



Verification Assessment

COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 09/19/18

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 400

FLA Comments

Fast Retailing has ceased production at this factory due to shifts in the affiliate's supply chain. Prior to exiting the factory Fast Retailing accounted for 20% of the factory's production. However, there is no heightened risk of retrenchment, as the factory has been able to replace the Fast Retailing production with other orders. There will be no further updates to the company action plan, as no other FLA affiliates are sourcing from this factory.

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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. Workers are not provided ongoing training on any of the Employment Functions except Health & Safety. 2. Supervisors are not provided specific training on national laws or any of the Employment Functions. 3. The orientation training provided to new workers does not cover Personnel Development. 4. The orientation training on Industrial Relations is very limited; it only covers the workers' right to join or not to join a union, without interference from their employer. 5. The factory includes one of its buyers' Code of Conduct on Environment Protection in the orientation training, however, the training content is very general and theoretical. As a result, the workers interviewed could not understand the measures that need to be taken or what their roles are. 6. The orientation training on Grievance System only covers two of the channels for grievance submission (the suggestion box and speaking with a supervisor) and does not cover the resolution process in depth.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17.1, and ER.27.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR updated the current training materials by adding training topic about Termination & Retrenchment; Factory HR had arranged training about Termination & Retrenchment for all employee of each workshop on January 05, 2019; Orientation training is on monthly basis; Management team will review the training section regularly if it is operating as required. 2. HR updated the current training materials by adding training topic about Termination & Retrenchment; Factory HR had arranged training about Termination & Retrenchment for all supervisors of each workshop on January 05, 2019; Orientation training is on monthly basis; Management team will review the training section regularly if it is operating as required 3. Completed 4. HR updated training materials of orientation training and added training topic about freedom of association and collective bargaining in employee orientation training in December 2018; HR held orientation training for all new employee based on updated training materials on December 26, 2018 and the going forward the training will be held every month. 5. HR increased the frequency of training about environmental protection: 1- updated training topic about environmental protection into orientation training in December 2018; 2- Arranged orientation training including orientation training topic on December 26, 2018 and orientation training is held every month; 3 – Environmental protection training increased to twice a year to all existing workers in the factory; 4 – HR arranged

training to all existing workers to let everyone know that some of their good habits and actions in life and work are protecting the environment in December 2018.

Action Plan Status: 1. Completed 2. Completed 3. Completed 4. Completed 5. In progress 6. Completed

Planned Completion: 1. 1/5/2019 2. 1/5/2019 3. 9/19/2018 4. 12/26/2018 5. 12/31/2019 6. 7/24/2017

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. HR had set up 2017 yearly training program, including monthly orientation training provided by HR (which covers wage, working hour, industrial relations, workplace disciplines, environmental protection policy, etc), quarterly training to supervisors by HR and workers provided by supervisors. The training lasts for one hour in general. 2. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisors and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Based on a review of annual training plans for 2017 and 2018, training materials, training records, and worker interviews, assessors found that the ongoing training on all Employment Functions except Termination & Retrenchment is effective. [ER.1.2, ER.15.1]

Root Causes: Management neglected training on Termination & Retrenchment.

2. Finding Status (Partially Remediated)

Explanation: Based on a review of the annual training plans for 2017 and 2018, training materials, training records, and management interviews, assessors found that the factory invited lawyers to provide training on national laws and that the specific training provided for supervisors on all Employment Functions except Termination & Retrenchment is effective. [ER.1.2, ER.17.1]

Root Causes: Management neglected training on Termination & Retrenchment.

3. Finding Status (Remediated)

Explanation: Based on a review of the orientation training materials, training records, and worker interviews, assessors found that the orientation training provided to new workers covers Personnel Development.

4. Finding Status (Not Remediated)

Explanation: Based on a review of the orientation training materials, training records, and worker interviews, assessors found that the orientation training on Industrial Relations is still very limited; it only covers the workers' right to join or not to join a union, without interference from their employer. [ER.1.2, ER.15.1]

Root Causes: Management explained they had trained workers on how to use the collective bargaining agreement and bargaining rights to promote industrial relations with factory, but they didn't update the orientation training materials.

5. Finding Status (Partially Remediated)

Explanation: Based on a review of the orientation training materials, training records, and worker interviews, assessors found that the factory included Environmental Protection in the orientation training, however, about 80% of interviewed workers could not understand the measures that need to be taken or what their roles are.

Additionally, the factory only conducts this training once per year. [ER.1.2, ER.15.1]

Root Causes: 1. Training only takes place once per year, so the frequency is not sufficient. 2. There is no evaluation method to assess the effectiveness of the training (e.g. an exam).

6. Finding Status (Remediated)

Explanation: Based on a review of the orientation training materials, training records, and worker interviews, assessors found that the orientation training on the Grievance System covers the factory's procedures on how to handle grievances that are submitted verbally, officially, and anonymously.

Local Law or Code Requirement

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

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate its policies and procedures on any of the Employment Functions with the general workforce on an ongoing basis, except for Health & Safety. While there is an orientation process during which all new hires are informed of some of the factory's rules and practices, there is no follow-up to communicate updates. 2. The worker integration component is missing from all Employment Functions. The factory has not established and implemented procedures to include workers' input/feedback on the creation, implementation, and revision of its policies and procedures. Therefore, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1 ER.25, ER.27, and ER.32; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory HR and HSE management policy and procedure had been revised and updated in April 2019; HR held training about revised and updated factory management policy and procedure to all employee on April 20, 2019; Factory posted the updated policy in the bulletin board; Re-election of worker representative and hold worker representative meetings in May 2019 on their role and responsibility as a communication channel; Worker representatives will on-going communicated with workers on factory policies and procedure during daily job and conducted regular meeting with management team. 2. Factory policy and procedure had been revised in April 2019 and worker representative had involved during revision; HR had updated the role and responsibility of worker representatives and they will collect workers' suggestions and feedback to factory management; Factory will keep improvement to communicate updated factory rules ,policies, procedures regarding all Employment Functions as per regulations and FLA by collecting suggestions/advices/feedbacks from workers and consider their input in decision-making.

Action Plan Status: 1. Completed 2. In progress

Planned Completion: 1. 5/25/2019 2. 12/31/2019

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. HR updated grievance procedures and posted the procedure nex to suggestion box; 2. A systematical procedure is under establishment for the communication for the new/updated policy/procedure with workers.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Assessors reviewed written documents and meeting minutes between management and Union Representatives and conducted management and worker interviews. They found that the factory

communicates its policies and procedures on all Employment Functions with the general workforce on an ongoing basis, except for Retrenchment. There is no follow-up or re-training to communicate updates for the policies and procedures. [ER.1.3, ER.25, ER.32]

Root Causes: The new person the factory hired to be responsible for Corporate Social Responsibility does not fully understand the FLA Workplace Code.

