



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Asics
COUNTRY: China
FACTORY CODE: 4000151032I
MONITOR: Verite China
AUDIT DATE: August 26, 2010
PRODUCTS: Machinery
PROCESSES: Punching, Polishing, Spray-
Painting, Assembly, Packing
NUMBER OF WORKERS: 38



CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____	3
Wages, Benefits and Overtime Compensation: Minimum Wage _____	5
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation _____	6
Wages, Benefits and Overtime Compensation: Record Maintenance _____	7
Forced Labor: Employment Records _____	8
Forced Labor: Forced Overtime _____	10
Freedom of Association: Right to Freely Associate _____	12
Harassment or Abuse: Discipline/Monetary Fines and Penalties _____	14
Non-Discrimination: Medical Examination _____	15
Health and Safety: Evacuation Requirements and Procedure _____	16
Health and Safety: Safety Equipment and First Aid Training _____	17
Health and Safety: Personal Protective Equipment _____	18
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness _____	20
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance _____	21
Hours of Work: General Compliance Hours of Work _____	22
Hours of Work: Rest Day _____	24



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

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1) The factory does not provide legally mandated paid annual leave and sick leave to workers. Although factory has the policies for paid annual leave and sick leave, factory management reported that workers had not been provided with paid annual leave and sick leave. The factory does not have any record of paid leave for review. All workers interviewed reported that they had not been provided with paid annual leave and sick leave and they were not aware of the factory's policies on different types of leave.

2) The most recent social security insurance receipt showed that all employees participated in injury insurance and medical insurance. Only 24 out of 63 employees participated in retirement insurance and unemployment insurance. No employee has participated in maternity insurance. According to national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory.

Legal References: PRC Labor Law Article 72 stipulates that the employer and workers must participate in social insurance and pay social insurance premiums in accordance with the law; Article 73 stipulates that labor shall enjoy social insurance benefits that cover the following items: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment; and e) maternity

Plan Of Action: January 25, 2011:

1) Factory will provide annual paid leave and paid sick leave to all workers.

2) Factory will ensure all workers participate in the social security program through a gradual improvement plan.

Deadline Date: 12/30/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010:

1) Factory will review and adjust their existing holiday system, but will start providing a holiday subsidy.

2) Factory will gradually increase the amount of participants in the social security program including the voluntary program.



October 2011: Factory submitted their CAP on worker's participation in the social security program. The factory aims to have 40% of workers participate in pension and unemployment insurance by December 2010, and have 15% of workers participate in parental insurance by December 2011. The factory aims to have 60% and 30% of its employees participate in these insurances by December 2012, respectively, and have 80% and 60% participation rates by December 2013, respectively. Ultimately the factory aims for a 100% participation rate for pension, unemployment and parental insurances by December 2014.

Supplier CAP 10/01/2011

Date:

Action Taken: Finding 1) July 25, 2011: Factory is considering allowing paid leave as prescribed by law using a holiday subsidy.

Finding 2) July 25, 2011: Half implemented: Factory is successively increasing the social security contribution rate. The current figures and plan will be reported afterwards.

October 2011: No progress has been found for Finding 1.

Half implemented: Finding 2) 100% of factory workers participated in the industrial injury and medical insurance. Pension and unemployment insurances are provided for 17 workers, or 35%, of all workers. Parental insurance is not provided yet in 2011.

Plan Complete: No

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Noncompliance

Explanation: The factory calculates workers' hourly wages based on 22 working days per month (the legal average number of working days in a month is 21.75), which caused the normal hourly wage being lower than the legal minimum wage standard. The local minimum wage is set at RMB 920 per month, which yields a minimum hourly wage equal to $920/21.75/8 = \text{RMB } 5.29$ per hour. The factory paid workers RMB 920 as their basic standard wage. However, when using 22 working days per month to calculate the workers' basic hourly wage, the hourly wage for workers is $920/22/8 = \text{RMB } 5.23$, which is slightly less than the local minimum hourly wage standard. Full-attendance workers should get RMB 920 a month as their regular wage. But workers could be underpaid for their regular wages if they had any causal leave. For instance, if a worker worked 15 days in a certain month, his wage will be calculated as $5.23 * 8 * 15 = \text{RMB } 627.60$, but based on the legal minimum hourly wage, his wage will be $5.29 * 8 * 15 = \text{RMB } 634.80$. This situation could occur when a worker is hired in the middle of a month.

