



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Burton Snowboards

COUNTRY: China

ASSESSMENT DATE: 07/19/18

ASSESSOR: Openview

PRODUCTS: Handbags

NUMBER OF WORKERS: 179

Summary of Code Violations

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.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There is an age limitation on some job descriptions; for example, the job description for sewing workers requires applicants to be 18 to 35 years old. [ER.3, ND.2]
2. There are 18 temporary workers in the factory. The factory could not provide assessors with signed employment contracts signed with them to review. [ER.2, ER.11]
3. The factory does not sign open-ended labor contracts with workers who have signed labor contracts twice. [ER.10]
4. The factory requires workers to sign a three-year labor contract that stipulates an extended probation period of six months. [C.3]
5. The factory does not employ any disabled workers or contribute to the Employment Security Fund as required by law. [ND.1, ND.2, ND.9]
6. The factory deducts a uniform fee from workers' wages (e.g. RMB 30 for two summer uniforms). [ER.21]
7. The factory does not have policies or procedures on Personnel Development. [ER.1, ER.28, ER.29, ER.30]
8. The factory does not conduct performance reviews for employees, including new workers during their probationary period. Since there are no formal performance reviews, promotions, demotions, and job reassignments are not decided in a fair and transparent way. Instead, they are based on the supervisors' personal impressions. [ER.29, ER.30]

Local Law or Code Requirement

China Labor Contract Law, Articles 10 and 14; Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.10, ER.11, and ER.29; Compensation Benchmark C.3; Non-Discrimination Benchmarks ND.1 and ND.2)

Recommendations for Immediate Action

1. Revise the Recruitment policies, procedures and documents, as well as job descriptions, to remove age requirements. Do not discriminate against applicants on the basis of age.
2. Sign employment contracts with all temporary workers.
3. Sign open-ended labor contracts with the workers who have signed labor contracts twice.
4. Change all existing workers' probation periods to three months. In the future, sign contracts with new workers with a three-month maximum probation period.

5. Do not discriminate against disabled workers during the hiring process.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Remove age limitation from job description. (Pls see the improve photo for cell O13:1-1) 2. Make copies of the contract for future reference . 3.Check employees who have worked for 10 years and see if they have signed an open-ended labor contracts with them and do review on the previous open-ended labor contracts. 4.Understand FLA regulations, and sign a three-month probationary period for new employees. (Pls see the improve photo for cell O13:4-1~4-2) 5. Ask help from government to look for disabled workers. 6.Cancellation of uniform charges and refund of existing employees (Pls see the improve photo for cell O13:6-1) 7. Increase personnel development policy, such as technical workers after training to the paper pattern division, general workers after training to technical work. (Pls see the improve photo for cell O13:8-1~8-5) 8.Increase the management method of employee performance appraisal. If the employee passes the appraisal, the supervisor shall fill in the probationary period appraisal form. To increase the management method of employee promotion, fill in the employee promotion application form, which shall be signed and approved by the supervisor.Establish employee personnel development planning, record the personnel development courses, such as for general employees, after a certain time of training and assessment, a certain time of promotion to a new position, so as to train employees to pay attention to the growth of employees career development (Pls see the improve photo for cell O13:8-6~8-12)

Nov. 16 2020 Update:

5. Due to the outbreak of COVID-19 so factory is short of orders and no need of manpower. The factory will continue the plan of disabled workers recruitment. (In process)

Planned completion date

10/20/18

Company Action Plan Update

Sept. 23 2019 Update:

1.The age limit has removed from the job description.

(Improvement completion, evidence tn-1-1)

2. The labor contract has been established with all employees including any temporary worker, further confirmed by management and workers interview.

(Improvement completion, evidence tn_2-1)

3. The factory has signed the open-ended labor contracts with workers who have signed labor contracts twice or work over 10 years at the factory.

(Improvement completion, evidence tn_3-1)

4. The factory has revised to sign the labor contract of 3 years with 3 months probation period with employees,further confirmed

by management and workers interview.

(Improvement completion, evidence folder T6,tn_4-1)

5. The factory has hired has a disabled employee, and will continue to seek for disabled workers from government agencies.

(In progress, evidence folder T6,tn-5-1 and tn-5-2)

6. The deduction items have been cancelled and returned to the employees by the factory,further confirmed by management and workers interview.

(Improvement completion, evidence folder T6, tn_6-1 and tn-6-2)

7. Employees development policies have been added and relevant training is delivered to employees,further confirmed by management and workers interview.

(Improvement completion, evidence folder T6, tn_7-1 to tn-7-5)

8.The factory has established procedure about performance reviews for employees and conducted performance reviews for employees, including new workers during their probationary period and implement it at the factory.

