



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 10/18/16

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 812

## 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: Training (Macro)

##### Finding Explanation

1. The factory does not conduct specific training for managers and supervisors on any of the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct, Grievance System; and Environmental Protection.
2. The factory does not conduct ongoing training for workers on any of the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct; Grievance System; and Environmental Protection.
3. Workers do not receive written documentation that substantiates all topics covered during orientation training, including a copy of the workplace rules.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17, and ER.27)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1-1. Provide specific training for managers and supervisors on any of the following Employment Functions;

1-2. Personnel manager will conduct this training twice one year

Planned Completion Date 12/31/17

##### Planned completion date

02/10/17

##### Company Action Plan Update

1. HR provided training to managers and supervisors covering the following content: compensation and working hours, Hiring Policy (termination and retrenchment), Workplace conduct, Grievance system (industrial relations), environmental protection, personal performance evaluation on Mar 26 2018 and May 24 2018. 01/28/19

1. Factory arranged training for managers and supervisors but no training records. 02/09/18

1. improving as plan 04/10/17

##### Action Plan no 2.

#### Description

2. Personnel department will conduct this training twice one year for workers, especially for new ones.

Planned Completion Date 12/31/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

2. HR provided orientation training new workers when new workers are recruited covering the following content: workplace compensation and working hours, Hiring Policy (termination and retrenchment), Workplace conduct, Grievance system (industrial relations), , personal performance evaluation from Mar 2018. 01/28/19

2. Factory arranged the Chemical training to the person who contacted with chemical on June 30, 2017; Factory arranged H&S training to all workers on June 26, 2017; Factory arranged Employment Function training despite Personnel Development for new workers on Mar 1, 2017 & Apr 26, 2017. 02/09/18

2. improving as plan 04/10/17

#### Action Plan no 3.

#### Description

3. List up orientation training and provide related documents to workers

Planned Completion Date 05/30/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

3. Factory arranged orientation training for new workers on 2017/3/1 & 4/26 according to employee manual and factory rules, but didn't provide documents to workers 02/09/18

3. improving as plan 04/10/17

## FINDING NO.2

### 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/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

1-1. Factory will establish procedures/policy to request and receive workers' feedback regarding the creation, implementation, and updating

1-2. Factory will elect 1 representative of worker to be integrated in decision-making processes.

1-3. Workers can feedback anytime by suggestion box.

Planned Completion Date 12/31/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

1. The factory set up trade union. All the policy and procedure established by the factory will be published in the workshop board and make sure every workers notice it. Worker representatives participate all the process of policy and procedure setting up and the workers' comment will be involved for the final decision making. Meanwhile, the company set up suggestion box and hire law consultant, any inquiry, workers can contact the law consultant directly. 01/28/19

1. Factory have suggestion box and elected one worker rep to be integrated in decision-making processes; factory didn't establish procedures/policy to request and receive workers' feedback regarding the creation, implementation, and updating. 02/09/18

### FINDING NO.3

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

###### Finding Explanation

The factory does not conduct periodic 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

- 1-1. HR will collect updated local laws every year and review factory's policy and procedure; while CSR person in-charge will review FLA Workplace Code and Benchmarks
- 1-2. Factory will make policy (who/how often to review...)
- 1-3. All policies and updates will be communicated to all workers.

###### Planned completion date

02/10/17

###### Company Action Plan Update

- 1. Factory confirm local laws every year and factory's policy. For example, factory confirmed local minimum wage periodically, changed workers' lunch time and informed workers by pasting on bulletin board. 02/09/18

### FINDING NO.4

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

###### Finding Explanation

- 1. The factory only has written job descriptions for account and HR staff (about 50% of positions).
- 2. The factory does not have written policies or procedures on Personnel Development, including:
  - a. policies and procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements.
  - b. policies and procedures on skill development that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory and beyond.
  - c. policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment.
- 3. The factory does not conduct performance reviews for any of its employees, including for new workers during their probation period.

###### Local Law or Code Requirement

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

#### COMPANY ACTION PLANS

##### Action Plan no 1.

###### Description

- 1. HR will update for all positions

Planned completion date

02/10/17

Company Action Plan Update

1. Factory have described others positions, for example, the cutter and the production department supervisor. 02/09/18  
1. improving as plan 04/10/17

Action Plan no 2.

