



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** Esquel Group  
**COUNTRY:** Malaysia  
**FACTORY CODE:** 890046447HV  
**MONITOR:** OneStep Co., Limited  
**AUDIT DATE:** October 6, 2011  
**PRODUCTS:** Woven Garments, Men's  
Shirts, and Basic Ladies Blouses  
**PROCESSES:** Marker, Cutting,  
Embroidery, Sewing, Wet Processing,  
Finishing  
**NUMBER OF WORKERS:** 2,370

\*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](#).



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Minimum Wage \_\_\_\_\_ 3  
Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage  
Compensation \_\_\_\_\_ 4  
Forced Labor: Personal Worker Identification and Other Documents \_\_\_\_\_ 6  
Freedom of Association: Right to Freely Associate \_\_\_\_\_ 8  
Harassment or Abuse: Discipline/Verbal Abuse \_\_\_\_\_ 10  
Harassment or Abuse: Discipline/Freedom of Movement \_\_\_\_\_ 12  
Health and Safety: Evacuation Requirements and Procedure \_\_\_\_\_ 14  
Health and Safety: Personal Protective Equipment \_\_\_\_\_ 15  
Health and Safety: Machinery Maintenance and Worker Training \_\_\_\_\_ 17  
Hours of Work: General Compliance Hours of Work \_\_\_\_\_ 19  
Hours of Work: Rest Day \_\_\_\_\_ 21  
Hours of Work: Meal and Rest Breaks \_\_\_\_\_ 22  
Hours of Work: Time Recording System \_\_\_\_\_ 24

## 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 as of the October 2011 IEV: Although all lights are switched off at the factory during lunchtime, it was reported that some workers work during the lunch break. (Please see the details in HOW.3). Lunch hour working hours are not recorded. Therefore, it is not possible to verify whether the piece-rate wage is higher or lower than the minimum daily wage per the actual working hours.

**Plan Of Action:** The factory believes that reported cases are sporadic as we continue to switch off lights during the lunch break. We keep reminding and encouraging employees not to work during lunch break by various means, e.g. CSR training, WRAP training and communication sessions with team leaders. When we see employees remaining at his/her desk during break time, we go and communicate with them to ensure they do not work during break time. The factory management is going to ensure that piece rate calculations are based on earning the company minimum wage according to standard working hours. Since Malaysia has not had a legally mandated minimum wage, we confirm that the piece rates calculations are based on workers earning the internally set company minimum wage during standard hours of work. It is also quite common for many workers in this industry to want to use any of their extra time to make more pieces and therefore make more money above the minimum wage. With the implementation of a legally mandated minimum wage in Malaysia effective in January 2013, workers are now guaranteed a minimum of RM 900 per month for full attendance during normal working hours.

**Deadline Date:**

**Supplier CAP:** The factory believes that reported cases are sporadic as we continue to switch off lights during lunch break. We keep reminding and encouraging employees not to work during lunch break using various means, e.g. CSR training, WRAP training and communication sessions with team leaders. When we see employees remaining at his/her desk during break time, we go and communicate with them to ensure they do not work during break time.



**Supplier** The factory believe that cases reported are sporadic as we continue to switch off lights during lunch break. We keep reminding and encouraging employees not to work during lunch break by various means, e.g. CSR training, WRAP training and communication sessions with team leaders. When we see employees remaining at his/her desk during break time, we go and communicate with them to ensure they do not work during break time.

**CAP Date:** Update: Factory continues to turn off lights during lunch time. There are continually CSR training, WRAP training and communications to all factory employees. Team leaders were also reminded and communicated with workers to ensure they do not work during the lunch break. In addition, factory has implemented lean line concept, which requires a team to work in tandem to achieve targets.

UPDATE ON 7/22/2018

**1) We have implemented FREE MEAL to all workers to attract them to rest and take their lunch**

**2) Implemented integrated line where there will not be any individual performers.**

**Action**

**Taken:**

**Plan** Yes

**Complete:**

**Plan**

**Complete**

**Date:**

**Action** No

**Verified:**

**Action**

**Verified**

**Text:**

**Action**

**Verified**

**Date:**

**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:** Inconsistencies found between the time recording system and the production records. Although production records showed some workers working overtime up to 5 hours per day on some days in November 2009, these hours were not fully reflected in the time recording system. Due to this discrepancy, the monitors were unable to verify whether workers are paid overtime premium properly.

