



**Management system audit report**

**Blackout AG**

**December, 2010**

***FWF member since: 01-01-2009***

***Sources of information***

Database FWF

Annual report and work plan

Archived documents

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## 1. Introduction

In December 2010 Fair Wear Foundation (FWF) conducted a management system audit (MSA) at Blackout AG (hereafter: 'Blackout'). The MSA is a tool for FWF to verify that Blackout implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of Blackout in order to assess the key issues of interest. During the MSA, employees of Blackout were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the MSA. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support Blackout in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of Blackout that have been identified as key areas of interest for 2010. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that MSA reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all MSAs on [www.fairwear.org](http://www.fairwear.org). FWF encourages Blackout to include information from the MSA report in its social report.



## 2. Executive summary

Blackout has a very stable supplier register considering that the firm is active in the fashion sector and runs twelve collections per year. The company has long term relationships with its most important factories, and has substantial leverage as a customer to effectively request improvements in working conditions.

The CEO and purchasing staff of Blackout visits approximately 5 factories per year. During these visits Blackout he checks the status of issues which do not require profound expert knowledge, such as the posting of the Code of Labour Practices in the work place and basic aspects of health & safety. By asking a range of questions on realized improvements, taking pictures and making videotaped interviews with workers, the CEO of Blackout underlines that he is committed to the process of improving working conditions in factories.

Blackout has commissioned five audits in factories in China which represent 57 % of its total purchasing volume in 2010. Blackout actively follows up on corrective action plans from audit reports through ongoing e-mail discussions. Blackout requests suppliers which have been audited to send status updates on improvement issues.

According to the audit carried out in 2009 by FWF to verify if improvements had been realised after the audit that had been carried out in 2009. Factories made improvements with regard to occupational health and safety (fire and machine safety), strengthened internal grievance procedures and designated persons to be in charge of their activities to implement a social compliance program. Several issues for improvement remain: in several factories a minority of workers do not receive the minimum wage for a regular working week as a result of the piece rate system. Working hours are not accurately recorded and workers are not structurally receiving at least one rest day in every week. Temporary workers are not covered by the insurance on work injuries and accidents.

As excessive overtime and payments below the legal minimum wage were found during factory audits at factories producing for Blackout in China, FWF could not conclude that Blackout's purchasing practices do not interfere with implementation of FWFs Code of Labour Practices with regard to working hours or wages.

FWF recommends that Blackout, in cooperation with concerned suppliers, investigates the root causes of excessive overtime. In addition it is suggested to assess in cooperation with the supplier and main customer how further steps forward towards payment of living wages for a regular working week can be made possible. Furthermore, FWF encourages Blackout to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to this process.

## 3. Positive findings

### ***Conclusions***

1. The CEO and purchasing staff of Blackout visit approximately 5 factories per year. During these visits Blackout he checks the status of issues which do not require profound expert knowledge, such as the posting of the Code of Labour Practices in the work place and basic aspects of health & safety. By asking a range of questions on realized improvements, taking pictures and making videotaped interviews with workers, the CEO of Blackout underlines that he is committed to the process of improving working conditions in factories.

## 4. Sourcing

### *Conclusions*

1. The relations that Blackout maintains with its most important suppliers support implementation of FWF membership. Blackout has a very stable supplier register considering that the firm is active in the fashion sector and runs twelve collections per year. The company has long term relationships (5-30 years) with five of these factories, who produce most of the volume of Blackout. At its most important suppliers Blackout has substantial leverage as a client (5-25% of production capacity) to effectively request improvements in working conditions.
2. Blackout's FWF membership is a discussion point that is discussed with new suppliers at an early stage of a possible relationship. Suppliers are requested to complete a questionnaire wherein they acknowledge the FWF Code of Labour Practices.
3. As excessive overtime and payments below the legal minimum wage were found during factory audits at factories producing for Blackout in China, FWF could not conclude that Blackout's purchasing practices do not interfere with implementation of FWFs Code of Labour Practices with regard to working hours or wages.

