



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Fast Retailing Co., Ltd.
COUNTRY: China
ASSESSMENT DATE: 11/29/18
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 300

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: Policies & Procedures (Macro)

Finding Explanation

1. There are no policy or procedures regarding Personnel Development or performance reviews. 2. There are no proper grievance procedures established. For example, the factory will not reply to anonymous complaints and there is no principle of non-retaliation against workers who make complaints. There are no procedures for workers to appeal the disciplinary action or a requirement to record all warnings and disciplinary actions. 3. Health & Safety procedures do not contain the following: the protection against retaliation for workers who raise health and safety concerns; steps on how to ensure the safe evacuation of all personnel, visitors, contractors, service providers, special categories of workers, and children in childcare facilities; procedures for confined spaces; or guidance documents for external contractors or service providers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.25.3.1, ER.27.1, ER.28.1, ER29.1, ER.30.1, ER.31.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel Development or performance reviews. They consider checking output, productivity, quality, technology, safety and work attitude of all employees at the end of every year. Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them.

This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019.

1-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related trainings to all employees, and keep the training records.

Planned completion date

03/13/18 : Factory hadn't establish the Personnel Development or performance reviews procedure 04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to a document review as well as management interviews, there are still no policies or procedures regarding Personnel Development or performance reviews. [ER.1, ER.28, ER.29, ER.30]

Root Causes: Factory management does not fully understand the Personnel Development Employment Function or performance reviews.

2. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory has established proper Grievance System procedures that require the factory to respond to anonymous complaints and include the principle of non-retaliation against workers who make complaints. The Grievance System procedures also include an appeal process and a requirement to record all warnings and disciplinary actions.

3. Finding Status (Remediated)

Explanation: According to a document review and management interviews, assessors note that the factory has updated its Health & Safety procedures to contain the following: protection against retaliation for workers who raise health and safety concerns; steps on how to ensure the safe evacuation of all personnel, visitors, contractors, service providers, and special categories of workers; procedures for confined spaces; and guidance documents for external contractors and service providers. There are no policies and procedures on the safe evacuation of children since there is no childcare facility in the factory.

Local Law or Code Requirement

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

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. There is no skill-based training provided for new workers. 2. There is no specific training for the relevant supervisors on Recruitment, Hiring, & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection. 3. There is no specific training on maintenance safety provided for workers with maintenance responsibilities. 4. There is no ongoing training for workers on Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection. 5. There is no training on Workplace Conduct provided to the relevant HR personnel and administrative staff. 6. There is no training for workers on procedures concerning the provision of first aid. 7. There is no training provided to the relevant persons regarding confined spaces.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15.2, ER.17.1, ER.17.3, ER.27.2, and ER.28.2; Health, Safety and Environment Benchmark HSE.6 and HSE.14)

COMPANY ACTION PLANS

Action Plan no 1.

Description

2-1. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related trainings to all employees, and keep the training records. 2-2. Factory conducts noisy inspection according to environment protective inspection report every year, and the result shows that noisy is controlled in a good condition. Factory also has internal environment protective management system, and obtains ISO 14001 certificate. Factory management keeps on working to protect

environment and not make serious environmental impact. Factory will provide training on Environmental Protection to supervisors and keep training records. 4-1. Factory conducts noisy inspection according to environment protective inspection report every year, and the result shows that noisy is controlled in a good condition. Factory also has internal environment protective management system, and obtains ISO 14001 certificate. Factory management keeps on working to protect environment and not make serious environmental impact. Factory will provide training on Environmental Protection to supervisors and keep training records. 5-1. Factory will provide training on Workplace Conduct & Discipline to the relevant HR personnel and administrative staff and keep the training records.

Planned Completion: 2019/6/30

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : 1. Factory had made the annual training plan, and plan to do the orientation training monthly. Now factory had arranged orientation training in March and April, the next orientation training will be arranged in September 04/07/17 : Improving as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to a review of the factory's training materials and training records as well as worker interviews, the factory provides skill-based training for new workers.

2. Finding Status (Partially Remediated)

Explanation: According to a review of the factory's training materials and training records as well as management and worker interviews, the factory provides specific training for the relevant supervisors on Recruitment & Hiring, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System. However, the factory does not provide specific training for the relevant supervisors on Personnel Development and Environmental Protection. [ER.1, ER.17]

Root Causes:

1. The factory's supervisors are not aware of the Personnel Development requirements.

2. Management neglects the requirement to provide Environmental Protection training to the relevant supervisors. In addition, they do not think that their factory has a serious environmental impact.

3. Finding Status (Remediated)

Explanation: According to a review of the factory's training materials and training records as well as worker interviews, the factory provides specific training on maintenance safety to workers with maintenance responsibilities.

4. Finding Status (Partially Remediated)

Explanation: According to a review of the factory's training materials and training records as well as worker interviews, the factory provides ongoing training to workers on Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, and Workplace Conduct & Discipline. However, there is no ongoing training on Environmental Protection. [ER.1, ER.15]

Root Causes: Management neglects the requirement to provide Environmental Protection training to the relevant supervisors. In addition, they do not think that their factory has a serious environmental impact.

5. Finding Status (Not Remediated)

Explanation: According to a review of the factory's training materials and training records as well as management interviews, the factory still does not provide training on Workplace Conduct & Discipline to the relevant HR personnel and administrative staff. [ER.1, ER.17, ER.27]

Root Causes: Management neglects the requirement to provide training on Workplace Conduct & Discipline to the relevant HR personnel and administrative staff.

6. Finding Status (Remediated)

Explanation: According to a review of the factory's training materials and training records as well as management and worker interviews, the factory provides training to workers on the provision of first aid.

