



Verification Assessment

COMPANIES: Zephyr Graf-X
COUNTRY: China
ASSESSMENT DATE: 11/09/17
ASSESSOR: Elevate
PRODUCTS: Other
NUMBER OF WORKERS: 25

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

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

The job application form includes a question regarding marital status, which might lead to discrimination during the recruitment process. [ND.2, ND.4]

Based on document review and management interview, it was noted that none of the positions have written job descriptions. [ER.1]

The factory has not hired any disabled workers. The local law requires that at least 1.5% of the total workforce be comprised of disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code and Benchmarks. [ER.3]

There are no policies and procedures regarding production workers' career path and Personnel Development. [ER.28, ER.29 and ER.30]

Documents review and worker interviews found that the factory does not sign open-ended employment contracts for an unlimited period with workers who have signed employment contracts twice or multiple times, violating legal requirements. [ER.9]

The policies and procedures about the performance reviews just focus on sewing workers instead of all production workers in the factory. Additionally, the factory just conducts regular performance reviews for sewing workers only. [ER.29]

Local Law or Code Requirement

Recommendations for Immediate Action

Remove the question regarding marital status from job application form.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Remediated

Explanation:

The question regarding marital status has been removed from the job application form and the factory does not take applicants' marital status into consideration in hiring decisions.

2. Finding status: Not Remediated

Explanation: None of the positions have written job descriptions. [ER.1]

Root Causes: The person in charge of recruitment and hiring does not have a clear idea on how to write the job descriptions.

3. Finding status: Remediated

Explanation: The factory hired one disabled worker on May 9th, 2017, which meets the requirement that at least

1.5% of the total workforce (17 employees) is comprised of disabled workers.

4. Finding status: Not Remediated

Explanation: There are no policies or procedures regarding production workers' career path or personnel development. [ER.28, ER.29 and ER.30]

Root Causes: The factory has made a rough draft of policies and procedures regarding production workers' career path and personnel development, but management is still waiting on a decision from the factory director on whether the rough draft is appropriate to be put into practice.

5. Finding status: Not Remediated

Explanation: The factory does not sign open-ended employment contracts with workers who have signed fixed-term employment contracts twice or multiple times, violating legal requirements. [ER.9]

Root Causes: The person in charge has not updated the employment contracts because they plan to correct the issue when current contracts expire.

6. Finding status: Not Remediated

Explanation: The policies and procedures on performance reviews only focus on sewing workers instead of on all production workers in the factory. Additionally, the factory only conducts regular performance reviews for sewing workers. [ER.29]

Root Causes: The factory made a plan to address the issue, but has not implemented it. Since sewing workers work on a piece-rate basis, factory management finds it easier to conduct performance reviews for them as opposed to other workers paid on an hourly basis. The plans to expand the scope of performance reviews to the rest of the workforce are still under discussion in factory.

Local Law or Code Requirement

PRC Employment Contract Law article 14, FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, ER.29, and ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Comprehensive revision of personnel files according to relevant policies and regulations/ The policies and procedures for production workers' career paths and personnel development were implemented in January 2018./ The term of non - term contract for employees has been signed in March 2018./ According to the output per month, the worker is evaluated according to the output. At the end of the year, the workers will pay the year-end bonus according to their personal performance and attendance (the standard and system of a bonus payment in the later period).

Company Action Plan Update

- . The question regarding marital status has been removed from the job application form and the factory does not take applicants' marital status into consideration in hiring decisions.
2. Job descriptions have been added for all positions and a maintained list of workers and their positions has been put in place.
3. The factory hired one disabled worker on May 9th, 2017, which meets the requirement that at least 1.5% of the total workforce (17 employees) is comprised of disabled workers.
4. The factory has put in place an employee training program which takes place twice a year that is related to the employee's career path development.
5. The factory has revised all employee contracts to a 3 year contract in which after the contract expires; the employee has the option to sign an unlimited/open-ended employment contract.
6. Policies and procedures have been put in place for all periodic performance reviews to apply to all workers.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

