



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 10/28/16

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Apparel

NUMBER OF WORKERS: 250

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding Social Insurance, the Housing Provident Fund, Hours of Work, and ergonomics have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

## 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 does not have written policies or procedures on Personnel Development or performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, managing performance reviews, managing skill development, managing promotion, demotion, job reassignment, and complies with legal requirements.
2. The factory does not have written procedures on the following Employment Functions, though some documents and systems exist: Compensation, Hours of Work, Industrial Relations, and Workplace Conduct & Discipline.
3. The factory does not have written policies or procedures on Termination & Retrenchment.
4. The factory does not have written policies or procedures on Environmental Protection. The factory does not have written procedures for managing environmental impact inside the factory or managing the factory's environmental impact to its surroundings.
5. The factory does not have policies or procedures on how to discipline supervisors, managers, and workers who engage in any form of harassment or abuse.
6. The factory's Workplace Conduct & Discipline procedures do not give workers the right to participate and be heard in any disciplinary procedures taken against them or appeal the disciplinary action. The factory's disciplinary system does not require all warning and disciplinary action be recorded and filed or that a third party witness be present during the imposition of disciplinary actions.
7. The factory's Grievance System procedures do not specify how management should handle anonymous grievances or state how workers can submit grievances or questions regarding Compensation. The Grievance System procedures also do not allow a direct settlement of the grievance by the worker and the immediate supervisor.
8. The factory's Health & Safety procedures do not cover how workers can raise health and safety concerns or protection against retaliation for workers who raise health and safety concerns.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.23, ER.25, ER.27, ER.29, ER.30, ER.31, and ER.32; Health, Safety, & Environment Benchmarks HSE.1)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. HR management establish written policies and procedures on Personnel Development and performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, managing performance reviews, managing skill development, managing promotion, demotion, job reassignment, and complies with legal requirements. HR management will update the document once a year and provide training to all workers.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

1. HR management established written policies and procedures on Personnel Development and performance reviews that includes demonstrates linkages to job grading, prohibits discrimination, provides written feedback, managing performance reviews, managing promotion, demotion, and complies with legal requirements. HR management already provided training to relevant workers based on established policies, and will continue to establish rest policies. 01/29/19

1. In progress as plan 04/14/17

Action Plan no 2.

Description

2. HR management establish written procedures on the following Employment Functions, though some documents and systems exist: Compensation, Hours of Work, Industrial Relations, and Workplace Conduct & Discipline. HR management will update the document once a year and provide training to all workers.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

2. HR management established worker manual the following Employment Functions, though some documents and systems exist: Compensation, Hours of Work, and Workplace Conduct & Discipline. HR management already provided training to all workers and will update the document once a year. 01/29/19

2. In progress as plan 04/14/17

Action Plan no 3.

Description

3. HR management establish written policies and procedures on Termination & Retrenchment. HR management will update the document once a year and provide training to all workers.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

3. HR management established written policy and procedure on Termination & Retrenchment. HR management will update the document once a year. 01/29/19

3. In progress as plan 04/14/17

Action Plan no 4.

Description

4. H&S manager establishes written policies and procedures on Environmental Protection, and written procedures for managing environmental impact inside the factory & the factory's environmental impact to its surroundings. H&S manager and 3rd party will take actions as procedure once a year to manage the impact of inside/outside.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

4. H&S manager established written policy and procedure on Environmental Protection, and written procedures for managing environmental impact inside the factory & the factory's environmental impact to its surroundings. H&S manager and 3rd party will take actions as procedure once a year to manage the impact of inside/outside. 01/29/19

4. In progress as plan 04/14/17

Action Plan no 5.

Description

5. HR management establish policies and procedures on how to discipline supervisors, managers, and workers who engage in any form of harassment or abuse, then provide training to all workers.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

#### Company Action Plan Update

5. factory have specified the procedure on how to regulate supervisors in case engaging in any form of harassment or abuse.

01/29/19

5. In progress as plan 04/14/17

#### Action Plan no 6.

##### Description

6. HR management update:1, Workplace Conduct & Discipline procedures to give workers the right to participate and be heard in any disciplinary procedures taken against them or appeal the disciplinary action; 2, disciplinary system with require all warning and disciplinary action be recorded and filed or that a third party witness be present during the imposition of disciplinary actions. After all the updates, HR management will provide training to all workers.