7. Finding Status (Remediated)

Explanation: According to a review of the factory's training materials and training records as well as management and worker interviews, the factory provides training to the relevant workers on how to work safely in confined spaces.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, and ER.27)

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not properly or effectively communicate policies and procedures and their updates to the general workforce across all Employment Functions. 2. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input and/or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25.1, ER.27.3, ER.29.1.1, ER.30.2, and ER.32.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel Development or performance reviews. They consider checking output, productivity, quality, technology, safety and work attitude of all employees at the end of every year. Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them. This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019. 1-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related trainings to all employees, and keep the training records. 2-1. Factory establishes procedure of how to make a policy. The policy shows that factory need to post new/updated policy in workshop. All employees could read and give feedback to management. Once got the feedback, management will take it into consideration after review and modify the policy if need. Factory will keep related records which shows worker integration if there is new policy or updated policy. Please review the attached documents: Appendix 1-procedure of how to make a policy

Action Plan Status: 1 (In progress) 2 (Completed)

Planned Completion: 1 (2019/12/31) 2 (2019/3/15)

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : Factory hadn't established the employment function procedure, plan to finish it by 2017/10 04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: According to a review of the factory's documents, meeting minutes between management and Union Representatives, and training records as well as management and worker interviews, the factory communicates its policies and procedures and their updates on all Employment Functions except for Personnel Development with the general workforce. [ER.1, ER.29, ER.30]

Root Causes: The factory does not have policies and procedures on Personnel Development.

2. Finding Status ((Partially Remediated)

Explanation: According to a review of the factory's documents and meeting minutes between management and Union Representatives as

well as management and worker interviews, the factory held discussion meetings with workers regarding health and safety issues. However, the worker integration component is still missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input and/or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes on all Employment Functions. [ER.1, ER.25]

Root Causes:

1. The Human Resources (HR) and Corporate Social Responsibility (CSR) staff believe that it is easier and more efficient to perform management reviews without the involvement of workers.
2. Management does not have a strong understanding of FLA Workplace Code and Benchmarks pertaining to this topic.
3. A 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.25, ER.29, and ER.30)

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not conduct a periodic review and update of policies and procedures for any of the Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, ER.31.1, ER.31.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. Factory will update policy of Health & Safety and Environmental Protective, and add the content of review procedure and standard into policy.

Planned Completion: 2019/6/30

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : Factory hadn't established the employment function procedure, plan to finish it by 2017/10 04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: According to a document review and management interviews, the factory periodically reviews and updates its policies and procedures for all Employment Functions except for Health & Safety and Environmental Protection. [ER.1, ER.31]

Root Causes: Management neglects the requirement to periodically review and update its Health & Safety and Environmental Protection policies and procedures.

Local Law or Code Requirement

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. According to the social insurance contribution records for September 2016, 127 out of 268 (47%) eligible workers were not covered by any type of insurance. In addition, the factory uses the local minimum base of RMB 2628 (USD 379) to calculate the contribution for workers' social insurance for every worker instead of actual earnings. The average wage of workers in this facility is RMB 3000 (USD 433). 2. The factory has not enrolled any workers into the legally required Housing Provident Fund. 3. Based on the information provided by factory management, the factory did not contribute to the social insurance bureau from June to August 2016. The factory provided a document which showed an agreement with the social insurance bureau for a deferred payment.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 73; Regulation on the Housing Provident Fund Management, Article 19, Article 20; FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Compensation Benchmarks C.1 and C.10)

Recommendations for Immediate Action

Provide all eligible workers with all five legally mandated insurances and calculate contributions based on workers' actual earnings.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. Most employees of factory know that if the social insurance contributions based on their workers' actual wages, it will result to their net wage reduced. That's why employees choose to pay social insurance based on local minimum requirement. Factory plans to provide training on social insurance to all employees and help them more understand local law of social insurance. For those employees who are willing to contribute social insurance based on actual wages, factory will do it as their willing. Factory plans to complete this project in following 5 years, and ensure all employees' social insurance contributions are based on actual wages in future. 2-1. Most employees of factory are local residents who already has own house or bought house. To contribute housing fund will result their net wage reduced, so they rejected to contribute housing fund. Factory plans to provide training on housing fund to all employees and help them more understand local law of housing fund. For those employees who are willing to contribute housing fund, factory will do it as their willing. Factory plans to completed this project in following 7 years, and ensure all employees contribute housing fun in future.

Action Plan Status: In progress

Planned Completion: 1 (2022/12/31) 2 (2024/12/31)

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : In August 2017, 172 out of 283 (61%) workers joined the social insurance. The base is the local minimum base. 04/07/17 : Improving as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: According to worker interviews and a review of the factory's social insurance payment receipts from December 2017 to November 2018, the factory still does not provide sufficient social insurance to workers. At the time of the assessment the factory employed 398 workers, including 77 workers who have reached retirement age workers and two newly recruited workers. The social insurance payment receipt from November 2018 indicates that only 208 out of 319 (65%) eligible workers are provided with work-related injury, medical, pension, unemployment, and maternity insurances. In addition, the contribution base for the five types of social insurances is still not in line with legal requirements. The contributions are based on the local minimum requirement of CNY 3,030 (USD 437) for work-related injury, maternity, unemployment, pension, and medical insurance. However, they should be based on the workers' actual monthly wages (about 90% of workers' wages are between CNY 3,300 (USD 475) and CNY 5,000 (USD 720) per month). [ER.22, C.1, C.5, C.10]

Root Causes:

1. Factory management is not willing to bear the increased cost of calculating the social insurance contributions based on their workers' actual wages.
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.
3. The Chinese social insurance system is still under development and the process to transfer insurance funds is complicated. The uncertainty of future benefits makes workers reluctant to participate in the social insurance scheme.

2. Finding Status (Not Remediated)

Explanation: According to management interviews, the factory still does not contribute to the Housing Provident Fund for any workers. [ER.22, C.1, C.5, C.10]

Root Causes:

1. The uncertainty of future benefits makes some workers reluctant to participate in the Housing Provident Fund scheme.
2. Most workers are local and already have their own houses, so they do not think they will buy a house in the future.

