983; however, the copy of her ID shows that she was born in 1978.
Policy			
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 or abuse.			

Monetary Fines and Penalties		Employers will not use monetary fines and penalties for poor performance.	1) Two workers were fined 20 Yuan for disobeying the factory rules. 2) Two workers in packing box-making section were deducted about 200 Yuan for not reaching the production quota in July 2006.
Complaint Mechanism			
Policy			
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.			
Policy			
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	Art. 9 of Fire prevention and safety rules of Textile Industry: Every enterprise and institution should establish a volunteer fire prevention and control team. The proportion of volunteer fire fighters must be no less than 10% of the total workers. Workers in critical fire prevention and control areas such as the warehouse should participate in the volunteer fire prevention and control team. The volunteer fire prevention and control team must conduct regular fire fighting drills.	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.	No volunteer fire prevention and control team has been established in the facility.

Document Maintenance/ Accessibility	Art. 20 of Regulations for Safe Use of Chemicals in the workplace: Units shall disclose relevant safety information of dangerous chemicals to the employees, as well as educate them in differentiating safety labels, understanding technical directions and mastering necessary means to deal with emergency and self help. Besides, there shall be regular trainings on the safe operations of chemicals in the workplace.	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.	No MSDS posted where the hazardous chemicals (717 glue) are used.
Evacuation Procedure (Evacuation plan)	Art. 14.6 of PRC Fire Prevention Law: Keep the evacuations passages and exits clear. Set up the safety demarcation in accordance with national standards.	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.	Evacuation plans were not posted by the entrances of the workshop. Additionally, evacuation routes are not clearly marked. One exit of the packing box-making workshop was locked and blocked by some materials. Another exit of the same workshop was blocked due to unloading activities. Some aisles and exits were blocked by products or material containers.
Evacuation Procedure (First aid)	Art. 31 of PRC Factory Safety and Sanitary Regulations: First aid kits must be available in working areas.	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.	Only one first aid kit with insufficient items was found in the warehouse. No employee has received first aid training.
Evacuation Procedure (Fire drill)	Art. 40 of Regulation for Factory Fire Prevention and Safety Management: Fire drill must be conducted at least once every 6 months.	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.	No fire evacuation drill has been performed this year.
Safety Equipment (Emergency light)	Art. 10.2.6 of the Fire Prevention Standard for Building Design (new revision of GBJ 16-87): Employing units shall install emergency lights at evacuation passages, exits and stairwells.	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.	No emergency lights were installed by the entrances of the workshop.

Safety Equipment (Fire extinguisher)	Art. 5.1.3 of Design Regulations for Fire Extinguisher Installation (GBJ 140-90): Portable fire extinguisher shall be installed in such a way that the height from the top of extinguisher to the floor shall be less than 1.5m, and the height from the bottom of the extinguisher to the floor shall be no less than 0.15m.	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.	Most of the fire extinguishers were blocked and some fire extinguishers were placed on the floor.
PPE	Art. 37 of PRC Work Safety Law: Production and business units shall provide employees with PPE that meets the national standards or industrial specifications, and they shall give instruction to their employees and see to it that they wear or use these PPE in accordance with the rules for their use.	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.	Some workers operating the punching machines keep earplugs aside instead of wearing them. Workers who handled 717 glue were not equipped with masks.
Chemical Management	Art. 60 of PRC Factory Safety and Sanitary Regulations: Poisonous and hazardous items shall be stored at specific locations separately, and shall be strictly managed.	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.	1) Hazardous chemicals were placed in the same warehouse with other materials without being clearly marked. 2) Facility fails to provide training to workers on machinery, equipment, chemical or fire safety.
Record Maintenance	Art. 57 of PRC (Chapter 6 Labor Health and Safety): Employing units shall maintain statistical reports on accidents, injuries and/or deaths occurring to workers during labor or situations related to occupational diseases in accordance with the law.	All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Facility does not keep an injury log.
Policy			

7. Freedom of Association and Collective Bargaining

Employers will recognize and respect the right of employees to freedom of association and collective bargaining.