Planned Completion Date 12/31/17

##### Planned completion date

03/08/17

#### Company Action Plan Update

6. HR management updated:1, Workplace Conduct & Discipline procedures to give workers the right to participate and be heard in any disciplinary procedures taken against them or appeal the disciplinary action; 2, disciplinary system with require all warning and disciplinary action be recorded and filed or that a third party witness be present during the imposition of disciplinary actions.

01/29/19

6. In progress as plan 04/14/17

#### Action Plan no 7.

##### Description

7. HR management update:1, Grievance System procedures to specify how management should handle anonymous grievances and state how workers can submit grievances or questions regarding Compensation; 2, Grievance System procedures to allow a direct settlement of the grievance by the worker and the immediate supervisor. After all the updates, HR management will provide training to all workers.

Planned Completion Date 12/31/17

##### Planned completion date

03/08/17

#### Company Action Plan Update

7. HR management updated:1, Grievance System procedures to specify how management should handle anonymous grievances and state how workers can submit grievances or questions regarding Compensation; 2, Grievance System procedures to allow a direct settlement of the grievance by the worker and the immediate supervisor. After all the updates, HR management already provided training to all workers. 01/29/19

7. In progress as plan 04/14/17

#### Action Plan no 8.

##### Description

8. HR and H&S manager update Health & Safety procedures do not cover how workers can raise health and safety concerns and protection against retaliation for workers who raise health and safety concerns. HR management will provide training to all workers after update.

Planned Completion Date 12/31/17

##### Planned completion date

03/08/17

#### Company Action Plan Update

8. Factory have updated procedure including how workers can raise health and safety concerns and protection against retaliation for workers who raise health and safety concerns. 01/29/19

8. In progress as plan 04/14/17

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

The factory has not defined in writing the person(s) responsible for the following Employment Functions in the factory: Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, and the Grievance System.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

Description

1. HR management establish document of person(s) responsible for the following Employment Functions in the factory: Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, and the Grievance System.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

1. HR management established document of person(s) responsible for the following Employment Functions in the factory: Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, and the Grievance System. HR management already provided training to all workers. 01/29/19

1. In progress as plan 04/14/17

## FINDING NO.3

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide any training, including specific training for relevant supervisors and ongoing training for the general workforce, for any Employment Function except Health & Safety. Workers also do not receive any training material.
2. The factory does not provide HR staff with training on Workplace Conduct.
3. The factory does not provide new workers with written documentation that substantiates all the issues covered in orientation.
4. The factory does not provide specific training on chemical management or the proper lifting techniques for the relevant workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks, ER.1, ER.15, ER.17, ER.27, and ER.28; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.9, and HSE.17)

## COMPANY ACTION PLANS

### Action Plan no 1.

Description

1. HR management provide Employment Functions training for relevant supervisors and ongoing training for the general workers with training material.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

1. HR management provided Employment Functions training for relevant supervisors and ongoing training for the general workers with training material. It was confirmed by workers' interview. 01/29/19

1. In progress as plan 04/14/17

### Action Plan no 2.

Description

2. Factory management provide HR staff with training on Workplace Conduct.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

2. Factory management provided HR staff with training on Workplace Conduct. 01/29/19

2. In progress as plan 04/14/17

Action Plan no 3.

Description

3. HR management establish written documentation of new workers that substantiates all the issues covered in orientation and keep for at least one year.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

3. Factory have provided the document to worker themselves. 01/29/19

3. In progress as plan 04/14/17

Action Plan no 4.

