



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: SanMar Corporation
COUNTRY: China
FACTORY CODE: 650015983GV
MONITOR: Social Compliance Service Asia
Ltd.
AUDIT DATE: December 13, 2011
PRODUCTS: Garments
PROCESSES: Cutting, Sewing, Pressing,
Inspection and Packing
NUMBER OF WORKERS: 174

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



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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: In accordance with PRC Labor Law Article 72, the employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with the law; and according to Article 73, laborers shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by work-related injury or occupational disease, d) unemployment; and e) child-bearing. Therefore, according to this national law, all 5 types of social insurance mentioned above should be provided for all employees of a factory. It was noted that all employees participated in disability caused by work-related injury or occupational disease insurance, but only 38 out of 139 employees participated in retirement insurance and illness or injury insurance, and no worker was covered by both unemployment insurance and child-bearing insurance. (However, a waiver was provided during the assessment.)

*Note: As per the factory management, it was noted that all workers (local and migrant workers from other provinces) could participate in all 5 types of social insurance.

Sources: document review and management interviews

Plan Of Action: Factory shall provide all legally mandated holidays, leave, benefits and bonuses to all eligible workers within the legally defined time periods. While a short-term waiver for certain benefits has been provided by the local government, the factory is requested to increase the social insurance participation to include retirement insurance and illness or injury insurance and all other required social insurance amounts as required by the PRC Labor Law. While the factory has indicated that the local government has not advised them of when the plan needs to achieve 100% participation, the factory has agreed to increase the participation rate gradually over the next few years and we have agreed that SanMar will review the progress during future monitoring visits.

Deadline Date: 07/31/2012

Action Taken: SanMar conducted a follow-up audit in July 2009, noting 37 out of 168 employees had participated in retirement insurance and illness or injury insurance schemes, and 164 out of 168 employees had participated in work-related injury or occupational disease insurance. No employees had participated in unemployment and maternity insurance schemes. While this is a vast improvement in benefits, the factory continues to agree to work towards 100% participation and has agreed to increase participation by at least 10% per year until all workers are covered.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending during the IEV (independent external evaluation) on September 21, 2011 by SCSA (the auditor):

Due to the absence of the responsible person in charge, the factory management was not able to provide any documentation for review for this IEV. Audit team was therefore not able to verify the social insurance status in the factory.

Ongoing items during the follow-up visit on December 13, 2011: Based on the insurance receipt provided for the contribution made on October 2011, the factory provided work-related injury insurance to 174 workers out of 174, pension insurance and medical insurance to 83 workers, and no maternity or unemployment insurance to workers. Factory management presented a waiver issued in May 2011 for review during the audit. However, the waiver was not legal according to the Chinese Labor Law/Chinese Labor Contract Law/Chinese Social insurance Law.



Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory is aware of the legal standard for social insurance and has increased the number of workers participating. Factory commits to increasing the social insurance coverage continually and has agreed to progressively work towards full participation over a 3-year period, even if the government is willing to provide waivers.

Ongoing: SanMar conducted a follow-up audit in June 2013. Factory is increasing the participation of social insurance. All (199) employees had participated work-related injury or occupational disease insurance. 97 employees had participated retirement insurance and illness (medical) insurance. 33 employees had participated unemployment insurance. No employees had participated child-bearing insurance.

Plan of Action: Factory continues to work towards 100% participation and agrees to increase participation by at least 10% per year until all employees are covered.

Completion Date: 12/31/2014



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: New Finding: The factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday work hours were not indicated on the workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate that the factory has paid these work hours. Corresponding workers were interviewed to corroborate the issue.

**Plan Of
Action:**

Factory shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. Factory has explained that the majority of these issues are the result of human error and a lack of accurate documentation procedures. Factory is requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that payment for all hours worked meets the legal requirements. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.



Deadline Date: 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the responsible employees in order to ensure all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found and the payroll records show that the legal minimum wages have been paid accurately to workers.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending during the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time record provided and factory management information, 1 working shift was running for all working sections. The regular working hours were 7:30 to 11:30, 13:00 to 17:00. 2 hours of night overtime were conducted 2 or 3 times per week and 8 hours of Saturday overtime is also arranged frequently. Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of workers from January 2011 to November 2011 were kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours during this period was therefore up to 86 hours per week.



However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified. For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data, is critical. The factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor the factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. Legal minimum wage was paid to all employees. The last employee handbook training was conducted on April 18, 2013.



Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

Explanation: The factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as broken needle records and daily inspection records) showed that workers from the sewing section and inspection section worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday work hours were not indicated on the workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Sources: production records, worker interviews

Plan Of Action: The factory shall pay workers for all hours worked. The factory has explained that the majority of these issues are the result of human error and lack of accurate documentation procedures. Factory is requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that payments for all hours worked meets the legal requirements; SanMar also wants to ensure that payment is calculated by taking into account all the time that the factory allows or requires the workers to work. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found and payroll records show that all hours have been calculated and paid accurately to workers.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV visit on September 21, 2011 by SCSA (auditor): Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending at the time of the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time record provided and factory management information, 1 working shift was running for all working sections. The regular working hours were 7:30 to 11:30, 13:00 to 17:00. 2 hours of night overtime were conducted 2 or 3 times per week and 8 hours of Saturday overtime is also arranged frequently. Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of workers from January 2011 to November 2011 were kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours during this period was therefore up to 86 hours per week.

However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified. For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

**Action
Verified
Date:** 12/13/2011

**Follow Up
Plan of
Action:** IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. All hours worked were paid correctly. Last employee handbook training was conducted on April 18, 2013.

Completed: 06/19/13

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

Noncompliance

Explanation: [New Finding:](#) The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production Records (such as, broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday work hours were not indicated on the workers' time card records. Moreover, there is no information on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: The factory shall pay workers for all hours worked. The factory has explained that the majority of these issues are the result of human error and lack of accurate documentation procedures. Factory is requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that payments for all hours worked meets the legal requirements; SanMar also wants to ensure that payment is calculated by taking into account all the time that the factory allows or requires the workers to work. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged by the fact that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found and payroll records show that legal wages have been calculated and paid accurately to workers.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time record provided and factory management information, 1 working shift was running for all working sections. The regular working hours were 7:30 to 11:30, 13:00 to 17:00. 2 hours of night overtime were conducted 2 or 3 times per week and 8 hours of Saturday overtime is also arranged frequently.



Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of workers from January 2011 to November 2011 were kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours during this period was therefore up to 86 hours per week. However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified.

For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. All hours worked were calculated and paid correctly. Last employee handbook training was conducted on April 18, 2013. Completed: 06/19/13



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: New Finding: The factory provided attendance records and payroll records, which were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday working hours were not indicated on workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

**Plan Of
Action:**

Factory shall comply with all applicable laws, regulations and procedures governing the payments of premium rates for work on holidays, rest days and overtime. The factory has explained that the majority of these issues are the result of human error and a lack of accurate documentation procedures. The factory is requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that premium rates, if applicable, are accurately calculated and paid appropriately to workers as prescribed by the local legal requirements. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

**Deadline
Date:** 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found and payroll records show that overtime premium was paid correctly. Factory paid 150%, 200% and 300% of the basic wage for overtime work on weekdays, rest days and statutory holidays, respectively, per the legal requirement.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that factory used paper time card system to record workers' attendance. Based on time record provided and factory management information, it was 1 working shift was running for all working section, the regular working hours were in between 7:30 to 11:30, 13:00 to 17:00, 2 hours night overtime were conducted 2 or 3 times per week, 8 hours Saturday overtime also is arranged frequently. Based on the time record provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, Hence, the weekly working hour of workers in January 2011 to November 2011 was kept at the level from 52 to 54, the max consecutive working day was 6 days. As per time record of Dec 2011, it was found that some workers were required to work consecutively from November 28, 2011 to Dec 10, 2011 total 13 days and the weekly working hours in this period was therefore up to 86 hours per week.



However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified. For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. Overtime hours were calculated and overtime premium was paid correctly. Last employee handbook training was conducted on April 18, 2013. Completed: 06/19/13



Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: New Finding: The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday working hours were not indicated on workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: Factory shall accurately calculate and record wage compensation. The factory has explained that the majority of these issues are the result of human error and lack of accurate documentation procedures. The factory is requested to improve its monitoring and recording systems to ensure all information is accurate and consistent. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that calculations and recordings of wage compensation are accurate. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged by the fact that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found and payroll records show that all wages have been paid accurately.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time record provided and factory management information, 1 working shift was running for all working sections. The regular working hours were 7:30 to 11:30, 13:00 to 17:00. 2 hours of night overtime were conducted 2 or 3 times per week and 8 hours of Saturday overtime is also arranged frequently. Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of workers from January 2011 to November 2011 were kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours during this period was therefore up to 86 hours per week.