3. Finding Status (Remediated)

Explanation: According to worker interviews and a review of the factory's social insurance payment receipts from December 2017 to November 2018, the factory contributed to the Social Insurance Bureau in all reviewed months.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Articles 72 and 73; Social Insurance Law of the People's Republic of China, Articles 12 and 58; Regulations on Management of Housing Provident Fund, Articles 3 and 15; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1, C.5, and C.10)

Recommendations for Immediate Action

1. Provide all workers with all five types of social insurance. Calculate social insurance contributions based on workers' actual wages.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Based on time records from October 2015 to November 2016, the monthly overtime of approximately 90% of sampled workers exceeded 36 hours per month, the legal maximum. The highest monthly number of overtime hours was 74.5 in October 2015. 2. Based on management interviews, overtime occurs because there are not enough workers.

Local Law or Code Requirement

Article 41 of the Labor Law of the PRC; FLA Workplace Code (Hours of Work Benchmark HOW.1.1, HOW.1.2, HOW.6)

Recommendations for Immediate Action

Ensure that workers' overtime hours do not exceed the statutory limits of 36 hours per month.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1/2-1. The company will do best to control the working hours per week and receive orders based on the production capacity. We will reserve enough time for production and make the production plan reasonably. Improve the productivity and optimize production mode by taking full advantage of advanced production equipment. Meanwhile, we will take use of the development of template and simplification of process to achieve the all-round improvement of productivity. And we will strengthen skills training for on-the-job staff to improve Competitiveness. 1/2-2. The company will cooperate with the external client to make a specific and practical plan. The inner production department will discuss with CSR or HR department to make feasible production plans to make sure the production plan not include regular overtime. Meanwhile, we will implement strictly following the FLA Workplace Code and Responsible Production Code of Conduct. 1/2-3. Employ more skilled workers and try to develop multiple recruitment channels.

Action Plan Status: Planned

Planned Completion: 2019/12/31

Planned completion date

03/19/17

Company Action Plan Update

04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to worker interviews and a review of the time records from October 2017 to November 28, 2018, approximately 90% of workers worked more than 36 hours of overtime per month during every month in the reviewed period except February 2018, with a maximum of 68.5 hours of overtime in September 2018. [HOW.1, HOW.8]

Root Causes:

1. The shipping date required by nearly all customers was very tight. As a result, workers had to work overtime to finish the orders on time.

2. The factory does not 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 (Not Remediated)

Explanation: According to management interviews, overtime occurs because there are not enough workers. [HOW.6]

Root Causes:

1. Management is finding it more and more difficult to recruit new workers.

2. Understaffing is common in the garment industry in China.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.6, and HOW.8)

Recommendations for Immediate Action

1. Do not require or allow workers to work more than 36 hours of overtime per month.

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union under the ACFTU (All China Federation of Trade Unions) that was established on May 12, 2016. Three union representatives were elected by all employees in each department on March 10, 2016. However, none of these nine union representatives are workers (they are all supervisors and managers) and two who were interviewed by assessors did not know that they are representatives. Although all elected worker representatives are identified in the union's records, these records were not readily

available to workers or worker representatives. 2. 200 workers are union members without consent; the factory paid union dues on behalf of these workers (the dues were not deducted from workers' wages, the factory itself paid the dues). About 90% of the workers interviewed did not know whether they were members of the trade union or were not aware of the union fee arrangement. 3. The factory does not provide the union with a meeting room or designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions. 4. The factory has a Collective Bargaining Agreement (CBA) with the union. However, the factory does not post the CBA on a bulletin board or provide a copy to workers. None of the workers interviewed were aware of the content of the CBA. 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 ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2; ER 25 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.15, FOA.17, and FOA.21)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. According to local laws and regulations of Labor Union, the members of Labor Union Commission should be approved by General Union and the General Union is led by the government. And the union representatives could be elected by factory employees and no need to apply for approval of General Union. Labor Union Commission of factory is already approved by General Union, and the union representatives were elected by all employees of each departments in Apr 2017. Union representatives will be elected every two years. Factory will properly keep all elected documents for refer during next election period. Please review the attached documents: Appendix 2 - approval document of Labor Union Commission issued by General Union Appendix 3 - Appointment notification of union representative 2-1. Labor Union of factory will make a list of a labor fee arrangement, and communicate with the employees who joined into Labor Union. Factory will properly keep the related records. 4-1. Factory already posted the Collective Bargaining Agreement in workshop so that all employees could read it anytime. Factory will also provide training regarding on the collective bargaining agreement to all employees and keep related records.

Action Plan Status: 1 (Planned) 2/4 (In progress)

Planned Completion: 1 (2019/6/30) 2/4 (2019/5/31)

Planned completion date

03/19/17

Company Action Plan Update

04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: According to a document review and management interviews, there are currently four union representatives on the Union Committee, however, three of them are still members of management (the Union Chairman is the Administration Manager and two of the other union representatives are the HR and Finance Supervisors). These union representatives

were self-appointed, not elected by workers. As a supplement, the factory organized an election on March 14, 2018 and four worker representatives were elected by all workers in each department. The election records were not readily available to workers or worker representatives, although all workers who were interviewed by assessors knew who their worker representatives were. [FOA.1, FOA.10, FOA.11]

Root Causes: It is very common in China for union representatives to be unelected and to be members of management. Union representatives are required to be approved by General Union and the General Union is led by the government. So General Union may from interfere with elections to ensure that members of management are appointed to these positions.

2. Finding Status (Partially Remediated)

Explanation: According to a document review as well as workers and management interviews, the factory provides written consent that the factory pays union dues on behalf of workers and that the factory pays the Union dues itself instead of deducting them from workers' wages. 80% of the workers interviewed by assessors knew that they were members of the union. However, none of them were aware of the union fee arrangement. [C.12]

Root Causes: The factory does not inform workers of the details of the union fee arrangement. Workers only know that the factory pays their union dues.