Description

4. H&S manager provides specific training on chemical management.

Since there's no lifting techniques relevant work, there would be no training for this section.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

4. H&S manager provided specific training on chemical management. It was confirmed by workers' interview. Since lifting techniques relevant work would be done by subcontractor, there would be no training for this section. 01/29/19

4. In progress as plan 04/14/17

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

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

Finding Explanation

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

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, and ER.32; Compensation Benchmark C.17; Health, Safety & Environment Benchmark HSE.2)

### COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR management update the procedure of communicating policies and procedures and their updates to the general workforce across all Employment Functions with workers' input. HR management establish procedures to request and/or receive workers' input and feedback regarding the creation, implementation, and updating of its policies and procedures.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

1. HR management provided orientation training for all new employees and kept all records. HR management would add procedure to request and receive workers' input and feedback regarding the creation, implementation, and updating of its policies and procedures by next year. 01/29/19

1. In progress as plan 04/14/17

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

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

Finding Explanation

The factory does not conduct a periodic review and update of policies and procedures 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. HR management conduct a periodic review and update of policies and procedures for all Employment Functions once a year. HR management will provide training to all workers after update.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

1. HR management established document of person(s) responsible for all Employment Functions in factory. HR management will establish a procedure on review and update of policies and procedures for all Employment Functions once a year. 01/29/19

1. In progress as plan 04/14/17

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

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

Finding Explanation

1. Based on information provided by factory management, the factory currently has not hired any workers with disabilities, nor has it contributed to the Employment Security Fund in lieu of hiring workers with disabilities. The current practice violates the legal requirement and carries the risk of discrimination based on the FLA Workplace Code.

2. Written job descriptions are only available for approximately 30% of positions.

3. The factory does not conduct performance reviews for all workers, including new workers during their probation period. Only office workers were subject to performance reviews.

4. Performance reviews are not documented.

Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29 and ER.30; Nondiscrimination Benchmarks ND.1 and ND.2)

### COMPANY ACTION PLANS

#### Action Plan no 1.



#### Description

1. HR management will identify suitable positions for disabled workers by getting training of law requirement. Add indications in job advertisement when they start hiring in 2018.

Planned Completion Date 12/31/18

#### Planned completion date

03/08/17

#### Company Action Plan Update

1. Factory have provided suitable position to disabled workers but the factory has not hired any disabled workers, which the total number of disabled persons hired by the factory is less than 1.5 per cent of its total staff as stipulated by legal requirement.

01/29/19

1. In progress as plan 04/14/17

#### Action Plan no 2.

#### Description

2. HR management improve written job descriptions for all positions.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

2. HR management established written job descriptions for all positions.

2. In progress as plan 04/14/17

#### Action Plan no 3.

#### Description

3. HR management conduct performance reviews for all workers, including new workers during their probation period according to existed procedure.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

3. HR management conducted performance reviews for all workers except new employees. HR management will start to review new employees' performance during their probation period from 2018. 01/29/19

3. In progress as plan 04/14/17

#### Action Plan no 4.

#### Description

4. HR management establish written documentation of performance review for all employees and keep for at least one year.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

4. HR management established written documentation of performance review for all workers except new employees and will keep all review records for at least one year. 01/29/19

4. In progress as plan 04/14/17

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

#### Finding Explanation

1. The factory does not pay the final wages for resigned and terminated workers within three days of their last working day; the factory waits until the following wage payment cycle to pay former workers their final wages.

2. The factory does not pay resigned workers the outstanding balance of their annual leave.

3. The factory does not correctly record or pay workers for hours worked outside of the official hours. Although management does not



- ask workers to do so, around 10% of workers come to work early or depart late in order to increase their output. Management does not record this additional working time.
4. The factory does not provide all workers with the five types of legally required social insurance. Out of 290 workers, 109 have two types of insurance (pension and unemployment); 14 out of this 109 also have medical insurance; 282 have work-related injury insurance; and 257 have maternity insurance. Only 4.8% of workers were covered under all five types of insurance. The factory has purchased commercial work-related injury insurance for 15 workers, valid until May 6, 2017. Finally, the factory used the local wage base to calculate workers' social insurance contributions instead of calculating contributions based on workers' actual monthly wage.
  5. The factory has not enrolled any workers into the legally required Housing Provident Fund.
  6. Workers are not able to use annual leave when they wish as the factory collectively arranges workers' annual leave to be near the end of the year (e.g., October and November of each year), based on the factory's production schedule.
  7. The factory does not provide lactating workers with either a lactation room or one-hour paid breast feeding time.

