



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: Colosseum Athletics Corporation  
COUNTRY: China  
ASSESSMENT DATE: 12/19/17  
ASSESSOR: Elevate  
PRODUCTS: Apparel  
NUMBER OF WORKERS:

## Summary of Code Violations

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

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

## Previous Report Findings and Verification Results

### PREVIOUS FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

The terms and conditions of employment, job descriptions, compensation, and working hours are not provided for any positions during hiring.

There are no written policies and procedures in place for regulating the Recruitment & Hiring of contract/contingent/temporary workers. The factory employs ten temporary workers and seven to eight home workers in the finishing process; however, there are no guidance documents for this practice.

There are no written policies and procedures to encourage ongoing training for all workers with the goal of raising or broadening their skills in order to advance their careers.

There are no policies and procedures for performance reviews. However, the factory management has developed an opinion survey form about some employees through the observation of daily operation and production output statistics. The opinions are referenced for deciding the wage levels of employees. Furthermore, there are no review processes, step linkage to job grading, and prohibition against discrimination

No written policy and procedures are set up for promotion, demotion and job reassignment. Some processes such as demotion or job reassignment as kind of penalty or punishment were merely defined in disciplinary procedure. However, there is no transparent and fair system for promotion, demotion, and job reassignment.

## Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.7, ER.19, ER.28, ER.29, ER.30, ER.31, and ER.32)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

Explanation: The vacant positions do not have job descriptions. [ER.1]

#### Root Causes:

The factory management stated that they are not clear about FLA requirements and the factory does not have a specific person responsible for this issue.

2. Finding Status: Remediated

Explanation: There were no contract, contingent, or temporary workers during the past audit year. The factory has also established a policy and procedures regarding recruitment, hiring, and personnel development that include information about contract workers.

3. Finding Status: Not Remediated

Explanation: There are no written policies or procedures that encourage the ongoing training of workers with the goal of raising or broadening their skills to advance their careers. [ER.28]

#### Root Causes:

The factory management stated that they are not clear about FLA requirements and the factory does not have a specific person responsible for this issue.

4. Finding Status: Not Remediated

Explanation: Although the factory has policies and procedures for Personnel Development, they do not have policies or procedures for performance reviews. The factory management stated that the workshop supervisors know the workers' performance status through work. The performance status includes their skills, their attendance status, their work attitude, and their production amount. However, there are no detailed criteria for the performance reviews. Moreover, the factory management did not provide any review records from production supervisors during the audit. [ER.29]

#### Root Causes:

The factory management stated that they are not clear about FLA requirements and the factory does not have a specific person responsible for this issue.

5. Finding Status: Not Remediated

Explanation: The factory has not established a clear written policy or procedures for promotion, demotion, or job reassignment. The factory management did not provide any records of promotion, demotion, or job reassignment during the audit. [ER.30]

#### Root Causes:

The factory management stated that the factory was stable and no such case had ever happened.

## Local Law or Code Requirement

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

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
The factory will create job descriptions for all positions in the factory.
2.  
The factory will first improve the quantity and quality of regular worker training on all factory policies and procedures, orientation, wage awareness, etc. They will work with auditor to establish a plan to put in place a skills enhancement program
3.  
In Progress - After the factory has provided clearer guidelines and records on the wage structure for each employee each month, they will work on creating performance review guidelines and records.
4.  
The factory will create these policies and procedures and provide training to workers (factory will add to annual training schedule).
5. Completed

#### Company Action Plan Update

1. Factory has created job descriptions for positions in the factory

#### Update 2/12/19:

2. In Progress - Discussed with auditor- he doesn't think this is workable for a small factory where the only change to move up is worker to line leader. The factory will update the promotion policy/procedure with info on career opportunities and skills enhancement through line leader training.
4. The factory included the topics of promotion/demotion/job reassignment in their annual training on 11/07/18 and they have completed the manager training on 9/30/18.
5. Already Completed

## FINDING TYPE: Recruitment, Hiring & Personnel Development

### Finding Explanation

The factory only hires candidates who are older than 18.

The factory uses ten temporary, and seven to eight home workers, for the finishing process. However, no personnel files, proof of age documentation, employment information, and labor contracts are maintained for these workers.

The factory has not taken any measures to authenticate the workers' age documentation. Human resources just keeps copies of workers' identification cards in personnel files, without any authentication.