Sources: payroll and time record review, production record review, worker interviews

**Plan Of Action:** We conducted an investigation to understand the inconsistencies in the timekeeping system. We found that out of the 3 instances noted by the auditors, 2 instances were related to human error in the manual recording process for compensation made when there was insufficient input (or work) for piece rate workers to do. The other inconsistency was due to 6 workers working when they were not swiped into the timekeeping system. We also confirmed that the compensation for these workers matched the explanation above. We will, however, work on the necessary improvements in the system to more clearly record times (and pay) when there is not enough input (work) for workers to do to earn their expected piece rate salaries due to problems in the supply chain. Upon completion of the investigation, disciplinary action was taken for the respective supervisors and management staff related to their oversight that resulted in workers working without being swiped into the timekeeping system. A strong message about the importance of clear and consistent records was sent to the entire team. We will continue to ensure that all managers and supervisors understand that all work hours must be recorded properly in the timekeeping system, and also stress the importance of accurately filling out any manual record keeping books, so that we do not see these types of "inconsistencies" again. In addition, a review session on Esquel Code and OT (overtime) policies is being held for all managers and supervisors and we are aiming to complete these review sessions by March 12, 2010.

**Deadline Date:** 03/12/2010

**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:**

**Action** No

**Verified:**

**Action Verified Text:** COMPLETED: According to document review, it was noted that the time recording system and the production records were consistent during random inspection.

**Action Verified Date:** 10/07/2011

---

### **Forced Labor: Personal Worker Identification and Other Documents**

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

#### **Noncompliance**

**Explanation:** Based on a sampling of 105 migrant worker records/interviews, 98 of them are storing their passports with the company, while the other 7 keep their passports. There is also a system for those storing their passports with the management to access their passports within 24 hours.

**Plan Of Action:** After introducing our new policy, which makes "choice" and "access" very clear, 27 workers requested to keep their own passports. As of now, 13 of the 27 have given their passports back to the factory, asking the factory to safe keep them, and 4 workers have absconded, leaving only 10 that have chosen to keep their own passports. Factory will communicate with workers by posting a notice on the revised policy and reminding them about their right to keep and access their own passports through an open worker-management communication system, including a workers' representative meeting.

**Deadline Date:** 03/31/2010

**Supplier:** After introducing our new policy, which makes "choice" and "access" very clear, 27

**CAP:** workers requested to keep their own passports. As of now, 13 of the 27 have given their passports back to the factory, asking that the factory safe keep them, and 4 workers have absconded, leaving only 10 that have chosen to keep their own passports. Factory will communicate with workers by posting a notice on the revised policy and reminding them about their right to keep and access their own passports through an open worker-management communication system, including a workers' representative meeting.

The factory continues to communicate to foreign employees about the passport safekeeping P&P to ensure they understand the options provided by the factory and voluntary decision is made for passport safekeeping.

Update: The factory had stopped the practice of safekeeping the foreign worker's passports entirely from Oct 2016. It is now the responsibility of each worker to safe-keep his/her own passport. The factory also establishes a new policy to communicate with all employees about the time line for HR to collect back the passport to process all statutory requirement (Visa renew, health check, check out memo).

**UPDATE ON 7/22/2018**

**1) AS OF 08 January 2016, Esquel has stop recruiting Foreign workers.** Effective from 2016, Esquel as a group has decided to move towards localization at Malaysia.

Foreign/migrant workers are no longer recruited effective from 2016. In fact, the last recruitment request to the agent in Nepal was in 2015 and Esquel Malaysia paid for the full recruitment charges. The existing foreign employees are maintained until the end of the employment contract or if the employees wish to terminate their services, then, repatriation occurs. Based on the current repatriation timeline, by end of 2020 all the foreign employees would have been repatriated.

**Supplier** 03/31/2010

**CAP Date:**

**Action** The factory continues to communicate to foreign employees about the passport safekeeping P&P to ensure they understand the options provided by the factory and voluntary decision is made for passport safekeeping.