#### Local Law or Code Requirement

PRC Labor Law, Article 17, 44, and 73; Provisional Regulations for the Payment of Wage, Article 9; Employee Paid Annual Leave Regulation, Article 12, Regulation on the Housing Provident Fund Management Article 19; Special Provisions on Labor Protection for Female Employees, Article 9; FLA Workplace Code (Employment Relationship Benchmarks ER.19, ER.22 and ER.23; Compensation Benchmark C.1; Hours of Work Benchmarks HOW.11, HOW.12, HOW.13, and HOW.14)

#### Recommendations for Immediate Action

1. Ensure resigned and terminated workers are paid within three days of their last day working at the factory.
2. Compensate resigned workers for the outstanding balance of their annual leave. Back pay any workers who are entitled to such compensation and have not yet received it.
3. Properly record all working hours and pay workers for all hours worked at the correct wage rates. Provide all five types of legally required social insurance to all workers. Base social insurance contributions on workers' actual wages.
4. Allow workers to arrange for their own annual leave by going through a proper application process at any time on their own accord.
5. Provide one-hour of paid breast feeding time to lactating workers, as legally required.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. HR management update payment policy and procedure according to current law requirement, and pay the final wages for resigned and terminated workers within three days of their last working day. HR management provide training to all workers to introduce this update, and also add to new workers training content.

Planned Completion Date 06/30/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

1. HR management updated payment and resignation policy according to current law requirement. Factory paid the final wages for resigned workers who submitted resignation one month ahead on last working day, and provided evidence. 1/29/19

1. In progress as plan 04/14/17

### Action Plan no 2.

#### Description

2. HR management update annual leave policy and procedure for resigned workers according to current law requirement, and pay resigned workers the outstanding balance of their annual leave. HR management provide training to all workers to introduce this update, and also add to new workers training content.

Planned Completion Date 06/30/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

2. HR management updated payment and resignation policy according to current law requirement. Factory paid the outstanding balance of their annual leave for resigned workers who submitted resignation one month ahead on last working day, and provided evidence. 01/29/19

2. In progress as plan 04/14/17

### Action Plan no 3.

#### Description

3. All finger print machines are installed outside entrance guard room, the entrance guard checks if any worker miss to record

in/out time. HR will check workshop after off time and verify workers' attendance record to make sure their full working hour are recorded.

Planned Completion Date 05/31/17

Planned completion date

03/08/17

Company Action Plan Update

3. Factory also paid the wage following the legal requirement. 01/29/19

3. In progress as plan 04/14/17

Action Plan no 4.

Description

4. HR management will provide a explanation to all workers by end of May. For the workers who has joined local agriculture insurance, HR management will let them know they can join social insurance any time if they change their mind. HR management establish a specific plan according to workers' reaction of explanation. Fty will make sure all workers get covered by commercial insurance for accident occurred during work by end of June.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

4. Factory is still trying to raise the rate of 5 types social insurance participation till 100%. 01/29/19

4. In progress as plan 04/14/17

Action Plan no 5.

Description

5. HR management will provide a explanation to all workers by end of May and establish a specific plan according to workers' reaction by end of this year.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

5. factory have explained to workers and proceed with raising their awareness in order to meet the legal requirement. 01/29/19

5. In progress as plan 04/14/17

Action Plan no 6.

Description

6. HR management explain the annual leave policy and procedure to all workers and let workers use their annual leave as they wish.

Planned Completion Date 05/31/17

Planned completion date

03/08/17

Company Action Plan Update

6. HR management updated and explained annual leave policy and procedure to all workers and let workers use their annual leave as they wish. According to workers' interview, no worker take annual leave currently. 01/29/19

6. In progress as plan 04/14/17

Action Plan no 7.

