



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Kathmandu  
COUNTRY: China  
ASSESSMENT DATE: 10/20/16  
ASSESSOR: Openview  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 215

## 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

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Policies & Procedures (Macro)

##### Finding Explanation

1. The factory has not developed policies and procedures for the following Employment Functions: Hours of Work for Special Categories of Employees; Termination & Retrenchment, Industrial Relations and Freedom of Association, and Environmental Protection. Therefore, the factory does not communicate these policies and procedures to general workforce.
2. The factory does not have written policies and procedures outlining the process for performance reviews; therefore, the factory does not conduct regular performance reviews for workers or has a system to review the performance of workers during their probationary period.
3. There are no policies and procedures on Personnel Development; therefore, the factory does not have policies and procedures that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers.
4. The Workplace Conduct policies and procedures does not include the workers' right to have a third party witness present during imposition of the disciplinary action.
5. The factory does not have formal policies or procedures on Health & Safety, however some documents or systems exist. There are no systems for workers to raise Health & Safety concerns or protection against retaliation for workers who raise such concerns.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.27, ER.29, ER.31 and ER.32; Nondiscrimination Benchmark ND.2; Health, Safety & Environment Benchmark HSE.1 and HSE.12)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

##### Immediate Action (IA)

Develop appropriate policies related to following employment functions: Hours of Work for Special Categories of Employees; Termination & Retrenchment, Industrial Relations and Freedom of Association, and Environmental Protection.

##### Sustainable Improvement (SA)

1. Train HR and related personnel on policies.
2. Include policies on worker orientation and training.
3. Include policies in worker handbook.

##### Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.1 --- Staff Handbook" & "1.1 --- Employment function 1 & 2".

04/04/17 : Factory Acting on CAP

Action Plan no 2.

Description

IA

1. Create written policies and procedures outlining process for performance reviews.
2. Review all employment contracts and identify all workers who have not had a performance review
3. Provide all employees with education on the performance review policies and procedures and respond to questions.
4. Include in policy and procedures a review of the performance of workers during their probationary period.

SI

1. Train HR and related personnel on changes
2. Include in worker handbook.
3. Include changes on worker orientation and training.
4. Create system to monitor regular performance reviews
5. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.2 --- Performance review".

04/04/17 : Factory Actioning CAP

Action Plan no 3.

Description

IA

1. Develop appropriate policies and procedures related to personnel development.
2. Include ongoing training for all workers with the goal of raising or broadening skills in order to advance in their careers.
3. Provide education to staff on the policies and respond to questions.

SI

1. Train HR and related personnel on changes.
2. Communicate with workers and post on bulletin boards.
3. Include in worker orientation and training.
4. Include in worker handbook.
5. Create system to monitor implementation.

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.3 & 2.1 & 2.2 --- Development & training"

04/04/17 : Factory Actioning CAP

Action Plan no 4.

Description

IA

1. Amend Workplace Conduct policies and procedures to include the workers' right to have a third party witness present during imposition of the disciplinary action.
2. Provide Education to Staff on changes in policy and procedure.

SI

1. Train HR and related personnel on changes.
2. Communicate with workers and post on bulletin boards.
3. Include in worker orientation and training.
4. Include in worker handbook.
5. Create system to monitor implementation.

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Policy received and verified.

04/04/17 : Factory Actioning CAP

Action Plan no 5.

Description

IA

1. Create formal policies and procedures on Health & Safety.
2. Include in this a system for workers to raise Health & Safety concerns.
3. Include in this policy protection against retaliation for workers who raise such Health and Safety concerns.
4. Provide education for workers on the new policy and additions.
5. respond to questions.

SI

1. Appoint a Health and Safety person who is responsible for ensuring the policy and procedures are complied with.
2. Create a system for Health and safety concerns to be raised without retaliation.
3. Train HR and related personnel on Health and safety changes
4. Include Health and Safety changes on new worker orientation, employee handbook and training.
5. Create system to monitor Health and safety issues to their resolution
6. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.5 --- Health & safety policy".

04/04/17 : Factory Actioning CAP

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

Finding Explanation

1. The specific training for managers and supervisors is missing across all Employment Functions except Health & Safety: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Grievance System; Workplace Conduct; Termination & Retrenchment and Environmental Protection.
2. The ongoing training for employees is missing across all Employment Functions except Health & Safety.
3. Workers do not receive written a copy of workplace rules or documentation that substantiates all the issues cover in orientation.

Local Law or Code Requirement

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

### COMPANY ACTION PLANS

Action Plan no 1.

Description

IA

1. Develop training materials for managers and supervisors on Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Grievance System; Workplace Conduct; Termination & Retrenchment and Environmental Protection.
2. Provide such training to managers and supervisors.
3. Respond to questions.

SI

1. Appoint relevant HR and related personnel to be responsible for training and education within the factory
2. Include such training for managers and supervisors upon appointment and/or promotion

3. Create system to monitor and record such training
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.3 & 2.1 & 2.2 --- Development & training"

04/04/17 : Factory Actioning CAP

Action Plan no 2.

Description

IA

1. Develop training materials for employees across all Employment Functions.
2. Provide training to all employees.
3. Respond to questions.

SI

1. Appoint relevant HR and related personnel to be responsible for training and education within the factory
2. Include ongoing training for employees in factory calendar
3. Create system to monitor and record such training
4. Monitor implementation"

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "1.3 & 2.1 & 2.2 --- Development & training"

04/04/17 : Factory Actioning CAP

Action Plan no 3.

Description

IA

1. Create a worker handbook which contains written copies of all workplace rules.
2. Provide a copy to all staff.
3. Provide copies to all new employees during orientation.

SI

1. Train HR and related personnel on the importance of workers knowing and having copies of all workplace rules, policies and procedures that impact them
2. Include these changes on worker orientation and training.
3. Create system to record the fact that employees have received a copy each.
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "2.3 --- Workplace Rules".

04/04/17 : Factory Actioning CAP

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.25.)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

IA

1. Review current factory practice and legal requirements to include worker voice.
2. Identify areas where worker input or feedback is absent.
3. Plan implementation of worker communication.
4. Implement meaningful ways for workers to have some input and provide feedback to management.