Description

- 2-1. List up all the items of Personnel development  
2-2. HR will take in charge to write those policies  
2-3. Share with workers and collect their advice

Planned Completion Date 12/31/17

Planned completion date

02/10/17

Company Action Plan Update

2. The factory created personal development policy and will develop performance reviews.

Action Plan no 3.

Description

- 3-1. HR should provide training/communication on performance criteria/indicators for the workers;  
3-2. Workshop director will record workers' daily performance  
3-3. HR will evaluate workers' performance at the end of year

Planned Completion Date 12/31/17

Planned completion date

02/10/17

Company Action Plan Update

3. The factory created personal development policy and will develop performance reviews. 01/28/19

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

Finding Explanation

1. A review of social insurance payments from September 2015 to September 2016 showed that the factory does not provide workers with sufficient social insurance. Only 385 out of 796 (48.3%) workers were provided with maternity, pension, unemployment, and medical insurance in September 2016. All workers were provided with work-related injury insurance.
2. The contribution base for pension and unemployment insurance is not in line with legal requirements. The factory's contributions should be based on an worker's actual monthly wage (about CNY 2,800 to CNY 5,400 per month (USD 374.8 to ~ USD 599.7)). However, the factory contributes to unemployment insurance based on CNY1895 (USD 284) per month and to pension insurance based on CNY 2408 (USD 361).
3. Factory policy indicates that only workers who are seriously ill (e.g. in the hospital) are entitled to paid sick leave, while local law requires employers to provide pay sick leave unless employees cannot provide evidence of sickness. This policy is not fully communicated to workers, and about 60% of the workers interviewed said the factory does not provide sick leave.
4. The factory does not pay unused annual leave to resigned workers, as legally required. The final payouts reviewed by assessors did not include this payment and none of the workers interviewed were not aware of this requirement.
5. The factory did not issue payments for legally required paid holidays to workers who were on personal leave for the whole month. For example, one sampled worker took personal leave for the whole month of October 2015 and did not receive three days' holiday wages for China National Day.
6. The factory does not provide pay slips to production workers, although they do provide them to management staff.
7. The factory only contributes to the Housing Provident Fund for 339 out of 796 (42.5%) workers. Furthermore, the contribution base of the Housing Provident Fund is not in line with legal requirements. The factory's contributions should be based on an worker's average monthly wage over the last 12 months (about CNY 2,800 to CNY 5,400 per month (USD 374.8 to ~ USD 599.7)). However, the factory bases its contributions on CNY 2060 per month (USD 308)).

Local Law or Code Requirement

China Labor Law, Articles 72 and 73; Social Insurance Law of the PRC, Articles 12 and 58; Regulations on Management of Housing Provident Fund, Articles 2, 3, and 15; The Provision on Housing Provident Fund in Guangzhou City, Articles 5 and 10; The Opinion of the

Ministry of Labor on Several Questions Concerning the Implementation of the China Labor Law, Article 59; The Regulations on Annual Leave for Employees, Articles 2 and 3; The Provisions on Payment of Wages in Guangdong Province, Articles 17 and 19; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.22; Compensation Benchmarks C.1, C.10, and C.13; Hours of Work Benchmarks HOW.1, HOW.11, HOW.14, and HOW.16)

#### Recommendations for Immediate Action

1. Provide all workers with all legally required forms of social insurance, including pension, medical, work-related injury, unemployment, and maternity insurance.
2. Calculate social insurance contributions based on workers' actual wages, as legally required.
3. Provide workers with sick leave, as legally required. Communicate the new policy to workers.
4. Pay resigned workers for unused annual leave. Retroactively compensate workers who have resigned within the last 12 months.
5. Pay workers for all paid holidays, as legally required. Retroactively compensate workers who have not received the correct payments within the last 12 months.
6. Provide all workers with pay slips for each payment.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1-1. Explain the advantages of joining social insurance to workers 1-2. Make sure whether new workers agree to join 1-3. Calculate all workers following the target of increasing 5% every year. Planned Completion Date 02/20/18

2-1. HR and wage staffs should understand the legal requirements and pay in line with legal law 2-2. HR should teach workers to know the calculation and account should check the wage records every month doubly. Planned Completion Date 02/20/18 2. The current contribution base is accepted by the local government who does not request factory to follow the premium base at the moment. Factory will consider to increase the contribution bases gradually. 01/28/19

2020/07/22:

1. As of Jul 2020, there was 525 employees out of 624 (84.1%) were provided with social insurance, and there was 67 retired workers working in the factory, thus the social insurance coverage rate was  $525/557 = 94.4\%$ . All the workers (including retired workers) not enrolled in social insurance are provided with work-related injury insurance. The planned Completion Date is 2020/12/1.