However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified.

For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. All payments were calculated and recorded accurately. Last employee handbook training was conducted on April 18, 2013. Completed: 06/19/13



Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday working hours were not indicated on workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: Factory shall take full responsibility to ensure that the maintained payroll records are authentic and accurate. This is a requirement of continuing business with SanMar and any identified issues of false or fraudulent payroll records will result in the termination of business. Factory has explained that the majority of these issues identified by the monitor are the result of human error and a lack of accurate documentation procedures and not the result of hidden or multiple payroll records. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that the maintained documentation is authentic and accurate. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged by the fact that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012



Action Taken: The inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and the employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation.

Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefits status during this audit.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time record provided and factory management information, 1 working shift was running for all working sections. The regular working hours were 7:30 to 11:30, 13:00 to 17:00. 2 hours of night overtime were conducted 2 or 3 times per week and 8 hours of Saturday overtime is also arranged frequently. Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of workers from January 2011 to November 2011 were kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours during this period was therefore up to 86 hours per week.

However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment record provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified.

For instance, based on the workers' in-and-out record obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, during the month of July and September 2011.

**Action
Verified
Date:** 12/13/2011

**Follow Up
Plan of
Action:** IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. All records were maintained accurately and correctly. Last employee handbook training was conducted on April 18, 2013.



Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Uncorroborated Evidence of Noncompliance

Explanation: 1) Uncorroborated evidence of New Finding: In accordance with the PRC Labor Contract Law Article 10, a written employment contract shall be included in the establishment of an employment relationship. Where an employment relationship has already been established, but no written employment contract has been included, a written employment contract shall be included within 1 month of the employee's start date. It was noted that there were 3 workers that had not signed labor contracts with the factory.

Source: worker interviews

2) Uncorroborated evidence of New Finding: In accordance with PRC Labor Contract Law Article 16, an employment contract shall be agreed on by the employer and the employee and shall come into effect after the employer and the employee affix their signatures or seals on the text of the employment contract. The employer and the employee shall each hold 1 copy of the text of the employment contract. It was noted that 2 reported workers were not provided with the copies of the employment contract.

Source: worker interviews

Plan Of Action: The factory shall ensure that the written employment contracts are signed within 1 month of the initial employment date. In addition, SanMar has requested that the factory review all the worker files and identify any that do not have written agreements and to rectify the discrepancy by procuring an appropriately signed copy as soon as possible. Factory management also requested to review the worker orientation and hiring policies to ensure that the written policies include discussion of this revised policy to ensure employment contracts are included in the establishment of employment.

Deadline Date: 03/31/2009

Action Taken: Factory has appropriately entered into a signed employment contract with employees, including all new employees, within 1 month of the employment date. Employee personnel files were reviewed and it was found that the employment contracts are maintained and signed within 1 month of employment date. A copy of the signed employment contract is provided to employees for their records and per our interviews with workers, these new procedures are in place and operating effectively.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA (auditor): Due to the absence of the responsible person in charge, the factory management was not able to provide any documentation for review during this IEV. The audit team was therefore not able to verify the above previous finding. During worker interviews, workers reported that they were provided with a copy of the contracts.

Completed at revisit by SCSA on December 13, 2011:

- 1) During the audit, it was noted that the factory had signed the contract with the eligible workers.
- 2) Workers reported that the factory provided a copy of the labor contract to them.

Action Verified Date: 12/13/2011

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: [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 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 Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: Factory management shall recognize and respect the right of employees to have freedom of association and collective bargaining. Currently, the union in the factory is functioning as a grievance channel as well as representing workers in other employment functions. The factory is encouraged to enhance and expand the existing communication channels and train all workers on freedom of association; the factory should ensure the participation of both workers and managers in the development of these programs to ensure workers are clear on their rights of freedom of association. Training on policies and procedures for freedom of association shall be provided to all levels of workers, shall be refreshed at least annually and be given during all new employee orientations.

Deadline Date: 04/30/2012

Action Taken: Based on our review of documents and worker interviews, the factory has now established a written policy for recognizing and respecting freedom of association and collective bargaining. In addition, management provided a training on this new policy to all workers on June 15, 2009. We encourage management to hold a similar training session for new employees during orientation and at least annually with workers as well as continue to make improvements to enhance communication systems between management and workers.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documentation for review in this IEV. The audit team was not able to accurately verify the above previous finding and the condition of the trade union in China remained the same.