Freedom of Association: FLA Comment	<p>FLA Comment: <i>The Chinese constitution guarantees Freedom of Association; 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 freedom of association, 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. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.</i></p> <p><i>The Amended Trade Union Act of October 2001 does stipulate 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. It also grants the trade union 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-</i></p>
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Policy			
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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	Article 48 of PRC Labor Law (Chapter V: Wages): Wages paid to labourers by the employing unit shall not be lower than the local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	Temporary workers receive 25 Yuan/day, which does not meet the local minimum wage.
Pay statement	Art. 6 of the Provisional Regulations for the Payment of Wages: Company shall provide workers with an individual paystub.	Employers will provide workers a pay statement each pay period, which will show earned wages, regular and overtime pay, bonuses and all deductions.	Workers are not provided with pay slips.
Time-recording system		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	
Legal benefits (Paid vacation)	Art. 45 of PRC Labor Law (Chapter IV: Working Hours, Rest and Vacations): Laborers are entitled to paid annual leaves after having continuously worked for one year or more.	Employers will provide all legally mandated benefits to all eligible workers.	Facility has not adopted paid vacation policy.
Legal benefits (social insurance)	Article 72 of PRC Labor Law (Chapter IX: Social Insurance and Welfare): Employing units and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.	Employers will provide all legally mandated benefits to all eligible workers.	80 (out of 505) employees are not registered with the social security system.
Legal Compliance for holiday/leave	Article 51 of PRC Labor Law (Chapter V: Wages): Employing units shall pay laborers wages in accordance with the labor law during periods such as legal holidays, wedding leaves, mourning leaves as well as legally mandated social activities laborers participate in.	Workers will be paid for holidays and leave as required by law.	Workers are not entitled to mandated paid leaves (maternity, sick, marriage and mourning leave).

Labor contract	Art. 16 of PRC Labor Law (Chapter III: Labor Contracts and Collective Contracts): A labor contract is an agreement that establishes a labor relationship and defines the rights and obligations between a laborer and an employing unit. A labor contract should be entered into in order to establish a labor relationship.		Piece rate workers (85% of employees) do not sign labor contracts with the employer.
Terms of labor contract	Art. 19 of PRC Labor Law (Chapter III: Labor Contracts and Collective Contracts): A labor contract should be in writing and should include the following items: (1) contract duration; (2) job description; (3) labor protection and conditions; (4) remunerations; (5) labor discipline; (6) conditions for termination of contract; (7) and liabilities for breach of contract.		
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)	Art. 38 of PRC Labor Law (Chapter IV: Working Hours, Rest and Vacations): Employer shall guarantee that its laborers have at least one day off per 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.	Four subcontracted security guards worked for the whole month without one day of rest.

Overtime Limitations (OT hours)	Article 41 of PRC Labor Law (Chapter IV: Working Hours, Rest and Vacations): The employing unit may extend working hours due to the requirements of its production or business after consultation with trade union and laborers, but the extended working hours shall generally not exceed 1 hour per day; under special circumstances where extended working hours are needed, such extended working hours shall not exceed 3 hours per day, and only under the condition that the health of the laborer is guaranteed. However, the total extended working hours per month shall not exceed 36 hours.	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	It was noted that workers had an average of 44 overtime hours in May, 50 hours in June and 54.8 hours in July, which exceeded the mandated maximum 36 hours limitation. Besides, it was noted that workers frequently had 4 hours of daily overtime hours, which surpassed the statutory 3 hours limitation.
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		The factory shall comply with applicable law for premium rates for overtime compensation.	
OT Compensation for Piece	Article 13 of Interim Regulations on Payment of Salary (Chapter 5: Wages and Salaries): Piece workers who are arranged to work extended working hours after completion of production quotas shall be paid no less than 150% (regular work days), 200% (days of rest), 300% (on statutory holidays) of his/her normal piece rate during regular working hours.	Where workers are paid on a piece rate, the payment for overtime work performed shall result in no less payment than the premium pay required by law.	The overtime rate is calculated based on the local minimum wage rather than the piece production.
Miscellaneous			

Illegal subcontracting			
Security guard license	Art. 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 registered with the local police station.		5 out of 6 security guards are missing occupational licenses.