2-1. The contribution base is gradually increased as per guideline from local government,

2-2. The premium base for pension is CNY3803 in 2020, 700RMB increased from previous audit CNY 2408, and for unemployment insurance is based on CNY 2100, which was CNY 1895. The planned competition date is 2021/12/1.

#### Planned completion date

02/10/17

#### Company Action Plan Update

1. As of Dec 2018, there is total 470 out of 595 (79%) was provided with social insurance. 01/28/19 1. Currently about 65% workers are provided with social insurance, factory encourage worker to join periodically with explaining the advantages, especially for new workers. 02/09/18 1. improving as plan 04/10/17

### Action Plan no 2.

### Description

7-1. HR and account should understand the legal requirements and pay in line with legal law 7-2. HR should teach workers to know the calculation and account should check the wage records every month doubly 7-3. HR should explain advantages to encourage workers to join housing provident fund and increase 5% of all workers every year. HR should make sure whether to join for new workers as well. Planned Completion Date 02/20/18

07/22/20,7-1. The contribution base for housing fund is gradually increased as per guideline from local government,

7-2. The contribution base for housing fund is CNY 2300 in 2020, which was CNY2060. The planned competition date is 2021/12/1.

### Planned completion date

02/10/17

### Company Action Plan Update

7. The current contribution base is accepted by the local government who does not request factory to follow the premium base at the moment. Factory will consider to increase the contribution bases gradually. 01/28/19 7. The contribution base is based on local minimum base level. Factory will confirm more details then take action to improve. 02/09/18 7. improving as plan 04/10/17

## Action Plan no 3.

### Description

3-1. Update the policy with legal requirement and announce to workers 3-2. HR should periodic review all the policy

### Planned completion date

02/10/17

### Company Action Plan Update

3. Factory provide sick leave for workers who can show evidence of sickness following up with the policy. 02/09/18

2020/07/22:

3.The factory updated the sick level policy, workers with valid evidence from the hospital would be entitled with paid sickness, not just for seriously ill being hospitalized.

## Action Plan no 4.

### Description

2020/07/22:

4-1. The factory updated the annual leave policy, in principle, the factory will entitle the resigned workers with unused annual leave before the termination of the employment, If could not arrange, the factory will pay 300% to the workers.

4-2. The factory provided training to all workers with the updated policy.

4-3. From Feb 2020, all resigned workers were entitled with their unused annual leave before resignation.

### Planned completion date

02/10/17

## Action Plan no 5.

### Description

- 1-1. Update the policy with legal requirement and announce to workers
- 1-2. HR & account should periodic review related policy
- 1-3. Account will confirm the wage records doubly

### Planned completion date

02/10/17

### Company Action Plan Update

- 1. Factory have updated policy and informed workers, the payroll format have been updated as well. 02/09/18
- 1. improving as plan 04/10/17

## Action Plan no 6.

### Description

- 5-1. Confirm the calendar and worker's absence application then calculate wages, account should also confirm the wage records doubly
- 5-2. Teach workers how to calculate their wages
- 5-3. Pay back for workers who still work in factory

### Planned completion date

02/10/17

### Company Action Plan Update

- 5. The latest payroll format exist to manage practice, interviewed that person in charge know how to calculate as well. No same case happened again. 02/09/18
- 5. improving as plan 04/10/17

## Action Plan no 7.

### Description

- 6-1. Train management staff to issue pay slips to workers every month and get their signature
- 6. Announce workers to get pay slips from management staff

### Planned completion date

02/10/17

### Company Action Plan Update

- 6. Interviewed that management staff were trained and workers were provided pay slips. 02/09/18

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

#### Finding Explanation

The factory obtained written approval to adopt a Comprehensive Working Hours System (CWHS) (a system allowing the factory to use an overtime quota during a certain time period), valid from April 2015 to March 2016. During this period, approximately 20% of workers worked between 2,450 and 2,492 hours, exceeding the approved limit of 2,440 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 that workers' working hours do not exceed the limit approved under the Comprehensive Working Hour System.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

1-1. Management staff and production team will communicate with clients to control overall orders and stable leadtime to finish production. In the meantime, they will make production planning base on regular hours without OT.  
train workers to improve their skill in production, reduce rework as well.  
1-2. HR should check and control workers' working hours every week and have management staff integrated.  
Planned Completion Date 02/20/18