**Taken:**

Update: The factory had stopped the practice of safekeeping the foreign worker's passports entirely from Oct 2016. It is now the responsibility of each worker to safe-keep his/her own passport. The factory also establishes a new policy to communicate with all employees about the time line for HR to collect back the passport to process all statutory requirement (Visa renew, health check, check out memo).

**UPDATE ON 7/22/2018**

**1) AS OF 08 January 2016, Esquel has stop recruiting Foreign workers.** Effective from 2016, Esquel as a group has decided to move towards localization at Malaysia.

Foreign/migrant workers are no longer recruited effective from 2016. In fact, the last recruitment request to the agent in Nepal was in 2015 and Esquel Malaysia paid for the full recruitment charges. The existing foreign employees are maintained until the end of the



employment contract or if the employees wish to terminate their services, then, repatriation occurs. Based on the current repatriation timeline, by end of 2020 all the foreign employees would have been repatriated.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** ONGOING: According to document review, there were a total of 1537 original worker passports kept by the management as of October 7, 2011, while 12 of the migrant workers kept their passports themselves. Most workers interviewed knew their right to access or retain their original passport. Some workers expressed that they prefer the factory to keep their passports for safety purposes.

**Action Verified Date:** 10/07/2011

---

### **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:** It is explicitly stated in migrant workers' contracts that they shall not join the trade union in the factory. In fact none of the migrant workers are members of the union.

Sources: worker interviews, management discussion, and document review

**Plan Of Action:** The contracts reviewed are older versions of our foreign worker contracts. We have not recruited any foreign workers since the beginning of 2008. The updated version of the contract does not include this statement. We will communicate to foreign workers about their right to join the union. However, it's worth noting that on a practical level, foreign workers do not generally have the language skills to participate fully in discussions with the local trade union. Having said that, the factory will continue to communicate to foreign workers about their right to join the union (freedom of association) during CSR briefings and orientation.

**Deadline Date:** 12/31/2010

**Supplier CAP:** The contracts reviewed are older versions of our foreign worker contracts. We have not recruited any foreign workers since the beginning of 2008. The updated version of the contract does not include this statement. We will communicate to foreign workers about their right to join the union. However, it's worth noting that on a practical level, foreign workers do not generally have the language skills to participate fully in discussions with the local trade union. Having said that, the factory will continue to communicate to foreign workers about their right to join the union (freedom of association) during CSR briefings and orientation.

**Supplier CAP Date:**

**Action Taken:** The union has expressed to the factory management that there are communication challenges with the foreign employees. However, foreign employees have participated in activities organized by the union. On the other hand, there are several channels to communicate with foreign employees, such as team leader meetings and focus groups to



ensure their voices are heard and their concerns are addressed. There is no restriction in place to prevent foreign employees from joining the trade union.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** According to the review of new migrant workers' employment contracts, the clause of "migrant workers shall not join the union" has been withdrawn. According to the training records, the factory has briefed some workers on freedom of association. The management reported that they have approached the factory union about memberships for migrant workers. However, the solution is still pending, since the current union at the factory is formed by the local workers; according to the union rules and regulations, the membership is only open to the local workers of the factory.

**Action Verified Date:** 10/07/2011

---

**Harassment or Abuse: Discipline/Verbal Abuse**

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of



threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

**Noncompliance**

**Explanation:** Some workers complain that the doctors and nurses scold them every time they visit the in-house clinic, even though immediate supervisors have approved the visits.

Source: worker interviews

**Plan Of Action:** Based on our follow up, we think this might be related to language barriers, and/or misunderstandings. We will continue to remind the doctor and nurses to maintain a pleasant and professional attitude when interacting with the workers and if they cannot understand what the workers are saying, then to call in for the translators. In a situation of confirmed "verbal harassment," we will then follow the company disciplinary procedure for such issues.

**Deadline Date:** 02/28/2010

**Supplier CAP:** Based on our follow up, we think this might be related to language barriers, and/or misunderstandings. We will continue to remind the doctor and nurses to maintain a pleasant and professional attitude when interacting with the workers and if they cannot understand what the workers are saying, then to call in for the translators. In a situation of confirmed "verbal harassment," we will then follow the company disciplinary procedure for such issues.