Plan Of Action: January 25, 2011: Factory should calculate the hourly wage base by dividing the monthly minimum wage by 174 hours per month (8 hours x 21.75 days/month).

Deadline Date: 12/30/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2011, the factory will pay the hourly wage, as well as the overtime premium, therefore properly compensating all workers and complying with the Chinese Labor Law.

Supplier CAP Date: 12/30/2011

Action Taken: July 25, 2011: Since February 2011, hourly wage and overtime payments for all employees are based on the hourly minimum wage, which is calculated legally from the legal minimum wage.

Plan Complete: Yes

Plan Complete Date: 02/28/2011

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: The factory paid workers in the mechanical department fixed monthly wages including overtime wages. However, the factory also set a 48-hour overtime quota on regular days and a 60-hour overtime quota on rest days. Workers who meet this quota will get their fixed wage. If workers have not reached the overtime quota, their wages will be deducted accordingly. If the overtime hours exceed the quota, additional overtime wages will be paid. For instance, the payroll records for June 2010 indicate that 1 worker had 49 overtime hours on normal workdays and 67.5 overtime hours on rest days. This worker was paid overtime wages for 1 overtime hour on normal workdays and 7.5 overtime hours on rest days according to the legal overtime rate, in addition to his fixed monthly wage of RMB 2250. Another worker had 48 hours overtime on regular days and 55.5 overtime hours on rest days, which is 4.5 hours less than the quota. Therefore, the factory deducted 4.5 overtime hours of rest day wages from the worker's fixed monthly wage.

Auditors found that the factory underpaid overtime wages to some workers with lower fixed monthly wages. For instance, the payroll record of June 2010 indicated that the basic wage standard for 1 worker was RMB 920 per month. Since this worker works full attendance hours, his base wage should be RMB 920. Also he worked 48 overtime hours on regular days and 69 overtime hours on rest days, so his overtime wage should be $5.29 \times 48 \times 1.5 + 5.29 \times 69 \times 2 = \text{RMB } 1110.90$, and his total wage for that month should be $920 + 1110.90 = \text{RMB } 2030.90$. The factory accountant reported that the actual monthly wage for this worker is fixed at RMB 1750, so this month his total salary is $1750 + 9 \text{ hours rest day overtime wage}$. The payroll record showed that the factory paid RMB 910 in addition to RMB 920 for a total RMB of 1830, which is lower than the legal standard.

Plan Of Action: January 25, 2011: Factory recommends compensating their employees fairly by providing wages, benefits and overtime pay for their work.

Deadline Date: 01/28/2011



Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will compensate hourly rate workers fairly and pay the correct rate of pay for each day they worked. Factory will keep a complete time card, controlling for fixed salary workers. After the factory review, it was observed that it was hard to capture all the working hours of the mechanical department workers. This might be the reason the auditor reported the compensation was lower than the legal standard. These may be why the auditor's assessment for time recording is incomplete and non-compliances were reported for compensation.

Supplier CAP Date: 12/01/2010

Action Taken: July 25, 2011: The factory paid all the compensation that the mechanical department workers were entitled to with fixed monthly wages. Factory required all workers to ensure punch-in and punch-out voluntarily. The workers punch the time card 4 times in a day. When they work overtime hours, they punch the clock 6 times. The person responsible for the time recording checks once a month to see if any workers forget to punch the clock. If there are no punches, the responsible person talks with the worker and his boss to try to understand why there are no punches.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Noncompliance

Explanation: The factory provided the attendance records from April 2010 up to the audit date. The attendance records before April 2010 were allegedly lost because of the personnel change in HR department.



