



Compliance Management News

JULY 2016



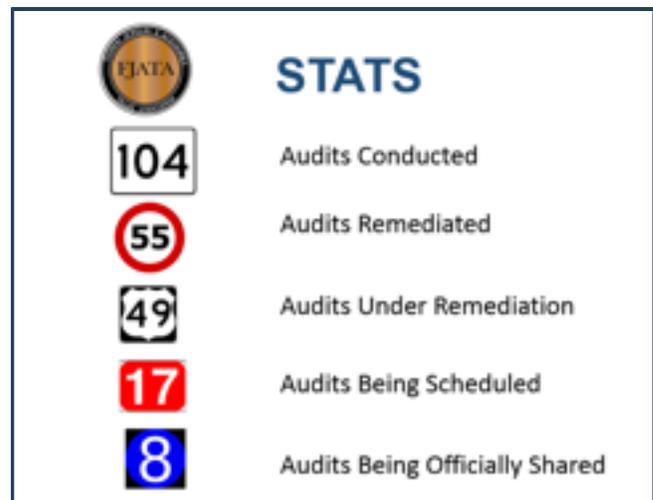
Program Progress Report

We've hit two milestones all in one month – 100+ FJATA Audits Conducted and the 1st Year Anniversary of the FJATA PROGRAM!! Thanks to all who have participated in the program throughout this past year. We are quite excited about the progress of the program in terms of what we have been able to achieve in such a short period of time. Also we are excited that more companies have signed up to accept the FJATA Audit. This month we welcome URBN to the program! URBN owns well known retail brands- Urban Outfitters, Anthropologie, Free People, BHLDN, Terrain and the Vetri Family. In the meantime if you're interested in knowing who else is accepting or mandating the FJATA Audit please contact Ana Menendez at Sumerra Amenendez@Sumerra.com.

As of July 1st, there have been a total of 104 FJATA Audits conducted in 3 countries: China, India and Vietnam. These audits have been mostly at Fashion Jewelry factories, with only a handful being at hair accessories and watch factories. To date Sumerra has remediated over 52% of the factories audited, which is a big increase from our May performance numbers. Sumerra's goal is to increase that number to over 60% by next month.

Do You Work with these Factories?

One of the main advantage of participating in the



FJATA Compliance Management Program, is the ability to reduce audits through Audit Sharing!
Below is a current listing of factories that have undergone or will be undergoing an FJATA Audit in the coming months. Be sure to contact Sumerra if you would like to reduce audits at any of these factories by receiving an existing FJATA audit and remediation progress report....STOP the