### Planned completion date

02/10/17

### Company Action Plan Update

1. HR with production team to be integrated control workers' working hours, they will keep managing. 02/09/18  
1. improving as plan 04/10/17

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

### Finding Explanation

1. The factory does not provide workers with a copy of the Collective Bargaining Agreement (CBA).  
2. 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 (Employment Relationship Benchmark ER.16; Freedom of Association Benchmark FOA.2)

## COMPANY ACTION PLANS

### Action Plan no 1.

### Description

1. Personnel department should provide a copy of CBA to workers Planned Completion Date 03/30/17

### Planned completion date

02/10/17

### Company Action Plan Update

1. Factory posted a copy on the bulletin board so all the workers can read it. 1. Factory provide a copy to worker representative but not to all workers, factory posted a copy on the bulletin board.02/09/18

07/22/20, 1. The factory sent e-copy of CBA in wechat group for all supervisors, and each supervisor forwarded this e-copy to their team members via wechat group. All workers in the factory have a wechat account and at least be part of a wechat group.

### Action Plan no 2.

### Description

2. Establish the policy regarding legal requirement (workers have right to union, elect and operate)

Planned completion date

02/10/17

Company Action Plan Update

2. Factory have policy established and all workers have rights to union, elect and operate) 02/09/18
2. improving as plan 04/10/17

## FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The disciplinary system does not include the worker's right to have a third party witness present during imposition of disciplinary action.
2. The factory maintains records on disciplinary actions in a master disciplinary file, not in workers' personnel files.

Local Law or Code Requirement

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

### COMPANY ACTION PLANS

#### Action Plan no 1.

Description

- 1-1. Establish the policy with representative worker's comments
  - 1-2. Ask representative worker to participate except the parties concerned.
- Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

1. Factor invited third witness to present during the imposition of disciplinary action. 01/28/19
1. Factory have written policy and disciplinary action records; but the policy didn't include the workers' right to have a third party witness present during imposition of disciplinary action. 02/09/18
1. improving as plan 04/10/17

#### Action Plan no 2.

Description

2. HR will move the records to workers' personal files
- Planned Completion Date 03/30/17

Planned completion date

02/10/17

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

Finding Explanation

Management does not maintain grievance records. Interviews with workers and management revealed that all grievances within the last year have been handled verbally or through meetings with workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Set up related policy and update regularly and notice to workers
2. HR will maintain grievance records in file and feedback the results to workers

#### Planned completion date

02/10/17

#### Company Action Plan Update

02/09/18 : Factory established policy on grievance and informed workers, records were also maintained.

04/10/17 : improving as plan

## FINDING NO.10

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The factory does not have a written policy on Environmental Protection, although some documents or systems exist to manage practices. These documents do not include a statement of the factory's general support of energy and water efficiency, or a commitment to minimize impacts with respect to air emissions, waste, hazardous materials, and other environmental risks.
2. The factory does not have written procedures on Environmental Protection that manage environmental impacts within the factory or to its surroundings, although some documents or systems exist to manage practices. These documents do not enable workers to raise environmental concerns or guarantee protection for workers who allege environmental violations.
3. As the factory does not have written policies or procedures on Environmental Protection, they also do not communicate these policies and procedures or their updates to the general workforce.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.31; Health, Safety & Environment Benchmark HSE.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1-1. HR will write policy on Environmental Protection and announce to all workers
- 1-2. HR will update with local law and check regularly

#### Planned completion date

02/10/17

#### Company Action Plan Update

1. Factory have written policy on Environmental Protection committing to minimize impacts to air emissions, waste...and also announced to workers. 02/09/18
1. improving as plan 04/10/17

### Action Plan no 2.

#### Description

- 2-1. HR will write procedure on Environmental Protection and announce to related persons to clarify their responsibility.
  - 2-2. Collect and share environment issues possibly occur during every day, train related persons to raise concerns and solve them.
  - 2-3. HR will update with local law and check regularly
- Planned Completion Date 12/30/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

2. The factory updated the environmental protection policy and the policy for raising concerns in the worker communication policy that enables workers to raise environmental concerns or guarantee protection for workers who allege environmental violations.

