



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Chenfeng Group
COUNTRY: China
ASSESSMENT DATE: 09/12/18
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 2102

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: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory provides no written documentation to new workers during orientation. [ER.15.3]
2. The factory has hired 15 disabled workers, which does not meet the legal requirement that at least 1.5% of the total workforce be composed of disabled workers. Although the factory contributes to the Employment Security Fund per the local government requirement, the factory did not provide written proof of this payment. This practice carries the risk of discrimination based on the FLA Workplace Code and Benchmarks. [ER.3, ND.1, ND.2]
3. The factory only has written policies and procedures outlining the process for performance reviews for management staff, and there are no written procedures for performance reviews for production workers. In addition, the factory does not conduct performance reviews for management staff, production workers, or new employees during their probation period. [ER.1.1, ER.29.1]
4. The factory has no written procedures on how to hire or manage disabled workers or those employees over the retirement age. [ER.1.1]

Local Law or Code Requirement

Regulation on the Employment of the Disabled, Articles 8 and 9. FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.15, and ER.29; Nondiscrimination Benchmarks ND.1 and ND.2)

Root Causes

1. Factory management assume training they provide to new workers during orientation is sufficient, and find written documentation unnecessary.
2. The factory finds it difficult to recruit eligible disabled workers, as the type and severity of disability is an important factor in deciding if a candidate is suitable for a particular workplace or task.
3. Local law allows employers to pay into the Employment Security Fund in lieu of employing disabled workers.

FLA's Recommendations for Sustainable Improvements

1. Provide written documentation of orientation materials to new workers.
2. Work closely with the HSE department to define the positions and departments that may be suitable for disabled workers, and hire 27 disabled workers, per the legal requirement.

3. Create procedures for performance reviews or all workers at the factory.
4. Create procedures on hiring and managing disabled workers, and older workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The methods to calculate an employee's final pay-out after termination do not define how to calculate the final pay-out for retiring employees or how to calculate payment for unused annual leave. [ER.1.1, ER.32.1]
2. The retrenchment procedure does not include steps to ensure preferential hiring of retrenched workers if jobs reopen. [ER.1.1, ER.32.1]

Planned completion date

03/14/19

Company Action Plan Update

Factory has updated Employees manual to make it include methods for calculating the final pay-out for retired employees and the payment of unused annual leave for resigned workers.

Revised employees manual procedure on managing retrenchment, the manual rules that factory will hire retrenched workers preferentially if jobs reopen.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Assessors identified double-booked payrolls during the assessment, as they found one set of payroll from May 2018 to July 2018 in the computer at the production workshop, which differed from the hard copies the factory provided for assessors to review. There was one to two hours' difference for the overtime on weekdays and 8.5 hours' difference for the overtime on rest days in the payroll for June and July 2018. Accordingly, workers actual wages could not be verified. Factory management admitted they use the piece rate wage reversal to calculate the hourly wage, and the difference of the overtime hours would not affect workers' final earnings. [ER.18, C.15, C.16]

2. The factory cannot provide payrolls for QC workers. There are approximately 140 QC workers in production lines. QC worker wages could not be verified. [ER.18, C.14, C.15]

3. During maternity leave, the factory pays employees the legal minimum wage, instead of their average monthly wage for the previous year. [C.1, ER.18, ER.22.2]

4. The factory only allows workers to take annual leave during the Chinese Spring Festival. The factory does not inform workers about this annual leave arrangement and do not negotiate it with workers. No workers are allowed to apply for any other annual leave. [HOW.12, HOW.13]

5. The social insurance coverage is insufficient. There are 1,806 employees, including four over the retirement age and 77 newly recruited. The factory bought work-related injury insurance for all employees, but only provide 775 employees (45%) with medical, maternity, pension, and unemployment insurance. [ER.22.1, C.10.1]

6. The contribution base for the five types of social insurance is not aligned with the legal requirement. The contribution is based on the local minimum requirement of CNY 3,125 (USD 456) instead of an employee's actual monthly wage (80% of employees' wage range is between CNY 3,200 (USD 466) to CNY 5,500 (USD 802) per month). [ER.22.2, C.10.1]