(Improvement completion, evidence folder T6, tn_8-1 to tn-8-5)

Jan 22 2020 Update:

5. The factory will hire disabled employee after resume to work from Chinese New Year through government agencies or on own recruitment advertisement. (In process)

Jun 15 2020 Update:

5.Due to the outbreak of COVID-19 so the government agency hasn't informed us the time & channel for application, the factory will continue to recruit disabled workers. (In process)

Nov. 16 2020

5. Due to the outbreak of COVID-19 so factory is short of orders and no need of manpower. The factory will continue the plan of disabled workers recruitment. (In process)

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Assessors could not verify the accuracy of the payment system (including minimum wage, overtime premiums, and any kind of paid leave) as the payroll documents the factory provided are based on incomplete/ inaccurate time records, and thus does not reflect workers actual working hours. [ER.18, C.5, C.15, C.16]
2. The factory could not provide the 18 temporary workers' payment records for assessors to review. [ER.2, ER.11, C.5, C.15]
3. The factory does not provide employees with sufficient social insurance. At the time of the audit, 264 employees were eligible for social insurance. The social insurance payment documents from July 2018 indicates that 142 employees (53.8%) are provided work-related injury insurance, 141 employees (53.4%) are provided medical insurance, 138 employees (52.3%) are provided maternity insurance, and 115 employees (43.6%) are provide pension and unemployment insurance. As a supplement, the factory purchased commercial accident injury insurance for 126 employees, valid from July 14, 2018 to July 13, 2019 with a maximum compensation of CNY 300,000 (USD 44001) for each person. [ER.22, C.1, C.5]
4. The contribution base for the five types of social insurance is not in line with legal requirements. Contributions are based on the local minimum requirement of CNY 2,906 (USD 426) for work-related injury, maternity, pension and unemployment insurance, and CNY 3,854 (USD 565) for medical insurance. However, they should be based on the employee's average monthly wage from the previous year (about 80% of employees' average wage range of the previous year is between CNY 3,000 (USD 440) and CNY 5,000 (USD 733) per month). [ER.22, C.1, C.5, C.10]
5. The factory only contributes to the Housing Provident Fund for four out of all 264 eligible employees (1.5%). In addition, the contribution base for the Housing Provident Fund is not in line with the legal requirement. The contribution is based on CNY 1,510 (USD 221) instead of the employees' average monthly wage from the previous year, which is between CNY 3,000 (USD 440) and 5,000 (USD 733) per month. [ER.22, C.1, C.5, C.10]

Local Law or Code Requirement

China Labor Law, Articles 44, 48, 51, 72, and 73; The Provisions on Payment of Wages in Guangdong Province, Article 19; Social Insurance Law of the PRC, Articles 12 and 58; Regulations on Management of Housing Provident Fund, Articles 2, 3, and 15. FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.11, ER.19, and ER.22; Compensation Benchmarks C.1, C.5, C.10, C.15, and C.16)

Recommendations for Immediate Action

1. Maintain complete and accurate payroll records which are linked with workers' actual working hours.
2. Ensure that workers are paid at least the legal minimum wage, and that overtime work is paid at the legal premium rate.
3. Provide all workers with paid leave as per legal requirements.
4. Provide all eligible workers with the required social insurance.
5. Calculate social insurance contributions based on employees' average monthly wages in the previous year.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Provide time record of previous month by early of every month so that the workers can double check to make sure the numbers are accurate.(Pls see the improve photo for cell O12:2-1) 2. Make copy of paid check as a record keeping. 3. Posting Social insurance benefits, such as the advantage of join social insurance, the bad side for not join the Social insurance, and the pay cost stand and how to use social insurance ... With that, it can increase the number of people joining the social insurance. In the meantime, we also invite the people from local Social Insurance Bureau to publicize it. (Pls see the improve photo for cell O12:3-1~3-4) 4.In accordance with the Minimum pay in Dongguan, work injury/maternity/ jobless 2906, the cultivation of 3100 medical treatment 4454, to improve the pay cost standard annually. 5.Posting the knowledge of Housing fund, such as the seven major uses for it to increase staffs to buy the housing fund. we also invite the people from local Social Insurance Bureau to publicize it.

Planned completion date

10/20/18

Company Action Plan Update

Sept. 23 2019 Update:

1. The factory has distributed employee attendance records at the beginning of each month so that workers can check and respond to HR personnel in time if there is any problem, the factory compensates the employees according to actual working hours accordingly, further confirmed by management and workers interview.