China	FLA Comment: <i>This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.</i>
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Openview Service Limited	
August 11, 2011	
AT Cross	
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Ball Pen, Pencil, Pen Injection Molding, Assembling, Polishing, Punching, Packing, Packing Box-Making	

IEM Findings				
Risk Of Noncompliance	Evidence Of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation Used For Corroborating	Notable Features Implemented By Factory Management Or Company
			Factory tour	
			Management interview	
			Management interview and worker interview	

Facility has not adopted written policy or procedures on Code Awareness.			Management interview and documentation review	
The factory has not adopted written policies or procedures on prohibition of Forced Labor.			Management interview and documentation review	
			Documentation review	
The factory does not have written policy on age verification.			Management interview and documentation review	

			Management interview and documentation review	
The factory has not established a grievance system for workers to raise complaints.			Management interview and worker interview	
The factory does not have a written policy on prohibition of harassment and abuse.			Management interview and documentation review	
The factory does not have a written policy on prohibition of discrimination.			Management interview and documentation review	
			Management interview	

			Factory tour	
			Factory tour	
			Factory tour	
			Management interview, employee interview and factory tour	
			Factory tour	

			Factory tour	
No signs or diagrams indicating the need for PPE were posted in the production plant.			Factory tour	
			Management interview, worker interview	
			Management interview and documentation review	
Facility does not have written policies or procedures related to chemical safety or fire safety.			Management interview and documentation review	

There is no trade union or worker representative committee established in the facility. Worker interviews reflected that workers do not know about the trade union or their rights of collective bargaining.			Management interview and worker interview	
Facility has not adopted written policy or procedures on freedom of association.			Management interview and documentation review	

			Management interview and documentation review	
			Management interview and worker interview	
Workers do not punch time cards during the unpaid lunch break.			Management interview and documentation review	
			Documentation review and management interview	
			Documentation review and management interview	
			Documentation review and management interview	

			Management interview, worker interview and documentation review	
As per the labor contract, workers will be compensated at 150% of regular wage for all OT work (including day of rest OT). In practice workers are correctly compensated at 200% of regular wage for rest day OT hours. The labor contract should be revised to match the practice			Documentation review	
			Worker interview and documentation review	

			Documentation review	
	Subcontracted security guards stated that they received a flat salary each month without OT compensation.	Since the security guards are paid by the security guard company, no payroll ledger can be reviewed.	Worker interview	
			Management interview and documentation review	

No contract signed between the factory and the subcontractor was available for the audit team for review. Besides, the factory also fails to assign someone to oversee the subcontractors to make sure that the subcontractors are compliant with the code of conduct.			Management interview and documentation review	
			Employee interview and documentation review	

PC Remediation Plan	Target Completion Date	Company Follow Up (Cite Date Of Follow Up)	Documentation	[Status]	Updates (Cite Date of Follow up)	
				Completed, Pending, Ongoing	Company Follow up	Documentation
[Factory] posted Code of Conduct on bulletin board immediately following audit date.				Completed		
From September 1, 2006, [Factory] started to convey code obligations to all new employees as pre-work training and informed them about local labor rules and regulations. Auditor was incorrect in stating "PC (A.T. Cross) has not conveyed code obligations to either management or workforce" during audit in August. Cross has conveyed their code obligations very clearly to [Factory]'s management, both						
From September 1, 2006, [Factory] put a suggestion Box at the entrance of the factory to enable employees to make reports and company can make corrective actions based on these reports. We confirm that comments can be made anonymously and there is no retribution to employees for recommendations						

[Factory] will pay more attention during employee's registration procedure to verify and document date of birth. HR procedures have already been revised to require greater diligence in checking these records.						