**Supplier CAP Date:** 02/28/2010

**Action Taken:** While the factory continues to remind the nurses to remain pleasant and professional, we believe that these cases are occasional and are mainly caused by misunderstandings of the employees. In our recent follow-up, there was no complaint noted. For the doctor arrangement, we will study the possibility of increasing the doctor's presence in the factory. In the meantime, though the stated hours are from 2pm-3pm, if there is a demand, the doctor stays until he finishes his work.

While the factory continues to remind the nurses to remain pleasant and professional, we believe that these cases are occasional and are mainly caused by misunderstanding by employee. In our recent follow-up, there was no complaint noted. For the doctor arrangement, we will study the possibility of increasing the doctor's presence in the factory. In the meantime, though it is stated that it's 2pm-3pm, if there is a demand, the doctor stays until he finishes her work.

Update: At present, there is no in-house doctors available at the site, and only 1st aid room with registered nurse available during working hours. Employees are free to visit clinic at any time in case of emergency, injury or serious sick during working hours. There is no prior registration is required. The nurse will arrange transport for the patient and send



the patient out to the clinic nearby. Less than 10 minutes.

**UPDATE ON 7/22/2018**

1) The company have recruit the new young capable in house nurse with effect from June 06, 2018. 2) The company (HR) has given her a briefing related to ethic while performing her roles where Respect is important on June 06, 2018 including the code of conduct. Attendance record shown. 3) EGM has improved, expanded and increased our panel clinics effective from June 2018 as we are using the Health Metric (Health Management System) (attached is panel clinic) the coverage is more wider and conviniece for our workers to visit and they may check on-line on the clinic business hours or required female doctor etc. Our panel doctors are also OHD certified. We have requested monthly visit by Doctor to clinic.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** According to worker interviews, some migrant workers expressed that the 2 nurses who are sisters are impatient, hot tempered and are still scolding them. In addition, sometimes it is difficult for them to get the medicines from the clinic. Although the same issue was also found during the original IEM, the monitor observed that there were no formal disciplinary actions taken against the nurses since the IEM. It was noted that the doctor only comes in every Monday, Wednesday and Friday from 2pm to 3pm.

**Action Verified Date:** 10/07/2011

---

**Harassment or Abuse: Discipline/Freedom of Movement**

H&A.12 Employers shall not unreasonably restrain the freedom of movement of workers, including



movement in canteens, during breaks, using toilets, accessing water, or to access necessary medical attention, as a means to maintain labor discipline. (S)

**Noncompliance**

**Explanation:** According to worker interviews, workers are not allowed to leave the factory premises during lunch break. During the audit, it was observed that workers did not go outside the factory. However, there is no record or evidence of disciplinary action against workers for leaving the factory during the lunch break.

Sources: worker interviews, observation

**Plan Of Action:** For a bit of local context, workers come to and return home after work through company provided transportation. The factory is located inside an export-processing zone and given that the lunch time is only 30 minutes, it's not very practical for workers to try to walk into the town area or shops during their lunch break and then return. Although we have not had requests for this, we will conduct a briefing session for workers to reiterate that they have freedom of movement during lunch breaks. We will review the procedure if they need to exit the factory during that time.

**Deadline Date:** 03/12/2010

**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action** COMPLETED: According to worker interviews, workers know that they can leave the

**Verified Text:** factory during the lunch break.

**Action Verified Date:** 10/07/2011

---

### **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:** 1) It was observed that not all of the emergency exits in production buildings A and B have emergency lighting systems installed to help workers see exit paths in case of emergency.

2) It was observed that some exits in the material warehouse were not functioning as emergency exits but still had an exit sign posted.

**Plan Of Action:** 1) The emergency lighting installation is in progress and it is expected to be completed by the end of March 2010.

2) The "exit" signage that was at the non-functioning emergency exit at the warehouse has been removed since November 24, 2009.

**Deadline Date:** 03/31/2010



**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** 1) COMPLETED: It was observed that emergency lights have been installed at all the emergency exits in production buildings A and B.