(Improvement completion, evidence folderT7 tn_1-1)

2. The factory has kept all payroll records including for temporary workers.

(Improvement completion, evidence folderT7 tn_2-1 to tn 2-2)

3. The factory has provided regular social security training to employees, and let employees actively participate in and buy social security.

(In progress, evidence folderT7 tn_3-1)

4. The factory has purchased social insurance contributions, which are based on the local minimum requirement. The factory will make continuous improvement for social insurance contribution base.

(In progress, evidence folderT7 tn_4-1)

5. The factory has posted housing fund material at the factory to educate employees 'active participation.

(In progress, evidence folderT7 tn_5-1 to tn_5-5)

Jan 22 2020 Update:

3. Partial workers have already purchased social security insurance. The factory will continue to provide regular social security training to employees in order to encourage more employees to participate social insurance program. (In progress)

4. The social insurance contributions are still based on the local minimum requirement. The factory will make continuous improvement for social insurance contribution base. (In progress)

5. Some management team members have participated in Housing Provident Fund. The factory will make continuous improvement regarding Housing Provident Fund for employees. (In progress)

Jun 15 2020 Update:

3. More workers purchased social security insurance, the percentage now is 75%. (In process)

4. The social insurance contributions are still based on the local minimum requirement, the factory will provide training course to the workers after COVID-19 ended. (In process)

5. Still in progress, the factory plans to encourage management team supervisors first then penetrate to the workers regarding Housing Provident Fund contribution. (In process)

Nov.16 2020 Update:

3. After internal continuous regular social security trainings to the employees, the social security insurance percentage now is 100% for all 93 employees. Please refer to the attachment of 社保台帳. (completed)

4. The social insurance contributions are based on the local average wage RMB3376 while medical insurance is based on RMB5305. The factory will make continuous improvement for social insurance contribution base. (In progress)

5. Still in progress, housing provident fund is not mandatory requirement by local government so the buying willingness from the employee is low. The factory will make continuous improvement regarding Housing Provident Fund for employees. (In progress)

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The time records that the factory provided to assessors are incomplete/ inaccurate: The factory could only provide the time records for five out of 18 temporary workers; There are some inconsistencies between the time records the factory provided and the information assessors obtained from production records and worker interviews. For example, the time records factory indicate that workers worked eight hours of overtime each Saturday, but production records show that workers worked 10 or 11 hours of overtime on some Saturdays. [ER.2, ER.23]

2. The time records of temporary workers from June 2018 indicate that they generally worked more than 60 hours per week, with a maximum of 80.5 hours per week. [HOW.1, HOW.8]
3. The time records of temporary workers from May and June 2018 indicate that they were not provided with 24 consecutive hours of rest per seven-day period. Some temporary workers worked 21 consecutive days from May 28 to June 17, 2018. [HOW.2]
4. According to worker interviews and time records for the period from June 2017 to July 18, 2018, 90% of workers' monthly overtime hours exceeded 36 hours per month during each month except for February 2018, with a maximum of 154 hours of overtime in June 2018. The time records for temporary workers indicate that their daily overtime exceed three hours and reached a maximum of five and a half hours per day. [HOW.1, HOW.8]
5. The production plan includes overtime work. The factory usually makes production plans based on nine to ten hours per work day plus eight hours of overtime on Saturday, resulting in 13-18 hours of overtime per week. [ER.24, HOW.8]
6. The factory does not maintain a reasonable level of staffing to meet business demand. As a result, excessive overtime is necessary to meet production targets. [HOW.6, HOW.9]

Local Law or Code Requirement

China Labor Law, Article 41; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.23, and ER.24; Hours of Work Benchmarks HOW.1, HOW.2, HOW.6, HOW.8, and HOW.9)