### *Recommendations*

3. FWF recommends that Blackout, in cooperation with concerned suppliers, investigate the root causes of excessive overtime. It is useful to ask factories where excessive overtime is found during audits to carry out a root cause analysis on the factors causing excessive overtime. All incidents of overtime, their origin and severity should be recorded to support this analysis. It is recommended that a period be defined which is representative for an entire business year for the factory to carry out this analysis, for example a period of 3-6 months. After this analysis, a practical step-by-step plan can be drafted by the factory to bring the amount of working hours down to legally allowed levels. The plan should explain how and if and to what extent the factory can control overtime hours, and to what extent Blackout (and possibly its other clients), could help remediate this problem.

In addition, it is recommended to assess in cooperation with the supplier and main customer how further steps forward towards payment of living wages for a regular working week can be made possible. A possibility is to agree on an order price increase on the condition that the increment is used to increase regular wages for rank and file workers. On request FWF would share expertise which would help the involved parties define a practical framework for such an agreement.

## 5. Coherent system for monitoring and remediation

### *Conclusions*

1. Blackout has commissioned five audits in factories in China which represent 57 % of its total purchasing volume in 2010. These audits were carried out by FWF audit teams

in 2009-2010. Audits at three Turkish suppliers of the company have been planned for Spring 2011. As a result, Blackout meets the requirement that at least 60% of its total purchasing volume should be accounted for by audited factories and / or factories in low risk countries in the second year of FWF membership.

2. Blackout actively follows up on corrective action plans from audit reports through ongoing e-mail discussions. Blackout requests suppliers which have been audited to send status updates on improvement issues. Suppliers are expected to provide evidence for reported improvements, such as photos or soft copies of internal documentation. The CEO and purchasing staff of Blackout visit approximately 5 factories per year. During these visits Blackout he checks the status of issues which do not require profound expert knowledge, such as the posting of the Code of Labour Practices in the work place and basic aspects of health & safety. By asking a range of questions on realized improvements, taking pictures and making videotaped interviews with workers, the CEO of Blackout underlines that he is committed to the process of improving working conditions in factories.

3. Blackout does not actively collect reports from previous audits that have been carried out at factories on behalf of other clients. However this is not yet done structurally.

#### **Requirements**

3. In case existing audit reports have been collected, these must be mentioned in the supplier register that is submitted with the work plan.

#### **Recommendations**

3. FWF recommends using the audit quality checklist that has been issued by FWF. This would enable Blackout to assess the quality of existing audit reports. The checklist can be freely downloaded from the FWF website.

## **6. Complaints procedure**

#### **Conclusions**

1. Blackout is sufficiently aware of the FWF complaints procedure and has a designated person to handle potential complaints filed by workers in factories producing for Blackout.

2. Blackout sees to it that the Code of Labour Practices including contact information of the local complaints handler of FWF is posted in factories in a location that is accessible to workers. Blackout requests suppliers to send pictures of the posted document. In case of a supplier visit, the Blackout representative checks is the document is posted.

3. In 2010 FWF received one complaint from workers of factories where clothing is produced for Blackout, filed by a worker of a factory in China. FWF investigated this complaint by means of a factory audit. On the basis of the complaint investigation, FWF concluded that the complaint was founded with regard to the fact that his former employer refused to pay his wages until his date of resignation from the factory. In

prompt response to this complaint, Blackout requested corrective action by the factory, where after the concerned supplier informed Blackout AG the worker could collect his wages at the factory. FWF coordinated contact between the HRM manager of the factory and the worker to ensure that the worker would collect his wages. After the worker had collected his wages at the factory, the complaints handler of FWF confirmed with the worker and factory that the complaint was settled and could be closed.

4. A second complaint was received from a worker of a factory producing for Blackout in Turkey. The plaintiff claimed that she had been unjustly dismissed from the factory and stated that there were unregistered workers in the work place. Furthermore, workers in her factory were allegedly not able to fully use their coffee breaks fully, coped with verbal abuse and were expected to meet unrealistic production quota. FWF investigated the complaint through assessment of an existing audit report and offsite interviews with workers. Shortly after the end of the investigation phase was ended, a local court decided in favour of the plaintiff and she was rewarded compensation for be unjustly dismissed. On the basis of gathered information and the court verdict, FWF concluded that several parts of the complaint were grounded. Regarding the unfair dismissal, the issue is settled between the plaintiff, the factory and the court. No further actions are needed from Blackout AG regarding this. Action still needs to be taken to assure that the factory takes action on the code standards No excessive working hours and Safe and healthy working conditions (with a focus on workplace harassments).