Ongoing at the time of the follow-up visit by SCSA on December 13, 2011: The function and role of the union under ACFTU has still remained the same. The workers were not given the right of strike in China and the union did not play an active role in collectively negotiating the workers' wages and benefits with the factory. No collective bargaining occurred related to wages and benefits. Though the union representatives reported being elected by the workers in each section, all representatives were management staff and no worker was elected to be a workers' representative. A meeting was held on an approximately quarterly basis and records were kept. The latest meeting was in September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: [IEV Plan of Action](#): SanMar acknowledges that the right to organize and bargain collectively in China does not meet the core ILO standards. We have discussed the matter with the factory management and respect that they follow the current local law and industrial practices of China concerning freedom of association and the establishment of employee unions. The factory continues to conduct freedom of association refresher training sessions for all levels of employees at least annually and during orientation for new employees.

Update July 2013

[Ongoing](#): SanMar conducted a follow-up audit in June 2013. SanMar acknowledges that the right to organize and bargain collectively in China does not meet the core ILO standards. Factory would continue to follow the current local law and industrial practices of China concerning freedom of association and the establishment of employee unions.

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: [New Finding](#): The factory trade union representatives were all office staff or supervisors, and do not include any production workers.

Sources: document review and management interviews

Plan Of Action: Factory shall not interfere with the election of trade union representatives and workers shall be given full freedom to elect all trade union representatives. SanMar encourages greater representation in the union for all employees and requests the factory to respond accordingly with a plan to ensure greater participation by the production workers. Training on policies and procedures for freedom of association shall be provided to all levels of workers, refreshed at least annually and be given during all new employee orientations.

Deadline Date: 04/30/2012

Action Taken: Based on our review of documents and worker interviews, the factory has now established a written policy for recognizing and respecting freedom of association and collective bargaining. In addition, management provided training on this new policy to all workers on June 15, 2009. While the factory follows Chinese law that governs freedom of association and collective bargaining, production workers have yet to be elected to the trade union. We have again requested a plan to ensure greater participation by the production workers.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documentation for review during this IEV. The audit team was not able to accurately verify the above previous finding. During the worker interviews, it was noted that the union representatives were office staff or supervisors.

Ongoing at the time of the follow-up visit by SCSA on December 13, 2011: It was noted that the union representatives were still all office staff or supervisors, and no production worker was included in the group of union representatives.

Action Verified Date: 09/21/2011

Follow Up Plan of Action: IEV Plan of Action: SanMar acknowledges that the right to organize and bargain collectively in China does not meet core ILO standards. We have discussed the matter with factory management and respect that they follow the current local law and industrial practices of China concerning Freedom of Association and the establishment of employee unions. Factory continues to conduct freedom of association refresher trainings for all levels of employees at least annually and orientation training for new employees.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory established an union and 5 office staff / supervisors and 4 production workers are the employee representatives. The production workers' employee representatives are selected from cutting, sewing and finishing departments.

Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation: New Finding: It was noted that the factory did not have a written policy recognizing and respecting freedom of association and collective bargaining.

Sources: document review and management interviews

Plan Of Action: Factory is requested to establish a written policy for recognizing and respecting freedom of association and collective bargaining and to ensure appropriate and timely training is provided to all workers at least annually. Similar training materials shall be communicated to all new workers during orientation.

Deadline Date: 04/30/2012

Action Taken: Factory established a written policy for recognizing and respecting freedom of association and collective bargaining. The policy stated that the factory respects freedom of association and collective bargaining, and does not interfere with any union action. The workers will not be discriminated against, disciplined, or harassed by factory management for joining any union. Training was provided to the workers on June 15, 2009. Per worker interviews, the workers confirmed that they understood this policy.



Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Since the factory was not able to provide any documentation for review, the mentioned previous findings could not be verified.

Pending during the follow-up visit by SCSA on December 13, 2011: During the audit, It was noted that no such written policy was available in the facility.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory is requested to establish a written policy for recognizing and respecting freedom of association and collective bargaining. The policy shall be maintained in a file and retrieved at anytime.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established a written policy for recognizing and respecting freedom of association and collective bargaining. All employees were trained with this policy. Last training was conducted on April 4, 2013.