Plan Of Action: January 25, 2011: Asics informed the agent on September 16, 2010 that the factory shall keep precise and complete wage and working hour records, in good condition, including government-registered records and related documents for at least 1 year.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will keep the wage, working hour and government certifications for at least 1 year.

Supplier CAP Date: 12/30/2010

Action Taken: July 25, 2011: Since October 2010, the factory has started keeping documents including payroll, working hour, and government registration documents, etc. and keeps them for more than 1 year.

Plan Complete: Yes

Plan Complete Date: 10/29/2011

Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation: Over 50% of employment contracts did not cover 1 or more items required by Chinese law, such as a contract period, probation period, basic wage, pay date, a job description and the place of work, labor protections, working conditions and protection against occupational hazards.



Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that the factory has been recommended to enter into an employment contract with all of their workers based on local legal regulations regarding wages, working hours, contract periods, pay dates, job descriptions and the place of work, labor protections, working conditions and protection against occupational hazards.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will enter into an employment contract with all of their workers based on Chinese local law regarding wages, working hours, contract periods, pay dates and other articles.

Supplier CAP Date: 11/30/2010

Action Taken: July 25, 2011: The factory has provided a contract copy to workers according to the law. Factory enters into contracts with new employees as well.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

Forced Labor: Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Noncompliance

Explanation: Workers have to send in requests for leave from overtime hours, or they will be punished for their unexcused absences during overtime hours. A disciplinary record indicated that 1 worker did not work on August 7th 2010 (Saturday), and the factory treated it as absenteeism and issued the worker a fine. According to the factory's Employee Management Manual, anyone who is absent from work without a permit is given a serious demerit and fined RMB 50. Workers interviewed reported that they had to request time off during overtime to get the permit. Usually, superiors approve their leave applications, except during peak production periods.

Plan Of Action: January 25, 2011: Asics informed an agent on September 16, 2010 that the factory recommended reducing the overtime work gradually to meet the labor law regulations. An overtime application sheet shall be given to all the workers. Their signatures will be collected to confirm it is voluntary overtime work.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will provide the voluntary overtime application sheet, communicate the voluntary overtime policy to the workers, and make all workers and management aware of the policy to avoid forced labor and ensure freedom of movement.

Supplier CAP Date: 12/01/2010



Action Taken: January 25, 2011: The factory said that they confirmed the desire of the workers to work overtime to make sure they weren't being forced. Factory made a procedure and system for overtime work. When the worker agrees to do an overtime job, they sign the overtime application form. If they wish to not work overtime, they do not need to sign and can go home. The training on overtime procedures is continuously conducted with the supervisors and the rules on overtime jobs are posted in the workplace. The rules indicate: an overtime job must only be done on a worker's voluntary will. It is requested that the factory have workers sign the overtime application form if they agree to the overtime job. Freedom of movement should be respected, and he/she shall be free to go home without forcing the overtime job on him/her. All workers, supervisors and managers have had the overtime policy, procedure and rules explained to them. Supervisors are told that they are not allowed to put any pressure on workers when they collect the overtime application form from them.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

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: 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 of consulting 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.

Plan Of Action: January 25, 2011: Asics informed an agent on September 16, 2010 that they recommend that the factory create a worker representation system and provide opportunities for listening to employees' opinions, suggestions and grievances; therefore:

A. Factory is recommended to establish a channel in which workers are represented.

1) Factory is recommended to facilitate dialogue between the employer and the employee.

1.1) Factory is recommended to have an open-minded written policy and a channel for communicating complaints directly.

1.2) Factory is recommended to make direct consultation channels available in the HR division.

1.3) Factory is recommended to set up grievance boxes.

2) Factory is recommended to establish a forum for dialogue between the employer and the employee.

2.1) Factory is recommended to have a written policy available for the system of dialogue between the employer and the employee.

2.2) Factory is recommended to establish the labor-management committee and the health and safety committee, then hold committee meetings regularly.

2.3) Factory is recommended to establish a consultation window in the workers' union and communicate to workers that they have the freedom to build up their own union

B. Workers' opinions and grievances shall be collected and paid attention to;

1) Factory is recommended to post their responses.