SI

1. Train HR and related personnel on changes
2. Communicate with workers and post on bulletin boards ways they can now provide feedback and input.
3. Include in all worker orientations and training.
4. Create system to monitor and review worker contributions.
5. Monitor implementation

##### Planned completion date

01/19/17

##### Company Action Plan Update

06/29/18 : Policy Completed

04/04/17 : Factory Actioning CAP

### FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

The factory has not conducted management or internal reviews to ensure that policies and procedures are updated according to local laws and the FLA Workplace Code and Benchmarks for any of the Employment Functions.

#### 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

IA

1. Conduct internal review of factory policies and procedures
2. Compare with up to date local laws and the FLA Workplace Code of Conduct.
3. Incorporate these standards into company policies.

SI

1. Train HR and related personnel on changes
2. Include policy changes in worker orientation and worker training.
3. Provide education to workers on new policies.
4. Include in Employee Handbooks.
5. Monitor implementation.

##### Planned completion date

01/19/17

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

The factory does not formally define the responsible person within the factory for any of the Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

Description

IA

Identify and designate a person responsible for Employment Functions within the factory.

SI

Provide training and resources for them to carry out all of the tasks related to Employment Functions

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Management chat provided which includes responsible manager of HR.

04/04/17 : Factory Actioning CAP

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Only about 50% of the positions have written job descriptions; there are job descriptions for the general workforce, but do not have job descriptions for Human Resources staff, accounting, or administrative staff.

2. The factory has not hired any disabled workers, which is a violation of legal requirements that state at least 1.5% of the total workforce should be composed of disabled worker, nor does the factory contribute to the Employment Security Fund in lieu of hiring disabled workers.

Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmark ER.1; Nondiscrimination Benchmark ND.2.)

### COMPANY ACTION PLANS

#### Action Plan no 1.

Description

IA

1. Review all current job descriptions
2. Appoint HR or relevant person to write job descriptions for all (100%) positions
3. Provide education to workers on their job descriptions, the legal requirements, any changes or benefits and respond to questions.
4. Sign all workers with open ended job descriptions

SI

1. Train HR and related personnel on changes
2. Communicate with workers and post on bulletin boards and include on worker orientation, training and employee handbooks.
3. Create system to monitor amendments or changes to all job descriptions
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Please refer "6.1 --- Job Description"

04/04/17 : Factory Actioning CAP

Action Plan no 2.

Description

IA

1. Review current factory practice and legal requirements.
2. Identify discrepancies, and reason for the discrepancies.
3. Calculate correct amount for contribution to Employment Security Fund
4. Plan implementation of corrected contributions
5. Implement corrected contribution payments and proactively look for roles where disabled workers could be gainfully employed

SI

1. Train HR and related personnel on changes to hiring disabled workers
2. Communicate with workers and post on bulletin boards, employee handbooks, new worker orientation and training.
3. Create system to monitor hiring of some disabled workers.
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Factory has hired disabled worker. Please refer "6.2 --- Disabled worker identification"

04/04/17 : Factory Actioning CAP

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

Finding Explanation

1. The factory does not provide sufficient social insurance to employees. For example, in September 2016, only 24 out of 70 (34%) employees were provided with work-related injury, maternity, pension, unemployment and medical insurance; the factory did not provide the other 51 workers with any time of social insurance. The findings were similar in the other 11 months reviewed in the past year.
2. The factory bases all five types of social insurance contributions on CNY1, 375/USD 206 per month rather than the workers' actual monthly wages (about CNY 1,500 to CNY 2,000 per month (USD 224.8 to USD 300)), which is not in line with legal requirements.
3. The factory does not contribute to the legally required Housing Provident Fund for workers.
4. The factory does not payout unused annual leave to resigned employees. The factory's final payout procedures does not include this requirement and interviewed employees were not aware of this legal requirement.
5. For the period between November 2015 and October 2016, there was one lactating worker at the factory, for which the factory did not provide the legally required breastfeeding leave (one hour per day).

Local Law or Code Requirement

China Labor Law, Articles 72 and 73; Social Insurance Law of the PRC, Article 12 and 58; Regulations on Management of Housing Provident



Fund, Article 2, 3 and 15; The Regulations on Annual Leave for Employees, Article 2 & 3; The Special Provisions on Labor Protection for Female Employees, Article 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.14, and ER.22; Compensation Benchmark C.1; Hours of Work Benchmarks HOW.11 and HOW.14; Nondiscrimination Benchmark ND.8.)

#### Recommendations for Immediate Action

1. Provide all workers with all required social insurances. Calculate social insurance contributions on workers' actual wages.
2. Compensate resigned workers for unused annual leave. Retroactively compensate any resigned workers who were not paid their unused annual leave.
3. Provide breastfeeding leave for lactating employees, as legally required.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### IA

1. Review current factory practice and legal requirements regarding social insurance.
2. Identify discrepancies, and reason for the discrepancies.
3. Measure % discrepancy for social insurance to all workers.
4. Calculate the correct amounts to comply with legal contributions.
5. Set a milestone (for example within 1 year) and set the target of implementing social insurance payments to 70% of all staff. Increase this amount yearly so that in one year Kathmandu can measure your progress.
6. Plan implementation of these corrected social insurance contributions and include worker communication in this process.

##### SI

1. Take advantage of Social Insurance webinars and training offered by Kathmandu and Carnstone for factories within our supply chain.
2. Train HR and related personnel on social insurance changes and how to implement the Kathmandu / Carnstone Social Insurance education roll out within the factory.
3. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training as to the education materials available and encourage workers to use WeChat to participate in the education and training.
4. Create system to monitor the increase in % of workers paid social insurance per year.
5. Ensure Social Insurance payments for workers are timely and accurate.
6. Implement corrected contributions.
7. Monitor implementation

#### Planned completion date

01/19/17

#### Company Action Plan Update

06/29/18 : 01.12.17 Some of the workers are reluctant to contribute on the social insurance and factory will keep educate and encourage them to accept this. Factory plan to achieve 70% of all staff to have social insurance by end Jun 2018.