3. Finding Status (Remediated)

Explanation: According to assessors' onsite observations, the factory provides the union with a designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.

4. Finding Status (Partially Remediated)

Explanation: According to assessors' onsite observations as well as management and worker interviews, the factory posts the CBA on a bulletin board, but does not provide a copy to workers. As a result, none of the workers interviewed were aware of the content of the CBA. [ER.16]

Root Causes: Most of the union members are members of management, so they pay little attention to communicating and implementing the CBA.

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

FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.11, and FOA.24)

PREVIOUS FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. A third party witness is not available during disciplinary actions against workers and there is no appeal procedure on disciplinary action exists. 2. The factory does not maintain disciplinary records.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationships Benchmark ER. 2, ER.27.3, ER.27.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

2-1. Factory took immediate action to update content of the disciplinary policy, use the sentence "HR department will record the details of disciplinary or award, and keep the records with personnel documents. Labor Union will monitor the whole process." instead of "HR department will record the details of disciplinary or award and keep the records together. Labor Union will monitor the whole process." Moreover, Factory updated the form of disciplinary record, and will use it if there is disciplinary or award and keep it in the personnel documents. Please review the attached documents: Appendix 4 - updated disciplinary policy Appendix 5 - updated form of disciplinary record

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : Factory had established the disciplinary procedures, added the requirement of labor union representative should discuss any of disciplinary actions and the appeal procedure 04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory updated its Workplace Conduct & Discipline procedures to include an appeal process and the workers' right to have a third-party witness present during the imposition of disciplinary actions. These procedures are implemented accordingly.

2. Finding Status (Partial Remediated)

Explanation: According to a document review and management interviews, the factory maintains all disciplinary records. However, the records are maintained in a centralized file, not in workers' personnel files. [ER.27]

Root Causes: Factory management does not have a full understanding of the FLA requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

PREVIOUS FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Based on information provided by factory management, the factory does not currently employ any workers with disabilities. The current practice violates the legal requirement and carries the risk of discrimination based on the FLA Workplace Code and Benchmarks.
2. The factory does not conduct performance reviews.
3. Only 25% of positions have written job description, none of the production positions have job descriptions.

Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Nondiscrimination Benchmarks ND.1 and ND.2; Employment Relationship Benchmarks ER.1, ER.3, ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. The HR Department will review all positions during the production process and try to find out the appropriate positions for the disabled workers. Factory will list those positions on the recruitment advertisement. Meanwhile, Factory also will search the qualified agency which is working on helping the disabled to look for job and discuss with the agency about cooperation opportunity. 2-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel

Development or performance reviews. They consider checking output, productivity, quality, technology, safety and work attitude of all employees at the end of every year. Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them. This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019. 2-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related trainings to all employees, and keep the training records.

Action Plan Status: In progress

Planned Completion: 2019/12/31

Planned completion date

03/19/17

Company Action Plan Update

03/13/18 : Factory had registered the demand to hire 5 sewing workers to the local disabled persons. It is still in progress.

04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the factory does not employ any disabled workers, which is a violation of legal requirements that state at least 1.5% of the total workforce should be composed of disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination. [ER.3, ND.2]

Root Causes:

1. No disabled workers are willing to work in the factory.
2. It is difficult to arrange a suitable job for disabled workers in the factory.

2. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the factory does not conduct performance reviews. [ER.29]

Root Causes: Factory management is gradually developing a performance reviews process and will conduct performance reviews in the future.

3. Finding Status (Remediated)

Explanation: According to a document review, the factory has written job descriptions for all positions in the factory.

Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities, Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.3 and ER.29; Non-Discrimination Benchmark ND.2)

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no eye washing facility installed in the spot cleaning area. 2. There are electrical control panels blocked by materials in the finishing workshop and the stuffing workshop. 3. About 10% of the evacuation plans are posted in the wrong direction in the sewing workshop. Additionally, some important information is not marked in the evacuation plans, such as the location of the fire alarm and first aid kit. 4. The factory has never had an occupational hazards pre-assessment or current condition assessment.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Article 26; General Guide for Safety of Electric User, Article 6.5; Fire Control Law of the People's Republic of China, Article 16; Regulations of Management and Supervision on Workplace Occupational Health, Article 20; Interim Measures on Supervision and Management of "Three Simultaneities" for Occupational

Recommendations for Immediate Action

1. Install an eye washing facility in the spot cleaning area. 2. Keep control panels in the workshops free of obstruction. Regularly monitor for compliance. 3. Update emergency evacuation plans to include the necessary information and post accurate evacuation maps. 4. Obtain the occupational hazards pre-assessment and current condition assessment from third party assessors, as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2-1. Factory took immediate action to remove the materials around the electrical panels in the stuffing workshop and finishing workshop. Factory EHS team will enhance the regular safety inspection on electrical panels and ensure all electrical panels are in good condition without any stuff. Please review the attached documents: Appendix 6 - electrical control panels without materials in stuffing workshop Appendix 7 - electrical control panels without materials in finishing workshop 4-1. As factory communicated with qualified third-party company and know that, according to the requirements of "Regulations on the Supervision and Management of Workplace Occupational Health ", An employing entity with severe occupational hazards shall invite an occupational health technical service agency with corresponding qualification to conduct the evaluation on occupational hazard factors at least once every three years. The evaluation will be 50 thousand yuan to more than 100 thousand yuan based on different conditions of factories. Moreover, according to "Classified Management Catalogue of Hazardous Risk of Workplace Occupational Health ", the hazardous grade of Apparel Manufacturing is normal, which is required to conduct the evaluation on occupational hazard factors at least once every year. The factory invites qualified third-party to conduct the evaluation on occupational hazard factors every year, the final results all meet the standards and the evaluation report is properly kept by factory. The factory will look for a qualified third-party company to conduct an occupational hazards current condition assessment and a protection management according to the national regulations. Please review the attached documents: Appendix 8 - evaluation report of occupational hazard factors of the Factory.