Description

7. HR management confirmed there is no lactating worker in factory right now. But factory will establish a policy and procedure regarding one-feeding-hour, and provide training to all workers within this year. Factory is planning to set up one lactation room by end of this year.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

7. HR management established policy and procedure of pregnant and lactating workers' protection. But there is no pregnant or lactating worker in factory right now. 01/29/19

7. In progress as plan 04/14/17

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Monthly overtime exceeded the legal limit of 36 hours for 85% of sampled workers in the months from July 2015 to October 2016 with an average monthly overtime of 60 hours and a maximum of 85 hours in September 2016. In addition, the daily overtime of 40% of sampled workers exceeded the three-hour legal maximum, working on average three to five hours a day.
2. Around 60% of sampled workers' weekly working hours exceeded 60 hours. The maximum found was 92.5 hours in the week of January 4, 2016. The most recent finding was 81 hours the week of October 17, 2016.
3. The factory's production plan is developed for a 60-hour work week, which includes two hours of overtime on weekdays, and 10 hours of work on a rest day.
4. Around 40% of workers do not receive one day of rest in every seven-day period. The longest recorded case was a worker who worked 26 consecutive days, from October 2 to 27, 2016.
5. The factory does not properly record all hours worked. Management does not record when workers begin work before official working hours or work after official working hours (done by approximately 10% of workers in order to increase output).
6. The factory does not have a system to identify pregnant and lactating workers to ensure they receive legal protection concerning work hours.

##### Local Law or Code Requirement

PRC Labor Law, Articles 38 and 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.5, HOW.7, and HOW.8)

##### Recommendations for Immediate Action

1. Ensure that workers' monthly overtime hours do not exceed the legal limit of 36.
2. Ensure that workers do not work more than 60 hours a week.
3. Provide workers with at least one day of rest for every seven-day period.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Fty will communicate with all clients and adjust orders in whole year especially balance peak season's orders. Target is to keep 50% workers' monthly OT within 80h by end of 2017, all workers' monthly OT within 80h by end of 2018. HR management analysis monthly working detail, hire more workers for busy workshop.  
Planned Completion Date 12/31/17

##### Planned completion date

03/08/17

##### Company Action Plan Update

1. factory already started to set up reasonable production plan and keep following with the working hours, also they keep contact with clients and each department to ensure the efficiency. They are on the way till meet FLA requirement. 01/29/19
1. In progress as plan 04/14/17

#### Action Plan no 2.

##### Description

2. Fty will communicate with all clients and adjust orders in whole year especially balance peak season's orders. Target is to keep 50% workers' weekly working hour within 60h by end of 2017, all workers' weekly working hour within 60h by end of 2018. HR management analysis weekly working detail, hire more workers for busy workshop.  
Planned Completion Date 12/31/18

##### Planned completion date

03/08/17

##### Company Action Plan Update

2. factory already started to set up reasonable production plan and keep following with the working hours, also they keep contact with clients and each department to ensure the efficiency. They are on the way till meet FLA requirement. 01/29/19
2. In progress as plan 04/14/17

### Action Plan no 3.

#### Description

3. Fty will communicate with all clients and adjust orders in whole year especially balance peak season's orders. Target is to keep 50% workers' weekly working hour within 60h by end of 2017, all workers' weekly working hour within 60h by end of 2018. HR management analysis weekly working detail, hire more workers for busy workshop.  
Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

3. Factory make the production plan based on 40h/week and have the flexibility to deal with the emergency. 01/29/19  
3. In progress as plan 04/14/17

### Action Plan no 4.

#### Description

4. HR management will establish working hour policy including 1 day rest in every 7 days and provide training to all workers. Also communicate with all clients before take order.  
Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

4. All workers can have one day rest every seven days in off season. And factory also make reasonable production plan as the legal to control the working hours.  
01/29/19  
4. 04/14/17 : In progress as plan

### Action Plan no 5.

#### Description

6. HR management establish a system to identify pregnant and lactating workers to ensure they receive legal protection concerning work hours with workers' input, then provide training to all workers.  
Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

6. HR management established policy and procedure of pregnant and lactating workers' protection. But there is no pregnant or lactating worker in factory right now. 01/29/19  
6. In progress as plan 04/14/17

### Action Plan no 6.

#### Description

5. All finger print machines are installed outside entrance guard room, the entrance guard checks if any worker miss to record in/out time. HR will check workshop after off time and verify workers' attendance record to make sure their full working hour are recorded.

#### Planned completion date

03/08/17

#### Company Action Plan Update

5. Done 04/14/17

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. All workers were automatically enrolled in the union at the factory. Workers are not required to pay any union dues, as the factory

pays the union dues on their behalf. Most workers were not aware of the union or their membership in it.