From September 1, 2006, [Factory] will follow local labor rules and regulations regarding employee discipline. They will no longer assess monetary fines and penalties.						
[Factory] will set up fire prevention facilities according to national standards and will assign a person to take care of these facilities. [Factory] will establish a fire prevention and control team. Fire Prevention Team is not less than 10% of total workforce at [Factory] - as required by local law.				Completed		

717 glue will be stored separately from other material. [Factory] will put warning cards for 717 glue. When employees are using 717, they should wear masks and will be checked by supervisor in workshops. Warning Cards read: "Notice: Flammable." Masks are provided by [Factory]. [Factory] assures that employees receive regular <u>training on chemicals in the workplace.</u>				Completed		
[Factory] will clear materials blocking entrances and exits and will make sure each workshop and office building has 1 entrance and 1 exit. [Factory] will perform this training and drilling every year to insure all employees have necessary safety, fire safety, first aid and evacuation procedures.				Completed		
[Factory] bought 8 pcs of first aid kits and put one first aid kit in each workshop.				Completed		
[Factory] will perform training and drilling every year to ensure all the employees have necessary safety, first aid and evacuation procedures.				Ongoing		
By the end of September 30, 2006, [Factory] will finish the installation of all emergency lights.				Completed		

<p>[Factory] will fix fire extinguishers at proper places according to national rules and regulations.</p>				Completed		
<p>[Factory] will stipulate that workers should wear earplugs in punching workshop. Workers handling 717 glue should wear masks and workshop director will do the supervision. [Factory] will provide the masks.</p>				Completed		
<p>[Factory] has placed the hazardous chemicals separately and put warning cards. [Factory] has assigned specific employees to take charge.</p>				Completed		
<p>[Factory] will keep a detailed injury log. [Factory] commits to keeping the log for 1 year or longer.</p>				Ongoing		

				Pending		
				Completed		

From September 1, 2006, factory will ensure all workers' (including temporary workers') salary will reach local minimum wage.				Ongoing		
[Factory] will provide workers with detailed pay slips. [Factory] started providing all workers with detailed pay slips from September 2006.				Ongoing		
[Factory] will adopt paid vacation policy as per employees' posts and will inform all employees. They will put a notice on bulletin board to inform all employees of paid vacation policy.				Completed		
[Factory] signed contracts with all formal employees. For temporary workers, [Factory] will make improvements in their registration with social security system.				Ongoing		
[Factory] will comply with local labor rules and regulations.				Ongoing		

<p>[Factory] will check and sign labor contracts with all workers as per local labor rules and regulations.</p>				Ongoing		
<p>[Factory] will comply with all local Labor Bureau Regulations in regards to rest days and overtime. [Factory] will not violate local laws in regards to overtime and rest days. Factory will also inform employees and put a note on bulletin board.</p>				Ongoing		

<p>[Factory] will adopt comprehensive working rules and will follow local Labor Bureau Regulations in regards to rest days and overtime. [Factory] will not violate local laws in regards to overtime and rest days and will inform employees and put a note on bulletin board.</p>				Ongoing		
<p>[Factory] will comply with applicable law for premium rates for overtime compensation. In addition, factory will ensure all subcontractors adhere to law as well.</p>				Ongoing		
<p>[Factory] will calculate wages as per local labor rules and regulations.</p>				Ongoing		