Recommendations for Immediate Action

1. Implement a reliable time recording system and maintain complete and accurate time records.
2. Ensure that workers' weekly working hours do not exceed 60 hours per week.
3. Ensure that all workers receive 24 consecutive hours of rest in every seven-day period.
4. Ensure that workers' overtime hours do not exceed three hours per day or 36 hours per month.
5. Do not include overtime in the production plan.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. 1.1 Sort out the attendance sheet of last month at the beginning of each month, then send it to the staff for signature and confirmation. 1.2 Sort out yesterday's attendance and post it on the bulletin board every day. If there is anything wrong, the staff can report and correct it in time. In addition, send the attendance sheet to team leader to cross check to ensure the accuracy. (Pls see the improve photo for cell O11:2-2~2-3) 2. 2.1 To understand the production situation if need to improve. Make sure the machine set up and operation flow is well considered based on IE concept. Efficiency goes up then the overtime can be reduced. 2.2 Line Balancing: Standardize the cycle time for each operation & quantity then configure the corresponded numbers of workers. Assign skilled workers for major operations in order to increase the efficiency then reduce overtime. 2.3 Set up production planning based on order quantity, difficulty of products, requested delivery date and no more than 60 hours per week. Tracking the production status everyday by using the daily report from each line and make proper adjustment if needed. (Pls see the improve photo for cell O11:1-1) Production plan is organized based on normal working hours and not overtime. Please refer to the attached production planning file for your reference. 4. Establish a Sustainable Improvement action plan, review the reason of overtime each week and make immediate adjustment on manning or simplified the operation in order not to overtime. 5. Applying more automated machines to reduce overtime working. 6. For employee attendance: Post the attendance sheet everyday on bulletin board and ask the staffs to check with HR if they have any questions for it. So that they can ensure the follow-up pay roll is correct.

Planned completion date

10/20/18

Company Action Plan Update

Sept. 23 2019 Update:

1. The factory has posted out yesterday's attendance records on the bulletin board daily for employees review and distributed employee attendance records at the beginning of each month so that workers can check and respond to HR personnel in time if there is any problem, further confirmed by management and workers interview.

(Improvement completion, evidence folderT8 tn_1-1)

2. The factory had reduced overtime hours for workers, and make early production plan in advanced and follow up closely for raw materials receiving. The factory has controlled the total weekly working hours no more than 60 hours,further confirmed by management and workers interview.

(Improvement completion, evidence folderT8 tn 2-1 to tn 2-2)

3. The factory had reduced overtime hours for workers, and make early production plan in advance and follow up closely for raw materials receiving. The factory has one day off in 7 days,further confirmed by management and workers interview.

(Improvement completion, evidence folderT8 tn 2-1 to tn 2-2)

4. The factory has made early production plan in advance and follow up closely for raw materials receiving, also monitored the working hours regularly to control the excessive working hours.

(In progress)

5.The factory has made early production plan in advance and follow up closely for raw materials receiving so as to well plan the production.

(In progress)

6. The factory will find/buy automated machines to reduce manual overtime.

(In progress)

Jan 22 2020 Update:

4.The factory will try to control the OT hours within 36 hours per month, one day off per week. (In progress)

5. The factory will try to well plan the production plan aiming at controlling the OT hours within 36 hours per month, one day off per week. (in progress)

6.The factory will optimize the work flow, and design relevant molds in order to reduce unnecessary labors in year 2020. (In progress)

Jun 15 2020 Update:

4. Due to the impact from COVID-19, OT hours within 36 hours per month is well controlled. The factory will continue to control the OT hours within 36 hours per month, one day off per week. (In process)

5. The factory has well planed the production plan aiming at controlling the OT hours within 36 hours per month, one day off per week. (Completed)

Please refer to improvement evidence as production plan 1 and production plan 2.

6.The work flow has been optimized and relevant molds have been designed so as to reduce unnecessary labors and well plan the production plan to well control OT.(Completed)

Please refer to improvement evidence as new mold 1 and new mold 2.

Nov. 16 2020

4.Due to the outbreak of COVID-19 in 2020, the factory is short of orders and now trying to provide employment opportunity & being responsible for the society. Factory now provides worker for working 5 days a week and 8 hours per day, please refer to the provided attendance records. (Completed).

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not have any policies or procedures on Retrenchment. [ER.1, ER.19]

2. The Termination procedures do not cover how to manage employees who have reached the retirement age. [ER.1, ER.32]

3. There are some unreasonable clauses in the Termination procedures, for example: A quick resignation would lead to the deduction of one month's salary; There is no payment if a worker takes auto-resignation; Workers can not resign in their first month, during the probation period; Workers are not paid if they do not work for at least seven days; New employees cannot take quick resignation in the first week; Three days of consecutive absences or four cumulative days of absences in a month is treated as an auto-resignation, and the whole month's salary will be deducted; Workers who are dismissed due to a serious violation of factory rules will not be paid.

Assessors did not find any evidence that these procedures are actually implemented and management stated no such cases occurred. However, because the factory did not provide assessors with accurate payroll documents, assessors have some concerns about this.

[ER.10, ER.19, F.2, F.7, H/A.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.10, ER.19, and ER.32; Forced Labor Benchmarks F.2 and F.7; Harassment and Abuse Benchmark H/A.2)

Recommendations for Immediate Action

1. Do not fine workers as a means of maintaining labor discipline. Revise the Termination procedures to remove the clauses restricting workers' ability to terminate his or her employment at their own will.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. To modify the existing policy procedures based on the policy of FLA

(Pls see the improve photo for cell O10:1-1~1-4)

2. Adding the management policy for employees who have reached the retirement age includes the definition of retirement age and procedures.(Pls see the improve photo for cell O10:2-1)

3. Notice of the abolition of unreasonable terms has been posted on the bulletin board.

A: Eliminate the clause of late deduction.