### Action Plan no 3.

#### Description

3-1. HR will write policy on Environmental Protection and announce to related persons

3-2. HR will update with local law and check regularly and share with workers

Planned Completion Date 12/30/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

3. HR provided training to general workforce covering the following content: compensation and working hours, Hiring Policy (termination and retrenchment), Workplace conduct, Grievance system (industrial relations), environmental protection, personal performance evaluation on Mar 26 2018 and May 24 2018. 01/28/19

3. Policy has been established but no records indicating that they have communicated with workers. 02/09/18

3. improving as plan 04/10/17

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. There is no secondary containment for the diesel or machine oil containers, which poses a risk to the environment due to the containers' proximity to a drain.

2. The factory either does not use authorized waste facilities to dispose of its solid waste or does not maintain records of the use of such facilities.

3. The factory does not send its hazardous waste to a licensed waste handler. They return empty chemical containers to the vendor, which is not a licensed waste handler.

4. The hazardous waste storage area is not labeled and does not have a locked door.

5. The factory has not yet received final approval from the local environmental protection bureau for its boiler alterations or a Pollutant Discharge Permit for air emissions, although they are in the process of obtaining both.

6. The factory has not performed a comprehensive environmental impact assessment to identify whether its on-site operations generate any negative environmental impacts. Noise levels and air emissions from the gas-fired boiler are monitored annually, but air emissions from the kitchen and waste water discharge generated by the dormitory are not monitored at all.

#### Local Law or Code Requirement

The China Law of Prevention and Treatment of Water Pollution, Article 29; The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Articles 32, 52, and 57; The Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project, Article 17; The Law of China of Prevention and Control of Atmospheric Pollution, Article 12; FLA Workplace Code (Employment Relationship ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

#### Recommendations for Immediate Action

1. Install secondary containment for the diesel and machine oil containers.

2. Commission an authorized waste facility to dispose of solid waste and maintain appropriate documentation.

3. Commission a licensed hazardous waste handler to dispose of hazardous waste, including empty chemical containers.

4. Post signs labeling the hazardous waste storage area as such.

5. Obtain all legally required approvals and permits.

6. Commission a comprehensive environmental impact assessment that covers air emissions from the kitchen and waste water discharge from the dormitory.

### COMPANY ACTION PLANS

#### Action Plan no 1.

#### Description

1-1. CSR person in-charge will make policy on chemical management with HR

1-2. HR will arrange training to workers every 3 months and maintain records to have them know the necessary.

1-3. Management staffs will check regularly and remain records.

Planned completion date

02/10/17

Company Action Plan Update

1. Factory established chemical management policy and arranged training to workers. Secondary containment had been equipped for the diesel or machine oil containers. 02/09/18
1. improving as plan 04/10/17

Action Plan no 2.

Description

2-1. List up solid waste and authorized waste facilities 2-2. HR will regularly check and maintain records of the use of such facilities  
Planned Completion Date 2020/2. There is very litter solid waste onsite, the company is sourcing for the qualified party to collect it.  
01/28/19

2020/07/22:

6-1. There was comprehensive environmental impact assessment performed for its onsite operation in 2010 and approved by local environmental bureau.

6-2. Factory is contacting third party to conduct test for air emissions from kitchen and waste water from dormitory. The planned completion date is 2020/12/1.

Planned completion date

02/10/17

Action Plan no 3.

Description

3-1. Sign with a licensed waste handler to handle with empty chemical containers. 3-2. CSR person in-charge will check every 3 months and maintain records of the use of handler. Planned Completion Date 12/30/17 3. The only solid waste is Hexane and the volume is very small. Factory could not find a qualified factory to collect it and all the waste is collecting by the supplier. 01/28/19

2020/07/22:

3. The waste empty chemical containers are currently recycled by the manufacturer, as per check, no vendor would like to collect such a small quantity, no more than 5 containers per month. The planned completion date is 2020/12/1.

Planned completion date

02/10/17

Action Plan no 4.

Description

6-1. Monitor air emissions from kitchen and waste water discharge generated by dormitory as well in order to approve EIA.  
6-2. CSR person in-charge will lead to monitor annually to update EIA  
Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

6. The factory upgraded the boiler system to the gas-based boiler which covers the kitchen, no air emission discharged. Factory applied the environmental protection facility acceptance from the government after the upgrade and approved. 01/28/19
6. Factory have received EIA and sewage discharge permission, will monitor noise and air emissions from kitchen this year. 02/09/18
6. Improving as plan 04/10/17

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory's chemical inventory does not include diesel or machine oil.
2. The factory does not have the Material Safety Data Sheets (MSDS) for diesel or machine oil.
3. As previously mentioned, there is no secondary containment for some chemicals (machine oil and diesel oil).
4. None of the machine oil containers in the maintenance room and diesel oil containers near the power generator room were labeled.
5. There is no chemical alarm system installed in the chemical storage area.