The 5 security guards have received their occupational licenses.				Completed		

Third-Party Verification		Company Verification Follow up	
External Verification (August 12, 2011)	Documentation	Company Follow up (Cite Date Of Planned Or Follow Up Visit, If Appropriate)	Documentation
(Completed/Aug. 12, 2011) As confirmed by walkthrough, the f AT Cross code of conduct was posted at the entrance of the workplace.	Poster	Complete- Code was posted	
(Completed/Aug. 12, 2011) As confirmed by walkthrough, the AT Cross code of conduct of was posted at the entrance of the workplace, which included the company's confidential compliance hotline.	Poster	Complete- AT CROSS notified the again of the need to post the Code. The factory now annually sends confirmation that the code is posted and that they are aware of requirements.	
(Completed//Aug. 12, 2011) As confirmed by walkthrough, the confidential compliace mechanism was established and the hotline of AT Cross was posted for workers.	Poster	Complete- Company has a hotline direct to CROSS which is clearly indicated in the Code of Conduct as well	

(Completed/Aug. 12, 2011) Document review found that the factory had a written policy and procedure on Code Awareness.	COC handbook	Complete- a written policy exists as noted	
(Completed/Aug. 12, 2011) Document review revealed that the factory had a written policy and procedure on the prohibition of forced labor.	Factory rules	Complete- factory has a written policy as noted	
(New finding/Aug. 12, 2011) Document review found that an illegal provision was stipulated in the employee handbook: workers would not be paid with overtime premium if they could not fulfill their production quota in normal working hours. No actual practice was found during this audit. The factory explained that this was never carried out and it was just used to motivate workers.	Employee handbook	Complete- requirement removed from the handbbok	Supplier confirmed that corrective action was taken on 8/23/2011
(Completed/Aug. 12, 2011) Based on document review and an interview with management & workers, it was confirmed that workers' IDs would be checked by HR department. Copies of the ID copies are kept in factor and the information between workers' registration and ID copies were accurate and consistent.	Personnel files including ID copies, Registration records	Complete- ID is verified to assure compliance	
(Completed/Aug. 12, 2011) Document review revealed that the factory had a written policy on age verification.	Factory rules	Complete- policy exists	

(Completed/Aug. 12, 2011) As confirmed by worker interviews and document review, currently the factory used warning, minor offense, major offence, demotion and termination as disciplinary measures, and no fines were applied for workers. The disciplinary measures were stipulated in the employee handbook, and both management and workers knew about it.	Employee handbook	Complete- monetary fines are no longer in place	
(Completed/Aug. 12, 2011) Document review revealed that the factory had a grievance system for workers to raise complaints.	Grievance policy, procedure and records	Complete- process exists for grievance	
(Completed/Aug. 12, 2011) Document review revealed that the factory had a written policy and procedure on prohibition of harassment and abuse.	Factory rules	Complete- process exists	
(Completed/Aug. 12, 2011) Document review revealed that the factory had a written policy and procedure on prohibition of discrimination.	Factory rules	Complete- policy exists	
(Ongoing/Aug. 12, 2011) The factory just trained some workers on how to use fire fighting equipment (e.g. fire extinguishers and fire hoses) in 2010. The factory had not established a volunteer fire prevention and control team.	Training records	Complete- safety training program exists	Supplier confirmed that training takes place every year. (Also see downloaded fire prevention certificate).

<p>(Pending/Aug. 12, 2011) As confirmed by walkthrough, no MSDS posted where the hazardous chemicals (e.g. 717 glue and lubricant oil) were used.</p>		<p>Complete- MSDS sheets are in place, and management walked through to verify</p>	<p>Supplier confirmed that all MSDS posted as of 8/24/2011</p>
<p>(Ongoing/Aug. 12, 2011) 1) Evacuation routes were marked clearly with yellow lines and green arrows in all workshops. 2) Although evacuation plans were posted at each workshop they were not clear. There was no firefighting equipment. There was no emergency contact list marked on the evacuation plans. 3) On site observation found that one out of two exits in packing workshops, and one out of two exits in material warehouse were blocked by goods.</p>	<p>Evacuation plan</p>	<p>Complete- evacuation and training processes are in place, and all exits were cleared.</p>	<p>The supplier confirmed this as corrected on 8/22</p>
<p>(Completed/Aug. 12, 2011) First-aid kit with sufficient items was equipped in each workshop. A Red Cross committee arranged first-aid training for all employees in 2010. Among those trained workers, one worker obtained first-aid certificate issued by the Red Cross Committee.</p>		<p>Complete as indicated</p>	
<p>(Completed/Aug. 12, 2011) The factory regularly arranged fire evacuation drills for all employees. The last one was held in May 2011.</p>	<p>Records of fire evacuation drill</p>	<p>Complete as indicated</p>	
<p>(Completed/Aug. 12, 2011) It was confirmed by factory walkthrough that emergency lights were installed at all entrances of the workshops.</p>		<p>Complete as indicated</p>	