1.1) Factory is recommended to record monthly grievances and the factory reactions to these grievances.

1.2) Factory is recommended to analyze the content of the grievances and review the reactions to these grievances annually.

**Deadline
Date:** 11/30/2011

**Supplier
CAP:** October 2011: NO PROGRESS has been found.

**Supplier CAP
Date:**

**Action
Taken:** January 25, 2011: According to what the factory reported on November 17, 2010, they are having internal discussions and are considering the CAP.

**Plan
Complete:** No

**Plan
Complete
Date:**

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: The factory issues monetary penalties as 1 of its disciplinary measures. For example, 1 disciplinary record that was found indicated that 1 worker, who left his work post for a few minutes and chatted with others during operation on July 27, 2010, had RMB 10 deducted from his wage. Worker and management interviews confirmed that the factory has issued monetary penalties.

Plan Of Action: January 25, 2011: Asics informed the agent on September 16, 2010 that they recommend that the factory abandon punishing workers via fines and adopt a progressive discipline system instead.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will end the fines for workers completely and adopt a progressive discipline system instead as a formal approach.

Supplier CAP Date: 12/01/2010

Action Taken: July 25, 2011: The factory said they abolished the fine penalty system according to the local law. The written policy was created according to the law and the factory made all workers aware of this policy.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

Non-Discrimination: Medical Examination

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

Noncompliance

Explanation: HR staff reported that applicants had to provide a hepatitis B antigen serologic testing report. The factory would refuse to hire applicants with positive test results. The factory management was aware of laws on prohibition of HIV testing in the hiring process, but they were worried that these workers could easily infect other people. The medical examination reports indicated that all in-service workers were not hepatitis B antigen carriers. During the discussion with the factory management, it was noted that they did not clearly understand the principle and routes of infection of the hepatitis B virus.

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that it is up to the factory whether they want to conduct a health check for new workers during the hiring process in order to identify their physical condition and capabilities. However, it is recommended that the factory does not use the health check results in deciding whether to hire or not. Factory is recommended to make use of the health check for the health care system and deciding where to place the worker after they are hired.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will review the hiring procedures and will not ask applicants for hepatitis B virus test records during the hiring process.

Supplier CAP Date: 12/01/2010

Action Taken: July 25, 2011: The factory is not asking applicants for hepatitis B virus test records during the hiring process anymore.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: The facility did not prominently post the evacuation route map in the working areas.

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that they recommend that the factory post a fire plan in every work area and ensure all workers are aware of this fire plan.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will provide and post fire plans in every work area and make sure all workers are aware of this fire plan.

Supplier CAP Date: 11/30/2010

Action Taken: January 25, 2011: Factory has posted fire plans in every work area and has implemented worker awareness efforts.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

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) Onsite inspection revealed that a first aid kit in the carpentry workshop was almost empty. Some medicines and equipment was missing or used up, such as cotton balls, bandages, and disinfecting/antiseptic agents.

2) 4 out of 6 randomly inspected fire extinguishers in the carpentry workshop were not properly charged.

Legal Reference: Fire Prevention Law of the Peoples Republic of China, Article 16 3. The facility did not install exit lights on top of the emergency exits in all the working areas.

Legal Reference: Code for fire protection design of buildings GB50016-2006, Article 11.3.4.1

Plan Of Action:

January 25, 2011: Asics informed their agent on September 16, 2010 that:

1) Asics recommends that the factory provides a first aid kit in every work area and periodically replenishes the medicines that are in short supply.

2) Factory is recommended to provide fire extinguishers in every work area for the initial stages of a fire. Factory is also recommended to conduct regular maintenance of the fire extinguishers.

3) Factory is recommended to place visible emergency exit signs at the exits and to get ready for emergencies and fire breaks out.

Deadline Date:

02/28/2011

Supplier CAP:

January 25, 2011: According to what the factory reported on November 17, 2010:

1) Factory will replenish the medicines in the first aid kits periodically.