##### Local Law or Code Requirement

The Regulation for Safety of Dangerous Chemicals, Articles 16, 17, and 25; The Regulation of Chemical Safety Usage in Workplace, Articles 12 and 19; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.5, HSE.6, HSE.9, and HSE.10)

##### Recommendations for Immediate Action

1. Ensure that the chemical inventory is complete.
2. Ensure that MSDS for all chemicals used in the factory, including diesel and machine oil, are available to workers, management, and assessors.
3. Install secondary containment for all chemical containers, including diesel and machine oil containers.
4. Label all chemical containers, including diesel and machine oil containers.
5. Install a chemical alarm system in chemical storage areas.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1-1. CSR person in-charge will update chemical inventory after confirmation with onsite management staff
- 1-2. Check every 3 months

##### Planned completion date

02/10/17

Company Action Plan Update

1. Factory have listed chemical inventory and check periodically. 02/09/18

Action Plan no 2.

Description

2. CSR person in-charge has posted MSDS for diesel and machine oil and do regular check

Planned completion date

02/10/17

Company Action Plan Update

2. Factory have posted MSDS and check periodically. 02/09/18

Action Plan no 3.

Description

3. CSR person in-charge has prepared secondary container for chemicals and will do regular check.

Planned completion date

02/10/17

Company Action Plan Update

3. Secondary containment had been equipped and factory have regular check.

02/09/18

Action Plan no 4.

Description

4. CSR person in-charge has prepared labels of chemicals and will do regular check.

Planned Completion Date 03/30/17

Planned completion date

02/10/17

Company Action Plan Update

4. All the containers are labeled. 01/28/19

4. Factory didn't post label for some chemicals, will complete within this year. 02/09/18

Action Plan no 5.

Description

5. As only 3-4 bottles of DJW in factory, there is no need to install a separate alarm system as FLA' confirmation.

Planned completion date

02/10/17

Company Action Plan Update

5. Based on onsite confirmation, factory only have 3 bottles of DJW so that there is no need to install a separate alarm system.

02/09/18

Action Plan no 6.

Description

-

Planned completion date

02/10/17

**FINDING NO.13**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE: Health & Safety**

Finding Explanation

1. There are no safety instructions or warning signs posted near high risk machinery (the cutting machines and lamination machine).

2. The forklift is not inspected annually by the local special equipment inspection institute. Furthermore, the forklift operator does not hold a valid certificate.
3. The factory could not provide the external inspection report for the boiler for review.
4. Approximately 80% of workers interviewed were not aware that they are able to refuse to work under unsafe conditions.
5. The factory is not taking proactive steps to reduce repetitive-motion stress and injuries. Workstations are not adjustable to fit individual workers, there are no removable armrests or proper backrests on the chairs used by seated workers, and there are no anti-fatigue mats for standing workers. Furthermore, workers who lift heavy objects have not been provided with lifting belts or trained on proper lifting techniques.

#### Local Law or Code Requirement

The Law of the China on Work Safety, Article 28; The Special Appliance Quality Safety Monitoring Regulation, Articles 28 and 38; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.14, and HSE.17)

#### Recommendations for Immediate Action

1. Post safety instructions and warning signs near all high-risk machinery, including the cutting machines and lamination machines.
2. Have the forklift inspected annually by the appropriate authority and maintain the inspection certificate. Ensure that the operator is properly certified.
3. Have the boiler inspected and maintain the external inspection report.
4. Communicate to workers that they can refuse to work under unsafe conditions and that there are no penalties for doing so.
5. Provide lifting belts and training on proper lifting techniques for the relevant workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. CSR person in-charge has posted safety instructions and warning signs
- Planned Completion Date 03/30/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

1. The factory posted safety and warning signs to the high risk machinery. 01/28/19
1. Factory have posted warning signs but no safety instructions. 02/09/18

### Action Plan no 2.

#### Description

- 2-1. CSR person in-charge will prepare to inspect the forklift and check annually

2-2. CSR person in-charge will prepare the operator to hold a valid certificate and check annually  
Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

2-1. As per check with local special equipment management authority, the forklift in the factory is not belonging to the scope of special equipment. AS per Regulations on Safety Supervision of Special Equipment (2009 Revision) [http://www.gov.cn/zwgk/2009-02/06/content\\_1223647.htm](http://www.gov.cn/zwgk/2009-02/06/content_1223647.htm), the definition for lifting appliances in article 99, the max loading weigh>+ 0.5 t, and the lifting weight for this forklift is 0.14t.