Harassment or Abuse: Discipline/Review of Disciplinary Action

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

Noncompliance

Explanation: New Finding: It was noted that there was no written policy or procedure provided by the factory that allows for reviewing workers' discipline with a higher managerial position than the manager who imposed the disciplinary action.

Sources: document review and management interviews

Plan Of Action: Factory shall develop written policies and procedures that include possibilities for workers to have disciplinary action imposed on them reviewed by someone in a higher managerial position than the manager who imposed the disciplinary action. Once established, appropriate communication of the released policies and procedures shall be provided to all employees, and to new employees during orientation, as well as annually at employee training sessions.

Deadline Date: 03/31/2009

Action Taken: Factory established a written procedure for review of disciplinary actions by a manager in a higher position than the manager who initially imposed the disciplinary action. The procedure was communicated to all workers. Per the procedure, the general manager is responsible for reviewing all disciplinary actions and making the final approval.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending: At the time of the IEV on September 21, 2011 by SCSA: Since the factory not able to provide any documents for the audit, the mentioned previous finding could not be verified.

Completed: At the time of the follow-up visit by SCSA on December 13, 2011: It was noted that the policy was available and communicated to the workers. The GM will review the disciplinary action taken by the managers and workers are able to appeal the action directly with the GM.

Action Verified Date: 12/13/2011

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: New Finding: It was noted that the factory did not have a harassment and abuse policy.

Sources: document review and management interviews

Plan Of Action: Factory is requested to establish a written harassment and abuse policy and communicate the policy to all workers at least annually as well as during all new employee orientations.

Deadline Date: 03/31/2009

Action Taken: Factory established a harassment and abuse policy and training was provided to all workers on June 15, 2009. Per worker interviews, all workers confirmed that they understood this new policy and were not aware of any harassment or abuse instances in the factory.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending: At the time of IEV on September 21, 2011 by SCSA, since the factory was not able to provide any documentation during the audit, the mentioned previous finding could not be verified.

Completed: At the time of the follow-up visit by SCSA on December 13, 2011, it was noted that the written policy on prohibition of harassment and abuse was established and communicated to workers.

Action Verified Date: 12/13/2011



Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

Noncompliance

Explanation: [New Finding:](#) It was noted that the factory did not have a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.

Sources: document review and management interviews

Plan Of Action: According to law, the factory shall establish an identification system for identifying workstations and operations that are inappropriate for young workers and to ensure any young workers are appropriately prohibited from performing such operations.

Deadline Date: 03/31/2009

Action Taken: No system was established for identifying workstations and operations that are inappropriate for young workers. Factory is requested to develop such an identification system to ensure any young workers are appropriately prohibited from performing operations according to applicable laws.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: [Pending](#) at the time of the IEV on September 21, 2011 by SCSA: Since the factory was not able to provide any documentation during the audit, the mentioned previous finding could not be verified.

[Completed](#) At the time of the follow-up visit by SCSA on December 13, 2011: It was noted that the written policy and identification system was established. Training was provided to the management staff in this respect and workers and line leaders were communicated to about the policy based on the information gathered during the interview.

Action Verified Date: [12/13/2011](#)

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: [Finding during the IEV on September 21, 2011: It was noted that 1 emergency exit did not have emergency lighting or an exit sign installed; this was in the sample section.](#)

[Legal Reference: Article 10.2.6 of the PRC Fire Prevention Standard for Building Design \(new revision of GBJ 16-87\) \(1997\)](#)

[Sources: factory tour and management interviews](#)

Plan Of Action: IEV Plan of Action: Factory is requested to conduct a fire evacuation drill twice a year in the workshop and dormitory. Evacuation drill record shall be maintained. Factory confirms the drill will be conducted in June 2012 and December 2012.

Deadline Date: 06/30/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed at the time of the follow-up visit by SCSA on December 13, 2011: It was noted that exits in the sample section were installed with the emergency lighting and exit signs.

New Finding: During the follow-up visit by SCSA on December 13, 2011: Factory only conducted 1 fire evacuation drill in the workshop and dormitory during the past year.

Legal Reference: Article 40 of PRC Fire Prevention Regulation for Government Offices, Organizations and Enterprises

Sources: document review, worker interviews and management interviews

Action Verified Date: 12/13/2011

Follow Up Plan of Action: **Update July 2013**

Corrected: SanMar conducted a follow-up audit in June 2013. Factory had conducted the fire evacuation drill twice a year in workshop and dormitory. Last drills were conducted on November 19, 2012 and June 17, 2013. Completed: 06/19/2013

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: Finding of the IEV on September 21, 2011:

1) It was noted that at least 1 fire extinguisher was found directly on the ground in the sewing section.