B: Eliminate the clause of absence deduction.

C: Eliminate the clause of warning penalty.

D: Eliminate the clause of immediate resignation deduction.

E: Eliminate the clause of auto resignation deduction.

F: Eliminate the clause of uniform money deduction.

In addition, to ensure the message is well communicated to the workers, a hardcopy has been made and delivered to all the employees.

(Pls see the improve photo for cell O10:3-1、4-1~4-6)

Planned completion date

10/20/18

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comments: 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. [FOA.2]

2. No collective bargaining agreement has been concluded between the union and factory management. [FOA.16]

Local Law or Code Requirement

China Trade Union Law of the People's Republic of China, Article 20; FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.16)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish Freedom of Association. Freedom of association means employees can set up and participate in organizations at their own choice. 2. Establish the election democratically at members' assemblies and trade unions must be accountable to their

members. (Pls see the improve photo for cell 09:1-1~1-2、2-1、3-1、4-1) 3. We will establish collective bargaining agreement between the union and factory management if any and communicate any collective bargaining agreement to all employees afterwards.

Planned completion date

07/20/19

Company Action Plan Update

Sept. 23 2019 Update:

1. Freedom of association procedures have been established. There is a union at the factory, and workers can claim to the union if they have any problem, further confirmed by management and workers interview.

(Improvement completion, evidence folder T10 tn_1-1 to tn 1-3)

2. There is a union at the factory, and workers can claim to the union if they have any problem. (In progress)

Jan 22 2020 Update:

2. The factory has not established collective bargaining agreement with employees yet, but workers can claim to union representative if they have any problem. (In progress)

Jun 15 2020 Update:

2. Collective bargaining agreement with employees has been established per attachment. (completed)

Please refer to improvement evidence of collective bargaining agreement folder

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The HR management manual includes monetary penalties as a form of workplace discipline. For example: If a worker forgets to swipe their time card once they will be fined CNY 10 (USD 1.5); If a worker is 2-10 minutes late for work or leaves 2-10 minutes early they will be fined CNY 5 (USD 0.7); 10-30 minutes will incur a fine of CNY 10 (USD 1.5); more than 30 minutes is treated as an absence; If a worker is absent for three consecutive days or for a cumulative total of four days in a month their employment will be terminated and will be deducted the whole month's salary; If a manager receives an admonishment, one day's wages are deducted from their paycheck. If they receive a minor demerit, three days' wages are deducted. If they receive a major demerit, nine days' wages are deducted. If a worker

receives a warning, CNY 10 (USD 1.5) will be deducted from their paycheck. If they receive an admonition, CNY 20 (USD 2.9) will be deducted. If they receive a minor demerit, CNY 60 (USD 8.8) will be deducted. If they receive a major demerit, CNY 180 (USD 26.4) will be deducted. Workers who are dismissed due to a serious violation of factory rules are not paid. The factory has not implemented any of these monetary fines in practice. [ER.10, H/A.2]

2. The factory does not have any records of disciplinary actions for the past two years. Management stated that they have only issued oral warnings. [ER.2, ER.27]

3. The disciplinary system does not include the workers' right to have a third party witness present during imposition of the disciplinary action. [ER.27]

4. There are no procedures for workers to appeal disciplinary actions taken against them. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.10, and ER.27; Harassment and Abuse Benchmark H/A.2)

Recommendations for Immediate Action

1. Do not use monetary fines as a means of maintaining labor discipline. Revise the HR management manual to remove all clauses that mention monetary fines.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Repeal monetary penalties from workplace discipline, and post new workplace discipline on the bulletin board. (Pls see the improve photo for cell O8:1-1)
2. Establish the form for disciplinary actions record.(Pls see the improve photo for cell O8:2-1~2-2)
3. Adding the rule of that third party witness need to present during imposition of the disciplinary action in the workplace discipline.
4. Adding grievance procedure in the workplace discipline that there are couple of channels for appealing disciplinary actions such as phone call, mail, or cell phone.(Pls see the improve photo for cell O8:4-1~4-3)