7. The factory does not provide a Housing Provident Fund for any employees. [ER.22.1, C.10.1]

Local Law or Code Requirement

China Labor Law, Articles 44, 72 & 73; Provisions on Maternity Insurance of Jiangsu Province, Article 18; Regulations on Annual Leave for Employees, Article 5; Social Insurance Law of the PRC, Articles 12 & 60; Regulations on Management of Housing Provident Fund, Articles 15 & 16. FLA Workplace Code (Employment Relationship Benchmarks ER.18 & ER.22; Compensation Benchmarks C.1, C.10, C.14, C.15 & C.16; Hours of Work Benchmarks HOW.12 & HOW.13)

Root Causes

1. The factory uses the piece rate wage reversal to calculate the hourly wage, and the difference in overtime hours does not affect worker final earnings. Workers have no disputes regarding the total working hours and payment information on their payslips.
2. Their client requires one day of rest per seven-day period. They do not want so many overtime hours on Sundays.
3. QC workers are classified as administration staff and their payrolls are kept by their group company, so cannot be provided.
4. Factory management does not fully understand the legal requirement for payment during maternity leave.
5. The factory has no effective system to track or update local laws and regulations.
6. The factory does not effectively communicate with workers about the annual leave policy.
7. The social insurance fee is considered an extra cost by both the employer and the employee.
8. Most employees are local residents who buy rural pension and medical insurance themselves.
9. Most female employees are near age 40 and are unwilling to contribute to the pension fund, as they cannot buy a pension for 15 consecutive years.
10. Local governments do not strictly monitor or enforce compliance.
11. Most workers are unwilling to contribute to the Housing Provident Fund, as it would reduce their take-home income.
12. Most workers are local residents who already own their homes, so they are uninterested in buying a house with the Housing Provident Fund.

Recommendations for Immediate Action

1. Maintain complete and accurate payrolls linked to workers' actual working hours.
2. Provide all required employee payrolls for verification.
3. Pay legally-required maternity leave wage for all workers.
4. Ensure workers can apply for at-will annual leave.
5. Provide five types of social insurances for all employees.
6. Calculate social insurance contribution based on employees' actual monthly wages.
7. Provide Housing Provident Fund for all employees.

FLA's Recommendations for Sustainable Improvements

1. Improve timekeeping training for relevant staff, and ensure the factory only keeps one set of records, of workers' actual working hours.
2. Ensure time recording system is complete and accurate.
3. Communicate with the group company to ensure payroll for all employees, excluding senior management, can be verified in future assessments.
4. Review the local laws and regulations periodically, update the internal policy and procedures accordingly, and then provide training, such as training for HR staff, supervisors, and employees on maternity leave.
5. Improve benefits training and communication to all employees.
6. Provide training to all employees on the benefits and protections for all types of social insurance.
7. Ensure all five types of social insurances cover all workers.
8. Work with buyers to ensure social insurance will be provided for all workers per the Principles of Fair Labor & Responsible Sourcing.
9. Follow the latest national-level Housing Provident Fund regulations and amendments, consult the local authority on the implementation measures, and provide training for HR and CSR teams.
10. Provide training to employees on the amendments to the Housing Provident Fund and the claim process. HR staff should actively

support workers who want to claim the benefit.

11. Ensure that all employees are covered under the Housing Provident Fund, as required by national law.

12. Monitor the implementation of the related policies regularly.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish a reliable time recording system and maintain complete and accurate time records.
2. Create an effective system to guarantee pregnant workers do not work overtime and have one-hour of rest every workday, and ensure lactating employees have adequate time to breastfeed during the workday.
3. Provide all required employee attendance records for verification.
4. Guarantee all workers have one rest day in every seven-day period.
5. Ensure workers do not exceed 60 working hours per week.
6. Ensure workers do not exceed 36 overtime hours per month.
7. Do not include overtime and request overtime on a regular basis in the production plan.

Planned completion date

12/14/18

Company Action Plan Update

- 1.Factory establishes reliable time record system and keep complete and accurate time record.
- 2.Factory creates an effective system to ensure that pregnant women do not work overtime, that there is an hour of rest per working day, and that breastfeeding employees have adequate breastfeeding time during the working day.
- 3.Factory provides all required employee attendance records for review.
- 4.Guarantee all workers have one rest day in every seven-day period.
- 5.Ensure workers won't exceed 60 working hours per week.
- 6.Ensure workers won't exceed 36 overtime working hours per week.

Action Plan no 2.

Description

1. Maintain complete and accurate payrolls linked to workers' actual working hours.
2. Provide all required employee payrolls for verification.
3. Pay legally-required maternity leave wage for all workers.
4. Ensure workers can apply for at-will annual leave.
5. Provide five types of social insurances for all employees.
6. Calculate social insurance contribution based on employees' actual monthly wages.