Based on review of the payroll records for the period from November 2014 to October 2015, it was noted that two workers in August and one worker in September 2015 were paid below the legal minimum wage. For example, one sampled worker was paid CNY 60.8 (~USD 9.57) per day in August 2015; however, the local minimum daily wage should be CNY 77.24 (USD 12.16). However, factory management stated that the underpayment were a result of manual error during wage calculation and therefore are considered isolated cases of minimum wage underpayment. [C.1, C.2]

The factory paid an insufficient overtime premium for about 30% to 40% employees per month during the periods from November 2014 to May 2015. The employees in the factory were paid the basic wage rate plus comprehensive subsidies and full attendance bonus. The factory does not have a system to guarantee that every employee was paid at least the legal overtime premium. For example, one employee with full attendance worked 2 hours of overtime on weekdays and 8 days overtime on rest days in May 2015, and the factory only paid him CNY 2310 (USD 363.78) in total. However, the factory should have paid him at least CNY 2944.82 (USD 463.75) according to local minimum wage standard and the legal overtime premium regulation. This finding was verified through a review of payrolls, time records from November 2014 to October 2015, management interviews, and employee interviews. [ER.2, ER.23, HOW.2, C.7]

The factory does not pay into the legally required Housing Provident Fund for workers. [C.10]

The legally mandated deduction of personal tax is not available on payroll and pay stubs for employees. Interviewed workers and management stated that they do not pay personal tax; however, some employees' total wages are more than CNY 3,500 (USD551.19) per month, which is the baseline of having to pay personal income tax. [ER.22]

A review of social insurance payments from October 2014 to September 2015 and interviews showed that the factory does not provide employees with sufficient social insurance. For example, in September 2015, only 8 out of 17 eligible employees (about 47%) were covered by work-related injury, maternity, pension, unemployment, and medical insurance. Additionally, the factory provides commercial accidental injury insurance for all other employees who are not covered by the five kinds of social insurances. [C.10]

The contribution base for the five types of social insurance is not in line with legal requirements. The contribution should be based on an employee's average total wage for the past 12 months (about CNY 2,000 to CNY 4,000 per month (~USD 314.96 to ~ USD 629.92)). However, the factory only contributes to the insurance based on CNY 2,025 (USD 318.90) per month for all employees. [C.10]

Local Law or Code Requirement

China Labor Law, Article 44, Article 48, and Article 72; Social Insurance Law of the PRC, Article 4 and Article 58; Regulations On Management Of Housing Provident Fund, Article 15; FLA Workplace Code (Compensation Benchmarks C.1, C.2, C.7, and C.10)

Recommendations for Immediate Action

1. Provide all workers with at least legal minimum wage for the workers. Retroactively pay the effected workers with the gap between the minimum wage and the salary received for respective pay periods where the manual error occurred. Implement an effective system that ensures correct compensation and payroll for all workers.
2. Provide all workers overtime wage as consistent with legal requirements. Retroactively pay the gap between the basic wage rate and the overtime premium for 12 months to all effected workers. Develop an effective system that ensures that overtime is accurately compensated at overtime premium rate.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Remediated

Explanation: All workers were paid at least the legal minimum wage in the last 12 months between October 2016 and September 2017. The workers mentioned in the above finding have been reimbursed for the shortfall.

2. Finding status: Not Remediated

Explanation: Based on provided records, the overtime wages are paid at 1.5X, 2X and 3X of workers' normal rate, as legally required. No discrepancies were found between reported wages and legal requirements and the overtime wages on weekday, rest day, holiday are indicated in the payroll records. However, the accuracy of this information could not be verified.