Project Number	Factory Name	Audit Date
AM-3179	Always Fashion Jewelry Co., Ltd.	4/29/2016
AM-3302	Angel Jewelry Co., Ltd.	11/16/2015
AM-3105	Ash Jewelry	9/28/2015
AM-3880	Beswell Co., Ltd.	5/5/2016
AM-3177	Binjie Jewelry Factory (Xinyu Industry & Trade, Ltd.)	12/14/2015
AM-3641	C&J Accessories Vina Co., Ltd.	2/22/2016
AM-3467	Caitin Jewelry Co., Ltd.	12/8/2015
AM-3965	Chengyang Zhuomei Craft Factory	JULY 2016
AM-2893	China Creations Jewelry Co., Ltd.	5/4/2015
AM-3891	China Creations Jewelry Co., Ltd.	5/23/2016
AM-3256	Chunxiao Jewelry Co., Ltd.	10/30/2015
AM-3182	Dee Cee Pearls	9/22/2015
AM-3225	Design by Fashion	10/12/2015
AM-4017	DongGuan Yayi Craft Ornament Co., LTD	JULY 2016
AM-3299	East Splendor	10/15/2015
AM-3842	E-Lasting Arts & Crafts Co., Ltd.	6/2/2016
AM-3587	Evon Accessories Co., Ltd.	5/10/2016
AM-3175	First Young Products INC Co., Ltd	12/2/2015
AM-3384	Foshan Nanhai Xinsheng Ironware Decoration Co.Ltd.	10/22/2015
AM-3975	Foshan Nanhai Xinsheng Ironware Decoration Co.Ltd.	AUGUST 2016
AM-3091	Fowah Manufacturing Co., Ltd.	9/18/2015
AM-3223	Fu Yuen Watch (Shenzhen) Co.,Ltd.	10/16/2015
AM-3729	Gang Xin Accessories Factory	3/28/2016
AM-3493	Guangdong Chongchong Jewelry Mfg. Co., Ltd.	12/22/2015
AM-3692	Guangzhou Shi Chuan Cheng Zhu Bao She Ji Company	4/7/2016
AM-3120	Heng Feng watch limited	9/15/2015
AM-3407	Heng Feng watch limited	11/2/2015
AM-3097	J&D Jewelry Co.,Ltd.	8/21/2015
AM-3127	Joyen Enterprise Co., Ltd	8/31/2015
AM-3997	Joyen Enterprise Co., Ltd	AUGUST 2016
AM-3168	Krishna Beads Industries	10/5/2015
AM-3290	L&J Fashion Group	10/27/2015
AM-3258	Lavishy China	11/19/2015
AM-3801	Lucky Dragon Enterprise Group, Inc.	1/13/2016
AM-3843	LYZ MARKETING CO., LTD	6/21/2016
AM-3480	Nawoo Trading Co., Ltd.	4/5/2016
AM-3458	Noblesse Jewelry	4/6/2016
AM-3990	Onyou Jewel Co.,Ltd	JULY 2016
AM-3612	Phoebus Accessories	3/14/2016

MADNESS today!

Project Number	Factory Name	Audit Date
AM-3083	Pratul Overseas	10/27/2015
AM-3298	Qingdao Baoyu Arts & Crafts Co., Ltd	10/21/2015
AM-3138	Qingdao Daeil Jewelry Mfg. Co. Ltd	9/11/2015
AM-3513	Qingdao DS Jewelry Co., Ltd.	12/11/2015
AM-3950	Qingdao Emerson Fashion Jewelry Co., Ltd	JULY 2016
AM-3952	Qingdao Global Crafts Co. Ltd.	JUNE 2016
AM-3727	Qingdao Goldwell Jewelry Co., Ltd.	3/18/2016
AM-2692	Qingdao H&H Jewelry Co., Ltd.	4/7/2015
AM-3183	Qingdao H&H Jewelry Co., Ltd.	4/12/2016
AM-3320	Qingdao Hanshin Art Crafts Co., Ltd.	11/16/2015
AM-3457	Qingdao Hansung Handicraft Article Co., Ltd.	4/8/2016
AM-3122	Qingdao Heze Jewelry Co Ltd	9/9/2015
AM-3086	Qingdao Huaxu Jewelries CO.Ltd	8/20/2015
AM-3087	Qingdao Hyunnam Craft Co., Ltd.	8/25/2015
AM-3995	Qingdao Hyunnam Craft Co., Ltd.	AUGUST 2016
AM-2845	Qingdao J. Jewelry Arts and Crafts	5/29/2015
AM-3636	Qingdao JC Fashion Co., Ltd.	1/29/2016
AM-3207	Qingdao Jewelry Box Trading	1/21/2016
AM-2854	Qingdao JiangYan Jewelry Co., Ltd	5/26/2015
AM-3807	Qingdao Jinyuxianghe Jewelry	4/28/2016
AM-3512	Qingdao JM International	12/14/2015
AM-3257	Qingdao Joyhut Creations Co., ltd.	10/29/2015
AM-3209	Qingdao Kaibo Jewelry Co., Ltd.	9/2/2015
AM-3586	Qingdao Kaiyu Arts & Crafts Co., Ltd.	4/29/2016
AM-3169	Qingdao Kingmood Jewelry Co.,Ltd	10/22/2015
AM-3936	Qingdao KJ Jewelry Co., Ltd.	JULY 2016
AM-3145	Qingdao Mint Fashion Jewelry.Co.Ltd	10/15/2015
AM-4008	Qingdao MJY Jewelry Co., Ltd	JULY 2016
AM-3094	Qingdao Moda Co., Ltd.	11/25/2015
AM-3107	Qingdao New Choice Jewelry Co., Ltd.	9/15/2015
AM-3266	Qingdao Pine Tree Jewelry Factory Co., Ltd. (formerly Qingdao Bong Woo Art Crafts Co., Ltd.)	11/13/2015
AM-3088	Qingdao Sai Shang jewelry co.ltd	8/27/2015
AM-3658	Qingdao Sailing Art & Craft Co., Ltd.	2/22/2016
AM-3081	Qingdao Sambu Jewelry Co., Ltd.	8/21/2015
AM-3994	Qingdao Sambu Jewelry Co., Ltd.	AUGUST 2016
AM-3170	Qingdao Shiny Fashion Jewelry Co., Ltd	10/23/2015
AM-3753	Qingdao SJ Arts & Crafts Co., Ltd.	4/6/2016
AM-3691	Qingdao Sungji Arts & Crafts Co., Ltd.	4/7/2016
AM-3968	Qingdao Sungsin Jewelry Co.,Ltd	6/20/2016
AM-3462	Qingdao Tongfei Jewelry Co.Ltd	3/17/2016
AM-3062	Qingdao Xinsamjin Jewelry Co., Ltd.	7/22/2015