2) COMPLETED: It was observed that the exit signs of the exits not functioning as emergency exits have been removed.

**Action Verified Date:** 10/07/2011

---

### 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 observed that some workers in production Facility A did not wear slippers/shoes while operating sewing machines.

**Plan Of Action:** HR has conducted training sessions on the need to wear proper shoes while operating sewing machines. Factory had conducted the worker representative meeting to remind them on the proper dress code issue (wearing proper shoes for work) and will also be



communicating with supervisors to remind them their responsibility to help ensure that workers are wearing proper shoes for work. Also, the factory will post notices at the factory and dormitories as reminders. There will be warning/disciplinary actions for workers who break the regulations.

**Deadline Date:** 03/31/2010

**Supplier CAP:** HR has conducted training sessions on the need to wear proper shoes while operating sewing machines. Factory had conducted the worker representative meeting to remind them on the proper dress code issue (wearing proper shoes for work) and will also be having communication with supervisors to remind them their responsibility to help ensure that workers are wearing proper shoes for work. Also, the factory will post notices at the factory and dormitories as reminders. There will be warning/disciplinary actions for workers who break the regulations.

**Supplier CAP Date:** 03/31/2010

**Action Taken:** Completed  
Update: HR has conducted training sessions on the dress code to all workers, supervisors, and worker representatives. Full implementation of covered shoe commenced in Jan 2017.  
**UPDATE ON 7/22/2018**  
1) Poster has been posted plant-wide as awareness to all workers  
2) If the workers have a problem not wearing a covered shoes due to some problem on their foot, they will be given an approval until certain dates, otherwise they have no choice but to abide the rules.  
3) Security Personal will have a daily rounding in production floor and assist to monitor the workers of using the correct attire if found otherwise, the security will inform HR on the matters.  
4) Department Head have been tasked to ensure employee wearing cover shoe.

**Plan Complete:** Yes

**Plan Complete**



**Date:**

**Action Verified:** No

**Action Verified Text:** ONGOING: It was noted that the factory has briefed the workers on the dress code and has kept on reminding the workers of the importance of wearing proper footwear during work. According to the factory management, the awareness of workers of proper footwear has improved. However, it was observed that 1 worker was wearing socks and another worker was barefoot while operating sewing machines in production Facility A.

**Action Verified Date:** 10/07/2011

---

### **Health and Safety: Machinery Maintenance and Worker Training**

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

#### **Noncompliance**

**Explanation:** 1) From management discussion and observation, it was noted that the factory does not have a procedure for energy control. Log-out and tag-out are not applied when performing maintenance work.

2) It was observed that there are many buttoning machines without Plexiglas for eye protection. Much of the Plexiglas had been removed.

**Plan Of Action:** We will establish a new P&P on energy control, and include lockout and tag-out procedures. Estimated completion date for this procedure is March 12, 2010. We started to install the Plexiglas for all the buttoning and button hole machines. This was completed by January 11, 2010.

**Deadline** 03/12/2010

**Date:**

**Supplier CAP:** We will establish a new P&P on energy control, and include lockout and tag-out procedures. Estimated completion date for this procedure is March 12, 2010. We started to install the Plexiglas for all the buttoning and button hole machines. This was completed by January 11, 2010.

**Supplier CAP Date:** 03/12/2010

**Action Taken:** Machine guarding has been fixed and Lock-out & Tag-out procedure written. Tag out system is used,  
  
New locks has been purchased and it is under the stage of implementation and training. We expect to have the Lock out system fully in place by the end of 2012.  
**UPDATE ON 7/22/2018**  
1)The Lock out system is being practised since August 2017.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** 1) ONGOING: The lockout and tag-out procedures were developed on July 12, 2010. The factory health and safety officer, Mr. Hamzah, conducted the lockout and tag-out training for 12 total mechanics/electricians on October 7, 2010. The factory obtained a quotation for the lockout and tag-out system from 2 suppliers in July 2011 but has yet to make the purchasing decision.  
  
2) COMPLETED: During the factory tour, it was noted that many buttoning machines are equipped with Plexiglas for eye protection.