2. Finding Status (Partially Remediated)

Explanation: Assessors reviewed written documents and meeting minutes between management and Union Representatives and conducted management and worker interviews. They found that the factory has

developed communication policies and procedures and provided training for employees. However, the communication provided to workers is insufficient and the factory only posts some of the management documents in the common areas. Additionally, 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 process. For example, entry-level employees are not included on the Health & Safety Committee or during the CSR review process. [ER.1, ER.16, ER.25]

Root Causes: 1. The Human Resources (HR) and CSR staff believe that it is easier and more efficient to perform management reviews without the involvement of workers.

2. Management does not fully understand the FLA Workplace Code requirements pertaining to this topic.

3. Lack of worker integration is very common in this industry across China.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, and ER.32)

PREVIOUS FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not conduct periodic reviews of its policies and procedures for any of the Employment Functions. All of the factory's policies and procedures were established in 2011 and 2012; none have been reviewed or revised since.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER.31.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory conduct periodic reviews of its policies and procedures and revised factory regulation, policy and procedure accordingly in December 2018; Factory updated and revised HR and HSE management policy and procedure in March 2019. The annual review will be held in the factory by the end of each year.

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Factory set up an annual management review procedure that when there is update for the regulations ,othe situations to review the policy and procedure of employment functions , General manager will be the host for the review; 2. The annual review will be held by the end of 2017.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Based on the document review and management interview, assessors found that the factory still does not conduct periodic reviews of its policies and procedures for the following Employment Functions:

Recruitment, Hiring & Personnel Development; Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System. Most of the factory's policies and procedures were updated in 2015 and 2016; none have been reviewed or revised since then. [ER.1, ER.29, ER.30, ER.31]

Root Causes:

1. The factory hired a new person to be responsible for CSR. This person does not fully understand the FLA Workplace Code.

2. The factory is constructing new buildings and will move to a new facility soon, so they plan to review and update all of their policies and procedures after that

Local Law or Code Requirement

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

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory's Recruitment process poses a risk of discrimination. The online job advertisement requires that applicants for the warehouse officer position be female and between 20 and 40 years old, which is consistent with actual employment. Furthermore, the job application forms for all positions require applicants to provide information regarding age, gender, ethnic group, and marital status. 2. The factory does not employ any disabled workers, which is a violation of the legal requirement stating that at least 1.5% of the total workforce should consist of disabled workers. Additionally, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers. (Note: There are seven people with disabilities listed on the factory's roster, however, none of them actually work at the factory. The factory pays them a basic wage on a monthly basis in lieu of contributing to the Employment Security Fund). 3. The factory does not have written policies and procedures on performance reviews that outline the steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements; additionally, the factory does not conduct performance review for workers. 4. Although the factory has procedures on promotions, workers' promotions are based on the supervisors' general judgment, not a formal appraisal based on clear criteria. In addition, there are no procedures on demotion or job reassignment.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Regulations on the Employment of Persons with Disabilities (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.3.2, ER.29.1, and ER.30; Non-Discrimination Benchmark ND.1, ND.2.1, and ND.4.1)

Recommendations for Immediate Action

Remove gender and age requirements from all job advertisements; additionally, remove the question on gender, age, marital status, and ethnic group from all job application forms. Ensure that employment decisions are made based solely on candidates' qualifications and abilities.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory updated recruitment advertisements and remove age requirement from all job advertisements on January 02, 2019; Management team will review the recruitment process and material if any discrimination practices; going forward factory HR will revise application form to remove any questions pertaining to applicants' gender, age, and marital status for interview candidate. 2. Factory made recruitment plan for disabled worker in February 2019; HR communicated with the disabled candidates about suitable jobs, and checked with them if they are willing to work in the factory in April 2019; Based on communication with the disabled candidates on in April that they are not willing to work in the factory; Factory will keep made plan and provide suitable position to them; communicate and encourage them to work in the factory. 3. Completed 4. Completed

Action Plan Status: 1. In progress 2. In progress 3. Completed 4. Completed Planned Completion: 1. 12/31/2019 2. 12/31/2019 3. 9/19/2018 4. 9/19/2018

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. HR deleted the articles in the recruitment process and recruitment Advertisement that passed discriminations. 2. HR

created a format sample for the reference of candidates to fill the Recruitment Format, in which age, gender, race, marriage status and other information not relating to job capability are not required to fill. And none of these info was collected before their enrollment since Mar 2017. 3. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisors and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to a document review as well as management and worker interviews, the factory's Recruitment process is still discriminatory. The job advertisement posted at the factory gate requires that applicants for all positions should be between 18 and 42 years old, which is consistent with the employees' actual ages. Furthermore, the job application forms for all positions require applicants to provide information regarding age, gender, and marital status. [ER.3, ND.2, ND.4]

Root Causes: 1. The factory would have to take protective measure for workers between the ages of 16 and 18, which they thought it was too troublesome. 2. The factory wants to recruit strong workers, so they included the age limitation (18-42) in the job advertisement.

2. Finding Status (Not Remediated)

Explanation: Based on a document review and management interviews, assessors found that the factory still does not employ any disabled workers, which is a violation of the legal requirement stating that at least 1.5% of the total workforce should consist of disabled workers. Additionally, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers. [ND.1, ND.2]

Root Causes: 1. According to management, no disabled workers are willing to come into the factory for work. 2. It's difficult to arrange a suitable job for disabled workers in the garment factory.

3. Finding Status (Remediated)

Explanation: Based on a document review and management interviews, assessors found that the factory has established written policies and procedures on performance reviews that outline the steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements; In addition, the factory conducts annual performance reviews for workers.

4. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory updated their promotion procedures to include clear promotion criteria. In addition, the factory has established procedures on demotions and job reassignments.

Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities, Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmark ER.3; Non-Discrimination Benchmarks ND.1, ND.2, and ND.4)

Recommendations for Immediate Action

1. Remove age requirement from all job advertisements. Additionally, remove any questions pertaining to applicants' gender, age, and marital status from job application forms. Ensure that employment decisions are made based solely on candidates' qualifications and abilities.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. 53% of the factory's workers are not covered by the legally required Housing Provident Fund. All workers who do contribute to the Housing Provident Fund contribute based on the minimum contribution level (CNY 1860 (USD 278.92) per month) rather than their actual earnings, as legally required. All of these workers' wages are higher than the minimum contribution level. 2. The factory does not make a reasonable effort to ensure that workers understand their compensation, including how wages are calculated and what bonuses they are entitled to. For instance, the factory's procedures on Compensation state that the wage structure is "Basic Wage + Overtime Premium + Bonus"; however, the procedures do not indicate how to calculate the basic wage and the bonus. In practice, the different departments and different positions have different basic wages, although the compensation procedures do not indicate this. In addition, bonuses are determined by supervisors without clear and transparent indicators/criteria and workers are never informed of how bonuses are calculated.

Local Law or Code Requirement

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The social security and housing fund base that the factory now pays is the local social security and housing fund policy in Xiaoshan District of Hangzhou City; Factory had conducted internal Top management meeting in March 2019 and the group company has carried out the relevant cost calculation and needs to wait for further clear instructions on how to adjust. 2. HR had adjusted the compensation structure including the procedure for bonus; HR had improved and updated policy and procedure of wage and benefits; HR had conducted training to all workers about updated wage and benefits policy in April 2019.