Planned completion date

12/14/18

Company Action Plan Update

1. Factory attendance is the record of employees punching in and out, and the factory makes salary according to the report of the attendance system.
- 2.The management in the factory who make employees' wages belong to group.Factory has no right to review the wages.
- 3.Collective bargaining contract clarified that factory provides minimum wage standard to employees during their maternity leave.
- 4.The collective bargaining contract of the factory clarifies that the company will arrange annual leave within 5 days, and those with more than 5 days can arrange by themselves.
- 5.Internal discussion about social insurance has been conducted in the company, and also seek solution from external such as our clients' requirement to establish specific, practical corrective plan, and make sure to make the ration for participation of social

insurance to 100% within 5 years.

6. Factory doesn't have the plan to provide housing fund to employees.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory time records are incomplete and inaccurate. Please note: 1) The factory keeps double-booked payrolls, as the Assessor found one digital set for May to July 2018 at the production workshop, which had discrepancies with the hard copies the factory provided for review. The discrepancies regarding overtime were one to two hours on weekdays and 8.5 hours for rest days; 2) Production records show workers at work June 17, 2018 and July 8, 2018 (both Sundays), but factory-provided time records showed all workers off those days; 3) The factory could not provide time records for production Quality Control (QC) workers. There are approximately 140 QC workers in production lines. Accordingly, work time could not be verified. [ER.2.1, ER.23, HOW.1, HOW.2]

2. A worker less than three months pregnant worked two hours overtime every weekday without one hour of rest, and eight hours overtime on Saturdays. The factory does not have an effective system to guarantee workers more than seven months pregnant have one hour of rest every workday, or lactating employees have inadequate time to breastfeed. [ER.14, HOW.4.1, HOW.5.1]

3. Based on a review of time records from August 2017 to September 2018, the factory does not guarantee workers one day of rest in every seven-day period. For example, approximately 90% of workers worked eight consecutive days between October 6 and October 13, 2017, nine consecutive days from February 23 to March 3, 2018, and seven consecutive days from July 14 to July 20, 2018. However, as the time records are incomplete and inaccurate, working hours could not be verified. [HOW.2]

4. Based on the review of time records from August 2017 to September 2018, workers do not exceed 60 hours per week; however, due to the incomplete and inaccurate time records, this could not be verified. [HOW.1.3]

5. Based on the review of time records from August 2017 to September 2018, approximately 90% of workers' monthly overtime exceeded 36 hours per month, with a maximum of 82.5 hours in June 2018. However, due to the incomplete and inaccurate time records, this could not be verified. The factory uses the Cumulative Hours Working System, but does not monitor workers' working hours, and could not provide the working hour summary. [HOW.1.1]

6. The production plan includes overtime work. The factory usually makes production plans based on ten hours per workday with eight hours overtime on Saturdays, resulting in 18 hours of overtime per week. [HOW.8.1, HOW.8.4]

7. The procedures for managing working hours do not provide guidance on unusual business circumstances. [HOW.9]

8. The procedures for managing working hours do not include steps for workers to file complaints regarding forced overtime, or steps for management to ensure there is no retaliation against any worker refusing overtime. [HOW.8]

Local Law or Code Requirement

Special Rules on the Labor Protection of Female Employees of Jiangsu Province, Articles 11 & 16; China Labor Law, Article 41. FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.14 & ER.23; Hours of Work Benchmarks HOW.1, HOW.2, HOW.4, HOW.5, HOW.8 & HOW.9)

Root Causes

1. The factory uses piece rate wage reversal to calculate the hourly wage, so the inclusion of overtime hours does not affect workers' final earnings. Workers have raised no disputes regarding total working hours or payment information on the payslips.

2. Their client only requires one day of rest per seven-day period. They do not want so many overtime hours on Sundays.

3. QC workers are classified as administration staff and their group company keeps their time records, so they are not accessible.

4. The factory has no effective system to track or update legal requirements.

5. Management does not understand the updated legal requirements regarding pregnant workers.

6. The factory does not have an effective system to ensure proper implementation of the policy to protect pregnant and lactating workers.

7. There is not enough buyer oversight to identify or address the reasons behind excessive overtime, such as tighter shipping or

production schedules.

8. Since the production capacity calculation is based on a 58-hour week, there is no buffer in case production or staffing issues surface.
9. Workers rely on extra overtime to earn more wages.
10. Although Chinese labor laws place strict working hour limits, they are not effectively enforced.
11. Management does not account for unusual business circumstances, or consider how to handle workers who refuse to work overtime.