04/04/17 : Factory Actioning CAP

### Action Plan no 2.

#### Description

##### Compensation 7.2

##### Details

##### IA

1. Review current factory practice and legal requirements regarding social insurance.
2. Identify discrepancies, and reason for the discrepancies.
3. Measure % discrepancy for social insurance
4. Calculate the correct amounts to comply with legal contributions.
5. Set a milestone (for example within 1 year) and set the target of implementing 5% increase yearly so that in one year Kathmandu can measure your progress.
6. Plan implementation of these corrected social insurance contributions and include worker communication in this process.

##### SI

1. Take advantage of Social Insurance webinars and training offered by Kathmandu and Carnstone for factories within our supply chain.
2. Train HR and related personnel on social insurance changes and how to implement the Kathmandu / Carnstone Social Insurance roll out within the factory.
3. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training as to the

education materials available and encourage workers to use WeChat to participate in the education and training.

4. Create system to monitor the annual 5% increase in social insurance per year.

5. Ensure Social Insurance payments for workers are timely and accurate.

6. Implement corrected contributions.

7. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : 01.12.17 Factory has based on the advice from Jianmen government for social insurance contributions. Please refer to below website for further details <http://ldj.jiangmen.gov.cn/outside/xxgk/gfxwj/shbx/2016/1128/9611.html>

04/04/17 : Factory Actioning CAP

Action Plan no 3.

Description

IA

1. Review current factory practice and legal requirements regarding Housing Provident Fund for workers
2. Identify discrepancies, and reason for the discrepancies.
3. Measure % discrepancy for Housing Provident Fund for workers
4. Calculate the correct amounts to comply with legal contributions.
5. Set a milestone (for example within 1 year) and set the target of implementing 5% increase yearly so that in one year Kathmandu can measure your progress.
6. Plan implementation of these corrected contributions and include worker communication in this process.

SI

1. Train HR and related personnel on Housing Provident Fund for workers
2. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training as to the annual 5% increase per year.
3. Create system to monitor the increases and ensure Housing Provident Fund for workers are timely and accurate.
4. Implement corrected contributions.
5. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : 01.12.17 According to "Labor Law of the People's Republic of China", it has not stated that "Housing Provident Fund" for workers is a must. Instead, is try to encourage the entrepreneur to provide this for worker if he can afford.

04/04/17 : Factory Actioning CAP

Action Plan no 4.

Description

IA

1. Review current factory practice and legal requirements regarding payout of unused annual leave to resigned employees
2. Identify discrepancies, and reason for the discrepancies.
3. Measure % discrepancy for payout of unused annual leave to resigned employees and calculate correct amount for contribution.
4. Plan implementation of corrected contributions including communication of this to workers.
5. Implement corrected contributions including retroactively compensating any resigned workers who were not paid their unused annual leave.

SI

1. Train HR and related personnel on payouts of unused annual leave to resigned employees
2. Communicate this legal requirement with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor complete, timely and accurate payouts of unused annual leave to resigned employees
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Calculation method for the unused annual leave to resigned employees has stated clearly on the factory annual leave policy. Please refer "7.4 & 7.5 --- Annual leave policy --- point 3"..

## Action Plan no 5.

### Description

#### IA

1. Review law relating to lactating employees.
2. Identify workers who are lactating employees
3. Provide education on the law to lactating employees
4. Provide breastfeeding leave and a suitable private room for lactating employees to use as legally required.

#### SI

1. Train HR and related personnel on leave to lactating employees
2. Communicate this legal requirement with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor lactating employees and offer them the legally required support and space to breastfeed
4. Monitor implementation

### Planned completion date

01/19/17

### Company Action Plan Update

06/29/18 : Calculation method for the unused annual leave to resigned employees has stated clearly on the factory annual leave policy. Please refer "7.4 & 7.5 --- Annual leave policy --- point 3"..

04/04/17 : Factory Actioning CAP

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

### Finding Explanation

The factory had obtained a written approval for adopting a Comprehensive Working Hours System with a valid period from September 2015 to February 2016. However, the total working hours for about 20% of employees during this period exceeded the written approval's limit of 1,192 hours, ranging from 1,221 to 1,232 hours.

### Local Law or Code Requirement

The Instruction on the Implementation of the China Labor Law, Article 65; FLA Workplace Code (Hours of Work Benchmark HOW.1)

### Recommendations for Immediate Action

Ensure employee working hours do not exceed the Comprehensive Working Hour System limit.

## COMPANY ACTION PLANS

### Action Plan no 1.

### Description

#### IA

1. Review factory production planning process and validate Overtime inclusion on planning.
2. Perform root-cause analysis to determine why the need to include Overtime on planning.
3. Create short-term (1-6 months) action plan and medium-term (6-12 months) action plans to address issues on man/machines/methods/materials
4. Implement/Monitor and measure progress of action plans

#### SI

1. Review policy and procedures on production planning and control and identify gaps
2. Align production planning and control with industry best practices, responsible purchasing practices, and results of root-cause analysis.
3. Train related personnel on changes on PPC policy and procedures
4. Create a system to monitor efficiency of production plan as against actual production, including working hours/overtime
5. Monitor implementation and progress

Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Calculation method for the unused annual leave to resigned employees has stated clearly on the factory annual leave policy. Please refer "7.4 & 7.5 --- Annual leave policy --- point 3"..

04/04/17 : Factory Actioning CAP

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

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.

##### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

IA

1. Conduct a review union membership of workers.
2. Hold supportive dialogue and consultation with workers on union membership and freedom of association.
3. Provide space for communication between workers and union representatives.

SI

1. Review policy and procedures on production planning and control and identify gaps
2. Align production planning and control with industry best practices, responsible purchasing practices, and results of root-cause analysis.
3. Train related personnel on changes on PPC policy and procedures
4. Create a system to monitor efficiency of production plan as against actual production, including working hours/overtime
5. Monitor implementation and progress

##### Planned completion date

01/19/17

Company Action Plan Update

06/29/18 : Union policy provided.

04/04/17 : Factory Actioning CAP

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Workplace Conduct & Discipline

### Finding Explanation

The factory maintains records of disciplinary actions in a general file, but not in workers' personnel files.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2 and ER.27)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

IA

1. Review all workers' personnel files.
2. Identify workers who have had disciplinary action within the last 6 months.
3. Provide an entry or record of disciplinary action to each file and respond to questions.
4. Keep a record of all disciplinary actions inside workers files.