2-2. As per check with local special equipment management authority, the forklift in the factory is not belonging to the scope of special equipment, no certificate in need. AS per Regulations on Safety Supervision of Special Equipment (2009 Revision) [http://www.gov.cn/zwgk/2009-02/06/content\\_1223647.htm](http://www.gov.cn/zwgk/2009-02/06/content_1223647.htm) , the definition for lifting appliances in article 99, the max loading weigh>+ 0.5 t, and the lifting weight for this forklift is 0.14t.

Action Plan no 3.

Description

3-1. CSR person in-charge has prepared to inspect the boiler for review

3-2. CSR person in-charge will do regular check

Planned completion date

02/10/17

Company Action Plan Update

3. Factory have received the external inspection report. 02/09/18

Action Plan no 4.

Description

4-1. Training will be prepared for workers to clarify unsafe conditions and the policy

4-2. Provide training for worker every half a year

Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

4. Factory provided training to workers that they can refuse to work under unsafe conditions.

Action Plan no 5.

Description

5. CSR person in-charge will purchase a few ergonomically designed chairs and anti-fatigue mats, lifing belts for workers to use, then seek workers' feedback and evaluate the effectiveness, and train lifting workers on proper lifting techniques with pilot.

Planned Completion Date 12/30/17 5. The space to set up adjustable chair is very limited.The factory has equipped chairs for all the standing working workers, workers can sit down to rest whenever they need. Factory will consider to improve this gradually.  
01/28/19

Planned completion date

02/10/17

Company Action Plan Update

2-1.Since the equipment was purchase decade ago and the relevant documents was lost, could not perform inspection or registration, the factory sold it to a reclamation depot, the equipment is no longer existing.2-2.Since there was no forklift, no operator in need.

Action Plan no 6.

Description

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Planned completion date

## FINDING NO.14

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health &amp; Safety

Finding Explanation

1. The fire alarm systems in either the factory and dormitory buildings do not have backup batteries.
2. There is no firefighting equipment located in the diesel oil storage area.
3. Several fire extinguishers in the sundries storage area are placed directly on the floor instead of being mounted or placed in a fire extinguisher box.
4. The contact information for emergency medical response is not posted near each phone or throughout the factory.

Local Law or Code Requirement

The Code for Design of Automatic Fire Alarm System (GB50116), Article 10.1; The Regulation for Safety of Dangerous Chemical, Article 16; The Code for Design of Extinguisher Distribution in Buildings (GB 50140), Article 5.1.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.25)

Recommendations for Immediate Action

1. Install backup batteries for the fire alarm systems in the factory and dormitory buildings.
2. Install firefighting equipment in the diesel oil storage area.
3. Mount the fire extinguishers in the sundries storage area in accordance with legal requirements (no more than 1.5 m off the ground, with the bottom of the fire extinguisher no less than .08 m off the ground). Alternatively, store them in a fire extinguisher box.
4. Post medical emergency contact information next to each phone and throughout the factory.

## COMPANY ACTION PLANS

## Action Plan no 1.

Description

1. HR has prepared backup batteries for factory and dormitory buildings

Planned completion date

02/10/17

Company Action Plan Update

02/09/18 : Factory have prepared backup batteries for factory and dormitory buildings

04/10/17 : Done

## Action Plan no 2.

Description

2. CSR person in-charge has prepared firefighting equipment for the diesel oil storage area and will check regularly

Planned completion date

02/10/17

Company Action Plan Update

02/09/18 : Factory have prepared firefighting equipment for the diesel oil storage area and check regularly

04/10/17 : Done

## Action Plan no 3.

Description

3. CSR person in-charge has placed a box and will check regularly whether it's enough or broken.

Planned completion date

02/10/17

Company Action Plan Update

02/09/18 : All fire extinguishers have been placed in a fire extinguisher box.