Project Number	Factory Name	Audit Date
AM-3993	Qingdao Xinsamjin Jewelry Co., Ltd.	JULY 2016
AM-3996	Qingdao Zenghui Jewelry Co.	AUGUST 2016
AM-3446	Quzhou Natali Trading Co., Ltd.	12/1/2015
AM-3008	Saint Dragon Fashion Jewelry	7/22/2015
AM-3159	SD Factory, Ltd.	9/16/2015
AM-3974	SH Fashion Corp.	JULY 2016
AM-3752	Shenzhen Liming Watch & Clock Co., Ltd.	JULY 2016
AM-3407	Shenzhen Shi Heng Shi Ji Mao Yi You Xian Gong Si	1/4/2016
AM-3148	Shine Collections (Pvt.) Ltd.	9/29/2015
AM-3062	Shiyalin Handicraft Co., Ltd.	7/23/2015
AM-3993	Shiyalin Handicraft Co., Ltd.	JULY 2016
AM-3660	SK4 Creations	3/16/2016
AM-3461	Soyeon Jewellery Co., Ltd	4/29/2016
AM-3186	State Art Corp.	5/20/2016
AM-2964	Style Arts & Craft Co., Ltd	7/13/2015
AM-3971	Style Arts & Craft Co., Ltd	JULY 2016
AM-3304	Style Plus Design, Ltd.	10/16/2015
AM-3096	T.N. Enterprises	8/26/2015
AM-3538	Tajmun Arts	1/6/2016
AM-3187	Tani Jewelry	JULY 2016
AM-3160	Universal Beads Manufacturing Co.	11/30/2015
AM-3733	Vogue Accessories (prev. Yiwu Dengjian Handicrafts Factory)	3/15/2016
AM-3206	YB Int'l Co.	9/15/2015
AM-3972	Yi Feng Watch & Jewellery Manufacturing Co. Ltd	JULY 2016
AM-3540	Yiwu Aima Jewelry Factory	1/6/2016
AM-3749	Yiwu Banshan Jewelry Co., Ltd.	4/13/2016
AM-3884	Yiwu Bishun Industry Trade Co., Ltd	5/4/2016
AM-3184	Yiwu City Danchil Jewelry Co.,Ltd	4/15/2016
AM-3958	Yiwu Desai Ornaments Co., Limited	6/23/2016
AM-3188	Yiwu Dreamwork Jewelry Co.,Ltd.	6/22/2016
AM-3085	Yiwu Hongwen Ornaments Factory	10/8/2015
AM-3803	Yiwu Kende Accessories Co., Ltd.	5/24/2016
AM-3534	Yiwu Langmei Jewelry Factory	12/21/2015
AM-3509	Yiwu Mojjoy Jewelry Co., Ltd.	12/23/2015
AM-3463	Yiwu Red Cherry Jewelry Mfg.	12/7/2015
AM-3464	Yiwu Shangspace Co. Ltd.	4/11/2016
AM-3465	Yiwu Yaohao Jewelry Co. Ltd.	4/12/2016
AM-3945	Yong Fu Xing (SZ) Watch Co., Ltd.	JUNE 2016
AM-3210	Yoochan Arts Crafts Co., Ltd.	9/18/2015
AM-3502	Youme (prev. Qingdao Youme Corporation, Ltd.)	12/1/2015