Planned completion date

03/19/17

Company Action Plan Update

06/12/19: 4-1. As factory communicated with qualified third-party company and know that, according to the requirements of "Regulations on the Supervision and Management of Workplace Occupational Health", An employing entity with severe occupational hazards shall invite an occupational health technical service agency with corresponding qualification to conduct the evaluation on occupational hazard factors at least once every three years. The evaluation will be 50 thousand yuan to more than 100 thousands yuan based on different conditions of factories. Moreover, according to "Classified Management Catalogue of Hazardous Risk of Workplace Occupational Health ", the hazardous grade of Apparel Manufacturing is normal, which is required to conduct the evaluation on occupational hazard factors at least once every year. Haotian factory invites qualified third-party to conduct the evaluation on occupational hazard factors every year, the final results all meet the standards and the evaluation report is properly kept by factory. The factory will look for a qualified third-party company to conduct an occupational hazards current condition assessment and a protection management according to the national regulations. Please review the attached documents: Appendix 8 - evaluation report of occupational hazard factors of Haotian Factory

04/07/17 : Improving as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to assessors' onsite observations and testing, the factory installed an eye wash station in the spot cleaning area which uses clean water from the municipal water supply.

2. Finding Status (Partially Remediated)

Explanation: According to assessors' onsite observations, the factory has removed the materials around the electrical panels in the stuffing workshop. However, in the finishing workshop, there were two baskets placed under one electrical panel. During the factory tour, management corrected this issue immediately. [HSE.5, HSE.13]

Root Causes:

1. The factory provides Health & Safety training to all workers; however, the factory does not check whether workers understand and follow the fire safety requirements.

2. The staff members responsible for Health & Safety staff monitor this issue on a daily basis.

3. Finding Status (Remediated)

Explanation: According to workers' onsite observations and management interviews, the factory updated all evacuation maps in the factory. The new maps include the correct directions and the location of the fire alarm and first aid kits.

4. Finding Status (Not Remediated)

Explanation: According to a document review and management interviews, the factory has never conducted an occupational hazards pre-assessment or current condition assessment. [HSE.1]

Root Causes: Factory management does not know this requirement, and they think the occupational hazard condition in the factory is acceptable.

Local Law or Code Requirement

The General Guide for Safety of Electric User, Article 5.1.1; Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Article 17; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.13)

Recommendations for Immediate Action

1. Remove the baskets from beneath the electrical panel.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. In the sewing workshop, some workstations are blocked by materials, which makes it difficult for workers to evacuate in cases of emergencies. 2. Two out of two emergency exits on the top floor of the building do not have emergency lighting or exit signs. 3. The factory has not posted notices regarding unauthorized entry for confined spaces. 4. There is no fence installed around the opening of the fire water tank.

Local Law or Code Requirement

Fire Control Law of the People's Republic of China, Article 28; Code for design of building fire protection and prevention, Article 10.3.5; Code for design of building fire protection and prevention, Article 10.3.1; Code of Fire Prevention for Architectural Design, Article 10.3.4; Safety Requirements for Fixed Steel Ladders and Platform, Part 3 (GB 4053.3-2009); FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.5.1, and HSE 14.3)

Recommendations for Immediate Action

1. Ensure all workers' workstations are free of obstruction. Regularly monitor for compliance. 2. Install exit signs and emergency lights above all exits in the factory. Regularly monitor the lights for functionality. 3. Post notices restricting unauthorized entry near confined spaces. 4. Install a fence at the opening of the fire water tank to prevent workers from falling in.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to assessors' onsite observations and management interviews, the factory removed the materials from around the workstations and workers can evacuate freely without obstruction.

2. Finding Status (Remediated)

Explanation: According to assessors' onsite observations, there are emergency lights and exit signs above both exits on the fourth floor of the factory building.

3. Finding Status (Remediated)

Explanation: According to assessors' onsite observations, the factory posted notices regarding unauthorized entry into confined spaces.

4. Finding Status (Remediated)

Explanation: According to assessors' onsite observations, the factory built a fence near the water tank with a height of about two meters.

PREVIOUS FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Some workers in the factory are susceptible to occupational diseases, for example workers who come into contact with chemicals and dust. However, their employment contract does not cover these occupational hazards. 2. Four out of 30 sampled workers have worked at this facility for more than 10 years, these workers have met the requirement for signing an open-ended employment contract with the factory, as stipulated in law. However, these workers are still employed under fixed term employment contracts.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Article 34; Law of the People's Republic of China on Employment Contract, Article 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.9.3)

Recommendations for Immediate Action

1. Communicate to relevant workers the harmful effects, consequences, protective measures and necessary treatment of occupational diseases that might result in the work process and include this information in their employment contracts. 2. Sign an open-ended employment contract with all workers who meet the legal requirements for a such an employment contract.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to a review of the relevant workers' employment contracts, the factory notifies workers of occupational hazards notification in their contracts.

2. Finding Status (Remediated)

Explanation: According to a document review and management interviews, the factory signs open-ended employment contracts with all workers who have worked at this facility for more than ten years.