2) It was noted that at least 2 fire extinguishers were block by materials in the cutting section.

Legal References: Article 5. 3 of PRC Design Standard for Emplacement of Fire Extinguishers in Buildings (GBJ40-90); Article 21 of Fire Prevention Law of the People's Republic of China

Sources: factory tour and management interviews

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**

Action Verified: No

Action Verified Text: Completed by the time of the follow-up visit by SCSA on December 13, 2011:
1) It was noted that all fire extinguishers were properly mounted.

2) It was noted the fire extinguishers were free from blockage.

Action Verified Date: 12/13/2011

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 no occupational health examination was provided to workers handling the spot cleaners.

Legal Reference: Clause 32 of PRC Labor Protection Regulation For Employees Operating with Toxic Materials

Sources: document review, worker interviews and management interviews

Plan Of Action: IEV Plan of Action: Factory is requested to arrange an occupational health examination for workers who work in spot cleaning or work with other similar chemicals or substances. Examination records shall be maintained.

**Deadline
Date:** 03/31/2012

**Action
Taken:** **Update July 2013**

Completed: SanMar conducted a follow-up audit in June 2013. Factory provided the occupational health examination for the spot-cleaning workers. Examination records were maintained and reviewed.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 06/19/2013

**Action
Verified:** No

**Action
Verified
Text:**

**Action
Verified
Date:**

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: [New Finding:](#) In accordance with the Regulation of Chemical Safety Usage in the Workplace, Article 19, the unit shall, according to the danger of the chemicals, identify the container, transportation, or storing equipment with a specific color, label or sticker. It was noted that there was no identification labels on the chemicals for 2 bottles of spot cleaning solution used in the inspection section.

Source: factory tour

Plan Of Action: Factory is requested to label all chemical containers and monitor that all containers are properly labeled. An appropriate level of staff shall be responsible for the storage and tracking of chemicals as well as the documentation and management of restricted substances.

Deadline Date: 03/31/2009

Action Taken: An office director was assigned to monitor and manage an appropriate chemical safety program. All chemicals are now stored in safe, secondary containers and affixed with safety labels. Material Safety Data Sheets (MSDS) and Personal Protective Equipment (PPE) are available in the chemical usage areas. During the visit by SanMar staff in July 2009, these new controls over chemical safety issues were operating effectively.

Plan Complete: Yes

**Plan
Complete
Date:** 07/30/2009

**Action
Verified:** No

**Action
Verified
Text:** Corrected by the time of the IEV on September 21, 2011 by SCSA: During the audit, it was noted that spot cleaning solutions were properly labeled.
Source: factory tour

**Action
Verified
Date:** 09/21/2011

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: Finding during the IEV on September 21, 2011: It was noted that materials in the finished goods warehouse blocked 1 electrical switch box.

Legal Reference: Article 6.5 of the PRC General Guide for the Safety of Electric Usage

Sources: factory tour, worker interviews and management interviews

Plan Of Action: IEV Plan of Action: Factory is requested to immediately remove the blockage in front of the electrical switch box. In addition, the factory is required to nominate a person to perform regular checks of all the electrical switch boxes as well as firefighting equipment to appropriately reduce the risk of fire or other hazardous conditions. Inspection, repair and maintenance records shall be documented and maintained.

Deadline Date: 03/31/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: [Ongoing: At the time of the follow-up visit by SCSA on December 13, 2011: Despite the fact that the electrical switch box was free from blockage in the finished goods warehouse, it was noted that at least 1 electrical switch box in the sewing section was blocked.](#)

Action Verified Date:

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: [New Finding: In accordance with the Safety Manufacturing Law Article 29, the design, manufacture, installation, application, inspection, maintenance, and repair of safety facilities shall comply with the national or industrial standards. Manufacturing units shall maintain and inspect the safety facilities regularly to ensure they are in good working condition. Maintenance and inspection records should be properly maintained and assigned to relevant staff. It was noted that safety eye shields were not used properly for about 90% of the over-locking sewing machines in the sewing section.](#)

Plan Of Action: [Factory management shall ensure that safety eye shields shall be used appropriately for all over-locking sewing machines and management shall make sure all workers use the machine guards properly. While training is provided to the workers to educate them on the appropriate use of eye shields, line supervisors shall monitor them more closely and ensure that the inspection and maintenance of machines is documented and retained.](#)

Deadline Date: [03/31/2009](#)



Action Taken: Factory has provided the appropriate safety training to the workers on using the machine guards as well as the safety eye shields. During the visit by SanMar staff in July 2009, the workers were observed to be operating the over-locking sewing machines while properly using the safety eye shields.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Ongoing at the time of the IEV on September 21, 2011 by SCSA: It was noted that the safety eye shields for the over-locking sewing machines were not used by around 5% of the operators.

