



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** Chenfeng Group  
**COUNTRY:** China  
**FACTORY CODE:** 540015862GV  
**MONITOR:** Openview Service Limited  
**AUDIT DATE:** October 25, 2010  
**PRODUCTS:** Garments  
**PROCESSES:** Cutting, Sewing, Pressing,  
Inspection and Packing  
**NUMBER OF WORKERS:** 382

\*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:** Although the factory provided the waiver obtained from the local social insurance bureau, only 128 out of 363 employees participated in all 5 types of social insurance. PRC Labor Law Article 72 states the employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with the law. Article 73 states 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) childbearing. Therefore, according to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory.

Sources: document review, management interview

Legal References: PRC Labor Law, Articles 72 and 73

Note: Per factory management, all workers (local and migrant workers from other provinces) could participate in all 5 types of social insurance.

**Plan Of Action:** 1. Company will communicate the importance of social security to workers. In November 2008, 45 volunteers participated in social security; in December 2008, 173 employees participated in all 5 types of social security.

2. By the end of June 2009, the factory plans to let all local workers participate in social security.

**Deadline Date:**

**Supplier CAP:** Factory has provided work-related injury insurance to all workers. Factory will undertake part of the costs for women who do not have social security, as according to local labor bureau provisions, maternity insurance cannot be paid alone. We will hold a session about social security in the factory to get workers to participate in social security. Those who do not want to participate in social security will submit the no-insurance application.



**Supplier CAP Date:** 10/26/2010

**Action Taken:** 1. All local employees have been participating in the social security since before June 2009.  
2. Now all employees have the industrial injury insurance. Because the social security can't be transferred between provinces at present, most of the migrant employees do not want to participate in social security. We have held the session about social security in the factory to get workers to participate in social security. Those who do not want to participate in social security will submit the no-insurance application.

Sources: document review, management interview

**Plan Complete:** Yes

**Plan Complete Date:** 12/31/2010

**Action Verified:** No

**Action Verified Text:** ONGOING: According to the social insurance payment receipt provided by factory management, factory provided pension, medical, maternity and unemployment insurances for only 192 out of 382 employees. All employees were provided with work-related injury insurance.

**Action Verified Date:** 10/25/2010

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### **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:** 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.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, there was no information on payroll records to demonstrate these working hours were paid by the factory. All interviewees reported that they had received the full 100 RMB attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of  
Action:**

1. The factory is required to take accurate and complete records of attendance and payroll and pay workers accordingly.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB. But after October 2008, it was increased to 100 RMB. The factory provided the salary record for September, the month during which the audit was conducted.

**Deadline  
Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified** COMPLETED: All workers were paid at least the legal minimum wage.

**Text:** Sources: payrolls from October 2009 to September 2010; worker and management interviews

Action 10/25/2010  
Verified  
Date:

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### **Fair Wages: 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 that were un dependable and unverifiable; therefore, the compliance status of "minimum wage," "overtime wage," and "overtime hours" could not be verified.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of Action:**

1. Factory is required to keep accurate records and pay workers all the working hours they work.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline  
Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified** COMPLETED: All hours worked were calculated correctly and paid properly.

**Text:** Sources: time record review from October 2009 to October 2010; payroll review from October 2009 to September 2010; worker and management interviews

**Action  
Verified  
Date:** 10/25/2010

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### **Fair Wages: 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:** 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.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of  
Action:**

1. Factory is required to correctly calculate the basis of overtime payment and inform all workers of the rate.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline  
Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No



**Action Verified Text:** COMPLETED: All hours worked were calculated correctly and paid properly.  
Sources: time record review from October 2009 to October 2010; payroll review from October 2009 to September 2010; worker and management interviews

**Action Verified Date:** 10/25/2010

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### **Fair Wages: 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:** Factory provided attendance records and payroll records that were un dependable and unverifiable; therefore, the compliance status of "minimum wage," "overtime wage," and "overtime hours" could not be verified.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of Action:**

1. Factory is required to pay overtime compensation according to Chinese law, which is 150% on a regular workday, 200% during the weekend and 300% during a public holiday.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.