Action Plan Status: 1. In progress 2. Completed

Planned Completion: 1. 12/31/2019 2. 4/20/2019

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Factory is contributing the house funding for workers gradually, and planning to increase at 5% monthly; In Apr 2017, there were 123 workers enrolled house funding, 145 for May 2017 and 156 for Jun 2017. currently there is about 280 workers in the factory, more than 55.7% of workers are contributed to house funding,

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Based on a review of the factory's Housing Provident Fund receipts, assessors found that 200 out of 260 workers (77%) in the factory are covered by the legally required Housing Provident Fund. The Housing Provident Fund contribution is based on the minimum contribution level of CNY 2,010 (USD 293.43) per month rather than 70% of workers' actual wages, which is about CNY 3,500 (USD 510.95) to CNY 5,500

(USD 802.92) per month, as legally required. [ER.22, C.1, C.5, C.10]

Root Causes: 1. The uncertainty of future benefits makes some workers reluctant to participant in the housing fund scheme. 2. The factory is not willing to bear the high cost of basing Housing Provident Fund contributions based on their worker's actual earnings.

2. Finding Status (Partially Remediated)

Explanation: According to document reviews as well as worker and management interviews, the factory has made a reasonable effort to ensure that workers understand their compensation, including how wages are calculated and what bonuses they are entitled to. However, the compensation procedures do not indicate how the basic wage is defined for different departments and positions. [ER.1]

Local Law or Code Requirement

Regulations on Management of Housing Provident Fund, Articles 2, 3 and 15; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.22; Compensation Benchmarks C.1, C.5, and C.10)

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory calculates its social insurance contributions based on the minimum contribution level (CNY 2586 (USD 387.79) per month) rather than workers' actual earnings, as legally required. Approximately 60% of the workers' wages are higher than the minimum contribution base. 2. According to the HR administrative handbook and worker interviews, the factory does not take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law. 3. The factory calculates workers' unused annual leave payments based on the minimum wage instead of workers' actual wages, as legally required. 4. The factory does not have a paid prenatal care policy so that pregnant workers can visit the doctor during their pregnancies, as legally required. The factory had four pregnant workers at the time of the assessment, and during worker interviews two of them told assessors that they received prenatal care on a Sunday so that their wages are not affected.

Local Law or Code Requirement

Social Insurance Law of PRC, Article 60; Zhejiang Province Pension Insurance Regulations (2008), Article 9; Implementation Measures of Employees' Paid Annual Leave (2008), Articles 4, 10, 11; Special Rules on the Labor Protection of Female Employees (2012), Article 6; FLA Workplace Code and Benchmarks (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1 and HOW.11; Compensation Benchmark C.1 and C.10; Non-Discrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Calculate social insurance contributions based on workers' actual wages, as required by law. 2. Provide paid annual leave to all workers based on their cumulative working experience (working age). 3. Compensate workers unused annual leave payments based on their actual wages. 4. Establish and implement a prenatal care policy and communicate it to workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The social security and housing fund base that the factory now pays is the local social security and housing fund policy in Xiaoshan District of Hangzhou City; Factory had conducted internal Top management meeting in March 2019 and the group company has carried out the relevant cost calculation and needs to wait for further clear instructions on how to adjust. 2. Completed 3. HR updated the leave and holiday regulation, revised the payment for untaken annual leave paid on the basis of workers' actual leave in past 12 months; HR adjusted wage structure of resign workers include unused annual leave payments in the termination payouts. HR will conducted regular training to all workers on wage and benefits based on annual training plan. 4. Completed

Action Plan Status: 1. In progress 2. Completed 3. Completed 4. Completed Planned Completion: 1. 12/31/2019 2. 9/19/2018 3. 12/26/2018 4. 6/1/2017

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. As per local social insurance policy , factory raised the contribution base from RMB 2586 to RMB 2819.3 which was effective from Jun 2017 and much closer to worker's actual salary. 2. Factory will follow the government's guideline to raise the contribution base accordingly.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to worker interviews and a review of the factory's social insurance payment receipts from August 2017 to July 2018, the factory calculates its social insurance contributions based on the minimum contribution level of CNY 3054.95 (USD 445.97) per

month rather than 70% of workers' actual wages, which is about CNY 3,500 (USD 510.95) to CNY 5,500 (USD 802.92) per month, as legally required. [ER.22, C.1, C.5, C.10]

Root Causes: 1. The factory is not willing to bear the increased cost of calculating the social insurance contributions based on their workers' actual earnings. 2. Some workers are still very young, and they are not willing to contribute to social insurance when they will not retire for several decades.

2. Finding Status (Remediated)

Explanation: Based on a review of the factory's Compensation procedures and worker interviews, assessors found that the factory updated their Compensation procedures to take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave if she/ he can provide documents to prove her/ his external seniority.

3. Finding Status (Not Remediated)

Explanation: According to a review of the payroll records and management interviews, the factory still calculates workers' unused annual leave payments based on the minimum wage instead of workers' actual wages, as legally required. Additionally, the factory did not include unused annual leave payments in the termination payouts of two sampled resigned employees. [HOW.1, HOW.11, ER.22, C.1, C.5]

Root Causes: The new person responsible for Corporate Social Responsibility didn't keep updated procedures for files and didn't implement these procedures accordingly.

4. Finding Status (Remediated)

Explanation: Based on a review of the Compensation policy and procedures as well as worker interviews, assessors found that the factory has updated its prenatal care policy as legally required and provides paid prenatal care leave for pregnant workers.

Local Law or Code Requirement

Social Insurance Law of the PRC, Articles 12 and 58; Regulations on Annual Leave for Employees, Article 2; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1 and HOW.11; Compensation Benchmarks C.1, C.5, and C.10)

Recommendations for Immediate Action

1. Calculate social insurance contributions based on 70% of workers' actual wages.
2. Compensate resigned employees for unused annual leave and calculate all workers' unused annual leave payments based on their actual wages.

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. At the time of the assessment, the knitting department had 108 workers (34% of the total workforce); the other departments, including yarn winding, pressing, etc. had 212 workers (66% of total workforce). a. The knitting department's monthly overtime ranged from 20 to 56 hours with an average of 38 hours. The legal limit of 36 overtime hours per month was exceeded in the months of Oct 2015, Jan 2016, and June, July, and Aug 2016. b. The other departments' monthly overtime exceeded the legal limit of 36 hours per month in the past 12 months; the average was 40 hours while the maximum was up to 64 hours in June of 2016. 2. The factory obtained a Cumulative Working Hours System Waiver (CWHS), which allows for 216 overtime hours per person: ((36 overtime hours/month) x 6 months) in the first half of the year and a 216 overtime hours per person ((36 overtime hours/month) x 6 months) in the second half of the year. During the first six months of the year, workers in the knitting department worked 180 overtime hours on average; however, workers in other departments worked an average of 264 overtime hours, which exceeds the CWHS limits. During the second six months of the year, up until the time of assessment (September 20, 2016), workers in the the knitting department have worked, on average, 80 overtime hours; workers in the other departments have worked an average of 126 hours (on average 45 overtime hours/month). There is a risk that the factory will exceed the CWHS limits by the end of the year at this rate.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 41; FLA Workplace Code and Benchmarks (Hours of Work Benchmarks HOW.1 and HOW.8.1)