PREVIOUS FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not established an ergonomics program. It has not taken any proactive steps to reduce repetitive-motion stress or injuries for workers. 2. The factory has not established a system to track illnesses.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety, & Environment Benchmark HSE.1, HSE.3 and HSE.17.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1-1. Factory already provides chairs with backrest to standing workers so that they could use it during rest hours. Moreover, factory is in process of purchasing anti-fatigue mats, and will provide to standing workers once received. Factory will establish the policy or procedure of Ergonomics and communicated with employees once finished. Please review the attached documents: Appendix 9 - chairs with backrest provided for standing workers A&B 2-1. There is no clinic or doctors in factory, and is not available to get the diagnosis records of all employees from hospital. It is difficult for factory to collect information of illness because some employees think it is personnel privacy and don't want to let others know. Based on above information and consider the operability, factory plans to establish illnesses tracking form firstly. If the employee asks for sick leave factory will communicate with them and try to get illness information or diagnosis records which issued by local hospital, then fill into the illness tracking form. Please review the attached documents: Appendix 10 - illness tracking form

Planned completion date

03/19/17

Company Action Plan Update

04/07/17 : Improveing as plan

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to assessors' onsite observations and a document review, the factory has not established an ergonomics program and has not taken any proactive steps to reduce repetitive-motion stress and injuries. The factory does not provide adjustable workstations for seated workers or anti-fatigue mats for standing workers. [HSE.17]

Root Causes:

1. Factory management explained that the ergonomic risk in the factory is not obvious and they have operated garment factories for more than 20 years without finding any obvious ergonomic issues.

2. Finding Status (Not Remediated)

Explanation: According to management interviews and a document review, the factory has not established a system to record and track illnesses. [HSE.3]

Root Causes:

1. Factory management explained that it is hard to record workers' illness for three reasons:

a. The first is that traditionally in Chinese culture illness is personal and management should not ask workers about their illnesses to respect their privacy;

b. The second is that not every illness is visible, so management may not know about it;

c. The third is that if management asks about workers' illnesses, the workers may think that if they are sick, they will be fired. This would make the relationship between management and workers awkward.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.3 and HSE.17)

New Findings and Action Plans

NEW FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

1. The factory does not clearly define in writing the person responsible for Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Discipline, and Grievance System within the factory. [ER.1] 2. There is no management sign off on the factory's policies and procedures. [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory management will review the policy and procedure of Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Discipline, and Grievance System firstly, then add the content of job description in the documents. This will be completed before the end of Dec 2019. 2. Factory already reviewed the policy and procedures and management signed on the documents which is miss signatures. Factory will enhance regular inspection and ensures all policies and procedures are valid with management signatures. Please refer to attached documents: Appendix 1- policy and procedure with management's signature

Action Plan Status: 1. In progress 2. Finished

Planned Completion: 2019/12/31

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory employs about 20 workers from Chinese national minorities who cannot read or speak Chinese. However, these workers' employment contracts are only in Chinese. However, there is a representative for these workers who understands Chinese. [ER.5.7]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.10)

Recommendations for Immediate Action

1. Ensure that employment contracts are written in workers' language(s).

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory is in the process of searching translation company and plan to ask them to translate the contracts so that the employees who came from china national minorities can read and understand the content of labor contracts, then sign the updated contracts again. Meanwhile, factory will provide training on how to speak mandarin, read and write in Chinese to those employees so that factory could communicate with the employees from Chinese national minorities. This will be completed before the end of Dec 2019.

Action Plan Status: In progress

Planned Completion: 2019/12/31

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not take workers' external seniority (previous job experience prior to employment at the factory) into account when calculating annual leave, as required by law. [ER.22, C.1, C.5, HOW.11] 2. The factory does not make a reasonable effort to ensure that workers understand their compensation, including how wages are calculated. For instance, the factory's procedures on Compensation state that the wage structure is "Basic Wage + Overtime Premium + Performance Bonus + Other"; however, the procedures do not indicate how to calculate the Performance Bonus and none of the workers interviewed by assessors knew how to calculate their Performance Bonus. [ER.1, ER.16, C.17]

Local Law or Code Requirement

Regulations on Annual Leave for Employees, Articles 2 and 3; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.22; Compensation Benchmarks C.1, C.5, and C.17)

Recommendations for Immediate Action

1. Provide paid annual leave to all workers based on their cumulative work experience.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. According to Reply for Relevant Questions on The Implementation Provisions of Employee's Paid Annual Leave, the employees' accumulative working time could be calculated by the personnel file, social insurance records, labor contracts or other supporting documents which have legal effects. Most employees of factory from countryside nearby could not provide any of above-mentioned documents for factory to calculate annual leave based on seniority. Factory will confirm the seniority with all employees again and take their external seniority into account when calculating annual leave if they could provide effective supporting documents. This project will be completed before the end of Dec 2019. 2. Factory management will review the policy and procedure of compensation and benefit and add the content of how to calculate performance bonus into the policy. Once the policy updated, factory will provide related training to all employees and help them to understand the calculate method. Factory will keep related training records for refer. This will be completed before the end of Dec 2019.

Action Plan Status: In progress

Planned Completion: 2019/12/31

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. One of the 50 sampled workers did not receive at least 24 consecutive hours of rest during the seven-day period from April 23 to April 29, 2018. [HOW.2] 2. The production plan includes overtime work. The factory usually bases its production plans on nine and a half hours (eight regular hours plus one and a half overtime hours) per work day plus eight hours of overtime on Saturday, resulting in 15.5 hours of overtime per week. [HOW.8]

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.2 and HOW.8)

Recommendations for Immediate Action

1. Provide workers with at least 24 consecutive hours of rest in every seven-day period.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Although 36hrs OT working per month is restricted according to China Labor Law, it is difficult for Chinese manufactory industry to meet with this limitation, especially under the current situation of Chinese labor shortage and unpredictable international market. It is really challenge for factory to recruit expected number of workers to meet the production need, and as communicated with employees, most of them would like to work more OT to get higher salary. Factory ensures that total weekly working hours are limited in 60hrs/week, and all employees are voluntary to join OT working. Otherwise, factory will try best to expand recruit channels, improve equipment and enhance productivity and reduce overtime working hours step by step when factory is making production plans. 2. Factory provides training of COC which includes the content of environment to all employees every year. However, factory will provide special training of environment to all employees every year, and properly keep the related training documents as records for refer. The training will be provided before the end of Dec 2019. Action Plan Status: In progress

Planned Completion: 2019/12/31

NEW FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not provide ongoing training to all workers regarding Environmental Protection. [ER.1, ER.15] 2. The factory does not provide specific training to supervisors regarding Environmental Protection. [ER.1, ER.17]

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory provides training of COC which includes the content of environment to all employees every year. However, factory will provide special training of environment to all employees every year, and properly keep the related training documents as records for refer. The training will be provided before the end of Dec 2019. 2. Factory provides training of COC which includes the content of environment to all employees every year. However, factory will provide special training of environment to management every year, and properly keep the related training documents as records for refer. The training will be provided before the end of Dec 2019.