Excessive Overtime: Why Does It Keep Occurring?

Over 85% of FJATA Audited factories have been found to have excessive overtime. Most factories understand that this is indeed an important issue as it violates both the FJATA and customer's Code of Conduct. Why does it keep occurring and what can be done to control it.

So first let's look at the possible root causes of it:

1. **The Lure of the Almighty Purchase Order-** who can pass up the opportunity of additional business when confronted with it?
2. **Insufficient Forecasting of Business-** factory management lacks the skill/knowledge to successfully forecast what their business opportunities will be for the next 6 to 12 months.
3. **Insufficient Planning of Personnel Needs-** does the factory have enough trained workers to meet the production needs? Has the factory invested in cross training workers sufficiently to increase efficiency and productivity?
4. **No Working Hours Analysis Conducted** –factories are not tracking how many hours are being worked by style or volume.
5. **Insufficient Understanding of Style Complexity-** insufficient analysis of the style is done to understand how long it will take to produce the style.



Now that we understand the possible root causes we can outline what the factory can do to remediate the issue effectively. Let's look at what the Factory's Action Plan should include

- ✓ **Review and communicate overtime laws and customer's individual expectations regarding overtime to management and supervisors.**
- ✓ **Forecast potential business for the factory for the next 12 months. Forecast should include units, revenue and workforce staffing needed.**
- ✓ **Cross train workers to increase efficiency and productivity**
- ✓ **Conduct weekly analysis of the working hours to see if and how the working hours exceeded the overtime regulation both legally and that of customers.**
- ✓ **Analyze styles – time prototyping of styles to better understand staffing needed to produce quantity and in time needed by (x-factory date)**
- ✓ **HR should regularly meet with department heads to ensure that there is adequate staffing.**
- ✓ **Educate supervisors and workers on the importance of proper recording of working hours.**

- ✓ Ensure that there is only one time-keeping system in place to record both regular and overtime hours.



What's Wrong with This Picture?

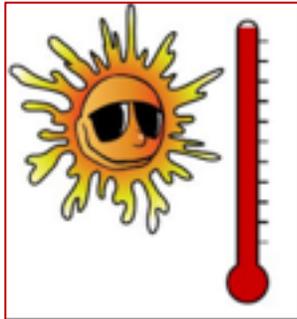
The below photos are actual from actual FJATA Audit Findings.

What did factory management do wrong here?



See last page for answers.

Heat Stress Season is Here!!!



FJATA currently is auditing in countries that are experiencing Summer right now. The combination of high temperatures and humidity can create havoc on a factories workforce. Workers can become exhausted, disoriented, and even pass out if good safeguards are not put into place by management. We thought this was a good time to remind folks of how to deal with Heat Stress in order to avoid any possible issues with workers.

First let's start by understanding the different terms associated with

Heat Stress:

Hot work refers to a high temperature, or have a strong thermal radiation, or with high air humidity (relative humidity $\geq 80\%$ RH) abnormal operating conditions combining the wet bulb globe temperature index (WBGT index) over specified limits job.

Hot weather refers to the daily maximum temperature above the level of meteorological authority meteorological stations belong to the public release of more than 35°C weather.

Hot weather operation refers to the employer in hot weather during the scheduled jobs of workers in high temperature environment of natural calamities.