2) Factory will carry out fire extinguisher inspections in all the work areas and arrange replacements for fire extinguishers that are not discharging.

3) Factory will install the emergency exit signs where necessary.



Supplier CAP 11/30/2010

Date:

Action Planned completion date for item 1 above is September 30, 2010.

Taken:

July 25, 2011: Finding 1) Factory has replenished the medicines of the first aid kit. They reviewed the procedure of the health and safety committee and appointed a newly responsible person. This person regularly checks the fire preventive equipment and first aid kits, and keeps the logs. Workers including new employees participate in fire and evacuation drills as well as first aid drills.

Finding 2) Factory has completed all fire extinguisher inspections and replacements. They reviewed the health and safety committee procedure and appointed a newly responsible person. This person regularly checks the fire preventive equipment and first aid kits, and keeps the logs.

Finding 3) Factory has installed emergency exit signs where necessary. They reviewed the health and safety committee procedure and appointed a newly responsible person. This person regularly checks the emergency exit signs, and keeps the logs.

Plan Yes

Complete:

Plan 07/25/2011

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: 1) The facility does not provide steel gloves for band saw operators. Onsite inspection revealed that the band saw operators used their bare hands to hold materials approaching the moving saw blade; some of these materials were small and operators' hands needed to be in the position less than 5 cm from the saw blade. Management reported that all operators are well trained and very careful, and that none of the operators have been injured before, so the factory does not provide steel gloves for these operators.



Legal References: Production Safety Law of P.R. China, Article 37; and PPE Administrative Provisions, Article 19

2) Onsite inspection revealed that the facility does not post warning signs or diagrams in appropriate areas that indicate the need to use PPE.

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that:

1) Factory recommends providing free safety gloves for all of the cutting operators. When they get worn out, new safety gloves should be provided.

2) Factory recommends posting illustrations that ask workers to wear PPE to prevent chemical exposure.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010:

1) Factory will provide free safety gloves to all of the cutting operators.

2) Factory will post visible illustrations that request workers to wear PPE during cutting operation.

Supplier CAP Date: 11/30/2010

Action Taken: 1) January 25, 2011: Factory has provided safety gloves to all of the cutting operators. A supervisor is responsible for making sure the workers wear the gloves during work time. They reviewed the health and safety committee procedure and appointed a newly responsible person. This person regularly checks the personal protective equipment (PPE) in the workplace. Workers, including new employees, receive training on wearing the PPE.

Finding 2) Factory has posted a visible illustration that requests workers to wear PPE during work.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

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

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: Onsite inspection and document review revealed that no MSDS for "EP330 host agent" and "EP330 hardening agent" is posted or on file. Management reported that the company provided this host and hardening agent, and the company did not give the factory an MSDS for them. Management further stated that the factory will acquire the MSDS for these 2 chemicals from the company and will establish the necessary protective procedures.

Sources: onsite inspection and document review

Legal Reference: Workplace Chemical Safety Provisions, Article 12

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that they recommend that the factory post the Material Safety Data Sheets (MSDS) in the workplace that warn of the use of hazardous chemical substances. Factory also recommends organizing a training on hazardous chemical use and ensuring that workers are aware of the toxicity of the chemicals, risks involved in using them, how to appropriately use PPE, and initial first aid measures that can be taken when exposed to chemical substances.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will post the MSDS in the areas where the relevant chemicals are used and will organize awareness trainings for chemical use workers.

Supplier CAP Date: 11/30/2010

Action Taken: July 25, 2011: Factory has posted Material Safety Data Sheets (MSDS) in the areas where the chemicals are used. The awareness training is given orally to workers regarding chemical use and PPE use.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

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) Onsite inspection revealed that in the carpentry workshop, there is a strand of electrical wire hanging from the ceiling, with electrical tape wrapped to the end.
2) There are switches missing in the cover panels in the carpentry workshop and other workshops.

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that:
1) Factory is recommended to wrap the wires with electrical tape to avoid risk of electrical shock or risk of fire.
2) Factory is recommended to cover the electric switchboard completely, and prevent an electrical fire from the dust.