Completed: at the time of the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that workers were using the safety eye shields. A regular inspection was completed as per records provided by the factory and regular training was also provided to workers.

Action Verified Date: 12/13/2011

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: Based on the time records of December 2011, it was noted that the weekly working hours of workers in early December 2011 exceeded 60 hours, for instance, and went up to 86 hours per week. The monthly overtime hours of workers also exceeded 36 hours a month as per records provided.

Legal Reference: Article 41 of the Labor Law of the People's Republic of China

Sources: document review, worker interviews and management interviews

Plan Of Action: IEV Plan of Action: Factory is aware that the weekly total working hours and monthly overtime hours exceeded the legal requirements. SanMar has requested that the factory management review the production plan or recruit more workers to ensure the working hours for workers remains within the legal limits.

Deadline Date: 06/30/2012

Action Taken: **Update July 2013**

Completed: SanMar conducted a follow-up audit in June 2013. Factory had increased numbers of workers in order to reduce the working hours. Also, factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. Factory had applied a Comprehensive Working Hour System (CWHS) which was approved by local labor bureau. All hours worked in the factory were complied with the legal requirements and the allowable hours for CWHS. Last employee handbook training was conducted on April 18, 2013.

Plan Complete: Yes

Plan Complete Date: 06/19/2013

Action Verified: No

Action Verified Text:

Action Verified Date:

Hours of Work: Rest Day

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

Noncompliance

Explanation: New Finding: The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

The production records (such as, broken needle records and daily inspection records) showed that workers from the sewing section and inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday working hours were not indicated on the workers' time card records. Moreover, there is no information shown on the payroll records to demonstrate the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: Factory shall ensure that all workers receive at least 1 day off in every 7-day period. Factory has explained that the majority of these issues are the result of human error and a lack of accurate documentation procedures. Factory is requested to improve its monitoring and recording systems to ensure all information is accurate, consistent and reliable. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by the factory management to ensure that the weekly rest day is provided to all workers. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged by the fact that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012

Action Taken: Inconsistent documentation appears to be due to human error and lack of training and monitoring. An office director has been assigned to monitor the documentation system and there are now employees responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were crosschecked against daily production records, warehouse in/out records, inspection records, broken needle records and interviews with workers. No inconsistencies were found and the records indicate that all employees worked 6 days and had 1 rest day in a week.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review in this IEV. The audit team was therefore not able to verify the workers' actual working hours, payment and benefits status in this audit.

Pending at the time of the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time records provided and factory management information, 1 working shift was running for the entire working section, and the regular working hours were from 7:30 to 11:30, 13:00 to 17:00, 2 hours of night overtime was conducted 2 or 3 times per week, and 8 hours Saturday overtime is also frequently arranged. Based on the time records provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of the workers in January 2011 to November 2011 was kept between 52 to 54 hours, and the max consecutive working days was 6 days. As per the time record of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total of 13 days and the weekly working hours in this period therefore went up to 86 hours per week.



However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment records provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified.

For instance, based on the workers' in-and-out records obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time record provided reflected that the workers were off on that day.

During worker interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, in the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data, is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor the factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. Employees were provided at least one day off in a week. The most consecutive working day was 6 days. Last employee handbook training was conducted on April 18, 2013.

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: [New Finding:](#) The factory provided attendance records and payroll records that were undependable and unverifiable. Therefore, the compliance status of 'minimum wage', 'overtime wage' and 'overtime hours' could not be verified.