### ***Recommendations***

4. FWF recommends that Blackout cooperates with other buyers from the factory to resolve these issues. One of the other buyers is affiliated to Fair Labour Association. FWF can, though the joint liaison that FWF has with FLA in Turkey, facilitate such cooperation.

FWF would also like to encourage Blackout to discuss with the factory if they would want to participate in FWF's project on grievance handling and communication at factories in Turkey that is being done in 2011 and 2012.

## **7. Improvement of labour conditions**

### ***Conclusions***

1. No serious non-compliances were found during factory audits at Blackout suppliers regarding child labour, forced labour and discrimination.

2. According to the audit carried out in 2009 by FWF to verify if improvements had been realised after the audit that had been carried out in 2009. Factories made improvements with regard to occupational health and safety (fire and machine safety), strengthened internal grievance procedures and designated persons to be in charge of their activities to implement a social compliance program. Several issues for improvement remain: in several factories a minority of workers do not receive the minimum wage for a regular working week as a result of the piece rate system. Working hours are not accurately recorded and workers are not structurally receiving at least one rest day in every week. Temporary workers are not covered by the insurance on work injuries and accidents.

Based on results of audits carried out by FWF teams and complaints of workers, FWF

has drawn up an overview of labour conditions in factories. The overview is annexed to this report.

### ***Recommendations***

2. FWF recommends that Blackout assesses to what extent it is of added value to hire a local service provider to support factories in the process of realising improvements. FWF recommends choosing this approach if the factory has demonstrated its commitment to this process. According to FWFs expertise with other factories of similar size, a specialised consultant can help the factory to adopt new practices that increase productivity, decrease overtime usage and improve the quality of social dialogue between workers and management. FWF can make suggestions and provide references of credible service providers on request.

## **8. Training and capacity building**

### ***Conclusions***

1. Blackout staff is sufficiently informed about FWF membership.
2. In 2010 the CEO of Blackout visited several suppliers in China, Turkey and Bangladesh to inform them about the practical implications of FWF membership and discuss support documentation that was developed by Blackout.
3. Blackout has not engaged with local stakeholders in production countries to carry out factory training to improve social dialogue on the factory level, or deployed local experts to support factories in realizing improvements in working conditions.

### ***Recommendations***

1. FWF recommends Blackout staff to participate in FWFs training session for staff of member companies. FWF will carry out training sessions at its office in Amsterdam from February 2011 onwards. Possibly similar trainings will be carried out in Switzerland and / or Germany.

## **9. Information management**

### ***Conclusions***

1. FWF finds that the supplier register that was submitted with the 2010 work plan of Blackout is accurate.
2. Blackout has a clear workflow to ensure that its information on its suppliers is up to date. The company maintains its supplier register including contact and address information of factories on the basis of its order administration. The supplier register contains information on subcontractors of direct suppliers to Blackout.

***Recommendations***

1. It is of added value to specify in the supplier register the general status of corrective action plans and when a representative of the company visited a supplier to discuss the follow up process.

## **10. Transparency**

***Conclusions***

1. Blackout informs the external public about its FWF through its website.
2. Blackout does not make use of hangtags or in store communication its FWF membership, but is considering starting doing this in the course of 2011.
3. Blackout has submitted its 2009 annual social report to FWF, but has not published it on its corporate website.

***Recommendations***

2. FWF could provide Blackout with input for a Q&A document for sales staff which contributes to more awareness of FWF membership.
3. FWF recommends publishing the annual social report on its website. Herewith Blackout could describe its activities to monitor and improve working conditions in its supply chain, and the results that were realised.

## **11. Management system evaluation and improvement**

***Conclusions***

1. As Blackout is a small company a formal approach to evaluate the process of improving working conditions does not exist. The persons in Blackout that are involved in activities in this regard discuss these when relevant.

***Recommendations***

1. FWF recommends Blackout to evaluate after a period of 2 years of membership to what extent the chosen approach to improve working conditions is effective. The evaluation would need to assess which improvements were (not) successfully implemented in factories, if communication with factories on this issue goes smooth, and whether the chosen approach is cost efficient. It is of added value to evaluate the process of following CAPs with suppliers now substantial steps to realize improvements in working conditions have been taken.