**Action** 10/07/2011

**Verified  
Date:**

---

### **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:** New finding as of the October 2011 IEV: According to the working hour recording review during the period from August 1, 2010 to August 18, 2011 as provided by the factory, it was noted that 2% to 37% of workers worked an average of 60-66 hours/week. There were some workers who worked up to a maximum of 72 hours/week.

**Plan Of  
Action:** We will continue to do our best to avoid work in excess of 60 hours by working closely with Production, Planning, and Control, communicating clearly and timely with customers, and running efficient operations at the factory level. We continue to expand into newly acquired factories to accommodate additional growth. While we will do our best to avoid OT, we will always gather employees' consent in advance and be sure they are paid in accordance with the premium rate or more.

**Deadline  
Date:**

**Supplier  
CAP:** We will continue to do our best to avoid work in excess of 60 hours by working closely with Production, Planning, and Control, communicating clearly and timely with customers, and running efficient operations at the factory level. We continue to expand into newly acquired factories to accommodate additional growth. While we will do our best to avoid OT, we will always gather employees' consent in advance and be sure they are paid in accordance with the premium rate or more.

**Supplier  
CAP Date:** 12/07/2011

**Action  
Taken:** More expansion has taken place throughout the group, and we have also recruited additional workers. We continue to look closely at what additional steps we can take to minimize these situations as we navigate through the complex global supply chain, which has so many moving parts.



More expansion has taken place throughout the group, and we have also recruited additional workers. We continue to look closely at what additional steps we can take to minimize these situations as we navigate through the complex global supply chain which has so many moving parts.

Update on the finding of Hours of Work as follows:

1. Factory ensures to provide one day off in 7 days' period.
2. More and more workers are trained to be multi-skilled workers, so as to bottleneck process when necessary to better balance the production and improve productivity.
3. Factory has been developing & applying more and more automation in production, which will not only reduce handwork by workers, but also contribute greatly to the improvement of efficiency and productivity.
4. Factory will continuously work with Sales/Production Plan department to balance order loading & factory capacity if possible so as to avoid overloading which might cause OT;
5. The Production Dept. & HR Dept. will monitor the monthly attendance records, to ensure the overtime hours would be compliance with relevant requirement.

**UPDATE ON 7/22/2018**

- 1) strict SOP has been implemented on request of EOT exceeding the limits. GM and CSR approval are required.
- 2) Workers agreement to perform normal OT is obtain prior to OT .
- 3) There is no excessive OT since Jan 2018.

**Plan Complete:** No

**Plan Complete Date:**

**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:** From the time record review, it was noted that about 20% to 50% of total workers in the factory worked 1 Sunday on February 22, 2009 and 1 Sunday on August 23, 2009, which means they worked 13 days consecutively. Nor were they given a compensatory day off subsequently.

Source: time record review

**Plan Of Action:** We will attempt to ensure no Sunday work going forward. In the rare cases when this might happen, we will do our best to provide workers with a compensatory day off.

**Deadline Date:** 08/23/2009

**Supplier CAP:** We will attempt to ensure no Sunday work going forward. In the rare cases when this might happen, we will do our best to provide workers with a compensatory day off.

**Supplier CAP Date:**

**Action Taken:** As noted above, more group expansion has taken place to increase our capacity and we've also recruited additional workers. We continue to do our best to minimize these situations as we navigate through the complex global supply chain which has so many moving parts.

Update on the finding of Hours of Work as follows:

1. Factory ensures to provide one day off in 7 days' period.
2. More and more workers are trained to be multi-skilled workers, so as to bottleneck process when necessary to better balance the production and improve productivity.
3. Factory has been developing & applying more and more automation in production, which will not only reduce handwork by workers, but also contribute greatly to the improvement of efficiency and productivity.
4. Factory will continuously work with Sales/Production Plan department to balance order loading & factory capacity if possible so as to avoid overloading which might cause OT;
5. The Production Dept. & HR Dept. will monitor the monthly attendance records, to ensure the overtime hours would be compliance with relevant requirement.

#### UPDATE ON 7/22/2018

- 1) Company implemented HRIS system where each of the worker been set their shift rules.
- 2) For worker who need to work on the day off for specific reason, must get approval from Management and will be compensate back their off day using Other Leave in HRIS.
- 3) HR keep track/monitoring on attendance daily.