<p>(Completed/Aug. 12, 2011) It was confirmed by factory walkthrough that fire extinguishers were placed properly in boxes. All extinguishers were accessible in workplaces.</p>		<p>Complete as indicated</p>	
<p>(On-going/Aug. 12, 2011) On-site observation revealed that although punching machines operators were wearing earplugs properly, four workers using glue weren't wearing masks and gloves.</p>		<p>Complete- All employees advised again on importance of correct use of all provided safety equipment</p>	<p>Supplier advised that corrective action completed 8/26/11.</p>
<p>(Completed/Aug. 12, 2011) 1) Factory had a hazardous chemicals warehouse to store chemicals with clear identification. 2) Training records showed that workers received safety training on machinery, equipment, chemical and fire safety regularly.</p>	<p>Training records</p>	<p>Complete as indicated</p>	
<p>(Completed/Aug. 12, 2011) Factory had kept an injury log, even though there was no case of injury in the last 12 months.</p>	<p>Injury logs</p>	<p>Complete as indicated</p>	
<p>(Completed/Aug. 12, 2011) Document review found that the factory had written policy and procedure related to chemical and fire safety.</p>	<p>Factory rules</p>	<p>Complete as indicated</p>	

<p>(New finding/Aug. 12, 2011) The factory could not provide Construction Safety Inspection Certificates and Fire Safety Inspection Certificates for all production buildings and office building. This violates Article 13 of the China Fire Prevention Law and Article 61 of the China Construction Law respectively. Root cause: The management was not aware of present legal regulations on certificates.</p>		<p>Complete- certificates now available</p>	<p>Supplier reports corrective action completed 8/26/11.</p>
<p>(New finding/Aug. 12, 2011) On-site observation revealed that the factory used many extension wires for fans - this was very messy on the ground. And some of those electrical wires and electrical board were exposed. This violates Article 4.4 of the General Guide for Electrical Safety.</p>		<p>Complete- review of factory conducted. The factory meets the legal safety requirements, and conducts periodic review of operations for housekeeping deficiencies.</p>	<p>Supplier reports that all areas were cleaned on 9/19/11.</p>
<p>(Pending/Aug. 12, 2011) Based on document review and management interviews, it was found that there was one trade union in the factory. But the major function of the Trade Union is to organize entertainment activities, and it was under ACFTU, which was contrary to the fundamental principles of freedom of association of ILO standards if the factory had a trade union under ACFTU.</p>	<p>File of trade union</p>	<p>The factory meets the requirements of unionization for this region of China</p>	
<p>(Completed/Aug. 12, 2011) Document review found that the factory had written policy and procedure on freedom of association.</p>	<p>Factory rules</p>	<p>Complete as indicated</p>	