SI

1. Review current disciplinary policy and procedures
2. Revise details on disciplinary actions within legal requirements.
3. Train HR and related personnel on changes
4. Include changes on worker orientation and training.
5. Create system to monitor disciplinary actions workers
6. Monitor implementation

#### Planned completion date

01/19/17

#### Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

HR keeps the record of disciplinary actions in workers' personnel files.

Please refer " 10.1 --- Workers disciplinary action record" for reference.

## FINDING NO.11

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Grievance System

### Finding Explanation

The grievance procedure only covers the suggestions made by workers but does not cover instances when workers file a grievance or complaint regarding the factory (e.g. labor dispute, harassment, environmental protection, etc). Interviews with workers revealed that although there is not a formal grievance procedure in place, they feel comfortable raising concerns or grievances with their supervisors through the informal grievance mechanism. Workers, however, remain uncomfortable with the formal grievance procedure as it is currently written.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

IA

1. Review current worker grievances and the current formal grievance procedures and factory policy.
2. Rewrite the formal grievance procedure as it is currently written to ensure that workers are protected when they file a grievance

against the factory.

4. Keep a record of all such grievances and document how they are resolved.

SI

1. Review best practices for grievance policy and procedures
2. Revise details on grievance procedures within legal requirements.
3. Train HR and related personnel on changes
4. Include changes on worker orientation, employee handbook and training.
5. Create system to monitor grievances of workers and their resolution.

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Grievance procedure provided.

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The machine oil was stored in a maintenance room without a secondary container and not in the chemical room with a secondary container.
2. The factory has not performed an assessment on environmental impacts.
3. The factory does not periodically monitor air emissions from the kitchen, waste water discharge, or the outside noise produced by the factory
4. The factory had no procedures for solid waste management. It does not use an authorized waste facility to dispose of their solid waste; no records were kept on how the factory disposes of solid waste (there was no solid waste stored at the waste storage area at the time of the assessment).
5. The factory could not provide the final environmental protection acceptance showing facilities are ready, as required, for review.

#### Local Law or Code Requirement

The Regulation for Safety of Dangerous Chemical, Article 20; the China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 32; the Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project article 17; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

#### Recommendations for Immediate Action

1. Store the machine oil in the chemical room and provide it a secondary container.
2. Dispose of the solid waste by a certified contractor and maintain disposal records on site.
3. Obtain the final environmental protection acceptance as required.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

IA

1. Appoint a Health and Safety representative who is responsible for Health and Safety issues within the factory
2. Appoint this person responsible for ensuring that the machine oil is stored in the chemical room with a secondary container.

SI

1. Review Health and Safety Policy and Procedure
2. Provide Training for all employees on Health and Safety issues as it impacts their work
3. Provide a procedure for monitoring and recording health and safety breaches and their resolution
4. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

photo evidence provided.

Action Plan no 2.

Description

IA

1. Review all environmental law and local policy as it relates to environmental impact
2. Identify and appoint someone responsible for assessing, monitoring and addressing environmental issues and impact.
3. Provide education on environmental issues to all workers and respond to questions.

SI

1. Review current factory environmental policy and procedures related to environmental impact and emissions, discharges and noise pollution.
2. Revise policies to align with legal requirements.
3. Train HR and related personnel on changes
4. Include changes on worker orientation and training.
5. Create system to monitor incidents that have an environmental impact in the form of emissions, discharges and noise pollution.
6. Monitor implementation

Periodically monitor air emissions from the kitchen, waste water discharge and the outside noise produced by the factory

Planned completion date

01/19/17

Company Action Plan Update

Factory has already send the factory information to related government deparment and the "Environmental Record" has been received. Please refer to "12.2 & 12.3 & 12.5 --- Environmental report record" for reference. According to the "Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects #33" Point 8, #121, and the "Procedures of Guangdong Province for Managing Emission Permits", Yonghe factory should be excluded as the pollution industry for conducting the environmental assessment. Related link as below.

[http://www.gdep.gov.cn/zcfg/bmguizhang/201703/t20170330\\_221642.html](http://www.gdep.gov.cn/zcfg/bmguizhang/201703/t20170330_221642.html)

[http://zwgk.gd.gov.cn/006939748/201402/t20140220\\_474320.html](http://zwgk.gd.gov.cn/006939748/201402/t20140220_474320.html)

Action Plan no 3.

Description

IA

1. Review all environmental law and local policy as it relates to environmental impact and emissions, discharges and noise pollution
2. Identify and appoint someone responsible for assessing, monitoring and addressing these forms of environmental issues and impact.
3. Provide education on environmental issues to all workers and respond to questions.

SI

1. Review current factory environmental policy and procedures related to environmental impact and emissions, discharges and noise pollution.
  2. Revise policies to align with legal requirements.
  3. Train HR and related personnel on changes
  4. Include changes on worker orientation and training.
  5. Create system to monitor incidents that have an environmental impact in the form of emissions, discharges and noise pollution.
  6. Monitor implementation
- Periodically monitor air emissions from the kitchen, waste water discharge and the outside noise produced by the factory.

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Reply as point 12.2

Action Plan no 4.

#### Description

IA

1. Review procedures for solid waste management.
2. Identify what needs to be done to set up an authorized waste facility to dispose of solid waste.
3. Identify who is responsible for keeping records on how the factory disposes of solid waste factory.
3. Implement actions.

SI

1. Create Policies and Procedures for solid waste management.
2. Provide training to all staff involved in the management of solid waste.
3. Establish a system to monitor and measure the solid waste disposal.

#### Planned completion date

01/19/17

#### Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

solid waste management procedure provided.

Action Plan no 5.

#### Description

IA

1. Review documentation related to the final environmental protection acceptance
2. Provide a copy of such documentation.

SI

1. Review current auditing preparation procedures.
2. Revise procedures to align with legal requirements, Terms of Trade and Service Level Agreements.
3. Train HR and related personnel on auditing procedures and document preparation.
4. Monitor implementation.