Root Causes: The factory does not keep worker attendance and payroll records prior to January 2017, hence the wages of workers before January 2017 could not be verified during the assessment. Also, there are discrepancies between the manual time records, the electronic time records, and the production-related records. Therefore, workers' hours and payment status could not be verified during the assessment. For example, the summary data in the manual attendance records was different from the electronic records in March 2017 in that the manual records reported that 90% of workers attended work on March 5, March 12, March 19, and March 26 but the electronic records showed that these were rest days. Additionally, there were working records for the broken needle records of the sewing section for Sunday, July 2 but the provided attendance records stated that this was a rest day. A factory management representative stated these discrepancies were due to human error and that the factory did not work on those dates. However, the factory could not provide evidence or proof, such as relevant production records or CCTV footage to substantiate their explanation. Other similar discrepancies were also noted. Due to these inconsistencies, the assessors were not able to verify if the factory was in compliance with legal requirements and FLA standards. [ER.2, ER.23, HOW.2, C.7]

3. Finding status: Not Remediated

Explanation: The factory does not pay into the legally required Housing Provident Fund for workers. [C.10]

Root Causes: The factory considers the Housing Provident Fund an extra expense and, based on worker interviews, the employees do not want to pay into it because it reduces their take-home wages.

4. Finding status: Not Remediated

Explanation: The legally mandated deduction of personal tax is not recorded on the payroll or employee pay stubs. Workers and management stated that they do not pay the tax. However, some employees' total wages are above CNY 3,500 (USD27.15) per month, which meets the eligibility threshold for personal income tax. [ER.22]

Root Causes: The person in charge of wage calculation stated that wages are paid in cash as a method of tax avoidance.

5. Finding status: Not Remediated

Explanation: The factory does not provide employees with sufficient social insurance. For example, in September 2017, only eight out of 17 eligible employees (about 47%) were covered by work-related injury, maternity, pension, unemployment, and medical insurance. The factory provides commercial accidental injury insurance for all other employees who are not covered by the five kinds of social insurances. [C.10]

Root Causes: The factory considers the financial burden too heavy and, based on worker interviews, the employees do not want to contribute to the pension and unemployment insurances. Some workers have bought the new rural cooperative medical system in their hometowns at their own expense and are unwilling to pay into the social insurance additionally.

6. Finding status: Not Remediated

Explanation: The contribution base for the five types of social insurance is not in line with legal requirements. The contribution should be based on an employee's average total wage for the past 12 months, about CNY 2,400 to CNY 4,300 per month (USD 361.49 to USD 647.67). However, the factory only contributes to the insurance based on CNY 2,387 (USD 359.53) per month for all employees, the minimum standard for social insurance. [C.10]

Root Causes: The factory considers the financial burden too heavy and the employees do not want to pay.

Local Law or Code Requirement

PRC Labor Law article 72, Social Insurance Law of the PRC, Article 4 and Article 58; Regulations on Management of Housing Provident Fund, Article 15; FLA Workplace Code (Compensation Benchmarks C.1 and C.10; Hours of Work Benchmark HOW.2; and Employment Relationship Benchmarks ER.2, ER.22 and ER.23)

Recommendations for Immediate Action

1. Keep all documents concerning the payment of wages and attendance for at least one year for examination.
2. Ensure that all time and payments records are complete and accurate and that there is only one set of records.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Planned completion: Keep all documents concerning the payment of wages and attendance for at least one year for examination.

Ensure that all time and payments records are complete and accurate and that there is only one set of records.

Progress update: For the workers' attendance, I will strictly follow the requirements of the law and the FLA standards. For the objections raised, I will strengthen the training because of the trouble caused by the clerical errors. / Most of our staff are foreign workers, and through all staff meetings, we finally decide not to pay the housing provident fund./ According to the laws and regulations of China, the personal income tax has been paid since May 2018./ After the staff meeting, our company decided that employees who are unwilling to pay social insurance will purchase commercial insurance separately, so as to ensure the maximum rights and interests of employees./ We will carry out the rectification in accordance with the national standard.