Production records (such as, broken needle records and daily inspection records) showed that workers from the sewing section and the inspection section had worked on October 4th, 18th, 25th, 2008 and November 1st, 15th, 2008 (all Saturdays) but these Saturday working hours were not indicated on workers' time card records. Moreover, there is no information on the payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: Factory shall ensure that all time worked by all workers is fully and accurately documented and supported by a reliable recording system. Factory has explained that the majority of these issues are the result of human error and a lack of accurate documentation procedures. Factory is requested to improve its monitoring and recording systems to ensure all information is accurate, consistent and reliable. SanMar understands that errors and exceptions do occur and we will continue to encourage transparency and improvement and ensure that progressive steps are taken by factory management to ensure that all time worked is fully documented by a reliable recording system. We expect to receive a clear time line for improvements from the factory and will follow up accordingly during our monitoring visits at the factory. We are also encouraged by the fact that the factory has agreed to assign a compliance manager to review the internal improvements made at least quarterly.

Deadline Date: 03/31/2012

Action Taken: The inconsistent documentation appears to be due to human error and a lack of training and monitoring. An office director has been assigned to monitor the documentation system and there are now employees that are responsible for ensuring all information is accurate and consistent. SanMar conducted a follow-up audit in July 2009, noting no inconsistent documentation. Attendance and payroll records were reviewed and all documents were cross-checked against the daily production records, warehouse in/out records, inspection records, broken needle records and through interviews with workers. No inconsistencies were found.

Plan Complete: Yes

Plan Complete Date: 07/30/2009

Action Verified: No

Action Verified Text: Pending at the time of the IEV on September 21, 2011 by SCSA: Due to the absence of the responsible person in charge, the factory management was not able to provide any documents for review during this IEV. The audit team was therefore not able to verify the workers' actual working hours, payments and benefit status in this audit.

Pending at the time of the follow-up visit by SCSA on December 13, 2011: During the audit, it was noted that the factory used a paper time card system to record workers' attendance. Based on the time records provided and factory management information, 1 working shift ran for the entire working section, and the regular working hours were 7:30 to 11:30, 13:00 to 17:00, 2 hours night overtime was conducted 2 or 3 times per week, and 8 hours of Saturday overtime is also arranged frequently. Based on the time record provided from January 2011 to November 2011, it was noted that no worker was required to work on Sunday, hence, the weekly working hours of the workers from January 2011 to November 2011 was kept between 52 to 54 hours, and the max consecutive number of working days was 6 days. As per the time records of December 2011, it was found that some workers were required to work consecutively from November 28, 2011 to December 10, 2011 for a total 13 days and the weekly working hours during this period therefore went up to 86 hours per week.

However, various inconsistencies were noted between the records and the information obtained by the auditors during the audit and the time and payment records provided by the factory, hence, workers' actual working hours and payment status could not be accurately verified.

For instance, based on the workers in-and-out records obtained from the workshop, it was noted that the ironing workers worked on July 24, 2011 (Sunday), however, the time records provided reflected that the workers were off on that day.

During workers' interviews, 20% of workers confirmed that they were required to work on Sundays for the past few months, for instance, in the month of July and September 2011.

Action Verified Date: 12/13/2011

Follow Up Plan of Action: IEV Plan of Action: Factory management has indicated that certain document inaccuracies are the result of poor review and administration by the factory's supervisors and HR staff. SanMar has discussed the issue with management and made clear that accuracy of HR documentation, especially concerning wage and hour data is critical. Factory management has agreed to make the office director responsible for managing and monitoring better internal controls over their documentation system. SanMar compliance staff and third party auditors will continue to monitor the factory's documentation system over the next 12 months to ensure improvement occurs.

Update July 2013

Completed: SanMar conducted a follow-up audit in June 2013. Factory had established the attendance policy and this policy was mentioned in Employee Handbook. Production supervisors would monitor the attendance recorded by the employees and submit the attendance cards to the factory accountant for calculation. Office Director would approve the attendances finally. In this audit, no inconsistent documentation was addressed through a variety of production and other records were reviewed and cross-checked. All records were maintained accurately and correctly. Last employee handbook training was conducted on April 18, 2013. Completed: 06/19/13

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: Workers were required to apply for leave and get approval in order to skip overtime work.

Legal Reference: PRC Lao Bu Fa (1995) No. 309 Article 71

Sources: document review, worker interviews and management interviews

Plan Of Action: IEV Plan of Action: Factory is requested to terminate the practice of requiring a leave application in order to skip overtime work and to strengthen internal controls in order to reduce the need for excessive overtime. SanMar will continue to monitor the factory's overtime system to ensure all overtime work is performed on a voluntary basis and remains within the limits set by local law as well as SanMar's Global Operating Principles.

Deadline Date: 03/31/2012

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