#### Planned completion date

01/19/17

#### Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Reply as point 12.2

## FINDING NO.13

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There are no guard devices installed on one of the band cutting machines, three buttoning machines, and one high-speed sewing machine.
2. The factory has not posted safety instructions or warning signs near buttoning machines or high speed sewing machines.
3. The factory has not posted a sign prohibiting human transportation on the cargo lift.
4. The factory does not take steps to reduce repetitive-motion stress or injuries. The factory does not provide adjustable workstations, removable armrests, or proper backrests on chairs for seated workers.
5. The factory does not provide lifting belts for lifting workers.
6. The factory has not marked traffic lanes or aisles inside the factory, although the factory has provided other supplemental traffic signs such as indicators, and convex mirrors in dead ends, reflectors, to ensure safe driving practices on factory premises.
7. Although kitchen workers were provided with hair nets and face masks and trained on their use, they were not using either while preparing food.
8. The factory does not track any illnesses, although it has policies and procedures in place to do so.
9. The factory has not performed either the Pre-Assessment Report of Occupational Disease Hazards or the assessment of Current Condition of Occupational Disease Hazards Control since 2007, when the factory moved to the current location.



#### Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; the Law of the China on Work Safety, Article 32; The Law of the CHINA on the Food Safety, Article 27; Regulation on workplace occupational health supervision, Article 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, HSE.14, HSE.17, and HSE.22)

#### Recommendations for Immediate Action

1. Install guard devices on machines where it is missing, e.g. band cutting, buttoning machines and high-speed sewing machines. Regularly monitor machines for compliance.
2. Post safety instructions in local language near buttoning and high speed sewing machines.
3. Post sign on cargo lift prohibiting human transportation.
4. Provide with lifting belts and training on their use to the relevant workers.
5. Mark traffic lanes and aisles inside the factory.
6. Regularly monitor kitchen workers to ensure they use the provided face masks and headwear when producing or selling food. Retrain workers if necessary.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- IA
1. Appoint Health and Safety person responsible for safe use of all machinery.
  2. Review which machines require guards and install guards on machines where it is missing, e.g. band cutting, buttoning machines and high-speed sewing machines.

- SI
1. Create or amend Health and safety Policy and Procedure addressing safe use of machinery and guards on machines
  2. Provide Health and safety training to all employees on the safe use of machinery and ensuring that all machines have guards attached before using.
  3. Create a procedures for the monitoring of safe use of the sewing machines.

#### Planned completion date

01/19/17

#### Company Action Plan Update

Guard devices have been installed on machines and workers are requested to wear the safety gloves during band cutting. Please refer "13.1 --- Guard devices on machines".

### Action Plan no 2.

#### Description

- IA
1. Appoint Health and Safety person responsible for posting safety instructions or warning signs near buttoning machines or high speed sewing machines.
  2. Review which machines require safety instructions or warning signs. 3. Install safety instructions or warning signs.

- SI
1. Create or amend Health and safety Policy and Procedure addressing safety instructions or warning signs
  2. Provide Health and safety training to all employees on the safe use of machinery and ensuring that all machines have relevant safety instructions or warning signs.
  3. Create a procedures for ensuring that all machines have the relevant safety instructions or warning signs.

#### Planned completion date

01/19/17

#### Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Please refer "13.2 --- Safety Instruction on machinery".

### Action Plan no 3.

#### Description

- IA
1. Review procedures for signage and prohibiting human transportation on the cargo lift.

2. Identify what needs to be done to put up a sign prohibiting human transportation on the cargo lift.
3. Identify who is responsible for doing so.
3. Implement action by posting a sign prohibiting human transportation on the cargo lift.

SI

1. Create or amend Health and safety Policy and Procedure addressing safety instructions or warning signs
2. Provide Health and safety training to all employees on the safe use of cargo lifts and safety instructions or warning signs.
3. Create a procedures for ensuring that all machines (including cargo lifts) have the relevant safety instructions or warning signs.

Planned completion date

01/19/17

Company Action Plan Update

The sign for prohibiting human transportation for the cargo lift has been posted on each . Please refer "Sign of cargo lift" for reference.

## Action Plan no 4.

Description

IA

1. Appoint Health and Safety person responsible for posting safety instructions or warning signs near buttoning machines or high speed sewing machines.
2. Review state of adjustable workstations, removable armrests, proper backrests on chairs for seated workers
3. Identify which ones are in most need or urgent replacement to ensure health of workers.
4. Create a purchasing budget to begin replacing and providing adjustable workstations, removable armrests, and/or proper backrests on chairs for seated workers.
5. Implement budget and purchase replacements.

SI

1. Create or amend Health and safety Policy and Procedure addressing safe use of machinery and guards on machines
2. Provide Health and safety training to all employees on the safe use of machinery and ensuring that all machines have guards attached before using.
3. Create a procedures for the monitoring of safe use of the sewing machines.

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Please refer "13.4 --- EHS policy".

## Action Plan no 5.

Description

IA

1. Appoint Health and Safety person responsible for providing lifting belts and training on their use to relevant workers.
2. Identify which workers are in most need of lifting belts and training on their use, to ensure their health.
3. Create a purchasing budget to begin buying lifting belts.
4. Implement training and provide training and lifting belts to relevant workers.

SI

1. Create or amend Health and safety Policy and Procedure addressing safe use of lifting belts and related training.
2. Provide Health and safety training to all employees who lift heavy objects as part of their work.
3. Create a procedures for the storage, use and replacement of lifting belts as they are needed.

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Lifting belt has been provided. Please refer "13.5 --- Lifting belt facility".

## Action Plan no 6.

Description

IA

1. Review traffic lanes and sidewalks. Identify what area needs marking and what type of marking is needed.
2. Review driving routes in the factory and identify what visual signage is needed to ensure safe driving of workers.
3. Implement actions.

SI

1. Create a Policy and Procedure for the safe marking of lanes and aisles.
2. Provide training to all staff on staying within the lanes provided and the reasons behind them.
3. Establish a procedure to monitor and record incidents to ensure that the lane markings are effective and helpful.

Planned completion date

01/19/17

Company Action Plan Update

Parking area has been marked. Please refer "13.6 --- Parking area".  
Traffic lanes marking inside the factory is completed.

## Action Plan no 7.

Description

IA

1. Appoint Health and Safety person responsible for ensuring face masks and headwear are worn when producing or selling food.
2. Identify which workers need face masks and headwear when producing or selling food.
3. Purchase face masks and headwear for those producing or selling food.

SI

1. Review use of face masks and headwear when producing or selling food.
2. Provide training on use of face masks and headwear when producing or selling food
3. Implement actions.