Planned completion date

01/21/19

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One out of two emergency exits is blocked by sundries in the single story Sundries Warehouse and one out of three emergency exits is blocked by goods in the single story Materials Warehouse. [HSE.5]
2. The emergency alarm in the factory does not have a backup battery. [HSE.5]
3. The factory has not installed needle guards for about 20 out of 80 flat sewing machines or pulley guards for five out of 80 flat sewing machines. None of the nine computer sewing machines are equipped with eye protection shields. [HSE.14]
4. Six workers in the Handwork Department work with glue, but the factory does not provide them with rubber gloves. [HSE.7]
5. The factory does not track illnesses. [HSE.3]
6. The factory was founded in September 2002. No pre-assessment of occupational disease hazards, assessment of effects of occupational disease hazards control, or assessment of the current condition of occupational disease hazards was conducted. [HSE.1, HSE.4]
7. One forklift purchased on May 28, 2018 has no registration certificate or inspection record. [HSE.4, HSE.14]
8. Management does not regularly inspect and restock the first aid boxes. There is no medicine in any of the first aid boxes in the Dormitory Building. [HSE.6, HSE.18]
9. The traffic lanes and walking paths within the factory are not clearly marked. [HSE.1]
10. Management could not provide inspection and maintenance records for the vehicles used within the factory. [HSE.14]
11. The factory does not implement a lockout-tagout system by locking out equipment when needed. [HSE.14]
12. There are fixed vertical ladders on the outer walls of three of the production buildings, but none of them is equipped with circle guardrail. [HSE.1, HSE.14]

Local Law or Code Requirement

The China Fire Prevention Law, Article 16 (4); Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The China Law of Prevention and Control of Occupational Diseases, Articles 17 and 18; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; The Law of the China on Work Safety, Article 42; Special Appliance Quality Safety Monitoring Regulation, Articles 25 and 28; The Safety Requirements for Fixed Steel Ladders and Platform - Part 3: Industrial Guardrails and Steel Platform; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.3, HSE.4, HSE.5, HSE.6, HSE.7, HSE.14, and HSE.18)

Recommendations for Immediate Action

1. Clear obstructions from all emergency exits.
2. Install a backup battery for the emergency alarm system.
3. Install needle guards and pulley guards on all sewing machines and install eye protection shields on all computer sewing machines.
4. Provide rubber gloves to workers who work with chemicals.
5. Regularly inspect and maintain all forklifts and vehicles used in the factory.
6. Clearly mark all traffic lanes and walking paths within the factory.
7. Implement a lockout-tagout system and train workers on lockout-tagout procedures.
8. Install circle guardrails on the fixed vertical ladders.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Management dept is required to check strictly on daily basis on the emergency exits, need to handle and report to managers if found any emergency exits are blocked by sundries. Material warehouse need to strictly follow FIFO rule to avoid exits blocked. (Pls see the improve photo for cell 07:1-1~1-3) 2. Source with qualified supplier for backup battery and proceeding purchase step. 3. Enhance safety awareness to all the workers, and re-install needle guards & pulley guards on the sewing machines. Team leaders more frequently to do line checking on hourly base. (Pls see the improve photo for cell 07:3-1~3-3) 4. Enhance the awareness on using chemicals to all the workers, team leader need to check and educate the workers the importance using the protection tools. Hold training course every month in 2019. (Pls see the improve photo for cell 07:4-1~4-2) 5. Establish illness tracking system which includes prevention, control and supervision in record. (Pls see the improve photo for cell 07:5-1~5-2) 6. Establish the assessment of occupational disease hazards which includes pre-assessment, assessment of effect, personnel protection and so on. (Pls see the improve photo for cell 07:6-1~6-14) 7. We will apply from the relevant local bureau for and obtain the registration certificate for forklift and maintain its inspection records accordingly. 8. Management dept inspects the first aid boxes on every Saturday and restock the medicine when needed. (Pls see the improve photo for cell 07:8-1~8-2) 9. Purchase oil paint and mark traffic lanes and walking paths in the factory area. 10. Drivers are required to check the vehicles before using and keep inspection and maintenance records. And do maintenance periodically (every ten thousand kilometers) (Pls see the improve photo for cell 07:10-1~10-6) 11. Establish the lockout-tagout system and provide training course to mechanic and electrician for the procedures. (Pls see the improve photo for cell 07:11-1~11-12) 12. Put stop using sign on these non-used vertical ladders.

Planned completion date

10/20/18

Company Action Plan Update

Sept. 23 2019 Update:

1. The factory has designated the relevant person to check HSE and ensure all exits are clear during working hours.

(Improvement completion, evidence folder T12 tn-1-1 to tn 1-2)

2. The factory has equipped the emergency alarm with a backup battery.

(Improvement completion, evidence folder T12 tn-2-1 to tn-2-2)

3. The factory has installed needle guards, pulley guards and eye shields for sewing machines.

(Improvement completion, evidence folder T12 tn-3-1 to tn-3-4)

4. The factory has provided rubber gloves to chemical contact operators and educate employees and monitor PPE wearing during working.