04/10/17 : Done

## Action Plan no 4.

### Description

4. HR has posted the contact information near each phone and noticed to each worker

### Planned completion date

02/10/17

### Company Action Plan Update

02/09/18 : HR has posted the contact information near each phone and noticed to each worker

04/10/17 : Done

## FINDING NO.15

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has implemented a Tag-Out system, but not a Lock-Out system.
2. The factory does not periodically test the lightning protection system in the factory buildings or the dormitory.
3. There is no rescue equipment available for the confined spaces in the factory.

#### Local Law or Code Requirement

GBT21431-2008 Technical Specifications for Inspection of Lightning Protection System in Building, Article 6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.6, HSE.13, and HSE.14)

#### Recommendations for Immediate Action

1. Implement a Tag-Out system.
2. Regularly the lightning protection system in the factory and dormitory buildings and maintain the test reports.
3. Provide rescue equipment for confined spaces.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1-1. CSR person in-charge will implement a Lock-out system as well and notice to everyone
- 1-2. Onsite management staff will take in charge to check regularly

Planned Completion Date 03/30/17

#### Planned completion date

02/10/17

#### Company Action Plan Update

1. The factory implemented the lock-out system.

### Action Plan no 2.

Description

2. Conduct regular tests on the factory's lightning protection system every half one year.

Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

2. Factory sourced the qualified lightening protection system testing company and conduct on Jan 8 2019. 01/27/19

2. Factory plan to accomplish within this year. 02/09/18

2. Improving as plan. 04/10/17

Action Plan no 3.

Description

3. CSR person in-charge will do desktop research what it confined space and what kind of rescue equipment is needed, then prepare rescue equipment in the confined spaces as well.

Planned Completion Date 12/30/17

Planned completion date

02/10/17

Action Plan no 4.

Description

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Planned completion date

02/10/17

## FINDING NO.16

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

Finding Explanation

1. The factory's Health & Safety procedures do not outline how workers can raise Health & Safety concerns or guarantee protection against retaliation for workers who raise Health & Safety concerns.

2. The factory only partially communicates its Health & Safety policies and procedures and their updates to the general workforce.

3. The factory could not provide the Report on Inspection and Acceptance of Completed Construction Project for an expanded five-story building connected to the main production building which was completed in 2002. The building is used for offices, workshops, and warehouses.

4. The factory has not implemented its procedures for tracking illnesses.

5. The factory has not commissioned a government-accredited third party to conduct an Occupational Disease Hazard Pre-Assessment, Assessment of the Effectiveness of Occupational Disease Hazard Controls, or an updated Assessment of the Current Condition of Occupational Disease Hazards.

Local Law or Code Requirement

Regulation on Workplace Occupational Health Supervision, Article 20; Construction Law of the People's Republic of China, Article 61; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.16, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, and HSE.4)

### COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR with CSR person in-charge will write more details for factory's Health & Safety procedure and notice to workers;

Planned Completion Date

12/30/17

Planned completion date

02/10/17

Company Action Plan Update

1. The factory updated the policy for raising concerns in the worker communication policy that enables workers to raise Health & Safety concerns or guarantee protection for workers who allege Health & Safety violations and outline how workers can raise Health & Safety concerns.

Action Plan no 2.

Description

2-1. CSR person in-charge should communicate all policies and procedures to all workers every year.

2-2. CSR person in-charge will communicate updates to workers timely.

Planned Completion Date

12/30/17

Planned completion date

02/10/17

Company Action Plan Update

2. HR provided training to general workforce covering the following content: compensation and working hours, Hiring Policy (termination and retrenchment), Workplace conduct, Grievance system (industrial relations), environmental protection, personal performance evaluation on Mar 26 2018 and May 24 2018.

Action Plan no 3.

Description

3-1. Factory will confirm with the owner whether he have; if no, then ask the authority to do inspection firstly. If no, factory will consider the 3rd party to conduct the inspection.

Planned Completion Date

01/30/18

The factory still confirm with owner and wait for answer. (07/16/17)

Planned completion date

02/10/17

Action Plan no 4.

Description

4. Implement related procedure and notice to workers and remain records, factory will do best to complete asap.

Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

4. The factory started to track the illnesses by HR.

Action Plan no 5.

Description

5-1. HR will commission a authorized third party to conduct these assessments

5-2. CSR person in-charge will check records every year

Planned Completion Date 12/30/17

Planned completion date

02/10/17

Company Action Plan Update

5. improving as plan 04/10/17

5. Factory have conducted assessments and wait for result. 02/09/18

5. The factory have conduct workplace occupational disease Hazard monitoring. 01/28/19

Action Plan no 6.

Description

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Planned completion date

02/10/17