Recommendations for Immediate Action

1. Ensure working hours do not exceed the legal overtime limits, including the CWHS. 2. The FLA affiliated Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue: a. How to provide better order forecasts to the factories; b. Possible workshops/consultancy for the factory on how to improve productivity/quality; c. Clear guidelines on how to extend shipment deadlines in case of contingencies; d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams); e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; f. Clear guidelines on how and when

the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Based on factory internal discussion between management team from each department, factory set up an overtime working plan monthly and publish to workers, representative of workers would sign on if they agree with the plan; Factory had set up plan to train multiple skill workers to help improve productivity and conducted training on December 03, 2018; The training about working hours will be provided to all worker regularly based on annual training plan.2. Completed

Action Plan Status: 1. In progress 2. Completed

Planned Completion: 1. 12/31/2019 2. 9/19/2018

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. On May 30 2017, the management team from each department of factory held a meeting to discuss how to reduce and control the working hours. The result is that it is difficult to reduce the working hour due to the production status and order fluctuations. Factory decided to start set up overtime working plan monthly and publish to workers, representative of workers would sign on if they agree with the plan. 2. The monthly overtime working hour is about 32-62 hours.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: Assessors reviewed the time records for the period of August 2017 to September 18, 2018 and conducted worker interviews and found the following:

a. The knitting department's monthly overtime hours exceeded 36 per month in September 2017, November 2017, December 2017, May 2018, and June 2018, with a maximum of 48 hours in June 2018; [HOW.1, HOW.8]

b. The other departments' monthly overtime hours exceeded 36 per month in about 50% of the reviewed months, with a maximum of 89 hours in June 2018. [HOW.1, HOW.8]

Root Causes: 1. The shipping date required by nearly all customers was very tight. As a result, the factory had to work overtime to finish the orders on time. 2. The factory didn't adequately prepare to deal with orders during the peak season. 3. Staffing levels are out of sync with the factory's production volume.

2. Finding Status (Remediated)

Explanation: Based on a document review and management interviews, assessors found that the factory didn't apply for a Cumulative Working Hours System Waiver (CWHS) in 2017 or 2018.

Local Law or Code Requirement

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

Recommendations for Immediate Action

1. Ensure workers' overtime hours do not exceed 36 hours a month.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

Termination payouts are paid on the 20th day of the month, at the same time as regular wage payments. According to local law, termination payouts should be paid within five days of the termination of employment.

Local Law or Code Requirement

Regulation on Wage Payment of Zhejiang Province (2010), Article 15; FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.32; Compensation Benchmark C.1)

Recommendations for Immediate Action

Pay termination payouts to workers within five days of the termination of employment, as legally required.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to a review of payroll records and management interviews, the factory pays termination payouts within five days of the termination of employment.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory's procedures on Workplace Conduct & Discipline include several unreasonable articles: a. If employees are late or leave more than 30 minutes early, the factory will deduct four hours' wages from workers' paychecks. b. If employees are absent for three consecutive days or nine days in a month, the factory will terminate their employment and request that employees compensate the factory one-month's wages. However, according to interviews with workers and management, these articles are not actually implemented. 2. Although the factory's procedures require a management review and third party signature for written warnings, neither of these requirements are implemented. 3. Although the factory's procedures require disciplinary actions to be witnessed by a third party during imposition, this requirement is not implemented.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.27.2.1, and ER.27.4; Harassment or Abuse Benchmark H/A.2)

Recommendations for Immediate Action

Remove all mentions of monetary fines and deductions from the Workplace Conduct & Discipline procedures. Ensure that no workers have to pay monetary fines and deductions as part of the disciplinary system.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Completed 2. Based on factory management team and HR discussion that confirmed factory will invite worker representatives as third party to sign for written warning; HR updated related policy and procedure in the factory; Re-election for worker

representatives and held worker representative meeting in May 2019; HR will tracking for implementation. 3. Based on factory management team and HR discussion that confirmed factory will invite worker representatives as third party to sign for written warning; HR updated related policy and procedure in the factory; Re-election for worker representatives and held worker representative meeting in May 2019; HR will tracking for implementation.

Action Plan Status: 1. Completed 2. In progress 3. In progress

Planned Completion: 1. 7/25/2017 2. 12/31/2019 3. 12/31/2019

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. HR deleted the articles in Workplace Conduct & Discipline ; 2. The training for the update was provided to new workers. HR provided the training to supervisor in quaterly training and supervisor to their line workers accrdingly.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Assessors reviewed the factory's Workplace Conduct & Discipline procedures and found the following:

- a. If a worker is more than 30 minutes late or leaves more than 30 minutes early, the factory will issue a warning instead of deducting four hours' wages from the worker's paycheck;
- b. If a worker is absent for three consecutive days or a total of nine days in a month, the factory will issue a warning instead of terminating the worker's employment and requesting that the worker compensate the factory for one month's wages.

2. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the factory's procedures require a management review and third-party signature for written warnings, but neither of these requirements are implemented. [ER.27]

Root Causes: The factory management thought it is not convenient to implement third-party witness, which also appears that they do not have a comprehensive understanding of FLA Workplace Code & Benchmarks.

3. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the factory's procedures require disciplinary actions to be witnessed by a third-party during imposition, but this requirement is not implemented. [ER.27]

Root Causes: The factory management thought it is not convenient to implement third-party witness, which also appears that they do not have a comprehensive understanding of FLA Workplace Code & Benchmarks.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

PREVIOUS FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. According to factory management, the factory provides three channels for workers to lodge complaints: speaking directly with supervisors, telephone numbers of managers, and a suggestion box. However, according to worker interviews, employees are only informed of two channels: the suggestion box and their supervisors. Workers were not aware that they could call their managers and did not have access to their phone numbers. In addition, not all of the workers interviewed understand the grievance resolution process. 2. There is only one suggestion box in the factory, which is located in the entrance to the canteen. This setup does not ensure enough privacy for workers to feel comfortable using this channel. Additionally, the grievance procedures are not posted next to the suggestion

box, so workers do not understand the grievance resolution process. 3. The factory does not record the verbal grievances workers raise to their supervisors. Only one grievance from the suggestion box has been recorded since 2012.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.16.1, ER.25.2, and ER.25.3.2)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Assessors reviewed the factory's Grievance System procedures and conducted worker and management interviews. They found that the factory has updated the Grievance System procedures to include details on how to submit grievances verbally, in writing, or anonymously (through the suggestion box). The factory also provides training to workers and supervisors on the Grievance System and the phone number of the General Manager (GM) is posted near the suggestion boxes. The interviewed workers understood the grievance resolution process.

2. Finding Status (Remediated)

Explanation: According to a review of the Grievance System procedures, onsite observations, and worker and management interviews, the factory has set up a suggestion box next to the restroom on each floor of the production building where privacy is ensured. They have also posted the updated Grievance System procedures and the phone numbers for HR and the GM next to the suggestion boxes. In addition, the factory provides regular training to workers.