Company Action Plan Update

For the workers' attendance, the factory follows the requirements of the law and the FLA standards. For the objections raised, the Factory will strengthen the training because of the trouble caused by the clerical errors. Most of the Factory's staff is foreign workers, and through staff meetings, the factory/workers have decided not to pay the housing provident fund. According to the laws and regulations of China, the personal income tax has been paid since May 2018. After the staff meetings, the factory decided that employees who are unwilling to pay social insurance will purchase commercial insurance separately, so as to ensure the maximum rights and interests of employees

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

The time recording system in the factory is inaccurate: The factory started using the electronic time recording system to record the working hours in June 2015. However, prior to June 2015, the factory used the manual time recording system to record working hours during the periods from November 2014 to May 2015. The manual time system only recorded workers' regular working day by marking "checked" instead of detailed in- and-out times. In addition, workers did not sign the manual time records to confirm their attendance. Thus, working hours, such as weekly working hours and monthly overtime hours, from November 2014 to May 2015 could not be effectively verified. [ER.2, ER.23, HOW.2]

A review of the time records for the period from November 2014 to November 2015 showed that about 30% of workers' weekly working hours exceeded 60 hours in one week in January 2015 with the maximum weekly working hours was 66. [HOW.1]

A review of the time records for the period from November 2014 to November 2015 showed that about 60% to 80% of workers did not regularly receive one day off for every seven-day period every month for the periods from November 2014 to May 2015. They consecutively worked a maximum of 26 days in November 2014. [HOW.2]

Monthly overtime for 80% of workers exceeded the legal limit of 36 hours during the periods from November 2014 to May 2015 with a maximum of 64 hours in May 2015; daily overtime hours exceeded the legal limit of 3 hours for two workers on May 15, 2015 with up to 3.5 hours. [HOW.1]

Local Law or Code Requirement

China Labor Law, Article 41; FLA Workplace Code (Employment Relationship Benchmark ER.23; Hours of Work Benchmarks HOW.1 and HOW.2)

Recommendations for Immediate Action

1. Ensure accurate time recording system is used and that workers sign the time records to confirm their attendance. Ensure that Hours of Work are accurately recorded.
2. Ensure that workers do not work more than the legal limit of 60 hours per week.
3. Ensure that workers receive at least one day off for every 7-day working period.
4. Ensure that workers do not work more than the legal limit of 36 hours of overtime per month and three hours of overtime per day.
5. FLA affiliate 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:

1. How to provide better order forecasts to the factories;
2. Possible workshops/consultancy for the factory on how to improve productivity/quality
3. Clear guidelines on how to extend shipment deadlines in case of contingencies;
4. Steps that the factory management must follow if overtime is inevitable (steps for how to communicate

with the brand's Sourcing and Social Compliance teams);

5. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
6. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Not Remediated

Explanation: The factory uses the IC card attendance system. According to detailed attendance records, all worker monthly overtime hours are within the legal limit of 36 hours, and the weekly working hours are within the FLA limit of 60 hours. These records contained detailed in-and-out times between January 2017 and October 2017. However, the accuracy of this information could not be verified.

[ER.2, ER.23, HOW.2]

Root Causes: The factory does not keep worker attendance and payroll records prior to January 2017, hence the wages of workers before January 2017 could not be verified during the assessment. Also, there are discrepancies between the manual time records, the electronic time records, and the production-related records. Therefore, workers' hours and payment status could not be verified during the assessment. For example, the summary data in the manual attendance records was different from the electronic records in March 2017 in that the manual records reported that 90% of workers attended work on March 5, March 12, March 19, and March 26 but the electronic records showed that these were rest days. Additionally, there were working records for the broken needle records of the sewing section for Sunday, July 2 but the provided attendance records stated that this was a rest day. A factory management representative stated these discrepancies were due to human error and that the factory did not work on those dates. However, the factory could not provide evidence or proof, such as relevant production records or CCTV footage to substantiate their explanation. Other similar discrepancies were also noted. Due to these inconsistencies, the assessors were not able to verify if the factory was in compliance with legal requirements and FLA standards.

2. Finding status: Not Remediated

Explanation: The weekly hours ranged from 40 to 58 hours per week, with the average being 44 hours per week for all workers between January 2017 and October 2017. However, the accuracy of this information could not be verified. [HOW.1]

Root Causes: See the Root Cause above.