3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline** 11/20/2008

**Date:**

**Supplier**

**CAP:**

**Supplier** 11/20/2008

**CAP Date:**

**Action**

**Taken:**

**Plan** No

**Complete:**

**Plan**

**Complete**

**Date:**

**Action** No

**Verified:**

**Action** COMPLETED: Overtime hours were paid properly, i.e. 150%, 200% and 300% of the  
**Verified** regular pay rate for overtime hours worked on weekdays, rest days, and public holidays,  
**Text:** respectively.

Sources: time record review from October 2009 to October 2010; payroll review from October 2009 to September 2010; worker and management interviews

**Action** 10/25/2010

**Verified**

**Date:**



## Fair Wages: 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:** 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.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

### Plan Of Action:

1. Factory is required to accurately calculate and record all the payments.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline Date:** 11/20/2008

**Supplier CAP:**

**Supplier CAP Date:** 11/20/2008



**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** COMPLETED: All workers were entitled to legally required benefits, such as paid annual leave, sick leave, marriage leave, public holidays and over-production bonuses.

Sources: payroll review from October 2009 to September 2010; worker and management interviews

**Action Verified Date:** 10/25/2010

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### **Fair Wages: 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:** 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.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of Action:** 1. Factory is required to keep accurate and complete payroll records and provide them to the monitor in future audits. Factory should double check the record to avoid typing mistakes.

2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.

3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline Date:** 11/20/2008

**Supplier CAP:**

**Supplier CAP Date:** 11/20/2008

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified:** COMPLETED: No inconsistency was found during this audit.

**Text:** Sources: cross-checking various production records, personnel records, payrolls from October 2009 to September 2010 and time records from October 2009 to October 2010; worker and management interviews

**Action Verified Date:** 10/25/2010

### Fair Wages: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

#### Noncompliance

**Explanation:** New finding on October 25, 2010: None of the workers interviewed were aware of the overtime wage calculation for Saturdays.

Sources: worker interviews

Legal Reference: Article 8 of China Labor Contract Law

**Plan Of Action:** 1. The factory production director will be responsible for trainings about the calculation method of normal wages and overtime wages; this training will be included in the orientation trainings every month.

2. The CSR team will follow up on this issue in the yearly internal inspection.

**Deadline Date:** 10/28/2010

**Action Taken:** 1. We listed the calculation method of wages in the employee handbooks, and posted it on the bulletin board.

2. The HR department provided training to all employees about the calculation method of normal wages and overtime wages.

**Plan**            **Yes**  
**Complete:**

**Plan**            **10/29/2010**  
**Complete**  
**Date:**

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

**Action**  
**Verified**  
**Text:**

**Action**  
**Verified**  
**Date:**

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## 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:** All factories in China fall short of the ILO standards and FLA Freedom of Association and Collective Bargaining Benchmark on the right to organize and bargain collectively.

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 relation mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Notes: There is 1 trade union in the factory, which belongs to the ACFTU. Workers selected union representatives, who represented worker's profits. There was a collective bargaining contract between the factory representative and the trade union representatives. This is a standard collective bargaining contract set by the local Federation of Trade Unions. Workers could appeal their concerns or complaints through the factory grievance system.

**Plan Of Action:** Factory has a labor union, where workers join the union by their own choosing without interference from the factory management. There is a smooth communication channel between workers and management in the factory, which allows workers to speak out their concerns. For example, cell numbers of management are posted in the dormitories.

**Deadline Date:** 10/26/2010



**Supplier CAP:** The labor union in our factory is a group union.

**Supplier CAP Date:** 10/26/2010

**Action Taken:** The labor union in our factory is a group union.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** PENDING: The trade union in the factory is under ACFTU, which is contrary to the fundamental principles of freedom of association of ILO standards.

**Action Verified Date:** 10/25/2010

**Follow Up Plan of Action:**

1. [Factory name] is a subsidiary of Chenfeng Group. There's a group federation of trade unions established in the factory.
2. Before the election, a notice will be posted in the bulletin of the factory, informing the workers they have the right to elect themselves or individuals among their coworkers as the worker's representatives.
3. It is a marginal election. Workers elect their representatives from their working team.
4. The representatives shall include workers, technicians and factory management personnel.
5. The elected worker representatives will elect the worker committee members.
6. The worker committee member list will be posted on a public bulletin for a week. If there's no dissent, the name list will be effective.
7. The HR department will provide training to the workers once a year on everyone's rights, obligations and the election procedure of the labor union.