(Completed/Aug. 12, 2011) There were no temporary workers used and all workers were paid at least the local minimum wage.	Personnel files, Payroll and working hours records	Complete as indicated	
(Completed/Aug. 12, 2011) All workers were provided with pay slips while the wages were transferred into their bank cards.	Pay slips sample	Complete as indicated	
(Pending/Aug. 12, 2011) Workers still did not punch time cards during lunch break from 11:30 to 12:00.	Time records	Complete - workers are not required to punch out during lunch	
(Completed/Aug. 12, 2011) Through checking payroll and time records of July 2010 to June 2011, it was confirmed all workers enjoyed paid vacations according to factory policy, which comply with related legal requirements as well.	Payrolls and time records	Complete as indicated	
(Ongoing/Aug. 12, 2011) Via a review of social insurance receipts from August 2010 to August 2011: 218 out of total 229 employees were provided with five kinds of social insurance including pension, unemployment, medical, work-related injury, and maternity insurances. There were 11 retired workers who were not provided with any social insurance. Although the factory could not provide social insurance for those retired workers according to the current social security system in China, it is recommended that the factor provide commercial work related insurance for them.	Social insurance receipts	Complete- insurance is provided as required by law. Retired workers have a separate social insurance per the supplier	
(Completed/Aug. 12, 2011) Through checking payroll and time records of July 2010 to June 2011, it was confirmed all workers enjoyed paid leaves, such as sick leave, marriage leave, bereavement leave, maternity leave according to factory policy.	Payrolls and leave records	Complete as indicated	

<p>(Completed/Aug. 12, 2011) It was confirmed through document review and workers interview that all employees signed labour contracts with the employer and kept one copy with them.</p>	Labor contracts	Complete as indicated	
<p>(Completed/Aug. 12, 2011) It was confirmed through reviewing workers' labour contracts that workers would be paid at 150%, 200% and 300% of regular wage for overtime on weekdays, weekends and public holidays respectively according to the law.</p>	Labor contracts	Complete as indicated	
<p>(Pending/Aug. 12, 2011) Security guards in the factory were assigned in 3 shifts in each day, and time records showed that they had one day off per seven, which was confirmed through workers interview. But based on time records from July 2010 to July 2011, it was found that 10~20% of workers didn't have one day off in every seven days in about 20% of the weeks.</p>	Time records	Security guards are provided with time of, as per regulations. However as of 8/22/11 additional security guards are in place, and they receive 1 day off per 7 days.	

<p>(Pending/Aug. 12, 2011) Based on time records from July 2010 to July 2011, it was found that maximum daily overtime working hours was 4 hours and maximum monthly overtime working hours was 128 hours. Most workers worked 60 hours of overitme per month. The the highest overtime hours recorded were 128 hours in May 2011 and 125 hours in June 2011.</p>	Time records	Procedures are in place to assure max OT is not exceeded	
<p>(New finding/Aug. 12, 2011) Based on time records from July 2010 to July 2011, it was found that 60% of workers exceeded the weekly working hours amount of 60 hours. The highest amount recorded was 72 hours in June 2011.</p>	Time records	Procedures are i place to ensure that maximum OT is not exceeded	
<p>(Ongoing/Aug. 12, 2011) Security guards were paid an overtime premium according to local law requirement. But the payroll of the security guards could not be reviewed because they were hired directly by the security agency.</p>	Interviews	N/A- Security guards paid per local law	
<p>(Completed/Aug. 12, 2011) Based on checking the payroll from July 2010 to June 2011, it was found that the overtime rate was calculated based on the basic wage (at least local minimum wage). Piece rate was used for calculating of performance bonus.</p>	Payrolls	Complete- Wages calculated per local labor laws	

<p>(Pending/Aug. 12, 2011)</p> <p>There was still no contract between the factory and the subcontractors for reviewing during this audit. The factory could not provide evidences to demonstrate that they monitoring the compliance performance of subcontractors.</p> <p>Remark: No illegal subcontractor was found in the factory. The above-mentioned subcontractors are <u>external raw materials suppliers - including plastic raw</u></p>		N/A- no illegal subcontractor found	
<p>(Ongoing/Aug. 12, 2011)</p> <p>The factory only provided occupational licenses for 2 out of 6 security guards.</p>	Certificates	N/A- certificates received	