Recommendations for Immediate Action

1. Establish a reliable time recording system and maintain complete and accurate time records.
2. Create an effective system to guarantee pregnant workers do not work overtime and have one-hour of rest every workday, and ensure lactating employees have adequate time to breastfeed during the workday.
3. Provide all required employee attendance records for verification.
4. Guarantee all workers have one rest day in every seven-day period.
5. Ensure workers do not exceed 60 working hours per week.
6. Ensure workers do not exceed 36 overtime hours per month.
7. Do not include overtime and request overtime on a regular basis in the production plan.

FLA's Recommendations for Sustainable Improvements

1. Improve training and confirm the use of only one payroll set.
2. Ensure time recording system is complete and accurate.
3. Communicate with group company and ensure the verification of time records of all employees, excluding senior management, in future assessments.
4. Factory management should review and collect the local laws and regulations regularly, update the internal policy and procedures accordingly, and then provide training, such as training for HR staff, supervisors and employees on one-hour rest for applicable workers.
5. FLA-affiliated company Sourcing and Social Compliance teams should adhere to the FLA Principles of Fair Labor and Responsible Sourcing and help the factory address the issue of excessive hours through the following: 1) Provide better order forecasts to the factories; 2) Facilitate workshops on productivity and quality; 3) Provide guidelines on how to extend shipment deadlines in case of contingencies; 4) Provide guidelines for factory management on overtime, including how to communicate with the brand's Sourcing and Social Compliance teams; 5) Provide guidelines to calculate and set reasonable production targets that will not demand work beyond regular working hours or during breaks; 6) Provide guidelines on subcontractors and temporary workers so the factory can avoid excessive overtime.
6. Improve forecasting and production planning to ensure the factory does not exceed hours of work limits. Facilitate close communication with buyers to meet demands based on actual capacity and legal compliance with local regulations and the Code of Conduct.
7. Base production capacity calculations on a 40-hour workweek instead of a 58-hour workweek.
8. Improve productivity and quality levels while reducing re-work and second quality ratios (e.g. SPC system, preventive maintenance, individual performance evaluation systems, etc.). It is important for these gains to be reflected in workers' monthly salaries. This could also help reduce OT work by increasing the output during regular hours.
9. Set up a process to manage the unusual business circumstances, to avoid excessive overtime.
10. Establish a procedure for workers who refuse to work overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish a reliable time recording system and maintain complete and accurate time records.
2. Create an effective system to guarantee pregnant workers do not work overtime and have one-hour of rest every workday, and ensure lactating employees have adequate time to breastfeed during the workday.
3. Provide all required employee attendance records for verification.
4. Guarantee all workers have one rest day in every seven-day period.

Planned completion date

12/14/18

Company Action Plan Update

1. Factory establishes reliable time record system and keep complete and accurate time record.
2. Factory creates an effective system to ensure that pregnant women do not work overtime, that there is an hour of rest per working day, and that breastfeeding employees have adequate breastfeeding time during the working day.
3. Factory provides all required employee attendance records for review.
4. Guarantee all workers have one rest day in every seven-day period.
5. Ensure workers won't exceed 60 working hours per week.
6. Ensure workers won't exceed 36 overtime working hours per week.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The chairman of the union is the administration manager of the factory's parent company. [ER.26, FOA.1, FOA.10]
2. The trade union has nine Union Committee members, including the Chairman; however, all of them are management or office staff. There are no production workers among them. [ER.26, FOA.10, FOA.12]
3. The factory has provided no workers with a copy of the collective bargaining agreement (CBA), though management posted the CBA in the rest area of the workshop. [ER.16.2]
4. The policy and procedure on Industrial Relations (Freedom of Association) does not include respect for the right of workers to participate in strikes. [ER.1.1., ER.26, FOA.22]
5. There are no written procedures established to ensure the prevention of anti-union violence, discrimination, or employer interference when workers practice their right to freedom of association or collective bargaining. [ER.1.1, ER.26, FOA.10, FOA.14]
6. 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

Measures for the selection of the Chairman of an Enterprise Trade Union, Article 6. FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16 & ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.12, FOA.14, and FOA.22)

Root Causes

1. The union at the factory is newly founded.
2. Management is unaware of the importance or benefits of worker representation and participation in different facets of factory operations.