3. Finding Status (Remediated)

Explanation: According to the grievance records and worker interviews, there were four cases of verbal grievances recorded with their grievance content and resolutions in 2017, and no grievances were raised in 2018.

PREVIOUS FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory's parent company has a trade union that was established in 2012 under the ACFTU (All China Federation of Trade Unions). The present union committee is currently serving its second term (they were re-elected in 2015). Three union representatives from the factory are on the parent company's union committee (there are 12 committee members in total), however, all three are factory management staff (human resource manager, human resource officer, and production supervisor) who were self-appointed, not elected by workers. 2. The factory does not provide a dedicated office space or other facilities for the union to exercise their daily work. 3. The Collective Bargaining Agreement (CBA) is neither posted nor provided to workers. As a result, none of the interviewed workers are aware of the CBA. 4. The factory has a policy on Freedom of Association, but not Industrial Relations. Furthermore, the factory does not have procedures on Industrial Relations and Freedom of Association, including a dialogue mechanism between management and workers. 5. 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.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.16.2, and ER.25; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.15)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. A collective bargaining agreement had signed on 26 December; three representatives were one trade union Chairman and two ordinary workers; Factory Re-election of worker representative in May 2019 and 8 worker representatives had been elected by vote of workers democratically, other 26 than assigned by management team. 2. A dedicated office is set up for trade union's usage by factory in the new site after relocation. 3. On December 26 2018, the Collective Bargaining Agreement was re-signed; Worker representative, Chairman of trade union and all members of trade union as well as supervisors of all workshop held meeting and discussion and distribute to all workers of each workshop; Training topic had included in the annual training plan. 4. Completed 5. On December 26 2018, the Collective Bargaining Agreement was re-signed; Worker representative, Chairman of trade union and all members of trade union as well as supervisors of all workshop held meeting and discussion and distribute to all workers of each workshop; Freedom of Association and Collective bargaining have been added to orientation training on December 26, 2018.

Action Plan Status: 1. Completed 2. Completed 3. Completed 4. Completed 5. In progress

Planned Completion: 1. 5/25/2019 2. 3/1/2019 3. 12/26/2018 4. 9/19/2018 5. 12/31/2019

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Chairman of Trade union in factory updated the election procedures that ensure representatives are elected by workers democratically, other than assigned by management team. 2. In Nov 2016, factory had a democratical election for election, 7 representative were elected by votes of workers.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the present Union Committee was re-elected in 2016. Three union representatives from the factory are on the parent company's Union Committee (there are 13 Committee members in total), however, all three are factory management staff (HR manager, production manager, and production supervisor) who were self-appointed, not elected by workers. [FOA.1, FOA.10, FOA.11]

Root Causes: This is common practice in this industry in China, it appears that management is not fully aware of the importance and benefits of having worker representation and participation in different facets of factory operations, and management lacks awareness of FLA Workplace Code & Benchmarks related to Freedom of Association.

2. Finding Status (Not Remediated)

Explanation: According to onsite observations and management interviews, the factory does not provide a dedicated office space or other facilities for the union to exercise their daily work. [FOA.15]

Root Causes: Three of the union representatives from the factory are the HR manager, production manager, and production supervisor and they have their own offices.

3. Finding Status (Not Remediated)

Explanation: According to onsite observations as well as management and worker interviews, the Collective Bargaining Agreement (CBA) is neither posted nor provided to workers. As a result, none of the interviewed workers are aware of the CBA. [ER.16.2]

Root Causes: All of the union members are from top or middle management, so they paid little attention to implementing the Collective Bargaining Agreement.

4. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory updated its Industrial Relations and Freedom of Association procedures and set up a dialogue mechanism between management and workers. The factory has conducted employee surveys, meetings between management and workers, and management team will review the remediation progress regularly

5. Finding Status (Not Remediated)

Explanation: FLA Comments: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All-China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced

new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts

Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. [FOA.2]

Local Law or Code Requirement

Trade Union Law of PRC, Article 9; FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.11, and FOA.15)

PREVIOUS FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have a dedicated area to store hazardous waste. Instead, the factory disposes of hazardous waste in the general industrial waste area. 2. Old fluorescent tubes (hazardous waste type 29) are not disposed of by a licensed waste handler. 3. Two of the grinding machines in the maintenance room on the fourth floor of the production building are leaking machine oil. 4. The factory's Environmental Protection procedures do not enable workers to raise environmental concerns or include protections for workers who allege environmental violations.

Local Law or Code Requirement

Prevention and Control Law of Environmental Pollution, Solid Waste, Articles 52 and 57; FLA Workplace Code (Employment Relationship Benchmarks ER.31.2.4 and 31.2.6; Health, Safety & Environmental Benchmarks HSE.1, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Set up a dedicated area to store hazardous wastes. 2. Arrange for licensed waste handler to dispose of hazardous waste in accordance with legal requirements. Maintain the disposal records on-site. 3. Clean up the machine oil leaks in the maintenance room on the fourth floor and install a secondary container to collect future leaks from the grinding machines. Ensure that the machines are regularly maintained and repaired if necessary.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Completed 2. Factory had relocated to new site and currently the factory has signed "waste cardboard, paper tube contract" waste silk contract agreement "kitchen waste clearance service agreement"; HR is sourcing a qualified contractor for the collection now and will sign the contract after certification been confirmed; Currently all the lights are brand new in the new site. 3. Completed 4. Completed

Action Plan Status: 1. Completed 2. In progress 3. Completed 4. Completed Planned Completion: 1. 4/17/2017 2. 12/31/2019 3. 4/17/2017 4. 7/24/2017

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Factory separate a dedicated area to store hazardous waste. 2. Training provided to relevant workers by safety supervisor on Apr 17 2017 and they understand the requirements. Safety supervisor plans to provide refresh training semi-

annually.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on onsite observations and management interviews, assessors found that the factory stores hazardous waste (used fluorescent tubes) with secondary containment in a dedicated area separate from the general waste.

2. Finding Status (Not Remediated)

Explanation: Based on management interviews, assessors found that hazardous waste (used fluorescent tubes) are not disposed of by a licensed waste handler and the factory could not provide any related documents for assessors to review. [ER.2, HSE.1, HSE.4, HSE.9]

Root Causes: Factory management explained that the amount of hazardous waste was so small that the local licensed waste handler would not agree to sign a contract with the factory.

3. Finding Status (Remediated)

Explanation: A visual inspection of the factory's machinery showed that none were leaking machine oil. The general environment of the factory was neat and there was no liquid on the floor.

4. Finding Status (Remediated)

Explanation: Based on a document review and management interview, assessors found that the factory has updated their Environmental Protection policy and procedures to enable workers to raise environmental concerns and include protections for workers who allege environmental violations.

Local Law or Code Requirement

China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 57; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Arrange for a licensed waste handler to dispose of hazardous waste in accordance with legal requirements. Maintain the disposal records onsite.