3. Finding status: Not Remediated

Explanation: All workers had one rest day for every seven-day period between January 2017 and October 2017. The most continuous days without rest were six, with the average continuous days without rest being five. However, the accuracy of this information could not be verified. [HOW.2]

Root Causes: See the Root Cause above.

4. Finding status: Not Remediated

Explanation: Based on the provided records, the overtime hours of all workers between January 2017 and October 2017 ranged from 0-32.5 hours monthly, and the total working hours from 8 to 10 hours daily, which are in keeping the local law and FLA standards. However, the accuracy of this information could not be verified. [HOW.1]

Root Causes: See the Root Cause above.

Local Law or Code Requirement

Labor Law of PRC Article 36, 41, & 44; PRC Provisional Regulations for the Payment of Wages article 6; FLA Workplace Code (Employment

Recommendations for Immediate Action

1. Keep all documents concerning the payment of wages and attendance for at least one year for examination.
2. Ensure that all time and payments records are complete and accurate and that there is only one set of records.
3. Ensure that all workers have at least 24 hour consecutive hours of rest in every seven-day period.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Keep all documents concerning the payment of wages and attendance for at least one year for examination.
Ensure that all time and payments records are complete and accurate and that there is only one set of records.

Ensure that all workers have at least 24 hour consecutive hours of rest in every seven- day period.

Company Action Plan Update

1. 1.

The factory will ensure proper methods of time recording (of workers' hours) are used, overtime is not exceeded, proper time off is allowed, and communication and collaboration will go on with the contracting company to alleviate any problems causing excessive overtime.

The factory is using an electronic time recording system, and time records are validated with worker signatures.

The factory keeps the working hours per week at the legal limit of 60.

Workers receive at least one day off per week.

The factory keeps the overtime limit at 2 hours per day, less than the legal limit of 5. Zephyr will communicate with the factory to prevent situations that cause excessive overtime.

The factory will also conduct worker training twice per year that will include education on the FLA Code of Conduct.

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

There are no retrenchment policies and procedures in the factory, and no related training is provided for workers. [ER.1, ER.32]

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

Explanation: The factory has established retrenchment policies and procedures and provided relevant training for the workers.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

The factory has two worker representatives and provided related documents, such as election records and meeting records. The factory does not have a collective bargaining agreement (CBA) in place. [FOA.2]

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

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Remediated

Explanation: Although it was raised as a noncompliance in the original report, the absence of a Collective Bargaining Agreement does not in and of itself constitute a violation of FLA benchmarks. Therefore, this finding is considered "Remediated".

2. Finding status: Not Remediated

Explanation: Discord between the ILO standards and local regulations, explained in the FLA special language above, prevails. [FOA.2]

Root Causes: Freedom of Association of the factory is in line with legal requirements, but not ILO standards.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The ILO standard is currently being studied by the person responsible for training the staff in June.

Company Action Plan Update

1. ILO training to staff was performed in October 2019.

PREVIOUS FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

According to workers and management interviews, there have been few cases of Workplace Conduct violations (such as arriving late and leaving early) and management has handled them verbally without written records. [ER.2]

The disciplinary system does not include workers' right to have a third-party witness present during imposition of the disciplinary action. [ER.27.4]

No procedure for employees to appeal the disciplinary action is established in the factory. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27.4)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Not Remediated

Explanation: The factory reiterated that they have experienced very few cases of Workplace Conduct violations (such as arriving late and leaving early). They have handled the violations verbally without written records. [ER.2]

Root Causes: The person in charge of the discipline does not have a clear idea on how to create or implement policies or procedures related to Discipline.

2. Finding status: Not Remediated

Explanation: The disciplinary system does not include the workers' right to have a third-party witness present during the imposition of the disciplinary action. [ER.27.4]

Root Causes: The person in charge of the discipline does not have a clear idea on how to create a policy or procedure and the draft document is still under discussion.

