



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 09/10/18

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS:

Summary of Code Violations

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

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

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has hired four instead of seven disabled workers, which is a violation of the legal requirements that state at least 1.5% of the total workforce should be composed of disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code of Conduct and Benchmarks. [ER.3, ND.2]

2. The factory does not sign open-ended employment contracts with workers who have signed two consecutive fixed term employment contracts with the factory as legally required. [ER.10]

Local Law or Code Requirement

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

Recommendations for Immediate Action

1. Sign open-ended employment contract with workers who have signed two consecutive fixed term employment contracts.

COMPANY ACTION PLANS

Action Plan no 1.

Description

(2019/07/17)

1. We have made good communication with the local Disabled Persons' Federation, and will recommend suitable disabled persons to work in factories in the future. By the end of December 2019, we can reach the target.

(2019/01/29)

1. The factory will gradually increase the number of disabled persons employed in accordance with the requirements stipulated by law, aiming to employ 1.5% of the total workforce by the end of December 2019.

2. Factory will provide the notice to workers to select the term of the labor contract when worker is able to sign open-ended contracts. From November 2018 to December 2018, there were 6 employees whose labor contracts expired, of whom 4 were qualified for signing open-ended contracts, and 1 employee had signed open-ended contracts.

Planned completion date

12/11/18

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory calculates its contributions to all five types of social insurance incorrectly. Contributions are based on CNY 3,125 (USD 454.9) per month rather than 10% of workers' actual monthly wages (about CNY 3,126 (USD 455.0) to CNY 4,000 per month (USD 582.2)). [ER.22, C.1, C.5, C.10]

2. The factory does not pay into the Housing Provident Fund for any workers. [ER.22, C.1, C.5, C.10]

3. Workers who resign are paid on the 25th of the month after the date of termination. However, local law requires that all resigned employees should receive their final payouts within two working days of their termination or resignation. [C.1, C.4, ER.19]

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; Regulations of Jiangsu Province on Wage Payment, Article 19; FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.22; Compensation Benchmarks C.1, C.4, C.5, and C.10)

Recommendations for Immediate Action

1. Base social insurance contributions on 10% of workers' actual monthly wages as legally required.

2. Pay terminated or resigned workers' wages within two working days of their termination or resignation.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The current social insurance coverage rate is 90%, the target is to achieve 100% by May 2020, the contribution base will be based on worker's actual monthly wages from 2022.

2. Factory will provide the housing provident fund for workers from 2019, and achieve 100% for all the workers by the end of 2025

3. Factory had updated the employee handbook of the resigned employees should receive their final payouts within two working days. And arrange the training to the employees.

Planned completion date

12/11/18

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. During the period of August 2017-August 2018, 90% of workers' monthly overtime hours exceeded the legal limit of 36 hours per month, with a maximum of 70 overtime hours in December 2017. [HOW.1, HOW.8]
2. The factory's production plan is based on a 60-hour work week. Factory management sets production targets, piece rates, or any other incentive or production system at a level such that workers need to work 20 overtime hours per week. [HOW.8]
3. The factory does not regularly analyze working hours with the aim to progressively reduce excessive hours of work. [HOW.1, HOW.8]

Local Law or Code Requirement

China Labor Law, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.8)

Recommendations for Immediate Action

1. Ensure overtime hours do not exceed the legal limit of 36 hours per month.

COMPANY ACTION PLANS

Action Plan no 1.

Description

(2019/07/17)

1. The factory arranges morning meetings every day so that employees can clearly understand the accomplishment of the goals of the previous day and the arrangement of the goals and tasks of the day. The employees will be more motivated to work with goals.
2. In the process of work, managers give timely guidance and training to employees, improve their skills, improve efficiency and reduce working hours.
3. Introduce automation equipment, improve production efficiency, reduce working hours
4. Promote lean production and reduce waste in work.

(2019/01/29)

1-1. the factory promises to strictly control the overtime time, work 8 hours normally every day from Monday to Friday, if there is overtime, the overtime time does not exceed 2 hours per day, and the overtime time does not exceed 8 hours on Saturday. The total number of working hours per week does not exceed 58 hours.

1-2. The overtime work of all workers is voluntary overtime, fill in the application form of voluntary overtime work.

2. Factory will discuss to change the production schedule according to 40 hours.

3. Factory analyzes working hours weekly and provide to the clients.

Planned completion date

12/11/18

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. There are no policies or procedures on Retrenchment. [ER.1, ER.19, ER.32]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has established the retrenchment procedures, trained all the employees in 2019 September.