## 12. Basic requirements of FWF membership

<i>Conclusions</i>
1. Blackout meets the basic requirements of FWF membership for 2009: the membership fee has been paid and a work plan for 2009 has been handed in.

## 13. Recommendations to FWF

<i>Recommendations</i>
1. Blackout recommends FWF to focus on new media with its communication activities.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 1</b>	<b>Factory: China 1</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Blackout in China (April 2009).</b>	<b>Summary of most important findings from a factory audit carried out on behalf of FWF to verify improvements in the same factory (Dec 2009).</b>
<b>Workers interviews</b>	7 workers were interviewed prior to the date of the audit. Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory. An hour-long meeting was held with randomly selected workers of the factory.	8 female and 5 male workers were interviewed prior to the date of the audit, outside the factory premises. Interviews were conducted with 4 female and 2 male workers on the shop floor on the days of the visit to the factory
<b>Documentation</b>	Attendance register, OT register, Record of all employees, Grievance registers, Disciplinary notices, Payroll deposit slips, Payroll tax calculations, Occupational injury records, Sickness register, Maternity leave register and Annual leave registers are not available to the audit team during the audit process.	Documentation improved in general. Working hours are not still not accurately recorded.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	Blackout to take the factory's total capacity into consideration when placing production orders to the factory and make sure workers do not conduct excessive overtime hours. Blackout to work closely together with the factory and the trading firm to make sure workers are paid at least the local minimum wages and receive all legally required benefits.	Though orders from Blackout AG have been quite stable, the days that workers have to work in a month have become very unstable.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Blackout to monitor working conditions in the factory. Blackout did not send the Code of Labour Practices to the factory before the audit.	A document with reference to the FWF Code of Labour Practices is posted, but it is not the correct document.
<b>Management system factory to improve labour standards</b>	Not part of this audit.	Most workers are not aware of the FWF Code of Labour Practices.
<b>Communication, consultation and grievance procedure</b>	Not part of this audit.	The document on how to run the election of the workers' representatives has mistakes and wrong names of departments. The number of departments mentioned in the document doesn't match with the current departments in the organization structure of the factory. The number of workers' representatives in records does not match with minutes.
<b>Employment is freely chosen</b>	No non-compliances found.	No non-compliances found.
<b>No discrimination in employment</b>	No non-compliances found.	No non-compliances found.
<b>No exploitation of child labour</b>	No non-compliances found.	No non-compliances found.
<b>Freedom of Association and the Right to Collective Bargaining</b>	The factory has a trade union but is does not function properly; workers have very little knowledge about the trade union, nor any other formal channel to communicate with workers. Workers have very little awareness of their rights in the area of social security, annual leaves, statutory holidays, and maternity leaves.	Workers are not aware of the existence of a management and workers' representative dialogue meeting.
<b>Payment of a Living Wage</b>	The management does not provide payslips to workers with necessary details for workers to understand their wages. The company does not provide legally required paid maternity leave. The actual compliance status of minimum wages can not be sufficiently verified due to the incomplete and inaccurate time recording system. The company does not provide the legally required paid leave on public holidays. The company does not provide the legally required paid annual leave.	The factory improved its system of wage payments. No non-compliances found during this audit.
<b>No excessive working hours</b>	Workers do not always get a 1 rest day in a period 7 consecutive days. (Maximum 30 consecutive days in March 2009). The actual compliance status of overtime hours (3 hours/day, 36 hours/month, 60 hours/week) can not be fully verified due to the incomplete and inaccurate time recording system. Overtime is not properly announced in advance. The company does not pay the legally required rate for overtime.. All workers are paid solely based on their piece output.	The factory became more transparent on working hours. Workers are not structurally receiving at least one rest day in every week.
<b>Occupational health and safety</b>	The fire hydrant together with the 2 fire extinguishers in the dormitory building is fully blocked by sundries. Only 1 fire extinguisher is available in the packing workshop of the first production floor, which occupied a total area of around 300 square meters. No emergency evacuation plan is posted in the production & dormitory building. No first aid kit is available in the workshops. All sewing machines (approx. 70) in the sewing workshop are not equipped with needle guards. Employees handling electric cutters in the cutting workshop are not provided with metal-mesh gloves. The space of the workers in the sewing workshop is partially blocked by goods, which will lead to the failure of prompt evacuation in case of emergency. No ergonomic program has been set up in the factory. Automatic fire alarm system is not installed in the factory, which occupies an area of 2000 square meters.B45	The factory made various improvements in the area of occupational health and safety. Some problems remain: Hot water (for bathing) is not provided in the dormitory. Medical hand clove, scissors and plastic tapes for wounding are not found in the first aid box. Not enough fire extinguishers in the dormitory.
<b>Legally binding employment relationship</b>	The company does not keep a proper personal file on all employees. Temporary workers do not sign contracts with the factory. Only 15 out of 70 workers are covered by pension insurance and 21 out of 70 workers are covered by injury insurance.	Some workers don't have a copy of their labour contract. Temporary workers are not covered by the insurance on work injuries and accidents.
<b>Special remarks</b>	none	none