#### 4) No Sunday work since January 2018

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** PENDING: According to the working hour records provided by the factory, it was noted that 3% to 32% of the work force had worked on 1 Sunday in August and September 2011, which means the workers worked 13 days consecutively. Nor were they given a compensatory day off subsequently.

**Action Verified Date:** 10/07/2011

---

#### Hours of Work: Meal and Rest Breaks

HOW.3 Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with local laws. (S)

##### Noncompliance

**Explanation:** It was observed during the lunch break in Facility A that some workers did not have lunch and continued to work.

Source: observation

**Plan Of Action:** We have repeatedly informed all workers to take a break at lunch, and we also switch off the lights during lunch and break times. We do recognize that some of them might randomly sit and engage in their work voluntarily when they have finished lunch early, but this is of their own choice, not due to the management/supervisors asking them to



do so. We will continue to try to ensure that all workers are taking their lunch break for the full time. Factory will advise the employees that they need to take their lunch break if we see them working on the line, and we will communicate this expectation to them during orientation and any other regular communication sessions.

**Deadline Date:** 03/31/2010

**Supplier CAP:** We have repeatedly informed all workers to take a break at lunch, and we also switch off the lights during lunch and break times. We do recognize that some of them might randomly sit and engage in their work voluntarily when they have finished lunch early, but this is of their own choice, not due to the management/supervisors asking them to do so. We will continue to try to ensure that all workers are taking their lunch break for the full time. Factory will advise the employees that they need to take their lunch break if we see them working on the line, and we will communicate this expectation to them during orientation and any other regular communication sessions.

**Supplier CAP Date:**

**Action Taken:** The factory believe that cases reported are sporadic as we continue to switch off lights during lunch break. We keep reminding and encouraging employees not to work during lunch break by various means, e.g. CSR training, WRAP training and communication sessions with team leaders. When we see employees remaining at his/her desk during break time, we go and communicate with them to ensure they do not work during break time.

Update: Factory continues to turn off lights during lunch time. There are continually CSR training, WRAP training and communications to all factory employees. Team leaders were also reminded and communicated with workers to ensure they do not work during the lunch break. In addition, factory has implemented lean line concept, which requires a team to work in tandem to achieve targets. **UPDATE ON 7/22/2018**

**1) We have implemented FREE MEAL to all workers to attract them to rest and take their lunch**

**2) Please also refer to excel line #2**

**3) Implemented integrated line where there will not be any individual performers.**

**Plan** Yes

**Complete:**

**Plan**  
**Complete**  
**Date:**

**Action** No  
**Verified:**

**Action** ONGOING: It was observed that lights were switched off at production areas and no  
**Verified** workers were continuing their work during lunchtime. However, interviews with the  
**Text:** workers revealed that there were a few workers who did want to complete more pieces  
(they are paid piece rate) and continue to work during lunch breaks voluntarily.

**Action** 10/07/2011  
**Verified**  
**Date:**

---

### Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

#### Noncompliance

**Explanation:** Inconsistencies found between the time recording system and the production records. Although the production records showed some workers working overtime up to 5 hours per day some days in November 2009, these hours were not fully reflected in the time recording system. Due to this discrepancy, the monitors were unable to verify actual working hours.

Sources: time record review, production record review, and worker interviews

**Plan Of** Same comments as noted above (inconsistent records), as this finding is noted in both





**Action:** the compensation and hours of work section. Upon completion of the investigation, disciplinary action was taken for the respective supervisors and management staff related to their oversight that resulted in workers working without being swiped into the timekeeping system. A strong message about the importance of clear and consistent records was sent to the entire team. We will continue to ensure that all managers and supervisors understand that all work hours must be recorded properly in the time keeping system. We will also stress the importance of accurately filling out any manual record keeping books, so that we do not see these types of "inconsistencies" again. In addition, a review session is being held for all managers and supervisors; the targeted completion date is March 12, 2010.

**Deadline Date:** 03/12/2010

**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** COMPLETED: According to a random inspection of the documentation, it was noted that both the electronic and manual records of working hours were consistent.

**Action Verified Date:** 10/07/2011

---