3. Management is unaware of the FLA Workplace Code and Benchmarks regarding Industrial Relation and Freedom of Association.
4. Employers in China are not legally required to provide workers a copy of the CBA.

FLA's Recommendations for Sustainable Improvements

1. Train workers, elected worker representatives, and management representatives on the revised policies and procedures.
2. Allow worker representatives to participate in union management.
3. Provide workers with a copy of the CBA.
4. Review and revise the FOA and collective bargaining policies and procedures to ensure compliance with FLA requirements.
5. Train workers, worker representatives, and management representatives on the revised policies and procedures.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Train workers, elected worker representatives, and management representatives on the revised policies and procedures.
2. Allow worker representatives to participate in union management.
3. Provide workers with a copy of the CBA.
4. Review and revise the FOA and collective bargaining policies and procedures to ensure compliance with FLA requirements.
5. Train workers, worker representatives, and management representatives on the revised policies and procedures.

Planned completion date

09/14/19

Company Action Plan Update

1. It is clearly stipulated in the existing employee representative election procedure that the proportion of employee representatives should be more than 50%.
2. When electing trade union members, the factory shall conduct competitive election by secret ballot. Five of the nine union members are elected as regular employees before being promoted to positions such as team leader.
3. The collective bargaining contract has been posted in the factory for a long time. The employees are informed of the collective contract during the induction training and can get a copy at the personnel department of the factory at any time.
4. As for the right of employees to participate in the strike, we must abide by the relevant Chinese laws and regulations and cannot modify them.

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory maintains no record of disciplinary actions, including verbal warnings. [ER.2.1, ER.27.2.2]
2. The factory does not provide new workers with a copy of the workplace rules during orientation. [ER.15.3]
3. The policies and procedures for Workplace Conduct & Discipline do not include a commitment to transparent or consistent disciplinary practices. [ER.1.1, ER.27.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.10, ER.15 & ER.27; Harassment or Abuse Benchmark H/A.2)

Root Causes

1. Factory management is not aware of the FLA Workplace Code and Benchmarks regarding Workplace Conduct and Discipline.
2. Factory management did not record verbal warnings.

3. Factory management thinks they provided training on Workplace Conduct and Discipline to workers during orientation, and do not find it necessary to provide each worker with a copy of the workplace rules.

FLA's Recommendations for Sustainable Improvements

1. Keep all records of disciplinary actions, including verbal warnings.
2. Provide a copy of the workplace rules to each worker during the orientation.
3. Include a commitment to transparent disciplinary practices in the Workplace Conduct and Discipline procedures.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Keep all records of disciplinary actions, including verbal warnings.
2. Provide a copy of the workplace rules to each worker during the orientation.
3. Include a commitment to transparent disciplinary practices in the Workplace Conduct and Discipline procedures.

Planned completion date

03/14/19

Company Action Plan Update

1. Factory keeps all records of disciplinary actions, including verbal warnings from the year of 2019.
2. Factory provides a copy of the workplace rules to each worker during the orientation. Factory also provides copy of workplace rules to worker for the reference at any time. Considering the principle of environmental protection and economy, the written version of employees will not be provided for the time being.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One of ten fire alarms in the sewing workshop is fully blocked by a large air conditioner. [HSE.6.1]
2. One ladder to the rooftop in the production building did not have a protective rail. [HSE.1]
3. The factory does not properly monitor the ergonomics program: 1) Chairs do not adjust; 2) Chairs lack proper backrests; 3) Chairs lack removable armrests; 4) Stools lack back supports; 5) Standing workers do not use the provided anti-fatigue mats; 6) Workers do not take short breaks during the work day. [HSE.17]
4. Factory management has not marked the potable and non-potable drinking water sources. [HSE.23.1]
5. The factory has not clearly marked traffic lanes and sidewalks on the factory premises. There are no signs or other safe driving aids, such as indicators, convex mirrors on dead ends, vehicle speed limit signs, or reflectors. [HSE.5.1]
6. There are no occupational hazard test reports posted in relevant workshops. [HSE.1, HSE.2]
7. The factory does not track and conduct statistical analysis for workers' illnesses. [HSE.1, HSE.3.2]

Local Law or Code Requirement

The China Fire Prevention Law, Article 28; Safety of Machinery - Permanent Means of Access to Machines and Industrial Plants - Part 3, Article 7.1.2; The China Law of Prevention and Control of Occupational Diseases, Article 24. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, HSE.5, HSE.6, HSE.17 & HSE.23)

Root Causes

1. Training and internal monitoring processes are ineffective.

2. Factory management has not followed or implemented many required Health & Safety procedures.
3. The factory has not conducted an ergonomic study of all production areas, and did not train workers on ergonomic risks.
4. Most managerial staff interviewed mentioned previous external audits did not raise these issues.
5. The management lacks awareness of the FLA Workplace Code and Benchmarks, and international standards.
6. Factory management is not aware of legal requirement.
7. Factory management is not aware of the severity of risk regarding potential worker illnesses.