2. The union representatives are not elected by the workers, but rather appointed by management. They representatives are not aware of their position.

3. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All-China Federation of Trade Unions (ACFTU). According to the 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 does stipulate 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 Benchmarks FOA.2, FOA.10, and FOA.11)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. HR management give all workers' an explanation of labor union, and let workers establish their own union based on policy and procedure which made by workers. And with support of HR management, worker union sill give an application and consent format to let workers know they are free to join the union and agree to pay the union fee.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

1. now workers have understood the function of union representatives and willing to pay the union dues. 01/29/19

1. In progress as plan 04/14/17

### Action Plan no 2.

#### Description

2. HR management will have a explanation to all workers so they could know their full rights of representative election. Workers establish election policy and documents of representatives by themselves.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

2. now workers have understood the function of union representatives. 01/29/19

2. In progress as plan 04/14/17

### Action Plan no 3.

#### Description

3. Workers will establish and update labor union policy on their own according to law requirements.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

3. Now workers have understood the function of union representatives. 01/29/19

3. In progress as plan 04/14/17

## FINDING NO.10

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Workplace Conduct & Discipline

### Finding Explanation

The factory maintains only partial disciplinary records. There is no evidence that workers are allowed to participate and be heard in any disciplinary procedures taken against them. Workers were not required to sign and acknowledged the disciplinary action taken.

### 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. Factory keeps all reward records (no disciplinary policy or procedure). HR management establish the policy of having worker representative to participate and be heard in a reward/disciplinary procedure against them. Integrate workers' input if any and provide training to all workers to understand the update. Have workers sign and acknowledged the disciplinary action taken.  
Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

1. HR management updated: 1, Workplace Conduct & Discipline procedures to give workers the right to participate and be heard in any disciplinary procedures taken against them or appeal the disciplinary action;  
2, disciplinary system with require all warning and disciplinary action be recorded and filed or that a third party witness be present during the imposition of disciplinary actions. According to management interview, there is no such record in current 6 months.  
01/29/19

1. In progress as plan 04/14/17

## FINDING NO.11

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

1. Approximately 30% of the emergency exit signs do not work properly as they do not illuminate.  
2. The evacuation aisles in the packing section are blocked by production materials.  
3. Ninety-percent (90%) of the evacuation maps have the wrong information; the evacuation directions are incorrect and there is no indication of the assembly point.  
4. None of the dormitory buildings were equipped with fire hydrants.  
5. The fire and evacuation procedures do not include steps for reporting death, injury, illness, and other health and safety issues, or what workers should do in case of injury.

### Local Law or Code Requirement

General Guide for Safety of Electric User, Articles 6.5 and 6.7; Regulation for Safety of Hazardous Chemical, Article 20; Code for Design of Building Fire Protection and Prevention (GB50016-2014), Articles 8.2.1 and 10.3.5; Fire Control Law of the PRC, Article 16 and 28; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety, and Environment Benchmark HSE 5)

### Recommendations for Immediate Action

1. Ensure that all exit signs illuminate and are properly functioning at all times.  
2. Keep all aisles free from obstruction. Regularly monitor for compliance.  
3. Develop an accurate and appropriate evacuation map plan and post in all the relevant areas of the factory. Update every time a change in floor plan occurs.  
4. Install fire hydrants in the dormitory building.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

3. All evacuation maps have been exchanged. H&S manager checks fire safety equipment once a week.

Planned Completion Date 12/31/17

### Planned completion date

03/08/17

### Company Action Plan Update

3. All evacuation maps were updated according to the latest layout in each workshop.

3. In progress as plan 04/14/17

## Action Plan no 2.

### Description

4. H&S manager is going to set 2 extinguishers on each floor and check the equipment and emergency exits once a week.

Meanwhile, fty management will search and communicate with qualified 3rd party organization, to make a plan to install fire hydrants inside dormitory by end of this year.

Planned Completion Date 12/31/17

### Planned completion date

03/08/17

### Company Action Plan Update

4. Factory set more than 2 extinguishers on each floor as planned, and also set fire alarm, exchanged new evacuation signs and emergency lights. H&S manager checked all equipment' function every month and kept the record. 01/29/19

4. In progress as plan 04/14/17

## Action Plan no 3.

### Description

5. HR management update fire and evacuation procedures with steps for reporting death, injury, illness, and other health and safety issues, and what workers should do in case of injury. Provide training to all workers after update.