3. Finding status: Remediated

Explanation: Based on management interviews and documentation review, the factory has established a procedure for employees to appeal the disciplinary action. Based on worker interviews, since there have only been a few oral warnings in the past and no other disciplinary action, workers have not felt the need to exercise their right to appeal.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27.4)

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

The management does not maintain grievance records. Based on interviews with workers and management, there were few grievances in recent years, so grievances were handled verbally or through meetings with employees. [ER.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

Explanation: Based on worker interviews and documentation review, grievances are handled properly in the factory. Grievance records and minutes of meeting held between management and worker representatives to settle grievances are maintained and provided for review.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory relocated and started the production at current site in early 2013; however, the factory did not arrange for a third party to conduct the Environmental Impact Assessment. In addition, the factory did not apply for approval at the respective environmental bureau. [HSE.4]

The factory does not have a statement of the factory management's general support of energy and water efficiency or a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. [HSE.1]

Local Law or Code Requirement

The China Environmental Impact Assessment Law, Article 16; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

Arrange for a licensed third party to conduct the Environmental Impact Assessment and apply for approval at the respective environmental bureau.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Remediated

Explanation: The factory still has not arranged for a third party to conduct the Environmental Impact Assessment.

Nor has the factory applied for approval with the respective Environmental Bureau. [HSE.4]

Root Causes: Factory representatives stated that it is cumbersome to conduct an Environmental Impact Assessment and reapply for approval at the respective Environmental Bureau.

2. Finding status: Not Remediated

Explanation: The factory has established a statement and policy on their general support of energy and water efficiency or a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

Local Law or Code Requirement

The China Environmental Impact Assessment Law, Article 16; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

Arrange for a licensed third party to conduct the Environmental Impact Assessment and apply for approval at the respective environmental bureau.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Applications are being applied to the relevant departments.

Company Action Plan Update

1. The Bureau for Environmental Protection performed inspection.

2. The factory has established a statement and policy on their general support of energy and water efficiency, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The fire alarm system does not have a backup battery. In addition, the fire alarm does not have a separate power line. [HSE.5]

The factory only has one instead of at least two emergency exits equipped for the main production workshop whose floor area is more than 750 square meters. [HSE.5]

Six fire extinguishers in the production workshop were installed together at the same set point and were placed directly on the ground. [HSE.5]

The factory did not conduct a fire drill in the past 12 months. [HSE.5]

The emergency assembly areas in the factory building were marked as such. [HSE.5]

The factory does not have the legally required fire safety certificate for the factory buildings built in 2011. [HSE.4]

The factory does not consider and properly address fire risks assessment results. [HSE.5]

Local Law or Code Requirement

The Fire Safety of Building Design Regulation (GB50016-2006) article 3.7.2; The Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005), Article 5.1.3; The Fire Prevention Regulation for Government offices, Organizations and Enterprises, Article 40; The Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005), Article 6.1.2; The China Fire Prevention Law, Article 11; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.4, HSE.5, HSE.6)

Recommendations for Immediate Action

1. Install battery power on the fire alarm system in factory.
2. Equip at least two emergency exits in the production workshop.
3. Install all fire extinguishers properly to ensure that they are easily accessible and workable in the event of emergency.
4. Conduct fire drill at least twice a year.
- 5.

Properly mark the emergency assembly areas.

6. Obtain the fire safety inspection certificate for the factory building.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Remediated

Explanation: The fire alarm system has a backup battery and a separate power line.

2. Finding status: Not Remediated

Explanation: The factory only has one emergency exit equipped for the main production workshop whose floor area is more than 750 square meters. [HSE.5.1]

Root Causes: The factory has a plan to add one emergency exit next year, but it is still under discussion as it is a big project.

3. Finding status: Remediated

Explanation: The fire extinguishers have been placed in each of the production workshops and not together at the same set point. They are also placed in the protective boxes.

4. Finding status: Remediated

Explanation: The factory has conducted a fire drill in the past 12 months.