Planned completion date

01/19/17

Company Action Plan Update

Kitchen workers have wearing hair nets and face masks when working in the kitchen.  
Please refer "13.7 --- Health & Safety (Kitchen)".

## Action Plan no 8.

Description

IA

1. Appoint an appropriate HR person to review factory process of tracking worker illness.
2. Assign this person responsibility for tracking any illnesses.

SI

1. Review policy and procedures tracking illnesses.
2. Conduct a root-cause analysis of illnesses to see whether there are factory or work related illnesses.
3. Train HR personnel to follow up on repeated illnesses.
5. Monitor implementation and progress.

Planned completion date

01/19/17

Company Action Plan Update

Previous Progress Update

04/04/17 : Factory Actioning CAP

New Progress update

Please refer "13.8 --- Illness tracking"

## Action Plan no 9.

Description

IA

1. Review all Occupational Disease Hazards / Occupational Disease Hazards Control law and local policy.
2. Identify and appoint someone responsible for assessing, monitoring and addressing Occupational Disease Hazards and/or the assessment of Current Condition of Occupational Disease Hazards Control issues and impact.
3. Provide education on Occupational Disease Hazards and/or the assessment of Current Condition of Occupational Disease Hazards Control to all workers and respond to questions.

4. Conduct a Pre-assessment Report of Occupational Disease Hazards and the assessment of Current Condition of Occupational Disease Hazards Control.

SI

1. Review current Occupational Disease Hazards Control policy and procedures
2. Revise policies to align with legal requirements.
3. Train HR and related personnel on changes
4. Include changes on worker orientation and training.
5. Create system to monitor incidents that relate to Occupational Disease Hazards
6. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

Factory has conducted the assessment of occupational diseases in 2016. Please refer "13.9 --- Assessment of Current Condition of Occupational Disease Hazards" & "13.9 --- Water Assessment".

## FINDING NO.14

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has not posed the MSDS for machine oil in the usage or storage areas.
2. The factory has not installed a ventilation system or provided a spill response kit in the chemical warehouse.
3. The factory has not installed eye washing facilities in the chemical usage and storage areas in the chemical warehouse and workshop.
4. The electrical appliances in the chemical room – including the switch socket, wires and lights – are not explosive proof.
5. The electrical cords and lamps in the stuffing rooms as well as the electrical cords in the first floor inspection section are not keep free of dust and lint. Fabric is placed next to the electrical outlet on the fourth floor of the production building. Two or three electrical cords in the first floor inspection section are spliced with duct tape.
6. At the time of the assessment, the cargo lift operator did not have a qualification certificate; however, it was in process.
7. The factory has not performed any test of the lightning protection system, which should be conducted annually, by law.
8. There was no rescue equipment available for confined spaces.
9. The factory has not established or implemented a lockout-tagout system.
10. There was no fall protection equipment available.

##### Local Law or Code Requirement

The Regulation of Chemical Safety Usage in Workplace, Article 12; The Regulation for Safety of Dangerous Chemical, Article 20; the Special Appliance Quality Safety Monitoring Regulation, Article 38; Technical specifications for inspection of lightning protection system in building, Article 6; the Law of the China on Work Safety, Article 42; the China Law of Prevention and Control of Occupational Diseases, Article 26; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.6, HSE.9, HSE.13, and HSE.14)

##### Recommendations for Immediate Action

1. Obtain and post complete MSDS for all chemicals in local languages.
2. Install a ventilation system and provide a spill response kit in the chemical warehouse.
3. Install eye washing facilities in the chemical warehouse and workshop where chemicals are being.
4. Install explosive-proof electrical appliances in the chemical warehouse
5. Ensure all electrical wiring is properly maintained and free of dust and lint. Remove any combustible material away from electrical outlets.
6. Obtain and maintain on file a valid qualification certificate for cargo lift operator.
7. Provide rescue and fall protection equipment and training on their use to the relevant workers.
8. Implement and train workers on a lockout-tagout system.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

IA

1. Review procedures for signage and MSDS for all chemicals in local languages
2. Identify what needs to be done to put up signage relating to MSDS for all chemicals in local languages

3. Identify who is responsible for doing so.
3. Implement action by posting signage in the appropriate areas.

SI

1. Create or amend Health and safety Policy and Procedure addressing safety instructions or MSDS warning signs
2. Provide Health and safety training to all employees on the safe use of safety instructions or warning signs and MSDS.
3. Create a procedures for ensuring that all areas of the factory have the relevant safety instructions or warning signs and MSDS. "

Planned completion date

01/19/17

Company Action Plan Update

MSDS for machine oil has been posted. Please refer "14.1 --- MSDS for machine oil".

Action Plan no 2.

Description

IA

1. Review procedures for ventilation and spillage in the chemical warehouse.
2. Identify what needs to be done to install a ventilation system and provide a spill response kit in the chemical warehouse.
3. Identify who is responsible for doing so.
3. Implement action by installing a ventilation system and provide a spill response kit in the chemical warehouse.

SI

1. Create or amend Health and safety Policy and Procedure addressing ventilation systems and spillage response in the chemical warehouse and any other hazardous areas.
2. Provide Health and safety training to all employees on spillage and correct procedures to follow.
3. Create procedures for ensuring that all areas of the factory have the relevant safety instructions, warning signs, appropriate ventilation and spillage equipment to deal with any incidents.

Planned completion date

01/19/17

Company Action Plan Update

Ventilation system has been fixed and spill response kit has provided, please refer "14.2 --- ventilation system & spill response kit in chemical warehouse".

Action Plan no 3.

Description

IA

1. Review procedures for installing eye washing facilities in the chemical warehouse.
2. Identify what needs to be done to install eye washing facilities in the chemical warehouse.
3. Identify who is responsible for doing so.
3. Implement action by installing eye washing facilities.

SI

1. Create or amend Health and safety Policy and Procedure addressing eye washing facilities in the chemical warehouse and any other hazardous areas.
2. Provide Health and safety training to all employees on the correct use of eye washing facilities
3. Create procedures for ensuring that all areas of the factory have the relevant installed eye washing facilities and equipment to deal with any incidents.

Planned completion date

01/19/17

Company Action Plan Update

Eye washing facilities has been installed in the chemical warehouse area. Please refer "14.3 --- Eye washing facility" for reference.