## 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:** New finding on October 25, 2010: There were no exit sign above 1 exit in the packing workshop; no exit signs and emergency lights above 2 exits in the sticking workshop; and no emergency lights in the aisle of the dormitory building.

Source: factory tour

Legal References: Article 11.3.1 and 11.3.4 of Code of Fire Safety on Building Design (GB50016-2006)

**Plan Of Action:**

1. The comprehensive department provides trainings to the factory fire safety management periodically, to ensure that all the fire fighting equipment is working and effective.
2. The fire safety management of the factory will seriously inspect the fire control facilities monthly, to ensure that all the fire safety facilities are ready in case of an emergency.
3. The comprehensive department will provide an H&S inspection once per month to ensure the fire safety facilities are in reasonable order and effective.
4. Yearly internal audit of Chenfeng Group will follow up with the progress of this issue.

**Deadline Date:** 11/01/2010

**Supplier CAP:**

**Supplier CAP Date:** 11/01/2010

**Action Taken:** We installed the exit signs above the exit in the packing workshop. The comprehensive department equipped the fire fighting facilities in the factory immediately based on the national standards.

**Plan Complete:** Yes

**Plan Complete Date:** 11/01/2010

**Action Verified:** No

**Action Verified Text:**

**Action Verified Date:**

### Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

#### Noncompliance

**Explanation:** In accordance with the Safety Manufacturing Law, Article 37, manufacturing units shall provide personal protective equipment (PPE) to employees. Manufacturing units shall supervise and train employees to ensure they properly wear and use PPE. Workers who operate the straight knife in the cutting section did not use metal chain gloves.

Sources: factory tour, worker interviews

Legal Reference: Safety Manufacturing Law, Article 37

- Plan Of Action:**
1. The comprehensive department conducts periodic trainings for the people responsible for workshops and equipment storage.
  2. Workshop management provides training to the employees so as to raise their safety consciousness and ensure the labor safety protective equipment is properly used.
  3. Storage equipment personnel maintain the equipment appropriately, to ensure that all the equipment is installed correctly.

4. The comprehensive department will provide H&S inspection once per month.

5. A yearly internal audit of Chenfeng Group will provide an avenue for follow up on the progress of this issue.

**Deadline Date:** 10/26/2010

**Supplier CAP:** We will provide the straight knives for the workers.

**Supplier CAP Date:** 10/29/2010

**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:** 10/29/2010

**Action Verified:** No

**Action Verified Text:** ONGOING: On-site observation noted that the factory only provided 2 metal gloves for the cutting section, but there were 4 cutting machines in use.

**Action Verified Date:** 10/25/2010

**Follow Up Plan of Action:** We have provided the straight knives for the workers. Company has immediately increased the number of metal chain gloves to ensure that operators get effective safety protection.

## 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:** New finding on October 25, 2010: The door of the power distribution box in the packing workshop was open, which is an electric shock and fire risk.

Source: visual inspection

Legal Reference: Article 4.4 of the General Guide for Electrical Safety (GB/T13869-2008)

**Plan Of Action:**

1. The comprehensive department conducts trainings with the electrician periodically, to ensure the safety management of the distribution room.
2. The comprehensive department provides training to the employees, notifying them that no entry is allowed into the restricted areas including the distribution room.
3. The electrician will conduct weekly safety checking of the distribution room.
4. The comprehensive department will provide H&S inspection once per month.
5. A yearly internal audit of Chenfeng Group will allow for follow up on the progress of this issue.

**Deadline Date:** 10/26/2010

**Action Taken:** The comprehensive department locked the doors and windows of the distribution room, putting up warning signs that say "No Admittance," and "Danger! High voltage!"

**Plan Complete:** Yes

**Plan Complete Date:** 10/26/2010

**Action Verified:** No

**Action  
Verified  
Text:**

**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 on October 25, 2010: The instruction and safety warning for 4 pressing machines, most sewing machines, and 1 sticking machine were all in English or Japanese, instead of in the local language, Chinese.