Now let's look at what the factory is responsible for doing to deal with/avoid Heat Stress:

- *The employer shall establish a summer cooling management system, and take effective measures to reduce impacts associated with high-temperature operations, provide hot weather job labor protection, and to ensure the health and safety of workers.*
- *The employer shall, in accordance with relevant legal regulations, improve production processes and operating procedures, the use of good insulation, ventilation and cooling measures to ensure that workplaces meet the national occupational health standards.*

The following measures should be taken to ensure the above responsibilities are met:

- ✓ *Evaluate and control the temperature of the new technologies, new processes, new materials, new equipment, reduce or eliminate hazards from high temperature source. For high temperature hazards in the production process cannot be completely eliminated, integrated control measures should be taken to meet the national occupational health standards.*
- ✓ *The presence of high temperature occupational hazards in construction projects, should ensure that the design meets national occupational health standards and health requirements, high temperature protection facilities with the main project should be designed, constructed and put into production and use.*

- ✓ *Workers who are exposed to Hot Work shall undergo an occupational health examination prior to commencement of high temperature work to ensure physical capacity. Occupational health examination costs borne by the employer.*
- ✓ *The employer shall not assign pregnant women and juvenile workers Hot Work during months of extreme heat and humidity.*
- ✓ *During hot weather, the employer shall provide reasonable working hours, job rotation, and appropriately increased break/rest time, reduced labor intensity and reduce outdoor work to a reasonable level.*
- ✓ *Due to hot weather work stoppages, or reduced working hours the employer shall not deduct or reduce wages to laborers.*
- ✓ *The employer shall provide heat stress related personal protective equipment to workers, and supervise the use of said equipment.*
- ✓ *The employer shall conduct pre-job training and occupational health knowledge training regularly covering universal high temperature protection, first aid and other heat stroke awareness for the employees.*
- ✓ *Employers should provide enough cooling drinks and medicines to meet the health standards for workers who work in hot weather operations and high-temperature areas.*
- ✓ *The employer shall establish a resting place in a high temperature environment. Rest areas shall be fitted with seats, shaded from the direct sunlight with good ventilation or air conditioning facilities.*



✓ *The employer shall develop contingency plans for heat stroke, emergency rescue operations according to the situation in the hot work areas and the number of workers with sufficient emergency personnel and emergency medicine.*

✓ *Workers suffering from heat stroke symptoms, shall take immediate relief measures, including immediate removal from the high-temperature environment to rest in the shade, summer cooling beverage provisions, and take the necessary measures for symptomatic treatment. In severe cases, the employee shall be referred to a medical facility for further examination and treatment.*



What's Wrong with This Picture?

Let's see how well you did, see answers below:

- 1. Manual Attendance Records** – FJATA Labor Standards require that factories use mechanical or electronic time recording systems. Manual time records are not accepted by most retailers or brands as they usually have inaccuracies. Factories undergoing an FJATA audit should always have a punch card system or an electronic system, either card or scan system (fingerprint or eye). All working hours should be recorded on the system, there should not be any external recording of hours. All workers and management should be properly trained on using the system and recording of their working hours.
- 2. Blocked Fire Extinguisher** – Behind the box is a fire extinguisher! Do you think anyone would notice it if there were a fire??? All factories can avoid this type of situation by having a weekly health & safety check not just checking for blocked fire extinguishers but other items such as blocked fire exits, emergency lights, overall housekeeping, etc.
- 3. Exposed Electrical Wiring** - All electrical should be covered in non-flammable tubing. Exposed wiring presents a fire safety risk, along with personal risk to workers that maybe working close to them if they spark. Periodic documented inspections should be conducted of electrical wiring and electrical boxes to ensure there is no exposed wiring.
- 4. Improper Fire Hose Connection & Fire Alarm Placement** – Fire hoses should be available in good working order at all times. The hose should be properly connected at all times, in order to allow immediate usage. Fire alarms should not be placed inside fire hose cabinets. They should be place outside in a highly visible area with proper

signage. Periodic documented inspections of fire hoses and fire alarms should be conducted by management, in order to ensure all are in good working order.