Deadline Date: 02/28/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010:
1) Factory will wrap the wires with electrical tape and take care of the wires hanging from the ceiling.
2) Factory will repair the cover of the electric switchboard.

Supplier CAP Date: 11/30/2010

Action Taken: Finding 1), 2) Factory has wrapped the wires with electrical tape and repaired the cover of the electric switchboard. These items are inspected regularly through internal audits.

Plan Complete: Yes

Plan Complete Date: 07/25/2011

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: As a normal practice, the factory operated 28 days a month. Most workers had 70-100 overtime hours monthly. The payroll records indicated that most workers had 100-130 overtime hours a month. Sometimes, workers worked 3.5-5 overtime hours on regular working days. For instance, the attendance record indicated that 1 worker had 5 overtime hours on June 1, 2010 and a total of 116.5 overtime hours in June 2010. Auditors noted an exceptional case - 14 workers in the carpentry workshop had only 24 overtime hours in the first half of the month of July 2010, while workers usually had around 50 overtime hours semi-monthly.

Legal Reference: PRC Labor Law Article 41 stipulates that the employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hours for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, the extended hours shall not exceed 3 hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed 36 hours.

Plan Of Action: January 25, 2011: According to what the factory reported on November 17, 2010, dramatic reduction of overtime work may cause dissatisfaction and conflict with workers since it will possibly result in a fall in their income. Factory is recommending a gradual reduction of overtime. For a 1-year trial, the factory is recommending that they implement a 10% reduction plan for overtime. Factory will review the past working hour records and plan the reduction schedule for weekly total working hours. After the first year, the plan will be evaluated and further steps to reduce overtime will be developed.

Deadline Date: 09/30/2011



Supplier CAP: January 25, 2011: Asics informed their agent on September 16, 2010 that Asics stipulates that overtime working hours shall comply with the local labor standard. Factory recommends complying with the Chinese labor law, which regulates overtime to 36 hours in a month. According to the high season/low season period, it is recommended that the factory make a reduction plan for the total working hours according to the Asics CoC and local law.

Supplier CAP Date: 12/30/2010

Action Taken: July 25, 2011: Factory said they are reducing the overtime hours gradually. They said workers understand the overtime policy and that overtime is voluntary. The factory is aiming to meet the legally stipulated 36 overtime hours per month at the end of 2014. First, they will reduce overtime 10% by the end of 2011.

Second stage: reduce overtime 20% by the end of 2012. Third stage; reduce overtime 25% by the end of 2013.

Final stage: reduce overtime 30% or more at the end of 2014. October 2011: NO PROGRESS has been found.

Plan Complete: No

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: As a normal practice, the factory operated 28 days a month. Workers worked 6-7 days a week. The attendance records indicated that workers worked 8-15 consecutive days in all months. For instance, the attendance records for April 2010 indicated that 1 worker worked 12 consecutive days from April 6 to April 17 and worked 12 consecutive days from April 19 to April 30. The factory management reported that every month they scheduled a rest day in the middle of a month and another rest day at the end of a month. Workers interviewed reported that they normally work on Saturdays, and some Sundays. They can have 1 to 2 days off each month.

Plan Of Action: January 25, 2011: Asics informed their agent on September 16, 2010 that the factory is recommended to provide 1 day off in 7 days. A detailed plan for avoiding Sunday work shall be developed and implemented including improving capacity and/or effectiveness, and better planning.

Deadline Date: 12/30/2011

Supplier CAP: January 25, 2011: According to what the factory reported on November 17, 2010, the factory will provide all workers 1 day off in 7 days.

Supplier CAP Date: 11/01/2010

Action Taken: July 25, 2011: Factory reported that they are providing 1 day off in 7 days. Factory announced to all workers that they are not allowed to work on rest days during the peak season if their boss does not approve it. Factory is planning to set up an overtime reduction plan with an effective production plan.

Plan Complete: Yes

Plan Complete Date: 07/25/2011