Recommendations for Immediate Action

1. Remove the air conditioner in front of the fire alarm.
2. Install a protective rail for the ladder in the production building.
3. Label the potable and non-potable drinking water sources.
4. Mark traffic lanes and sidewalks on the factory premises.
5. Post the occupational hazard test results in relevant workshops.
6. Track and conduct statistical analyses regarding worker illnesses.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Provide safety information to contractors.
2. Conduct regular inspections of PPE selection and replacement.
3. Establish guidance documents for external contractors and service providers concerning Health & Safety.
4. Conduct training for food preparation workers.
5. Conduct a Pre-assessment of Occupational Disease Hazards, an Assessment of Effects of Occupational Disease Hazards Control, and an Assessment of the Current Condition of Occupational Disease Hazards.
6. Establish relevant policies and procedures per the FLA Workplace Code and Benchmarks.
7. Revise and review the procedures concerning first aid and medical emergency response annually.

Planned completion date

12/14/18

Company Action Plan Update

1. Air conditioner in front of the fire alarm has been removed.
2. A protective rail for the ladder in the production building has been installed.
3. Factory has marked the potable and non-potable drinking water sources.
4. Factory limited the speed of traffic lanes.
5. Factory has posted the occupational hazard test results in relevant workshops.
6. Factory tracks and conducts statistical analyses regarding worker illnesses in the 1st of year 2019.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory provides no safety information to contractors. [ER.31.1]
2. The factory provides personal protective equipment (PPE) selection criteria for review, but does not have criteria for PPE replacement. [HSE.7]
3. The factory has no guidance documents for external contractors or service providers concerning Health & Safety. [ER.31.1]
4. The factory has no training and does not require experience for food preparation workers. [HSE.22.2]
5. The factory has not commissioned a government-accredited third party to conduct a pre-assessment of Occupational Disease Hazards, an Assessment of Effects of Occupational Disease Hazards Control, or an Assessment of the Current Conditions of Occupational Disease Hazards. [HSE.1]
6. The factory Health & Safety policies and procedures are not complete: They do not include 1) Logout-tag-out (LOTO) procedures, including a list of equipment and machines that require lockout-tag-out in the factory; 2) Steps for workers to raise health and safety concerns; 3) Protection against retaliation for workers who raise health and safety concerns; 4) Emergency evacuation procedures with steps to ensure all visitors, contractors, and service providers can safely evacuate; steps to ensure all special categories of workers and children in the dormitory can safely evacuate; and steps for workers to report injury, illness, death, or other health and safety issues; 5) A complete list of machines in need of safety guards; 6) A list of job descriptions or positions requiring the use of personal protective equipment (PPE); 7) A list of persons responsible for locking, unlocking, tagging, or untagging equipment and machines; or 8) A list of locations or tasks that require fall protection measures. [ER.31, HSE.14]
7. The procedures do not provide the following information concerning first aid or medical emergency response: 1) What workers should do in case of injury; 2) A list of workers responsible for responding to emergencies (with their qualifications, certifications, names, and/or titles; 3) Information to determine when injured workers may be treated at the factory, and when doctor or hospital visits are required; 4) Steps for reporting injury, illness, death, and other health and safety issues. [ER.31]

Local Law or Code Requirement

The China Law of Prevention and Control of Occupational Diseases, Articles 17 and 18; Regulation on Workplace Occupational Health Supervision, Article 20. FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety, and Environment Benchmarks HSE.1, HSE.7 and HSE.22)

Root Causes

1. Training and internal monitoring processes are ineffective.
2. Factory management lacks awareness of the FLA Workplace Code and Benchmarks.
3. The factory has not established PPE selection criteria.
4. Most managerial staff interviewed mentioned these issues had not been raised in previous external audits.
5. Training and internal monitoring processes are ineffective.
6. Management is unaware of possible legal and financial consequences of work accidents or occupational diseases.
7. Though factory management has established some policies and procedures, the management system is still not comprehensive, and the factory has not incorporated opportunities to review established objectives.
8. There is no active worker representation or participation on the EHS Committee, nor is there a system to encourage workers to actively participate in ongoing EHS efforts.