Planned Completion Date 12/31/17

### Planned completion date

03/08/17

### Company Action Plan Update

5. Factory has established fire safety contingency procedure and conducted regular fire training for all workers. Factory will add reporting of death, injury, illness, and other health and safety issues, or what workers should do in case of injury to the procedure by the end of this year. 01/29/19

5. In progress as plan 04/14/17

## Action Plan no 4.

### Description

1. H&S manager has had electrical engineer exchange all those emergency exit signs. electrical engineer checks fire safety equipment once a week.

Planned Completion Date 02/28/17

### Planned completion date

03/08/17

### Company Action Plan Update

1. Done 04/14/17

## Action Plan no 5.

### Description

2. All evacuation aisles have been cleared. H&S manager checks fire safety equipment once a week.

### Planned completion date

03/08/17

### Company Action Plan Update

2. Done 04/14/17



## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. At least one switch box (out of 15) in the first floor cutting workshop is blocked by production materials.
2. The protective cover on one switch box in the first floor packing section, one in the polishing section and one in the finished products warehouse are either missing or improperly installed.
3. The electrical appliances (e.g., the lighting fixtures and electrical switches in the chemical mixing rooms) are not the explosion-proof type.
4. Combustible material (cardboard paper) is used in place of an insulation mat in the chemical mixing room.
5. The factory has not implemented a lockout-tagout procedure.
6. The water pressure for at least two eyewash stations (in the chemical mixing area and in the assembly area) is very low and therefore not functional.
7. There is no secondary container for the solvent stored in the workshops.
8. Drinking bottles are used as chemical containers, storing alcohol.
9. Around 5% workers do not properly use the provided personal protective equipment (PPE), although the factory does train workers on its use. For example, workers who handle chemicals were not wearing masks; workers who were polishing do not wear safety goggles or masks.

#### Local Law or Code Requirement

General Guide for Safety of Electric User, Articles 6.5 and 6.7; Regulation for Safety of Hazardous Chemical, Article 20; Law of Prevention and Treatment of Occupational Diseases, Article 26; Law of Production Safety, Article 37; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.1, HSE.8, HSE.9, HSE.13, and HSE 14)

#### Recommendations for Immediate Action

1. Keep all electrical switch boxes free from obstructions.
2. Install proper covers on all electrical boxes.
3. Install explosion-proof electrical appliances in the chemical warehouse.
4. Provide an appropriate insulation mat in the chemical mixing room.
5. Develop and implement a lockout-tagout procedure and train the relevant workers on the procedure.
6. Retrain workers on the use and importance of PPE. Regularly monitor for compliance.
7. Provide secondary containers for all chemicals.
8. Ensure that eye washing facilities have sufficient water pressure and are functional.
9. Train workers, appropriate to their job responsibilities, on the hazards, risks and the safe use of chemicals and other hazardous substances.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

2. Add protective cover for necessary switch box. Workshop KP check it once a week.

Planned Completion Date 05/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

2. All protective cover on switch boxes were installed correctly during this follow-up assessment. 01/29/19
2. In progress as plan 04/14/17

### Action Plan no 2.

#### Description

3. H&S manager research about explosion-proof type electrical appliances and exchange to suitable equipments.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

3. Factory already exchanged electric appliance to explosion-proof type in the chemical mixing room. 01/29/19
3. In progress as plan 04/14/17

### Action Plan no 3.

#### Description

5. H&S manager starts to learn law requirements of lockout-tagout then establish it and provide training to necessary workers.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

5. In progress as plan 04/14/17

### Action Plan no 4.

#### Description

7. Factory provide second container to all solvent users. H&S manager provide chemical safety training to necessary workers.

Planned Completion Date 06/30/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

7. In progress as plan 04/14/17

### Action Plan no 5.

#### Description

9. H&S manager provide training to all workers to use PPE correctly once a year and establish a procedure for workshop KP to check and push workers use PPE.

Planned Completion Date 12/31/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

9. Factory provided training for workers and most of workers can follow the rule. Factory will proceed with the training and require all the necessary workers use the PPE correctly.