5. Finding status: Remediated

Explanation: There are marked emergency assembly areas in the factory building.

6. Finding status: Not Remediated

Explanation: The factory did not provide a legally required fire safety certificate for the factory buildings built in 2011. [HSE.4]

Root Causes: The factory does not know how to trace back the certificate and stated it is a historical issue.

7. Finding status: Not Remediated

Explanation: The factory does not consider and properly address fire risks assessment results. [HSE.5]

Root Causes: The person in charge does not know how to conduct a fire risks assessment or address fire risks assessment results.

Local Law or Code Requirement

Fire Safety of Building Design Regulation (GB50016-2006) article 3.7.2; PRC Fire Prevention Law article 11, PRC Fire Prevention Law article 13; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE. 1, HSE.4 and HSE. 5.1)

Recommendations for Immediate Action

1. Ensure that each floor has two emergency exits to comply with the law.
2. Obtain the fire safety inspection certificate for the factory building.
3. Contract an external consultant to conduct fire risk assessment and properly address any deficiencies identified.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The second safety exit is under construction and will be completed by the end of July./ Applications are being applied to the relevant departments/ Our department is in the process of making.

Company Action Plan Update

1. The factory has outfitted the fire alarm with a battery backup.
2. The factory has completed construction on the building to provide 2 emergency exits.
3. The factory prepared boxes for the fire extinguishers in separate positions and off the floor to ensure they are easily accessible and workable in the event of an emergency.
4. The factory has scheduled and conducts fire drills every March and October.
5. The factory has installed signs indicating the emergency assembly areas.
6. The factory has requested and received the fire safety certificate.

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The transmission belts of four button punching machines in the sewing area are not equipped with complete protective covers; parts of the transmission belts are uncovered. [HSE.14]

There were several ergonomic issues: a. Chairs that are mainly located in the sewing workshop are not adjustable; b. Chairs do not have proper backrests to support the lower back; c. There are no removable armrests on chairs; d. There are no back supports on stools; e. Workers do not receive ergonomics training and ergonomic breaks. [HSE.17]

The factory does not track any illness. [HSE.3]

The factory does not have building structure safety certificates for the factory buildings built in 2011. [HSE.4]

The factory was established in year 2012, but has not obtain any legally required Occupational Health Assessment Reports prior to starting its operation. [HSE.4]

The factory does not have procedures in place that allow workers to raise Health & Safety concerns and that protect workers who allege Health, Safety & Environment violations. [HSE.1]

Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6;; The Construction Law of the People's Republic of China article 61; China Law of Prevention and Control of Occupational Diseases, Article 17 and Article 32; Measures on Supervision and Management of "Three Simultaneities" for Safety Facility of Construction Projects, Article 9; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.4, HSE.6, and HSE.17)

Recommendations for Immediate Action

1.
Install pulley guards on the transmission belt of the button punching machines.
2.
Obtain building structure safety certificates for the factory building as legally required.
3.
Arrange for a licensed service provider to conduct the assessment of current situation of occupational health assessment, as per legal requirement.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Partially Remediated

Explanation: Of the 20 sewing machines, two machines do not have installed belt safety guards. [HSE.14.1]

Root Causes: The factory installed belt safety guards for all the sewing machines but the responsible person does not conduct regular inspections so there are two sewing machines missing the belt safety guards.

2. Finding status: Not Remediated

Explanation: The following ergonomic issues were found: the chairs located in the sewing workshop are not adjustable; the chairs do not have proper backrests to support the lower back; the chairs do not have removable armrests; the stools do not have back supports; the workers do not receive ergonomic training or ergonomic breaks. [HSE.17.1]

Root Causes: Factory management considers ergonomic improvements financially burdensome.

3. Finding status: Remediated

Explanation: Based on worker interviews and document review, the factory has established procedures for tracking illness and there were no incidents of injury or illness in the factory in the past year.