FLA's Recommendations for Sustainable Improvements

1. Provide safety information to contractors.
2. Conduct regular inspections of PPE selection and replacement.
3. Establish guidance documents for external contractors and service providers concerning Health & Safety.
4. Conduct training for food preparation workers.
5. Conduct a Pre-assessment of Occupational Disease Hazards, an Assessment of Effects of Occupational Disease Hazards Control, and an Assessment of the Current Condition of Occupational Disease Hazards.
6. Establish relevant policies and procedures per the FLA Workplace Code and Benchmarks.
7. Revise and review the procedures concerning first aid and medical emergency response annually.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Create a comprehensive training program, including training on termination, retirement, and retrenchment.
2. Conduct a comprehensive training needs assessment and then establish a comprehensive training plan.
3. Establish specific training for all administrative staff, supervisors, and managers on the FLA Code of Conduct.
4. Provide specific training to maintenance employees and wastewater and effluent treatment plant workers.

Planned completion date

03/14/19

Company Action Plan Update

- 1.Factory has posted the safety information chart at the guard.
- 2.Factory established replacement and supplemental standards for PPE and conducts monthly inspections of PPE.
- 3.Factory provided training to canteen staff on safety and hygiene on June 10.
- 4.The factory Health & Safety policies and procedures has updated documents and procedures:1).Factory has established Logout-tag-out (LOTO) procedures, including a list of equipment and machines .2).Steps for workers to raise health and safety concerns according to complaint management rules.3).Protect employees' rights who proposed complaints which included in complaint management rules.4).Emergency evacuation procedures with steps to ensure all visitors, contractors, and service providers can safely evacuate.5).Established mangemetn rules on giving out of PPE.6).Factory lists the locations and tasks that require fall prevention measures.7).The program documents updated the emergency plan for industrial injury and major diseases, and the list of emergency personnel was posted on site.

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. Although the factory provides training to workers on termination, it does not cover retirement or retrenchment. [ER.1.2, ER.15.1, ER.32.5]
2. Manager and supervisor training is missing Compensation, Hours of Work, Termination & Retrenchment, Workplace Conduct, Industrial Relations, Grievance Systems, and Environmental Protection. [ER.1.2, ER.17.1]
3. The factory provides no specific training on maintenance safety to maintenance workers. [HSE.14.2]
4. The factory provides no specific training to wastewater or effluent treatment plant workers. [HSE.17.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17 and ER.32; Health, Safety and Environment Benchmarks HSE.14 and HSE.17)

Root Causes

1. There is no comprehensive training program to address all training needs.
2. Factory management misunderstands the requirements of the FLA Workplace Code and Benchmarks regarding workers at retirement age, as per the legal requirement.
3. The factory has not expanded the list of training topics and has not conducted a comprehensive needs assessment regarding training materials.
4. Factory management does not provide comprehensive training to managers or supervisors.
5. Factory management thinks current training for and communication to supervisors and managers is sufficient, and do not think it

necessary to allocate additional resources to training.

6. Factory management does not provide specific training to maintenance employees or wastewater or effluent treatment plant workers. There is lack of an effective training and internal monitoring process.

FLA's Recommendations for Sustainable Improvements

1. Create a comprehensive training program, including training on termination, retirement, and retrenchment.
2. Conduct a comprehensive training needs assessment and then establish a comprehensive training plan.
3. Establish specific training for all administrative staff, supervisors, and managers on the FLA Code of Conduct.
4. Provide specific training to maintenance employees and wastewater and effluent treatment plant workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Assign a specific team to review and update factory policies and procedures at a defined interval.
2. Update policies and procedures following any update to local laws or regulations.
3. Revise policies and procedures to address findings from internal and external audit results.

Planned completion date

03/14/19

Company Action Plan Update

Factory has updated training slides which includes content of termination, retirement, and retrenchment.

The factory conducts a comprehensive training demand survey, including all management in the workshop, factory also forms a comprehensive training plan according to the training requirements.

Program in the year of 2019 enhances training of executives, supervisors and managers on FLA guidelines and corporate policies. Special training was given to maintenance and sewage workers.