9. In progress as plan 04/14/17

### Action Plan no 6.

#### Description

1. Put production material back to storage place. Workshop KP check it once a week.

Planned Completion Date 02/28/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

1. Done 04/14/17

### Action Plan no 7.

#### Description

4. Cardboard paper has been removed.

Planned Completion Date 02/28/17

#### Planned completion date

03/08/17

#### Company Action Plan Update

4. Done 04/14/17

### Action Plan no 8.

#### Description

6. Factory has added 2 more portable type eye-wash equipment. H&S manager check all these equipment once a week and provide training to workers make sure they all know how to use it and whom should they contact if they found any problem.

Planned Completion Date 02/28/17

Planned completion date  
03/08/17  
Company Action Plan Update  
6. Done 04/14/17

#### Action Plan no 9.

Description  
8. Factory provide special container for storing alcohol with Chinese label.  
Planned Completion Date  
02/28/17

Planned completion date  
03/08/17  
Company Action Plan Update  
8. Done 04/14/17

## FINDING NO.13

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. One of the two food handlers working in the canteen does not have the required health check certificate.
2. The factory does not keep food samples for 48 hours to protect against the risk of food poisoning, as per local law.
3. The factory does not have a system to track illnesses at the factory, and therefore does not track illnesses.
4. The factory does not have an ergonomic program and has not taken proactive steps to reduce repetitive-motion stress and injuries for some workers. Some workstations are not adjustable to fit individual workers.
5. Of the 78 workers who are required to have occupational health checks, only 43 workers (around 55%) have had occupational health checks.

##### Local Law or Code Requirement

PRC Law on the Food Safety, Article 45; Catering Services Food Safety Supervision and Management Norms, Article 19; PRC Law on the Prevention and Treatment of Occupational Diseases, Article 19; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.1, HSE.3, HSE.17, and HSE.22)

##### Recommendations for Immediate Action

1. Ensure all canteen workers have obtained the required health check certificates.
2. Keep food samples for 48 hours to comply with law.
3. Provide all workers who are in contact with hazardous materials regular occupational health checks.

### COMPANY ACTION PLANS

#### Action Plan no 1.

Description  
1. HR management remind canteen manager every end of year, and provide training to canteen staffs. Canteen manager post all staffs' health certification so other workers can confirm them.  
Planned Completion Date 05/31/17

Planned completion date  
03/08/17  
Company Action Plan Update  
1. Canteen manager provided health certificates of the 2 workers. 01/29/19  
1. In progress as plan 04/14/17

#### Action Plan no 2.

Description  
2. Canteen manager establish policy and procedure according to law requirements to keep food sample. Canteen manager check

the samples everyday before dinner and H&S key person of factory has random inspection once a week.  
Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

2. Factory established policy and procedure of how to keep food sample, and already started to implement it. 01/29/19
2. In progress as plan 04/14/17

Action Plan no 3.

Description

3. Fty management will consult local CDCP (Center for Disease Control and Prevention) and other ftys the requirements to establish a illnesses track policy and procedure. After confirm risk factors in each workshop, fty management and worker representatives will try to establish a suitable policy and procedure for FOX fty and provide training to all workers.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

3. Factory established illness control procedure and provided risk assessment report. Factory will establish illness track policy and procedure by the end of this year. 01/29/19
3. In progress as plan 04/14/17

Action Plan no 4.

Description

4. H&S manager will try to purchase some chair cushion and standing cushion for workers. After get workers' feedback and evaluate the effectiveness, fty management decide to place such equipment for necessary workers and provide training for them.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

4. H&S manager is still collecting information and law requirement of ergonomic program. Factory will choose the proper equipment for workers in different workshops. 01/29/19
4. In progress as plan 04/14/17

Action Plan no 5.

Description

5. HR contact occupation health check for all necessary workers. Give necessary workers occupation health check at least once a year.

Planned Completion Date 12/31/17

Planned completion date

03/08/17

Company Action Plan Update

5. Factory also arranged the occupational health exam for added 43 necessary workers, so all 78 workers have under examined. 01/29/19
5. In progress as plan 04/14/17