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 2</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Blackout in China (April 2009).</b>
<b>Workers interviews</b>	6 workers were interviewed prior to the date of the audit. Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory. An hour-long meeting was held with randomly selected workers of the factory.
<b>Documentation</b>	None.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	Not part of this audit.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Blackout to monitor working conditions in the factory. Blackout did not send the Code of Labour Practices to the factory before the audit.
<b>Management system factory to improve labour standards</b>	Not part of this audit.
<b>Communication, consultation and grievance procedure</b>	FWF Code of Labour Practices was not posted in the factory. Management and workers were not aware of FWF Code of Labour Practices and did not receive any training on Code elements.
<b>Employment is freely chosen</b>	No non-compliances found.
<b>No discrimination in employment</b>	No non-compliances found.
<b>No exploitation of child labour</b>	No non-compliances found.
<b>Freedom of Association and the Right to Collective Bargaining</b>	Facility does not have a joint workers committee in place allowing bilateral communications or negotiation in labour right issues.
<b>Payment of a Living Wage</b>	No non-compliances found.
<b>No excessive working hours</b>	No non-compliances found.
<b>Occupational health and safety</b>	No ergonomic program was established in the factory. 3 out of 10 sewing machines in the sampling department were not equipped with needle guards.
<b>Legally binding employment relationship</b>	As per social insurance receipt of February 9th, 2009, facility bought pension, medical, occupational injury and unemployment insurances for 104 out of 381 workers. No worker was covered with maternity insurance.
<b>Special remarks</b>	none