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. Although the factory conducts an annual internal audit and periodically revises their policies and procedures, still some of their policies and procedures do not meet the FLA Workplace Code and Benchmarks for Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Environmental Protection, or Health & Safety. [ER.1.3, ER.29.1, ER.30.2]

Local Law or Code Requirement

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

Root Causes

1. Policies and procedures are reviewed and updated sporadically, not comprehensively in established intervals. For example, although the factory conducted an internal audit, it only focused on implementation, and did not include a review of policies and procedures.

2. The factory only revises policies and procedures when they local laws or regulations need updating or clients have special requirements. Updating is sometimes delayed because of outdated information regarding local laws and regulations.

FLA's Recommendations for Sustainable Improvements

1. Assign a specific team to review and update factory policies and procedures at a defined interval.
2. Update policies and procedures following any update to local laws or regulations.
3. Revise policies and procedures to address findings from internal and external audit results.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Assign a specific team to review and update factory policies and procedures at a defined interval.
2. Update policies and procedures following any update to local laws or regulations.
3. Revise policies and procedures to address findings from internal and external audit results.

Planned completion date

03/14/19

Company Action Plan Update

Factory conducted a comprehensive internal inspection in the month of Dec 2018. Management review was conducted about the audit results.

Revised the CSR procedure document according to auditor's requirement.

FINDING NO.10

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

1. The factory provides a free dormitory and three free meals per day for employees.
2. The factory provides funding to the local school every year.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory will continue to provide free dom and meals to employees.

Company Action Plan Update

Factory continue to provide free dom and meals to employees.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The methods to calculate an employee's final pay-out after termination do not define how to calculate the final pay-out for retiring employees or how to calculate payment for unused annual leave. [ER.1.1, ER.32.1]
2. The retrenchment procedure does not include steps to ensure preferential hiring of retrenched workers if jobs reopen. [ER.1.1, ER.32.1]

Local Law or Code Requirement

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

Root Causes

1. Factory management does not calculate final pay-outs for retiring employees, and terminates employees over the retirement age, as legally required.
2. The factory has been rotated for 2 years. When workers resign, factory management does not compensate for unused annual leave.
3. The policies and procedures are incomplete because the management does not have such experiences.

FLA's Recommendations for Sustainable Improvements

1. Revise the procedure to include methods for calculating the final pay-out for retired employees and the payment of unused annual leave for resigned workers.
2. Revise the procedure on managing retrenchment to include steps to ensure preferential hiring of retrenched workers if jobs reopen.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Revise the procedure to include methods for calculating the final pay-out for retired employees and the payment of unused annual leave for resigned workers.
2. Revise the procedure on managing retrenchment to include steps to ensure preferential hiring of retrenched workers if jobs reopen.

Company Action Plan Update

Factory has updated Employees manual to make it include methods for calculating the final pay-out for retired employees and the payment of unused annual leave for resigned workers.

Revised employees manual procedure on managing retrenchment, the manual rules that factory will hire retrenched workers preferentially if jobs reopen.

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The grievance system does not include a commitment to transparency. [ER.1.1, ER.25.2]

Local Law or Code Requirement

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

Root Causes

1. Though factory management has established some policies and procedures, the management system is still not comprehensive, and the factory has not incorporated opportunities to review established objectives.

FLA's Recommendations for Sustainable Improvements

1. Revise the grievance system to include a commitment to transparency.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Revise the grievance system to include a commitment to transparency.

Company Action Plan Update

Factory promises that once receiving any complaints from employees, management will handle them immediately, and announce

the result of complaints .And also revises the grievance system to include a commitment to transparency.

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have procedures to enable workers to raise and report environmental concerns or procedures to protect workers who allege environmental violations. [ER.31.2.4, ER.31.2.6]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31)

Root Causes

1. There is no active worker representation or participation on the EHS Committee, nor is there a system to encourage workers to actively participate in ongoing EHS efforts.

2. There is lack of an effective training and internal monitoring processes.

FLA's Recommendations for Sustainable Improvements

1. Establish procedures to enable workers to raise and report environmental concerns and protect workers who allege environmental violations.

2. Prepare an annual training plan for EHS staff and elected EHS worker representatives to improve their knowledge and abilities to detect and manage potential risks.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish procedures to enable workers to raise and report environmental concerns and protect workers who allege environmental violations.

2. Prepare an annual training plan for EHS staff and elected EHS worker representatives to improve their knowledge and abilities to detect and manage potential risks.

Company Action Plan Update

Safety production committee clarified the protection to workers who proposed suggestions.

Factory has established system to provide training to EHS staff to improve their awareness of safety production.