Action Plan no 4.

Description

IA

1. Review procedures on explosive-proof electrical appliances in the chemical warehouse.
2. Identify what needs to be done to put explosive-proof electrical appliances in the chemical warehouse
3. Identify who is responsible for doing so.
3. Implement action by installing explosive-proof electrical appliances in the chemical warehouse.

SI

1. Create or amend Health and safety Policy and Procedure addressing explosive-proof electrical appliances in the chemical warehouse and any other hazardous areas.
2. Provide Health and safety training to all employees on the correct use of explosive-proof electrical appliances.
3. Create procedures for ensuring that all hazardous areas of the factory have relevant explosive-proof electrical appliances.

Planned completion date

01/19/17

Company Action Plan Update

Explosive proof electrical appliances has been applied in the chemical warehouse, please refer "14.4 --- Explosive proof electrical appliances" for reference.

Action Plan no 5.

Description

IA

1. Review procedures on ensuring that electrical wiring is properly maintained and free of dust and lint and that any combustible material away from electrical outlets.
2. Identify what needs to be done to ensure that all electrical wiring is properly maintained and free of dust and lint and that any combustible material away from electrical outlets.
3. Identify who is responsible for doing so.
3. Implement action by repairing and maintaining electrical wiring and electrical outlets.

SI

1. Create or amend Health and Safety Policy and Procedure addressing maintaining electrical wiring and electrical outlets.
2. Provide Health and safety training to all employees on identifying any electrical wiring and electrical outlets that need repair.
3. Create procedures for the regular maintenance of all electrical wiring and electrical outlets.

Planned completion date

01/19/17

Company Action Plan Update

Improvement is under arrangement, will keep you update by mid Dec.

Action Plan no 6.

Description

IA

1. Review procedures on ensuring that the cargo lift operator has a qualification certificate;
2. Identify what needs to be done to ensure that the cargo lift operator obtains a qualification certificate;
3. Identify who is responsible for doing so.
3. Implement action by obtaining and maintaining on file a valid qualification certificate for cargo lift operator.

SI

1. Create or amend Health and Safety Policy and Procedure addressing qualification certificates required for all machinery and appliances used in the factory.
2. Provide training or source external training for all employees who need to be certified in the relevant certified qualification.
3. Create procedures for the regular updating and renewal of all certificates.

Planned completion date

01/19/17

Action Plan no 7.

Description

IA

1. Review procedures on testing the lightning protection system.
2. Identify what needs to be done to ensure that the lightning protection system is tested annually as required by law.
3. Identify who is responsible for doing so.
3. Implement action by testing the lightning protection system.

SI

1. Create or amend Health and Safety Policy and Procedure addressing the lightning protection system.
2. Provide training or source external training for all employees who need to be certified in testing the lightning protection system.
3. Create procedures to ensure that there is an annual testing of the lightning protection system.

Planned completion date

01/19/17

Company Action Plan Update

The related government department will conduct the checking in early Dec, the official report will be ready around end Dec. Will keep you update.

Action Plan no 8.

Description

IA

1. Review procedures on rescue equipment for confined spaces.
2. Identify what needs to be done to acquire rescue equipment for confined spaces.
3. Identify who is responsible for doing so.
3. Implement action by acquiring rescue equipment for confined spaces.

SI

1. Create or amend Health and Safety Policy and Procedure addressing the use of the rescue equipment for confined spaces.
2. Provide training or source external training for all employees who may need to use the rescue equipment for confined spaces.
3. Create procedures to ensure that the rescue equipment for confined spaces is regularly checked and well maintained.

Planned completion date

01/19/17

Company Action Plan Update

Factory does not have confined spaces.

Action Plan no 9.

Description

IA

1. Review procedures on implementing a lockout-tagout system.
2. Identify what needs to be done to bring in the system.
3. Identify who is responsible for doing so.
3. Implement and train workers on a lockout-tagout system.

SI

1. Train HR and related personnel on changes
2. Include changes on worker orientation and trainings.
3. Create system to monitor lockout-tagout system.
6. Monitor implementation

Planned completion date

01/19/17

Company Action Plan Update

After further checking with legal advisor, factory does not have the special / heavy equipment that need to apply the lockout-tagout system.

Action Plan no 10.

Description

IA

1. Review procedures on fall protection equipment.
2. Identify what needs to be done to acquire fall protection equipment.
3. Identify who is responsible for doing so.
3. Implement action by acquiring fall protection equipment.

SI

1. Create or amend Health and Safety Policy and Procedure addressing the use of the fall protection equipment.
2. Provide training or source external training for all employees who may need to use the fall protection equipment.
3. Create procedures to ensure that the fall protection equipment is regularly checked and well maintained.

Planned completion date

01/19/17

Company Action Plan Update

Factory does not have special maintenance for the building outside. If maintenance or repairment is needed, will hire qualified technicians for this.

For normal, there is safety belt and rope in factory. Please refer "14.10 --- Safety belt and rope".

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The fire alarm system is not centralized, nor does it have a backup battery.
2. The factory has not commissioned a third-party expert to conduct a fire risk assessment.
3. There is only one fire extinguisher in the chemical warehouse which is insufficient. Furthermore, the single fire extinguisher is stored on the floor rather than hung, as per legal requirement.
4. The factory does not have a list of workers on the fire brigade.
5. The factory has not provided the fire brigade with the appropriate equipment to fight fires, e.g. breathing apparatus, fire-proofed clothing. The factory has only provided the fire extinguishers.
6. Most of the exit signs in the factory do not illuminate.
7. The exit doors in the cutting workshop, fabric warehouse, and down warehouse open inward.

##### Local Law or Code Requirement

The Code for design of automatic fire alarm system, Article 10.1; the Code for Design of Extinguisher Distribution in Buildings, Article 5.1.3, Article 6.1; the Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 10.3.5, Article 6.4.11; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5 and HSE.6)

##### Recommendations for Immediate Action

1. Install a centralized and battery powered fire alarm system in the factory.
2. Install a legally adequate number of fire extinguishers in the chemical warehouse and hang at the legally required height.
3. Create and maintain a list of all workers on the fire brigade. Communicate this list to the general workforce.
4. Provide fire brigade with all equipment and Personal Protective Equipment necessary to fight fires; train fire brigade on their use.
5. Install illuminating exit signs above all emergency exits.
6. Ensure all evacuation doors opened in the direction of evacuation.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

IA

1. Review procedures on ensuring that the fire alarm system is centralized and has a backup battery.
2. Identify what needs to be done to ensure that the the fire alarm system is centralized and has a backup battery.
3. Identify who is responsible for doing so.
3. Implement action by installing a centralized and battery powered fire alarm system in the factory.