Planned completion date

03/12/19

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union under the ACFTU (All-China Federation of Trade Unions). However, instead of being directly elected by workers, all union representatives are appointed by management. [FOA.10, FOA.11]

2. The factory does not provide workers with a copy of the Collective Bargaining Agreement (CBA). [ER.16]

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 International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. [FOA.2]

Local Law or Code Requirement

PRC Labor Union Law, Article 9; FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.2, FOA.10, and FOA.11)

COMPANY ACTION PLANS

Action Plan no 1.

Description

(20190717)

1. The factory trains employees on trade union knowledge so that employees can fully understand the role of trade unions.

2. According to the plan of CAP, the factory re-elected workers' representatives in April 2019.

(2019/1/29)

1. Factory plan to re-elect the worker representatives in April, 2019 accordance with the union's electoral system. 2. The factory has posted the collective bargaining agreement on the board and provided a copy of the employees. 3. The factory will gradually improve the related work of the factory trade union in accordance with the relevant regulations of the national trade union law.

Planned completion date

09/11/19

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The records of disciplinary actions are maintained in a centralized file, not in workers' personnel files. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory has reorganized the disciplinary records of the employees and kept the individual disciplinary records in the personnel files separately.

Planned completion date

03/12/19

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. Management does not maintain grievance records. According to interviews with workers and management there were few grievances in recent years, so grievances were handled verbally or through meetings with workers. [ER.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has created the grievance record form, the management had been trained the grievance procedure, all the verbal grievances will be recorded.

Planned completion date

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not track workers' illnesses. [HSE.3]
2. The factory does not have a Fire Permit for a two-storey cutting and office building (2,160 square meters) and three one-story sewing buildings (1,080 square meters each) which were built in February 2010. [HSE.4]
3. The emergency action plan does not include steps to ensure that all visitors, contractors, and service providers are safely evacuated. [HSE 5]
4. The factory has not established Standard Operating Procedures (SOPs) for warehouse work, maintenance work with a focus on performing the job safely. [ER.31]
5. The factory has not established or implemented a lockout-tagout system. [HSE.14]
6. The traffic lanes and walk paths are not clearly marked. Furthermore, there are no visual management measures, such as indicators, convex mirrors and reflectors to ensure safe driving practices on factory premise. [HSE.6]
7. The factory has not developed the program on ergonomic to reduce repetitive-motion stress/ injuries. In addition, all workers with sitting job e.g. in sewing workers do not have ergonomic chairs with adjustable height; Ironing workers and packing workers do not use the provided anti-fatigue mats during the working. [HSE.17]
8. The he factory does not provide lifting belts or training on lifting techniques for the relevant workers. [HSE.7]

Local Law or Code Requirement

Fire Prevention Law of the People's Republic of China, Article 13. FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.3, HSE.4, HSE.5, HSE.6, HSE.14, and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will issue the employee illness record to each department. And the supervisor will record the worker's illnesses 2. The factory asked the third party organization ""Changzhou Taian Fire Test Co., Ltd."" to do the factory building fire safety assessment in 2015, the evaluation result is qualified. 3. The factory has established the emergency action plan. The factory has contacted the security company to conduct a training for all the security personnel in the factory, strictly requiring the security personnel to control all personnel entering and leaving the plant area and keep relevant records 4. The factory has established the warehouse management regulations and trained the warehouse management personnel about the regulations. 5. The factory has established the lockout-tagout procedure, and trained the related employee. 6. Factory had purchased the convex mirrors, and plan to install in March,2019. 7. Factory has established the ergonomic improvement program. For the seats and anti-fatigue mats factory will evaluate and decide to purchase. 8. The factory had provided the lifting belts for the lifting techniques for the relevant workers.and train the workers how to use it.

Planned completion date

03/12/19

Company Action Plan Update

1. Fire assessment in 2015 is the latest and long-term. 2. The factory has special personnel responsible for monthly inspection of fire hydrants, fire extinguishers, emergency lights and evacuation instructions, and timely replacement of new equipment in case of abnormal conditions. 3. Emergency action plans have been included all visitors, contractors, and service providers and so on, When visitors enter the factory to work or visit, the factory will issue an emergency evacuation plan to let them know the location of the safe exit; during the work, special person will be arranged to accompany them throughout the whole journey, and in case of an