PREVIOUS FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has contracted a licensed institution to conduct the legally required annual inspection of the fire-fighting equipment (fire alarm, sprinkler system, fire hydrants, etc), however, the inspection only covered the production area. The dormitory building was not inspected. 2. Almost none of the smoke detectors in the dormitory are functional as a result of dead batteries. 3. The fire alarm system in the dormitory is not battery-powered, increasing the risk of alarm failure during a fire emergency. 4. The majority of the sprinkler heads in the knitting department on the fourth floor of the production building are covered in dust and lint, which may negatively affect their ability to function in the case of an emergency.

Local Law or Code Requirement

PRC Fire Protection Law (1998) Amendment (2009) Article 16-3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5.1, HSE.5.3, HSE.13, and HSE.25)

Recommendations for Immediate Action

1. Commission a licensed institution to conduct an annual inspection of all fire-fighting equipment on the factory premises, including both production and dormitory areas. 2. Recharge and/or repair the smoke detectors in the dormitory building to ensure functionality. 3. Install a battery-powered fire alarm system in the dormitory to replace the existing alarm system. 4. Regularly clean the sprinkler heads in the knitting department on the fourth floor of the production building to ensure they are free of dust/lint.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on a document review and management interviews, assessors found that a fire-fighting equipment inspection was conducted on December 4, 2017. All fire-fighting equipment in the factory was inspected and all of it was in good condition.

2. Finding Status (Remediated)

Explanation: Assessors conducted an onsite observation and a random test of the smoke detectors in the dormitory and found that the smoke detectors are functional and there is small red light on the smoke detectors indicating that the batteries are working.

3. Finding Status (Remediated)

Explanation: Assessors conducted an onsite observation and a random test of the fire alarm in the dormitory and found that the fire alarm works well and is equipped with functional backup batteries.

4. Finding Status (Remediated)

Explanation: Assessors conducted a visual inspection of the sprinkler heads in the factory and found that they are clean without any obvious dust on them.

PREVIOUS FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has arranged for a licensed technical service institution to conduct an Assessment of the Current Condition of Occupational Disease Hazards, however, the assessment only covered the knitting department rather than all production areas. There is a risk of high noise levels in the pressing department where new pressing machines were installed but not covered. 2. The factory does not provide pre-job and pre-departure occupational health examinations for workers who are exposed to noise and dust; only 16.8%(18 out of 107) eligible workers receive on-job occupational health examinations. 3. Workers exposed to occupational disease hazards are not informed in writing about the specific occupational disease hazards they will be exposed to. 4. Two yarn-winding workers were wearing normal masks instead of dustproof masks. Although the factory has dustproof masks in stock, they only provide regular masks to the workers. 5. At the time of factory tour, it was observed that 10 fans in the automatic pressing workshop have been installed in a way that poses a risk to workers' safety. Workers could collide with the fans when passing through the workshop. No precautionary measures have been taken. 6. The factory is not taking proactive steps to reduce repetitive-motion stress/injuries. They do not provide ergonomic breaks and although all chairs have a backrest, 90% of chairs are not adjustable in height. As a result, workers have to bring their own tailor-made "booster seats" to adapt their workstations. 7. Workers in the knitting department are not provided with chairs or a rest area for their short break. 8. Workers who regularly lift heavy objects are not trained on proper lifting techniques or provided with lifting belts. In a random check of five packs in the material warehouse, the weights ranged from 18.5kg-38.7kg. According to national regulations, the maximum weight for an adult male to lift should not exceed 15kg. Without proper training and supportive Personal Protective Equipment (PPE) this poses a risk of bodily strains and injury.

Local Law or Code Requirement

Physical Lift Weight Limit GB12330-90, Article 3; Law of Prevention and Control of Occupational Diseases (2016), Articles 22, 26, 33, and 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.7, HSE.13, and HSE.17)

Recommendations for Immediate Action

1. Arrange for a licensed technical service institution to conduct an assessment of the current condition of occupational disease hazards for all production areas. 2. Provide pre-job and pre-departure occupational health examinations for workers who are exposed to occupational disease hazards, as per legal requirement. 3. During the new worker induction process, inform workers in writing about the specific occupational disease hazards they will be exposed to. 4. Provide dustproof masks (instead of regular masks) to yarn-winding workers. 5. Relocate the 10 fans in the automatic pressing workshop to ensure workers' safety.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory had invited 3rd party to conduct the Assessment Report of Current Condition of Occupational Disease Hazards in new

site and the pressing department was covered in December 2018; As per result, all the occupational disease hazards are in compliance with local standard and under controlled. 2. The factory had carried out pre-job, on-job and post-job physical examination of its employees in June 2019; HR updated factory regulation of re-sign worker and resigned workers will sign notification on physical examination on March 2019; related training had provided to workers accordingly. So far about 90 workers had conducted pre-job, on-job and post-job physical examination. 3. Completed 4. Completed 5. Completed 6. Factory had relocated to a new site and had designed the Chairs with suitable height for workers; currently, the height of the chairs in the packaging workshop has increased, and there no need for workers to use cushions which made by the employees themselves to reduce repetitive-motion stress/injuries. 7. Completed 8. Completed

Action Plan Status: 1. Completed 2. Completed 3. 8/9/2017 4. 8/9/2017 Planned Completion: 1. 12/8/2018 2. 6/1/2019 3. 8/9/2017 4. 8/9/2017 5. 8/9/2017 6. 3/1/2019 7. 6/25/2017 8. 9/19/2018

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Factor invited third party to conduct Assessment of the Current Condition of Occupational Disease Hazards to all department from Apr 13-15 2017, including the pressing machine newly installed area. 2. As per result, all the occupational disease hazards are in compliance with local standard and under controlled.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the most recent Assessment Report of Current Condition of Occupational Disease Hazards provided by the factory for review only covered the knitting workshop rather than all production areas. There is a risk of high noise levels in the pressing department where new pressing machines were installed, but this was not covered in the assessment. [HSE.1]

Root Causes: Factory management relied too much on the technical service institution and thought the institution would assess the whole factory.

2. Finding Status (Not Remediated)

Explanation: Based on a document review as well as management and worker interviews, assessors found that the factory does not provide pre- and post-employment occupational health examinations for workers who are exposed to noise and dust. Additionally, only 23.8% of eligible workers (62 out of 260) receive occupational health examinations while working at the factory. [HSE.1]

Root Causes: Factory management did not realize the law requirement, so no corrective action was made.

3. Finding Status (Remediated)

Explanation: According to onsite observations and worker interviews, the factory has posted occupational disease hazards warning signs in the workshops and workers are aware of them.

4. Finding Status (Remediated)

Explanation: According to an onsite observations and management interviews, the yarn-winding workshop has not been in use since May 2017.

5. Finding Status (Remediated)

Explanation: According to onsite observations, all ten of the fans in the automatic pressing workshop are mounted from the ceiling and there are yellow boxes marked on the floor to remind workers of the fans.