Action Plan Status: In progress

Planned Completion: 2019/12/31

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There were no safety guards for one of the electrical switches on the fourth floor of the building. On the second day of the assessment, the factory corrected this issue and installed a safety guard for the electrical switch. [HSE.1, HSE.13] 2. According to the Occupational Hazards Test Report, the sound level in the cutting workshop on the third floor of the factory building is 87.7 dB and the sound level in the sewing workshop on the second floor of the building is 87.1 dB. The sound level in these two places is higher than 85 dB. [HSE.13] 3. The pulley guard on one of the eight button-sewing machines in the sewing workshop on the second floor of the building was broken. On the second day of assessment, the factory corrected this issue and repaired the pulley guard. [HSE.14] 4. There is no privacy door for one of the two men's toilets on the second floor of the building. [HSE.20] 5. The Occupational Hazards Test Report is not posted in the relevant workshops to inform workers of the test results. [ER.16, HSE.1, HSE.2] 6. According to the Occupational Health Check Reports, one out of twenty-four workers have hearing problems. Management reassigned this worker to another position, but they were not able to provide an Occupational Health Recheck Report for this worker. In addition, the factory does not provide pre-employment and post-employment Occupational Health Checks for workers. [HSE.1, HSE.2] 7. The traffic lanes and walking paths in the factory are not marked. The factory does not provide any visual management (indicators or convex mirrors) to ensure safe driving practices on factory premises. [HSE.14]

Local Law or Code Requirement

The General Guide for Safety of Electric User, Article 5.1.2; The Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Articles 24, 26 and 36; Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; FLA Workplace Code (Employment Relationship Benchmark ER.16; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.5, HSE.13, HSE.14, and HSE.20)

Recommendations for Immediate Action

1. Install a safety guard for the electrical switch. 2. Reduce the sound level in the cutting workshop and the sewing workshop. 3. Repair or replace the pulley guard on the button-sewing machine. 4. Install privacy doors for the men's toilets on the second floor. 5. Conduct an Occupational Hazard Test every year and post the test report in the factory to inform workers of the occupational hazards present in the factory. 6. Provide workers with Occupational Health rechecks as well as pre-employment and post-employment Occupational Health Checks as legally required. 7. Mark the traffic lanes and walking paths in the factory. Install visual management such as indicators and convex mirrors to ensure safe driving practices on factory premises.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory took immediate action to install a safety guard for the electrical switch on the fourth floor of the building on the auditor day and invited the auditor to confirm on the second day of audit. Factory will enhance internal regular audit and ensure all electrical switches are in good condition with safety guards. Please refer to attached documents: Appendix 2- electrical switch with safety guard on 4th floor 2. According to the Occupational Health Check Reports of past years, the noise level was not higher than 85dB ever. Factory immediately contacted with local Center for Disease Control and Prevention who issued the report to confirm the data. The center finally found that the test result of noise level in the report is wrong, actually the noise level of the factory was 77.7 dB and 65.9 dB in sewing workshop and cutting workshop, they updated the Occupational Health Check Reports which showed that noise level was complied with the requirement of local laws and regulations. 3. Please refer to attached documents: Appendix 3- updated test result of noise level 4. Factory took immediate action to install a pulley guard for the button-sewing machine on the second floor of the building on the auditor day and invited the auditor to confirm on the second day of audit. Factory will enhance internal regular audit and ensure all pulley guards are in good condition. Please refer to attached documents: Appendix 4- button-sewing machine with pulley guard in sewing workshop 5. Factory took immediate action to install a privacy door for men's toilet on the second floor of the building. Factory will enhance internal regular audit and ensure all privacy doors of toilets are in good condition. Please refer to attached documents: Appendix 5- men's toilet with privacy door on the 2nd floor 6. Factory took immediate action to post the Occupational Hazards Test Report in downfilling room to inform employees of the test results. Please refer to attached documents: Appendix 6- Occupational Hazards Test Report posted in down-filling room 7. This employee resigned in Mar 2019. Factory reassigned him to take health check several times before he left, but he rejected. Till Jul

2019, there is no new employee or resigned employee who need to take Occupational Health Check. Factory will enhance regular internal inspection on Occupational Health management and ensures that preemployment and post-employment Occupational Health Checks are completed for related employees. 8. Now in the factory, one building is under construction and the project will be finished by the end of Dec 2019. Once finished, factory will set convex mirror and indicators at the corner of load based on updated factory layout. It will be finished by the end of Dec 2019

Action Plan Status: 1-6, Finished 7. In progress

Planned Completion: 2019/12/31

NEW FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are flammable materials (wood veneer and woven bags) stored in one of the two stairwells on the first floor of the factory building. [HSE.5] 2. The stuffing rooms are separated from the sewing workshop by a glass wall on the second floor of the building, but there is only a fire alarm in the sewing workshop, not in the stuffing rooms. [HSE.1, HSE.5] 3. There are no acousto-optic alarms in the sewing workshop and cutting workshop where the noise level is higher than 85 dB. [HSE.1, HSE.5] 4. The fire alarms in the factory are not centralized. [HSE.1, HSE.5] 5. There is no back-up battery for the fire alarms. [HSE.1, HSE.5]