(Improvement completion, evidence folder T12 tn-4-1 to tn-4-6)

5. A disease tracking system including prevention, control and supervision has been established, and timely registration records have been kept.

(Improvement completion, evidence folder T12 tn-6-1 to tn-6-9)

6. The factory has conducted the annual occupational hazardous test at the factory. While the assessment of the current condition of occupational disease hazards is not implemented yet.

(In progress)

7. The inspection record for forklift truck is checked at fixed time and keep records accordingly.

(Improvement completion, evidence folder T12 tn-7-1)

8. The factory has checked the medicine box regularly every week, and supply the medicine timely.

(Improvement completion, evidence folder T12 tn-8-1-tn 8-2)

9. The factory top management is under discussion for new display regarding the traffic lanes and walking paths distinguishing.

(In progress)

10. The factory has inspect and maintain the records for the vehicles used within the factory.

(Improvement completion, evidence folder T12 tn-10-1 to tn 10-2)

11. The factory has established a lockout-tagout system by locking out equipment when needed and implement it across the factory.

(Improvement completion, evidence folder T12 tn-11-1 to tn 11-12)

12. The factory has reported to the land owner to seeking for solution.

(In progress)

Jan 22 2020 Update:

6. The 3rd testing company has conducted annual occupational hazardous test at the factory, while the assessment of the current condition of occupational disease hazards is not implemented yet. (In progress)

9.The factory top management is under discussion for new display regarding the traffic lanes and walking paths distinguishing. (In progress)

12. The factory will add fence for fixed vertical ladders on the outer walls of three of the production buildings and the construction will take place after Chinese New Year. (In progress)

Jun 15 2020 Update:

6. The assessment of the current condition of occupational disease hazards is not implemented yet. (In progress)

9.Top management team is under discussion and shall start after COVID-19 is ended. (In process)

12.The proposal of adding fence on the outer wall has been provided to the management team and the landlord, and will start it after COVID-19 is ended. (In process)

Nov. 16 2020 Update:

6. The assessment of the current condition of occupational disease hazards is not implemented yet. (In progress)

9.Top management team confirms to start new display regarding the traffic lanes and walking paths distinguishing after COVID-19 is ended. (In process)

12.Proposals for fencing of external walls have been submitted to the management team and owners and will be implemented after the end of COVID-19. (In process)

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The environmental protection procedures do not include: provisions that enable workers to raise environmental concerns; protections against retaliation for workers who allege environmental violations; procedures for reporting environmental emergencies. [ER.31, HSE.5]
2. The factory is not making an effort to reduce its environmental impact. They have not conducted an environmental emergency risk assessment, do not have an environmental impact reduction plan, could not provide assessors with any Environmental Protection implementation records, and do not have a system in place to respond to environmental emergencies such as chemical spills or gas leaks. [ER.31]
3. The factory's contract with its licensed hazardous waste handler expired on April 5, 2018. Furthermore, the factory cannot provide proof that the solid waste disposal facility it uses is authorized to handle waste. [HSE.1, HSE.9]

Local Law or Code Requirement

The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 57; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.9)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.
 - A: Using factory/dormitory bulletin board posting the related articles and photos of negative consequence caused by low awareness of environment concerns.
 - B: Organizing employees to learn environmental knowledge, and encourage them to contribute ideas for environmental protection, energy saving and emission reduction.
 - C: Carrying out environmental protection activities to create an atmosphere of environmental awareness.(Pls see the improve photo for cell O6:1-1~1-9)
- 2.Establishing an environmental emergency risk assessment includes recognition of environmental risk, assessment of the risk origin & risk level from work flow. Protection implementation records and environmental impact reduction plan are also included. ;(Pls see the improve photo for cell O6:2-1~2-8)
3. Re-new the contract with licensed hazardous waste handler on 2018 September and disposed solid waste on 9/20 with proof. (Pls see the improve photo for cell O6:3-1~3-7)