6. Finding Status (Not Remediated)

Explanation: According to a document review, onsite observations, and management interviews, the factory is not taking proactive steps to reduce repetitive-motion stress/ injuries. They do not provide ergonomic breaks and although all chairs have a backrest, 90% of chairs are not adjustable in height. As a result, workers have to bring their own tailor-made "booster seats" to adapt their workstations. [HSE.17]

Root Causes: Factory management did not realize the importance of ergonomics.

7. Finding Status (Remediated)

Explanation: According to onsite observations, the factory has provided a chair for each production line in the knitting workshop for workers' short break.

8. Finding Status (Remediated)

Explanation: According to a document review, onsite observations, and management and worker interviews, the factory provides training on proper lifting techniques to workers who carry goods. They have also provided several trolleys to transport the goods, which is safer

and easier for workers.

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; Law of PRC on the Prevention and Control of Occupational Diseases, Article 36; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.17)

Recommendations for Immediate Action

1. Arrange for a licensed technical service institution to conduct an assessment of the current condition of occupational disease hazards in all production areas.
2. Provide occupational health examinations to all workers who are exposed to occupational disease hazards before, during, and after their employment, as per legal requirements.

PREVIOUS FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no eyewash station or alarm system in the chemical storage area where at least eight Mobile DTE machine oil barrels (208 Liters each) are stored and workers transfer the oil to smaller containers. 2. The factory has a confined space (the fire-fighting water tank), which needs to be regularly maintained and cleaned. Workers who must enter the confined spaces only have a limited understanding of how to do so safely; they have not been provided with formal training on the relevant standard operating procedure (SOP) and there is no confined-space warning sign or SOP posted near the confined space. Appropriate rescue equipment is not available at the factory. 3. There are two fixed ladders (at least three meters high) installed in the fire-fighting water tank area (on the top of production building), however, neither of them is equipped with handrails or fall protection. 4. The factory was unable to provide the original building safety inspection report at the time of the assessment; instead, only a copy was provided for the assessors to review. Additionally, the factory could not provide the legally required building safety filing/registration form. 5. Assessors observed a number of obvious cracks in the walls, weight-bearing columns, and beams in the production building. This poses a risk to the building's structural safety. 6. The factory's Health & Safety (H&S) procedures do not enable workers to raise H&S concerns or include protections for workers who allege H&S violations.

Local Law or Code Requirement

Law of Prevention and Control of Occupational Diseases (2016), Article 25; Regulation on Quality Management of Construction Project, Article 49; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.31.2.4, and 31.2.6; Health, Safety & Environment Benchmarks HSE.5, HSE.6.1, HSE.9, HSE.14, and HSE.25)

Recommendations for Immediate Action

1. Install an eyewash station and alarm system in the chemical storage area. Train the relevant workers on how to use the eyewash station.
2. Post a warning sign and SOP near the confined space (fire-fighting water tank). Train the relevant workers on how to work safely in a confined space.
3. Install handrails/fall protection on the ladders on the roof.
4. Obtain and maintain the original building safety inspection report and filing/registration forms.
5. Arrange for a licensed institution to evaluate the structural integrity of the production building. Establish and implement a repair plan according to the evaluation results.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Completed
2. Factory created SOP for water tank and posted SOP in the entry in December 2018 in the old site.
3. Factory had relocated to a new site; the requirement of water tank in the new site is followed with local law requirement.
4. Factory had relocated to a new site; Factory had got building safety inspection report and legally required building safety filing/registration form in the new site.
5. Completed
6. Completed

Action Plan Status: 1. Completed 2. Completed 3. Completed 4. In Progress

5. Completed 6. Completed

Planned Completion: 1. Completed 2. 12/26/2018 3. 12/31/2019 4. 12/31/2019 5. 6/25/2017 6. 8/8/2017

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1.Factory equipped eye washing device in the chemical warehouse, and post the maintainance record and user manual; The device is runing well; 2. Alarm and emergency phones were installed next to the chemical warehouse .

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to onsite observations, an eyewash station and an alarm system have been installed in the chemical storage area.

2. Finding Status (Partially Remediated)

Explanation: According to onsite observations, document reviews, and management interviews, the factory provided fire safety certificates of two fire safety staff members to prove that they have received professional training. However, there are two pieces of rescue equipment stored in the guard room rather than in the basement. In addition, there is no confined-space warning sign or Standard Operating Procedures (SOP) posted near the confined space. [HSE.6, HSE.14]

Root Causes: Factory management said that generally no one went into the fire-fighting water tank room in the basement. Thus, even if there was rescue equipment in the factory, they stored all rescue equipment in the guard room. If there was something wrong in the basement, only fire safety staff would go into the basement, so no confined-space warning sign or Standard Operating Procedures (SOP) posted, as these fire staff are trained on the correct SOP. Factory management thought the warning and SOP was meaningless for these professional staff.

3. Finding Status (Partially Remediated)

Explanation: According to onsite observations, two fixed ladders installed in the fire-fighting water tank area on the top of production building have been equipped with fall protection. However, there are two fire-fighting water tanks in the factory, and the fixed ladder in the fire-fighting water tank in the basement is not equipped with a handrail or fall protection. [HSE.6, HSE.14]

Root Causes: Factory management only followed the result and recommendations from last assessment report to take corrective actions, they did not realize that the fixed ladder in the basement needed fall protection, so no further action was taken.

4. Finding Status (Not Remediated)

Explanation: Factory management was unable to provide the original building safety inspection report at the time of the assessment; instead, only a copy was provided for the assessors to review. Additionally, the factory could not provide the legally required building safety filing/registration form. [ER.2, HSE.4]

Root Causes: Management explained that some of the factory's original documents were missing and they only had copies of these documents. Therefore, this finding was hard to correct.

5. Finding Status (Remediated)

Explanation: A visual inspection showed no obvious cracks in the walls, weight-bearing columns, or beams in the production building.

6. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory has revised its Health & Safety procedures to enable workers to raise Health & Safety concerns and include protections for workers who allege Health & Safety violations.

Local Law or Code Requirement

Construction Law of PRC, Article 61; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.4, HSE.6, and HSE.14)

Recommendations for Immediate Action

1. Post a warning sign and a copy of the SOP near the confined space. Store rescue equipment in the basement.
2. Install fall protection for the ladder in the fire-fighting water tank in the basement.
3. Obtain and maintain the original building safety inspection report and filling/registration forms.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not keep food samples for 48 hours in case of food poisoning, as legally required. 2. The factory records injuries when workers use the first aid kit, but there is no system to track/analyze injury records and to establish preventive measures. The factory also does not track/analyze illness records. 3. In a random check of four first aid kits, one was not fully stocked; one item (gauze) was missing.

Local Law or Code Requirement

Regulation on Hygienic of Food Industry and Delivery Unit of Group Meals (2005), Article 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.6, and HSE.22)

Recommendations for Immediate Action

Keep food samples for at least 48 hours in accordance with local law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory Kept food samples from 24 hours to 48 hours; HR trained related canteen employee about updated policy accordingly in December 2018. 2. Factory had set up first aid kit drug collection and tracking, disease analysis records.HR will analysis and provide prevention measures for each case effective on March 01, 2019 3. Completed

Action Plan Status: 1. Completed 2. Completed 3. Completed

Planned Completion: 1. 12/26/2018 2. 3/1/2019 3. 8/9/2017

Planned completion date

02/09/17

Company Action Plan Update

03/13/18 : 1. Factory equipped with a dedicated fridge to store food samples for 48 hours. 2. HR provided training to canteen staff on Jul 14 2017 regarding the requirements.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to canteen staff interviews, the factory only keeps food samples for 24 hours, rather than 48 hours as legally required. [HSE.1, HSE.22]

Root Causes: The canteen staff did not fully understand the legal requirement.