4. Finding status: Not Remediated

Explanation: The factory failed to provide the building structure safety certificates for the factory buildings built in 2011 for review. [HSE.4]

Root Causes: The landlord does not have it and the factory does not know how to apply for it.

5. Finding status: Not Remediated

Explanation: The factory was established in 2012 but it has not obtained any legally required Occupational Health Assessment Reports. [HSE.4]

Root Causes: There is a cost associated with the Occupational Health Assessment, but the factory is planning for it.

6. Finding status: Remediated

Explanation: Based on worker interviews and documentation review, the factory has procedures in place that allow workers to raise Health & Safety concerns and that protect workers who allege Health, Safety & Environment violations.

Local Law or Code Requirement

Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, PRC Construction Law article 61 (Effective from March 1, 1998), China Law of Prevention and Control of Occupational Diseases, Article 17; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.12, HSE.14.1, and HSE.17.1)

Recommendations for Immediate Action

1. Install safety guards on the belts of all sewing machines.
2. Obtain the building structure safety certificates for the factory building as legally required.
3. Arrange for a licensed service provider to conduct the Occupational Health Assessment, as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Our department is in the plan / Will go to the relevant department for occupational health assessment in June.

Company Action Plan Update

1. 1. Protective covers have been re-placed on machines.
2. 2. Workers have been provided ergonomic chairs and breaks, along with training.
3. 3. Factory has established procedures for tracking illnesses and injuries.
4. 4. Factory has applied and obtained building structure safety certificates for the factory building.
5. 5. Factory has obtained the legally required Occupational Health Assessment Report.
6. 6. The Factory has established procedures that allow workers to raise Health & Safety concerns.

PREVIOUS FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

The factory does not provide workers with a copy of the workplace rules during orientation. [ER.15]

The training for the supervisors is missing across all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Health & Safety, and Environmental Protection. [ER.17]

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding status: Remediated

Explanation: Based on worker interviews and documentation review, the factory has provided workers with a copy of the workplace rules during orientation and the workplace rules are posted onsite.

2. Finding status: Remediated

Explanation: The training for the supervisors is conducted across all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Health & Safety, and Environmental Protection has been conducted and related records were kept for review.

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

The worker integration component is missing across all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Health and Safety, and Environmental Protection. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1.3; ER.16, ER.25, and ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3; ER.16, ER.25, and ER.27)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

Explanation: The worker integration component is still missing across all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Health and Safety, and Environmental Protection. The factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1, ER.16, ER.25, and ER.27]

Root Causes: The factory does not know how to implement worker integration and the related trainings.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1; ER.16, ER.25, and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The relevant procedural documents and laws and regulations have been organized and improved, which will be implemented by the end of June.

Company Action Plan Update

The Factory has established policies and procedures to integrate workers into the processes of Employment Functions.

PREVIOUS FINDING NO.13

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

The factory provides free lunch to the workers.

The factory provides gifts to the workers on some public holidays, such as toiletries.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not periodically review the policies and procedures for any of the Employment Functions (Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Workplace Conduct & Discipline; Industrial Relations; Grievance System; Environmental Protection; and Health & Safety). [ER.1, ER.29, ER.30, and ER.31]

The factory has changed its address but has not applied for registration of the change in address. [ER.1]

Local Law or Code Requirement

Regulations of PRC for controlling the registration of enterprises as legal person article 17; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

Recommendations for Immediate Action

Apply for registration of the change of address according to applicable local law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Applications are being applied to the relevant departments.

Company Action Plan Update

1. The factory as put in place a policy in which all Policies and Procedures on Employment functions are reviewed annually.

2. Registration has been completed on the change of address for the factory.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The worker operating the cargo lift in the production building did not have an operator's certificate. [HSE.1]

Local Law or Code Requirement

PRC Special Equipment Quality Safety Monitoring Regulation article 38, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1)

Recommendations for Immediate Action

Ensure that the worker obtains the proper certificate before operating the cargo lift.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Our department is in the process of making.

Company Action Plan Update

The factory ensures that all workers using cargo lift's have training and receive an operators certificate.