SI

1. Create or amend Health and Safety Policy and Procedure addressing the fire alarm system in the factory.
2. Provide training or source external training for all employees who need to monitor and maintain a centralized and battery powered fire alarm system in the factory.
3. Create procedures to ensure that the centralized and battery powered fire alarm system in the factory is regularly checked and well maintained.

##### Planned completion date

01/19/17

##### Company Action Plan Update

Fire alarm has backup battery. Please refer "15.1 --- Backup battery" for reference.

#### Action Plan no 2.

##### Description

Health & Safety 15.2

Details

IA

1. Review procedures on fire safety and a fire risk assessment.
2. Identify what needs to be done to commission a third-party expert to conduct a fire risk assessment.
3. Identify who is responsible for doing so.



3. Implement action by commissioning a third-party expert to conduct a fire risk assessment.

SI

1. Create or amend Health and Safety Policy and Procedure addressing the fire alarm system in the factory following a third party risk assessment.
2. Provide training or source external training for all employees who need to follow up on a third-party fire risk assessment.
3. Create procedures to ensure that the the fire risk at the factory is regularly assessed and followed up on.

Planned completion date

01/19/17

Company Action Plan Update

01.12.17 After checking with related department, he advised that fire risk assessment does not need to conduct for this size of our factory. We are now further checking with the related department in Guangdong province. Will keep you update.

### Action Plan no 3.

Description

IA

1. Review procedures on fire safety and the number and storage of fire extinguishers.
2. Identify what needs to be done to purchase and store a fire extinguisher in the chemical warehouse and hang at the legally required height.
3. Identify who is responsible for doing so.
3. Implement action by installing a legally adequate number of fire extinguishers in the chemical warehouse and hang at the legally required height.

SI

1. Create or amend Health and Safety Policy and Procedures addressing the number of fire extinguishers required throughout the factory and purchase the required amount.
2. Provide training or source external training for all employees on how to use fire extinguishers.
3. Create procedures to ensure that the fire extinguishers throughout the factory are regularly checked and certified.

Planned completion date

01/19/17

Company Action Plan Update

01.12.17 Extra extinguisher is under arrangement, will install and complete in early Dec.

### Action Plan no 4.

Description

IA

1. Review procedures on fire safety and the number of workers on the fire brigade.
2. Identify what needs to be done to assign and establish and train workers on the fire brigade
3. Identify who is responsible for doing so.
3. Implement action by creating, training and maintaining a list of all workers on the fire brigade.

SI

1. Create or amend Health and Safety Policy and Procedures addressing the number of number of workers on the fire brigade required throughout the factory.
2. Provide training or source external training for all employees on the fire brigade
3. Create procedures to ensure that the number of workers on the fire brigade are regularly checked and re certified.

Planned completion date

01/19/17

Company Action Plan Update

fire safety management policy and procedure provided.

### Action Plan no 5.

Description

IA

1. Review procedures on fire safety and the appropriate equipment needed to fight fires, e.g. breathing apparatus, fire-proof clothing.
2. Identify what needs to be done to purchase, assign and provide fire fighting equipment and clothing to the fire brigade
3. Identify who is responsible for doing so.
3. Implement action by providing the fire brigade with all equipment and Personal Protective Equipment necessary to fight fires and train the fire brigade on their use.

SI

1. Create or amend Health and Safety Policy and Procedures addressing the appropriate equipment needed to fight fires, e.g. breathing apparatus, fire-proof clothing.
2. Provide training and source the necessary equipment for all employees on the fire brigade.
3. Create procedures to ensure that the appropriate equipment to fight fires, e.g. breathing apparatus, fire-proof clothing is regularly checked and re certified.

Planned completion date

01/19/17

Company Action Plan Update

Protection equipment for fighting fire has been provided. Please refer "15.5 --- Protection equipment for fighting fire".

## Action Plan no 6.

Description

IA

1. Review procedures on fire safety and fire exits
2. Identify what needs to be done to fix and ensure fire exits are illuminated at all times
3. Identify who is responsible for doing so.
3. Implement action by installing illuminating exit signs above all emergency exits.

SI

1. Create or amend Health and Safety Policy and Procedures addressing the fire exits and their monitoring.
2. Provide training and source the necessary equipment for fire exit lights and signs to be repaired immediately upon breakage or failure.
3. Create procedures to ensure that fire exits are regularly checked and certified.

Planned completion date

01/19/17

Company Action Plan Update

Illumination sign of safety exit has been shown. Please refer "15.6 --- Illumination sign of safety exit".

## Action Plan no 7.

Description

IA

1. Review procedures on fire safety and evacuation doors.
2. Identify what needs to be done to fix and ensure evacuation doors open outwards.
3. Identify who is responsible for doing so.
3. Implement action by installing ensuring all evacuation doors open in the direction of evacuation.

SI

1. Create or amend Health and Safety Policy and Procedures addressing evacuation doors.
2. Provide training and source the necessary equipment to ensure all evacuation doors open in the direction of evacuation.
3. Create procedures to ensure that fire exits are regularly checked to ensure they open in the direction of the evacuation.

Planned completion date

01/19/17

Company Action Plan Update

According to the FIRE PREVENTION LAW OF THE PRC, CHAPTER V, ARTICLE 56 --- "The fire protection division of a public security organ and the personnel thereof shall comply with the statutory functions and procedures and be impartial, strict, civilized and highly efficient, when examining a fire protection design, conducting a fire protection as-built acceptance and making a fire safety inspection." and attached is the approval confirmation signed for examining the factory buildings (Please refer 15.7 --- Building examining confirmation 1, 2, 3). So, all the designs of the building have already approved according to law. Besides, if there is below 30 persons in the working room, there should not have special request for the door open either inward or outward.