2. Finding Status (Not Remediated)

Explanation: According to a document review as well as management and worker interviews, the factory records injuries when workers use the first aid kit, but there is no system in place to track and analyze injury records or to establish preventive measures. The factory also does not record, track and analyze illness records, either. [HSE.3]

Root Causes: Factory management did not realize that this was required by the FLA Workplace Code.

3. Finding Status (Remediated)

Explanation: A random check of the factory's first aid kits found that they were stocked and up-to-date.

Local Law or Code Requirement

The Food Safety Operation Specifications for Catering Service, Article 7.9.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, and HSE.22)

Recommendations for Immediate Action

1. Keep food samples for at least 48 hours in accordance with legal requirements.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. According to worker interviews and the time records for August 2017 through September 18, 2018, the working hours for 70% of workers exceeded 60 hours per week in about 30% of the weeks in the reviewed period. [HOW.1, HOW.8] 2. The factory's production plan is based on a 52-hour work week during the peak season (May, June, and Sept. to Jan.). This requires workers to work 12 hours of overtime. [HOW.8] 3. The factory does not maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. [HOW.6] 4. The factory has not conducted an analysis of the regular working hours with the aim to progressively reduce excessive hours of work. [HOW.1] (NEW) FINDING NO. [1] 39 5. The factory does not have an effective system in place to manage the working hours of workers who are at least seven months pregnant. For instance, in 2017 one pregnant worker worked overtime on the following Saturdays: September 2, 9, 16, and 23. [HOW.1, ER.14]

Local Law or Code Requirement

China Labor Law, Article 61; FLA Workplace Code (Employment Relationship Benchmark ER.14; Hours of Work Benchmarks HOW.1, HOW.6, and HOW.8)

Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week. 2. Regularly analyze the regular working hours and progressively reduce excessive hours of work. 3. Implement a system to ensure that workers who are at least seven months pregnant do not work overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR and production team had made working hours improvement plan in the factory to control and reduce working hours in July 2019; The plan is mainly forcing on 3 points to control working hours: equipment improvement to improve production efficiency; Balance production orders; enhance on labor recruitment; HR and production team had set up plan to adjust overtime schedule to ensure that workers do not work more than 60 hours per week; HR introduced working hour policy to all workers during training in April 2019. 2. HR discussed with production team and had adjusted the production plan; currently factory is arranged production based on 48 hours per week since March 2019; Factory will follow the working hour improvement plan and control workers do not work more than 60 hours per week. 3. HR had meeting with each department and made recruitment plan in early 2019; HR had expand recruitment channel in order to hire more suitable workers; Factory improved workers benefit in order to keep stable workforce in the factory; HR had held multiple skill training in the factory to improve workers' skill and this also been included in the annual training plan. 4. HR and production team will regularly analyze the regular working hours and progressively reduce excessive hours of work based on working hour improvement plan; HR planned to regularly collect and analysis on working hours every week. HR will analysis working hours based on worker numbers, worker position, max. weekly working hours 5. HR had updated and revised policy and procedure about female worker rights protection in the factory and clearly required that factory cannot arrange overtime work or nightshift to female workers who are at least seven months pregnant; HR held refresh training to all workers including updated policy and procedure in April 2019; Enhanced management procedure to control working arrangement about pregnant workers; workshop supervisor should submit working time arrangement plan for pregnant workers to HR team every month.

Action Plan Status: 1. In progress 2. Completed 3. In progress 4. Planned 5. Completed

Planned Completion: 1. 12/31/2019 2. 3/1/2019 3. 12/31/2019 4. 12/31/2019 5. 4/22/2019

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Workers do not receive written documentation that substantiates all the issues covered during orientation, including a copy of the workplace rules. [ER.15] 2. The factory doesn't keep any records of oral warnings. [ER.27.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.15)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR delivered employee handbook to new joined workers after on-board; Factory policy and regulation had been posted in the factory. Worker could check on-site. 2. HR will work with factory management to discuss how to revise discipline policy of keep records of oral warnings; HR will provide training according after the policy been updated.

Action Plan Status: 1. Planned 2. Planned

Planned Completion: 1. 12/31/2019 2. 12/31/2019

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One out of two exit doors in the raw material warehouse on the first floor is a rolldown door. One out of two exit doors in the finished products warehouse on the second floor does not open in the direction of evacuation. [HSE.5] 2. The width of one out of two exit doors in the needle detecting workshop on the second floor is 0.8 meter, which is less than the legal requirement of 0.9 meter. [HSE.1, HSE.5] 3. According to the fire safety control switchboard, there are three fire alarms and one smoke detector on the first floor that are not functioning. [HSE.5] 4. During a factory tour assessors found that four out of six fire extinguishers mounted outside the building do not have any protection from the elements. [HSE.6]

Local Law or Code Requirement

The Code of Design on Building Fire Protection and Prevention, Article 6.4.11; Code of Design on Building Fire Protection and Prevention,

Root Causes

1. Make sure all exit doors open outward in the direction of evacuation. 2. Widen the exit door in the needle detecting workshop. 3. Regularly inspect and maintain all fire alarms and smoke detectors to ensure that they are functional and in good condition. 4. Protect fire extinguishers mounted outdoors from the elements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory had relocated to new site now. The production buildings are totally new and are meet local law requirement on fire safety; Factory will keep practice based on local law requirement in current new site; Emergency exit door in new site are open outward. 2. Factory had relocated to new site now. The production buildings are totally new and are meet local law requirement on fire safety; Factory will keep practice based on local law requirement in current new site; the width of exit doors in new site are meet local law requirement. 3. Factory had relocated to new site now. The production buildings are totally new and are meet local law requirement on fire safety; In the new site, there has dedicate person to monitor fire safety facility in fire safety control center. 4. Factory had relocated to new site now. The production buildings are totally new and are meet local law requirement on fire safety; In the new site, factory conducts regular fire safety inspection every month and will take immediate action for any findings.

NEW FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Traffic lanes and walking paths are not marked on the factory premises. The factory has neither assessed the need for nor installed any visual management aids such as indicators, convex mirrors in dead ends, reflectors, etc., to ensure that workers use safe driving practices on factory premises [HSE.6] 2. The emergency response plan does not cover external parties, such as service providers and visitors. [ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmark HSE.6)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory had relocated to new site; In the new site traffic lanes and walking paths are marked on the factory premises and indicators, convex mirrors in dead ends etc. had been installed to ensure that workers use safe driving practices on factory premises. 2. Factory had updated and revised policy and procedure about health safety and environment in March 2019; Factory had revised the emergency response plan and covered external parties accordingly.