

Fair Labor Association: Independent External Factory Assessment

Assessment Date :

25 Nov 2021



Factory Information

FLA Affiliates	Fast Retailing Co., Ltd.
Country	China
Number of Workers	218

Understanding this Report

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

FLA Code Element

Number of Violations

Compensation (C)	4
Employment Relationship (ER)	9
Freedom Of Association And Collective Bargaining (FOA)	1
Health, Safety And Environment (HSE)	6
Hours Of Work (HOW)	3

Assessment Information

Assessor	Openview- China Shenzhen
Assessment Date	25 Nov 2021

Assessment Purpose	Factory Assessment (In-Person)
--------------------	--------------------------------

ASSESSMENT RESULTS

Compensation (C)

Benchmark ID	C.12.1
Benchmark Details	All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc.
Finding Details	The contribution base of the five types of social insurances is not in line with legal requirement. The factory contributes to pension, work-related injury, medical, maternity and unemployment insurances based on CNY 3,017 (USD 470) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. Almost all workers' average monthly wages of previous year were higher than current contribution base, ranging from CNY 3,100 (USD 483) to CNY 4,600 (USD 717).
Recommendation for Immediate Action	Contribute to social insurance based on worker's average monthly wage of previous year.
Compliance Classifications	Immediate Action Required
Local Law	Social Insurance Law of the PRC, Article 12 and Article 60
Benchmark ID	C.8
Benchmark Details	All workers shall be credited with all-time worked for an employer for purposes of calculating length of service and determine the benefits to which workers are entitled.
Finding Details	The factory does not take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law.

Recommendation for Immediate Action	Calculate annual leave based on worker's cumulative working experience (working age).
Compliance Classifications	Immediate Action Required
Local Law	Implementation Measures of workers' Paid Annual Leave, Article 4
Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.
Finding Details	The factory does not provide social insurance to all eligible workers. There is a total of 230 workers working in the factory, including 16 retired but re-recruited workers. 214 workers are eligible for social insurance contribution. The factory has only provided 56 out of 214 eligible workers (26.2%) with five types of social insurances, including pension, work-related injury, medical, maternity and unemployment insurances. As a supplement, the factory has provided commercial accidental injury insurance to 158 workers, which is valid from December 18, 2020 to December 17, 2021 and has a maximum benefit amount of CNY 300,000 (USD 46,729) per worker.
Recommendation for Immediate Action	Provide social insurance to all eligible workers.
Compliance Classifications	Immediate Action Required
Local Law	The China Labor Law, Article 72
Benchmark ID	C.21.1
Benchmark Details	Employers shall provide all legally mandated benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.
Finding Details	The factory does not provide the Housing Provident Fund to any of the 214 eligible workers.

Recommendation for Immediate Action	Provide all eligible workers with the legally required Housing Provident Fund.
Compliance Classifications	Immediate Action Required
Local Law	Regulations on Management of Housing Provident Fund, Article 15

Employment Relationship (ER)

Benchmark ID	ER.17.5
Benchmark Details	Employers shall have in place procedures to track the number, types, and timing and resolution of grievances, and to communicate the resolution of grievances to the workforce.
Finding Details	1. The factory has not established procedures to track the number, types, and timing and resolution of grievances, or to communicate the resolution of grievances to the workforce. 2. The factory has not maintained any grievance records. Interviews with workers and management note that some grievances have been raised and handled verbally, but no records are maintained.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.2
Benchmark Details	Employers shall ensure that all legally mandated requirements for the protection or management of special categories of workers, including migrant, juvenile, contract/contingent/temporary, probationary workers, home workers, and pregnant or disabled workers, are implemented. Where local laws and FLA standards differ, the employer is expected to follow the highest applicable standard.

Finding Details	The factory has hired two disabled workers, which is in violation of legal requirements that state at least 1.5% of the total workforce should be composed of disabled workers, i.e., $1.5\% \times 230$ (total workforce) = 4. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code and Benchmarks.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.1.1
Benchmark Details	Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
Finding Details	The factory has not established policies and procedures managing Retrenchment.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.6.1
Benchmark Details	Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.

Finding Details	The factory has not established written policies and procedures on personnel development that encourage ongoing training with the goal of raising or broadening workers' skills so they can advance in their careers.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.7.1
Benchmark Details	Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.
Finding Details	The factory has not established performance review policy and procedure or conducted performance review for any workers.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.1.3
Benchmark Details	Employers should implement an annual, review process with input from workers of all policies, procedures and their implementation to ensure they meet legal requirements and the FLA Workplace Code.

Finding Details	1. The factory does not review or update the internal policies and procedures annually. Most of the reviewed procedures have been effective since 2019 or early 2020. 2. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and receive workers' input and feedback regarding the creation, implementation and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.18.4
Benchmark Details	The disciplinary system shall include a third party witness during imposition, and an appeal process.
Finding Details	The disciplinary procedures do not include workers' right to appeal the disciplinary action.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.18.3.2
Benchmark Details	Workers have the right to participate and be heard in any disciplinary procedure against them.
Finding Details	The disciplinary procedures do not include workers' right to participate and be heard in any disciplinary procedure against them.

Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.18.3.3
Benchmark Details	Workers must sign all written records of disciplinary action against them.
Finding Details	The disciplinary procedures do not require workers to sign written records of disciplinary actions taken against them. Interviews with workers and management note that some disciplinary actions have been taken and handled verbally, but no related records are maintained.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Freedom Of Association And Collective Bargaining (FOA)	
Benchmark ID	FOA.10
Benchmark Details	Employers shall refrain from any acts of interference with the formation or operation of workers' organizations, including acts which are designed to establish or promote the domination, financing or control of workers' organizations by employers.