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One out of two evacuation doors in each of the No.1, No.2, and No.3 Sewing Workshops open inward instead of opening in the direction of evacuation. [HSE.5]
2. The fire alarm system does not have a backup battery. [HSE.5]
3. The factory does not have an eyewash station in the cleaning room, where a chemical (JJW Cleaner) is being used. [HSE.6]
4. The fire brigade does not have the appropriate personal protective equipment (PPE), such as a breathing apparatus, to fight fires. [HSE.6, HSE.7]
5. The factory does not post safety instructions near machinery. [HSE.14]
6. The factory only keeps food samples for 24 hours, which does not meet the 48 hour legal requirement. [HSE.22]
7. There are two evacuation exits and stairwells on each floor of the three-story canteen and dormitory building. However, there is a retractable sliding door on the second floor that is used to separate the male and female dormitories which is used as an evacuation door at night. This violates the legal requirement that sliding doors can not be used as evacuation doors.[HSE.5, HSE.25]

Local Law or Code Requirement

The Code of Design on Building Fire Protection and Prevention, Article 6.4.11; The China Law of Prevention and Control of Occupational Diseases, Article 25; The Food Safety Operation Specifications for Catering Service, Article 7.9.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, HSE.7, HSE.14, HSE.22, and HSE.25)

Recommendations for Immediate Action

1. Ensure all evacuation doors open in the direction of evacuation.
2. Install a backup battery for the fire alarm system in the factory.
3. Install an eyewash station in the cleaning room.
4. Provide the fire brigade with the necessary PPE and train them on its use and maintenance.
5. Post safety instructions near machinery in the workers' language.
6. Maintain food samples for the legally required time.
7. Replace the retractable sliding door on the second floor of the canteen and dormitory combined building.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The safety exits always kept opened and fixed when there are employee worked in the sewing workshops No.1, No.2 and No.3
2. The factory has arranged for all fire alarm systems to be inspected to ensure that all alarm systems have an efficient backup battery)
3. The factory has installed an eyewash station in the cleaning room and has trained the cleaning personnel how to use the eyewash station on 2018.9.11.
4. The factory has equipped the fire brigade with personal protective equipment (helmet, fire suit, rubber overshoes, seat belt breathing apparatus, etc.), and has trained firefighters in the use of protective equipment
5. The factory has inspected all the machines and equipment in the workshop, put up safety warning signs in the conspicuous places of the machines, and conducted safety education for the employees.

6. The factory promises to keep samples in the canteen for up to 48 hours and keep relevant records.
7. The factory will strictly comply with the law to ensure that all escape doors comply with the legal requirements, for this reason, the factory has removed the safety exit in the dormitory.

Planned completion date

12/11/18

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

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

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory had reviewed all the procedures, and revise the below procedures, grievance procedure, labor dispute resolution procedure, transfer promotion procedure, resignation procedure, environmental management procedure. In the annual internal audit, the CSR representative will cooperate with related person to review the procedure annually.

Planned completion date

03/12/19

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training provided to workers does not cover the following Employment Functions: Recruitment, Hiring & Personnel Development; Termination & Retrenchment; and Industrial Relations. [ER.1, ER.15]

2. The factory does not provide workers with ongoing training on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Grievance System; Workplace Conduct & Discipline; and Termination & Retrenchment. [ER.1, ER.15, ER.28]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory has revised the training content of new employees to include recruitment, hiring and personnel development, dismissal and layoffs, and industrial relations as important components of the training of new employees.

And organized the company's all the workers to had the training of the new content of a systematic learning on 2018.12.14

2. The factory has revised the training content of employees to include recruitment, hiring and personnel development, dismissal and layoffs, and industrial relations as important components of the training of new employees.
And organized the company's all the workers to had the training of the new content of a systematic learning on 2018.12.14

Planned completion date
03/12/19

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. 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. [ER.1, ER.25]

2. The factory does not communicate its Health & Safety procedures to the general workforce. [ER.1, ER.16]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory has established the rules and regulations making process, the workers need to participate the establish process of all the rules, procedures, the management needs to integrate the opinions of the workers to establish the factory procedure. Factory established the form for the workers to raise the output of the procedures.
2. The factory posted the EHS procedure on the bulletin board. And arrange the EHS procedure training to the workers on 2018.9.11.

Planned completion date
03/12/19

FINDING NO.13

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

1. The factory provides two free meals per day.

2. The factory provides free, air-conditioned dormitory housing.

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

1. The factory has not formally defined in writing the person(s) accountable for any of the Employment Functions. Furthermore, it has

not formally defined the person(s) with ultimate accountability within the factory. [ER.1, ER.31]

2. There is no management sign off (personal accountability) on the factory's policies and procedures. [ER.1]

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory had appointed the CSR representative Mr.Ye to implement the requirements of social responsibility, to ensure the factory in accordance with the requirements of social responsibility standards , to implement and maintain social responsibility management system.

2. All the procedure had been added the approval of the top management.

Planned completion date

03/12/19