Source: factory walkthrough

**Plan Of Action:**

1. The comprehensive department conducts periodic trainings for the person in charge of the workshop in question.
2. Workshop management provides trainings to their employees to help them understand the safety risks that exist at work in order to raise their safety consciousness.
3. Storage equipment personnel take responsibility for maintaining the equipment; they take this responsibility seriously.
4. The comprehensive department will provide H&S inspection once per month
5. A yearly internal audit of Chenfeng Group will provide an avenue for follow up on the progress of this issue.

**Deadline Date:** 10/29/2010

**Action Taken:** The comprehensive department will check all the safety signs in the factory and provide all kinds of instruction and safety warnings and translations.

**Plan Complete:** Yes

**Plan Complete Date:** 10/29/2010

**Action Verified:** No

**Action Verified Text:**

**Action Verified Date:**

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### 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:** 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.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

**Plan Of Action:**

1. Factory is required to ensure that workers can take 1 day of rest during a 7-day period.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

**Deadline Date:** 10/26/2010

**Supplier CAP:** It is very rare in this factory for workers to not get 1 day of a week. Normally, the factory ensures that workers have 1 day off per week except the dates before or after a national holiday. These days will be made up with additional days off.

**Supplier CAP Date:** 10/29/2010

**Action Taken:** It is very rare in this factory for workers to not get 1 day of a week. Normally, the factory ensures that workers have 1 day off per week except the dates before or after a national holiday. These days will be made up with additional days off.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** ONGOING: No inconsistency was found during this audit. Workers could not be guaranteed to have at least 1 day off per every 7 during peak season. For example: 90% of workers worked consecutively from June 7-15, 2010, and September 13-21, 2010 without 1 day off.



Sources: cross-checking various production records, personnel records, payroll from October 2009-September 2010 and time records from October 2009-October 2010; worker and management interviews

**Action** 10/25/2010  
**Verified**  
**Date:**

**Comments:** 1. The human resources department will provide training on the normal working hour regulations to the person in charge of arranging production plans and order distributions.

2. When this responsible person arranges production planning he must ensure 1 day off per week and a maximum of 60 working hours per week.

3. An overtime arrangement should be approved by the General Manager before it is arranged in the production line.

4. The company CSR team will conduct an annual internal audit to follow up on this issue.

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## 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:** Factory provided attendance records and payroll records that were un dependable and unverifiable; therefore, the compliance status of "minimum wage," "overtime wage," and "overtime hours" could not be verified.

Sources: Broken Needle Records showed workers from the sewing section had worked on December 29, 2007 and September 13, 2008 (Saturdays); Fabric Issuing Records showed workers had worked on July 28, 2008 (weekday); Daily Production Records in the Workshops showed there were production outputs on July 28, 2008 and August 24, 2008 (weekday and Sunday). However, these Saturday, Sunday and weekday working hours were not indicated on workers' time attendance records; moreover, these working hours were not on the payroll records, so they may not have been paid by the factory. All interviewees reported that they had received the entire 100 RMB full attendance bonus, while payroll records indicated they had only received 30 RMB. Corresponding workers were interviewed to corroborate the issue.

### Plan Of Action:

1. Factory is required to keep accurate and complete payroll records and provide them to the monitor if they are requested in future audits. The factory should double-check the records to avoid any recording mistakes.
2. According to the investigation by the person specially assigned by the company for this job, there is a production record for December 29, 2007 and the attendance record matches and supports this production record. The factory shifted the rest day from July 26, 2008 to July 28, 2008. However, in the record of the weekend days in the production record (September 13 and 14, 2008), there were typing mistakes.
3. Before October 2008, the bonus for full attendance was 30 RMB, but in October 2008, it was increased to 100 RMB. The factory provided a salary record for September, which was the month of the auditing period. So, the salary record shows the bonus for full attendance is 30 RMB, which is correct since it was before the increase. But, it is also correct for the workers to state that the bonus is 100 RMB after October because it had been increased to 100 RMB.

### Deadline Date:



**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified** COMPLETED: All hours worked were recorded accurately on the time cards.

**Text:** Sources: cross-checking various production records, personnel records, payroll from October 2009-September 2010 and time records from October 2009-October 2010; worker and management interviews

**Action  
Verified  
Date:** 10/25/2010

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