Finding Details	<p>FLA Comment: The Chinese constitution guarantees Freedom of Association; 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 International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, 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. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations’ mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members’ assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union 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.</p>
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil

Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	The fire alarm system does not have a backup battery power.

Recommendation for Immediate Action	Install backup battery for the fire alarm system in the production, dormitory and canteen buildings.
Compliance Classifications	Immediate Action Required
Local Law	Nil
Benchmark ID	HSE.19
Benchmark Details	All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.
Finding Details	The factory does not keep food sample, as per legal requirement.
Recommendation for Immediate Action	Keep food sample for at least 48 hours as per legal requirement.
Compliance Classifications	Immediate Action Required
Local Law	The Food Safety Operation Specifications for Catering Service, Article 7.9.2
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	1. Traffic lanes and walk paths are not marked on the factory premises. 2. The factory has never conducted an inspection for the lightning protection system on the rooftop of the production and dormitory buildings.
Recommendation for Immediate Action	1. Clearly mark the traffic lanes and walk paths on the factory premises. 2. Hire a qualified service provider to conduct the inspection for the lightning protection system on an annual basis.

Compliance Classifications	Immediate Action Required
Local Law	Technical Specifications for Inspection of Lightning Protection System in Building, Article 6
Benchmark ID	HSE.6.1
Benchmark Details	All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.
Finding Details	The factory has never conducted a comprehensive inspection for the firefighting facilities, including fire alarm, fire hydrant, fire extinguisher and fire pool.
Recommendation for Immediate Action	Hire a qualified service provider to conduct a comprehensive inspection for the firefighting facilities on an annual basis.
Compliance Classifications	Immediate Action Required
Local Law	The Fire Prevention Law of the People's Republic of China, Article 16
Benchmark ID	HSE.4.1
Benchmark Details	Employers shall at all times be in possession of all legally required and valid permits and certificates related to health, safety, and environmental issues, such as: Purchase and storage of chemicals; Fire safety inspections; Machinery inspections; Waste disposal; Environmental licenses/permits; Sanitation permits, including those required for canteens; and Vehicle inspection and driver permits for all employer provided transportation.

Finding Details	1. The factory has never conducted any kind of assessment on occupational disease hazards since the construction of the production buildings completed in 2010. 2. The factory has not obtained the environmental impact assessment and approval as required by local law since the construction of the production buildings completed in 2010. 3. The factory has not obtained the Report on the Inspection and Acceptance of Completed Construction Project for the dormitory building (built in 2010 with four floors) and the canteen building (built in 2010 with two floors). 4. The factory has not obtained the Fire Permit for the canteen building (built in 2010 with two floors). As per legal requirement, the construction building should undergo an on-site fire acceptance check by the local fire authority.
Recommendation for Immediate Action	1. Conduct assessment of current condition of occupational disease hazards and obtain valid reports. 2. Obtain the environmental impact assessment and approval, as per legal requirement. 3. Obtain the Report on the Inspection and Acceptance of Completed Construction Project for the dormitory and canteen buildings. 4. Obtain the Fire Permit for the canteen building.
Compliance Classifications	Immediate Action Required
Local Law	Law of Prevention and Control of Occupational Diseases, Article 17 and Article 18; The Regulations on Environmental Protection of Construction projects, Article 7; Construction Law of PRC, Article 61; Fire Prevention Law, Article 11
Benchmark ID	HSE.17.1
Benchmark Details	Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains.
Finding Details	The factory does not provide adjustable chairs with back support to sewing workers working with sitting position or anti-fatigue mats to workers working in a standing position.
Recommendation for Immediate Action	Provide adjustable chairs with back support to sewing workers working with sitting position and anti-fatigue mats to workers working in a standing position.

Compliance Classifications	Immediate Action Required
Local Law	Nil
Hours Of Work (HOW)	
Benchmark ID	HOW.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.
Finding Details	Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from November 2020 to October 2021 and worker interviews indicate that about 90% of workers worked more than 36 overtime hours in all reviewed months, with a maximum of 121 overtime hours in July 2021.
Recommendation for Immediate Action	Control overtime hours to achieve full compliance with legal requirement.
Compliance Classifications	Immediate Action Required
Local Law	The China Labor Law, Article 41
Benchmark ID	HOW.20
Benchmark Details	Employers shall have in place practices that conduct regular analysis of hours of work in their workplaces and procedures that demonstrate a commitment to progressively reducing excessive hours of work.
Finding Details	The factory production plan is based on 66 hours per week. Factory management sets production targets and the production system at a level that workers need to work 26 overtime hours (three overtime hours per day on five weekdays and 11 overtime hours on Saturday) per week.

Recommendation for Immediate Action	Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
Compliance Classifications	Immediate Action Required
Local Law	Nil
Benchmark ID	HOW.21
Benchmark Details	Other than in exceptional circumstances, the total weekly work hours (regular work hours plus overtime including any alternative shifts such as 4x4 or 3x3) shall not exceed 60 hours per week.
Finding Details	Total working hours exceed 60 per week. Time records for the period from November 2020 to November 24, 2021 and worker interviews indicate that weekly working hours for 90% of workers exceeded 60 hours and go up to 66 in one to three weeks per month in all reviewed months.
Recommendation for Immediate Action	Control total working hours so they do not exceed 60 in a week.
Compliance Classifications	Immediate Action Required
Local Law	Nil

×