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 3</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Blackout in China (March 2009).</b>
<b>Workers interviews</b>	7 workers were interviewed prior to the date of the audit. Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory. An hour-long meeting was held with randomly selected workers of the factory.
<b>Documentation</b>	Attendance register, OT register, resignation records (workers personnel file), Grievance registers, Disciplinary notices, Payroll tax calculations, Occupational injury records, Sickness register, Maternity leave register and Annual leave registers are not available to the audit team during the audit process. The factory does not maintain a working hour's system to record workers' working hours completely and accurately. The factory just records the total working days in a month without daily records of in/out time and overtime hours.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	Not part of this audit.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Blackout to monitor working conditions in the factory.
<b>Management system factory to improve labour standards</b>	Not part of this audit.
<b>Communication, consultation and grievance procedure</b>	Not part of this audit.
<b>Employment is freely chosen</b>	No non-compliances found.
<b>No discrimination in employment</b>	No non-compliances found.
<b>No exploitation of child labour</b>	No non-compliances found.
<b>Freedom of Association and the Right to Collective Bargaining</b>	The factory has a trade union but it does not function properly as workers are unaware of its function. Workers have very little knowledge about any formal channel to communicate with management.
<b>Payment of a Living Wage</b>	The company does not provide the legally required paid leave on public holidays. The company does not provide the legally required paid annual leave. The management does not provide payslips to workers with necessary details for workers to understand their wages.
<b>No excessive working hours</b>	The factory does not maintain accurate and complete attendance records of workers. However, As per information collected from workers interview and production records (e.g. broken needle records), It is estimated that weekly working hours will exceed 60 hours. The company does not pay the legally required rate for overtime. All workers are paid solely based on their piece output. OT is not properly announced in advance.
<b>Occupational health and safety</b>	Improvements needed with regard to fire safety, machine safety, ergonomics and personal protective equipment. No maternity leave paid.
<b>Legally binding employment relationship</b>	Factory only signs the labour contract with 23 out of 140 workers. Workers do not receive a copy of the labour contract. Some regulations in the contracts do not comply with the local laws and regulations. Not all migrant workers are covered by social insurance.
<b>Special remarks</b>	Blackout should take the factory's total capacity into consideration when placing production orders to the factory and make sure workers do not conduct excessive overtime hours. Blackout should work closely together with the factory and the trading firm to make sure workers are paid at least the local minimum wages and receive all legally required benefits.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 4</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Blackout in China (January 2010).</b>
<b>Workers interviews</b>	26 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside the working hours.
<b>Documentation</b>	Grievance registers, disciplinary notice, accident registers, etc. are not available to the audit team during the audit process. During the audit, inconsistencies regarding working hours are found among the time records, payroll records, production records and workers interview.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	No non-compliances found.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Blackout to monitor working conditions in the factory.
<b>Management system factory to improve labour standards</b>	Factory does not have a system in place to improve labour standards and does not evaluate compliance status on a regular basis.
<b>Communication, consultation and grievance procedure</b>	Factory lacks a functioning grievance mechanism.
<b>Employment is freely chosen</b>	No non-compliances found.
<b>No discrimination in employment</b>	No non-compliances found.
<b>No exploitation of child labour</b>	No non-compliances found.
<b>Freedom of Association and the Right to Collective Bargaining</b>	There is no independent union/workers committee which is run by workers without management involvement, and that workers are not aware of their rights to organize, nor any other formal channel to communicate with workers.
<b>Payment of a Living Wage</b>	A minority of workers on a piece rate receives less than the legal minimum wage for a regular working week. Overtime is not properly compensated at the legally required premium.
<b>No excessive working hours</b>	Weekly working hours exceed 60 hours up to 83 hours in November & December 2009 & January 2010. A weekly rest day is not guaranteed. Factory has no a voluntary overtime system in place.
<b>Occupational health and safety</b>	Improvements needed with regard to fire safety and machine safety.
<b>Legally binding employment relationship</b>	The majority of workers is not covered by the governmental social insurance system.
<b>Special remarks</b>	None.

<b>Improvement of labour conditions: summary of most important findings</b>	<b>Factory: China 5</b>
	<b>Summary of most important findings from a factory audit carried out on behalf Blackout in China (January 2010).</b>
<b>Workers interviews</b>	17 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises outside the working hours.
<b>Documentation</b>	Grievance registers, disciplinary notices and accident & occupational injury records are not kept by factory and are not available for audit team to review during the audit process.
<b>Sourcing practices (price, leadtime, quality requirements)</b>	The unit price of Blackout CH is relatively low in comparison with other clients of the factory.
<b>Monitoring system of FWF member company</b>	This was the first audit on behalf of Blackout to monitor working conditions in the factory.
<b>Management system factory to improve labour standards</b>	Factory does not have a system in place to improve labour standards and does not evaluate compliance status on a regular basis.
<b>Communication, consultation and grievance procedure</b>	Factory lacks a functioning grievance mechanism.
<b>Employment is freely chosen</b>	No non-compliances found.
<b>No discrimination in employment</b>	No non-compliances found.
<b>No exploitation of child labour</b>	No non-compliances found.
<b>Freedom of Association and the Right to Collective Bargaining</b>	There is no independent union/workers committee which is run by workers without management involvement, and that workers are not aware of their rights to organize, nor any other formal channel to communicate with workers.
<b>Payment of a Living Wage</b>	A minority of workers on a piece rate receives less than the legal minimum wage for a regular working week. Overtime is not properly compensated at the legally required premium. Workers are not paid when they are enjoying statutory holidays. Wages are paid after the legal due date.
<b>No excessive working hours</b>	Workers worked in excess of 60 hours per week up to 99 hours in September, October and November 2009. A weekly rest day is not guaranteed. Factory has no a voluntary overtime system in place.
<b>Occupational health and safety</b>	Improvements needed with regard to fire safety and machine safety.
<b>Legally binding employment relationship</b>	The majority of workers is not covered by the governmental social insurance system. None of the employees in the factory signed a labour contract with the factory.
<b>Special remarks</b>	None.