Planned completion date

01/21/19

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training provided to workers does not cover the following Employment Functions: Recruitment, Hiring & Personnel Development, Retrenchment, Industrial Relations, and Environmental Protection. [ER.1, ER.15]
2. The factory does not provide specific training for to managers and supervisors on any of the Employment Functions. [ER.1, ER.17, ER.27]
3. The factory does not provide ongoing training for workers on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Industrial Relations, Grievance System, Workplace Conduct & Discipline, Termination & Retrenchment, and Environmental Protection. [ER.1, ER.28, ER.29, ER.30]
4. Workers do not receive written documentation that substantiates all the issues cover during orientation, including a copy of the

workplace rules. [ER.15]
5. Not all workers receive skill-based training. [ER.28]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.27, ER.28, ER.29, and ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Adding company introduction, Industrial Relations, Recruitment, Hiring & Personnel Development, Retrenchment, and Environmental Protection into orientation training, please refer to the attachments. (Pls see the improve photo for cell O5:1-1~1-6)
2. Adding the training courses into Employment Functions such as team building, production flow management skill and so on. (Pls see the improve photo for cell O5:2-1~2-2)
3. Adding Recruitment, Hiring & Personnel Development, Workplace Conduct & Discipline etc. every January, March, May, July, September, November into ongoing training. (Pls see the improve photo for cell O5:3-1~3-3)
4. Prepare written documentation that substantiates all the issues covered during orientation, including a copy of the workplace rules
5. Apply skill-based training to all workers, for example: junior worker → senior worker → high skilled worker → Technician, mechanical drawing etc on every Feb, May, August, October. (Pls see the improve photo for cell O5:5-1~5-6)

Planned completion date

01/21/19

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker involvement component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or 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. [ER.1, ER.25]
2. The factory does not post the workplace rules, health and safety information, laws regarding workers' rights with respect to freedom of association, compensation, and working hours, or the FLA Code throughout the common areas. [ER.16.1]
3. The factory does not communicate Personnel Development, Retrenchment, and Environmental Protection policies/procedures/updates to the general workforce, the factory only sometimes communicates the Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, and Grievance System policies/procedures/updates to workers. [ER.28, ER.29, ER.30, ER.32]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.28, ER.29, ER.30 and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. With the Workshop supervisor and the representative of each department to develop the ability to increase the responsibilities of each job requirements, and the development of staff communication and feedback management procedures, employees can provide feedback or suggestions through effective channels such as mailboxes/telephones, so as to effectively answer questions for employees, in the skills can be added to the computer sewing, preparation materials, glue work, assembly and sewing. (Pls see the improve photo for cell O4:1-1~1-2)
2. Posting the Manual, the content of the contract, the law, the attendance leave, environmental Health and Safety Manual, environment management, safety markers, accident report, Industrial waste water, as well as the freedom of employees and other relations procedures, Posting labor law materials; The program file is also loaded into a small book hanging in the bulletin board so that all staffs can check. (Pls see the improve photo for cell O4:2-1~2-27)
3. Posting People development channels and environmental protection policies, layoff procedures and procedures. (Pls see the improve photo for cell O4:3-1~3-16)

Planned completion date

01/21/19

Company Action Plan Update

Posting People development channels and environmental protection policies, layoff procedures and procedures. (Pls see the improve photo for cell O4:3-17~3-24)

9/23 Update:

1. The factory has established procedures to request and/or receive workers' input and feedback, employees can provide feedback or suggestions through effective channels such as mailboxes/telephones, so as to effectively answer questions for employees, further confirmed by management and workers interview.

(Improvement completion, evidence folder T15 tn-1-1-tn 1-3)

2. The factory has posted out the relevant factory regulation on bulletin board for employees' reading at any time.

(Improvement completion, evidence folder T15 tn-3-1-tn 3-10)

3. The factory has posted out Personnel Development, Retrenchment, and Environmental Protection policies/procedures/updates to the general workforce etc. on bulletin board for employees' reading at any time, further confirmed by management and workers interview.

(Improvement completion, evidence folder T15 tn-3-11-tn 3-18)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not regularly review or update its policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety. [ER.1, ER.29, ER.30, ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Delete the age limitation from the manual and add the worker (sewer, preparation, cutting) involvement component across the

employment Functions. 2. Adding Personnel development plan that includes technical ongoing training channel: Basic skill training → vocational skill training (sewing, cutting etc.), technical employment training & 3 years working experience → sample room skill training, promotional channel: employee evaluation → team leader high performance → line supervisor.
(Pls see the improve photo for cell O3:3-1~3-5)
2. Every 6 months, doing review of recruitment, recruitment and personnel development, remuneration, hours of work, dismissal and redundancy, labour relations, workplace conduct and discipline, complaint system, environmental protection, health and safety procedures and every six months, scheduled for external review every 3 years, and summary of the audit work, arrangements for personnel to improve.

Planned completion date
01/21/19

FINDING NO.12

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

1. The factory provides free dormitory accommodation and three free meals per day for workers.