Local Law or Code Requirement

The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 6.4.1; Code for Design of Automatic Fire Alarm System (GB50116-2013), Article 6.5.1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

Recommendations for Immediate Action

1. Remove the flammable materials from the stairwell. 2. Install fire alarms in the stuffing rooms. 3. Install acousto-optic alarms in the sewing workshop and cutting workshop. 4. Centralize the fire alarms. 5. Provide back-up battery power for the fire alarms in the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory took immediate action to remove the flammable materials away from stairwells on the first floor of the factory building. Factory educated responsible person and asked him to operate follow the safety standard seriously. Meanwhile, factory will enhance regular internal inspection and ensures all stairwells are in good condition without flammable materials. Please refer to attached documents: Appendix 7- stairwell without flammable materials on the 1st floor 2. This office located in sewing department on the second floor of the 4-storey building, and its area is about 30 square meters. The office is used as stuffing rooms and separated from the sewing workshop by a glass wall without cover, so that the staff in office could easily and quickly know what happened in sewing workshop. The distance between office and the nearest fire alarm is less than 3 meters. Factory will contact professional organization for consultation and will immediately install fire alarm if it is required by laws and regulations. This will be completed by the end of Dec 2019. 3. According to the Occupational Health Check Reports of past years, the noise level was not higher than 85dB ever. Factory immediately contacted with local Center for Disease Control and Prevention who issued the report to confirm the data. The center finally found that the test result of noise level in the report is wrong, actually the noise level of the factory was 77.7 dB and 65.9 dB in sewing workshop and cutting workshop, they updated the Occupational Health Check Reports which showed that noise level was complied with the requirement of local laws and regulations. Factory will keep on tracking noise level and will install acousto-optic alarm once the noise level is higher than 85dB. Please refer to attached documents: Appendix 3- updated test result of noise level 4. Factory now is in the process of planning how to rebuild line of fire alarm in factory, then will immediately carry out the plan for centralized control once the plan is made. This project will be completed by the end of Dec 2019. 5. Factory will contact professional fire safety organization and invite them to install back-up battery as soon as possible. This project will be completed by the end of Oct 2019.

Action Plan Status: 1&3. Finished 2,4&5 In progress

Planned Completion: 2019/12/31

NEW FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory's Risk Assessment Report does not cover the appropriate ways to eliminate and/or control hazards. [HSE.1] 2. There are no accident records available for assessors to review. According to management, there have not been any accidents in the factory; however, there are adhesive bandage usage records in the first aid kits which indicate that minor accidents have occurred in the factory. Factory management did not record these minor accidents. [HSE.3] 3. The Personal Protective Equipment (PPE) training provided to worker does not cover the following topics: a. How workers are to properly use PPE to protect themselves against hazards; b. How PPE is to be worn and/or used; c. How PPE is to be stored; and d. How PPE is to be replaced. [ER.1, HSE.8] 4. The chemical safety training provided to workers does not cover the following topics: a. Proper protection methods including PPE usage; b. Access restriction to chemical storage areas; c. The potential impact of the chemicals in the tanks; d. The physical protection provided to workers in the area(s) where the factory uses, stores and transports these containers, and their individual duties associated with monitoring and maintaining this protection. [ER.1, HSE.9] 5. The factory does not post safety instructions near machinery. [HSE.14] 6. The factory's Health & Safety procedures do not include a list of equipment and machines that require lockout/tagout. [ER.1, ER.31] 7. The factory does not train workers who lift heavy objects on proper lifting techniques. [ER.1, HSE.17] 8. The factory does not review or update its Health & Safety policies and procedures. The current policies and procedures were created on April 6, 2017. [ER.1, ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.8, HSE.9, HSE.14, and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will work out the appropriate ways to eliminate and control hazards according to the factory's Risk Assessment Report and add it into the assessment report as required by local laws and regulations. This will be completed by the end of Dec 2019. 2. Factory will provide training on accident management to first aiders and ask them to record minor accidents and report to management, then factory will analyze the accident, make corrective action plan, and tracking the result. This will be finished by the end of Oct 2019. 3. Factory will review training material of PPE, and add blow items, and provide training to all employees once finished: a. How workers are to properly use PPE to protect themselves against hazards; b. How PPE is to be worn and/or used; c. How PPE is to be stored; and d. How PPE is to be replaced This will be finished by the end of Oct 2019. 4. Factory will review training material of PPE, and add blow items, and provide training to all employees once finished: a. Proper protection methods including PPE usage; b. Access restriction to chemical storage areas; c. The potential impact of the chemicals in the tanks; d. The physical protection provided to workers in the area(s) where the factory uses, stores and transports these containers, and their individual duties associated with monitoring and maintaining this protection. This will be finished by the end of Oct 2019. 5. Factory took immediate action to post safety instructions near machinery. Factory will enhance regular internal inspection and ensures that all safety instructions are posted near machinery. 6. Factory took immediate action to make a list of equipment and machines that require lockout-tagout and provide training on lockout-tagout to related employees. Please refer to attached documents: Appendix 9- list of equipment and machines that require lockout-tagout 7. Factory will prepare training materials and provide training on lifting techniques to the employees who lift heavy objects and keep the training records for refer. This will be completed by the end of Oct 2019. Please refer to attached documents: Appendix 8- safety instructions posted near machinery 8. Factory conducts CSR internal assessment every year. Factory will check the condition of policy and procedures of Health and Safety when CSR internal assessment is conducted this year and make corrective action plan if there is non-compliance finding. Factory will track the status till the finding is corrected. This will be normal item once CSR internal assessment is conducted every year. This will be finished by the end of Dec 2019.

Action Plan Status: 1-4&7-8, In progress 5&6 Finished

Planned Completion: 1&8: 2019/12/31, 2-4&7: 2019/10/31