The factory has not recruited any disabled workers. Furthermore, the factory does not contribute to the employment security fund in lieu of employing disabled workers as an alternative, as required by local legal requirements. This practice violates local law and carries the risk of discrimination based on FLA Benchmarks.

### Local Law or Code Requirement

The PRC Labor Law Article 3; The Regulations of Banning Child Labor Recruitment Article 4; The PRC Employment Contract Law Article 10; Regulations on the Employment of Persons with Disabilities Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.3.1, ER.3.2, ER.4.1, ER.11.3, ER.11.5, and ER.11.6; Nondiscrimination Benchmarks ND.1 and ND.2.1)

### Recommendations for Immediate Action

1. Set up personnel files with proof of age documentation, and sign labor contracts for all temporary and home workers.
2. Revise and update hiring practices to remove the discriminatory terms regarding age.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status: Remediated

Explanation: Based on a document review and management interviews, the assessors confirmed that the factory now employs workers aged 16 years or older.

#### 2. Finding Status: Partially Remediated

Explanation: The factory does not currently employ homeworkers. All the retired workers had signed service contracts (not labor contracts) with the factory. However, two workers found in the production records were missing personal files, including proof of age documentation and employment information. [CL.1]

#### Root Causes:

The factory management stated that these two workers might have been introduced by the production supervisors and did not register with the main office.

#### 3. Finding Status: Not Remediated

Explanation: The factory has not taken sufficient measures to authenticate the workers' age documentation. The factory maintains copies of workers' identification cards in personnel files without authenticating them. The factory would not check education certificates or go to the local community to check the age of the workers. [ER.3, ER.4]

Root Causes: The factory was not aware of the requirement.

#### 4. Finding Status: Remediated

Explanation: The factory now employs three disabled workers, which meets the legal requirement.

### Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 15; Regulations Prohibiting Use of Child Labor; FLA Workplace Code (Employment Relationship Benchmarks ER.3 and ER.4 and Child Labor Benchmark CL.1)

### Recommendations for Immediate Action

1. Set up personnel files with proof of age documentation, and sign labor contracts for all workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
Already completed
2.  
The factory will create a written procedure and checklist for hiring that includes job applications/interviews, age verification, labor contracts, and orientation training. All supervisors will receive training on proper procedure for hiring and notifying the main office. UPDATE 6/1: The factory has created a checklist.
3.  
The factory will record the age verification review for each new worker on this checklist. UPDATE 6/1: Age verification is on checklist and the factory is now recording it.
4.  
Already completed

## Company Action Plan Update

2. Update 6/1: The factory has created a checklist. The factory provided training to management on the topic of hiring temp workers in the fall and sent us a written procedure on hiring temp workers as well. The factory will do another training on this topic for supervisors in February 2019.

3. Age verification is on checklist and the factory is now recording it. **Update 2/12/19**

### PREVIOUS FINDING NO.3

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

The factory management does not periodically review its policies and procedures for all employment functions. Some policies and procedures are not updated according to legal law or the factory's actual practices.

The basic information in the factory social responsibility manual has not been revised and updated according to the actual situation, covering address, main products, production process, and departments.

The policies and procedures for Compensation have not been updated and revised in accordance with the current practice, including the payment date, calculation of compensation, and local minimum wage.

##### Local Law or Code Requirement

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

#### VERIFICATION RESULT

##### Finding Status

Partially Remediated

##### Remediation Details

1. Finding Status: Partially Remediated

Explanation:

The factory management does not periodically review its policies and procedures for all of the employment functions except for Compensation, Hours of Work, and Health & Safety. The factory has not conducted internal assessments before. [ER.1]

Root Causes:

The factory management stated that they are not clear about FLA requirements and the factory does not have a specific person responsible for this issue.

2. Finding Status: Remediated

Explanation:

The factory has established policies and procedures on all employment functions, including health and safety, compensation, hours of work, etc. The basic information included was all up to date. The factory management confirmed and approved these policies and procedures.

3. Finding Status: Remediated

Explanation:

Based on document review, the policy and procedures for compensation have been updated according to the updated legal requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

Description

1. Auditor will provide factory with support in conducting an annual management review of all policies and procedures. This will be completed by the end of 2018.
2. Already completed
3. Already completed

Company Action Plan Update

1. Update 2/12/2019 - Factory HR and compliance are working together on an annual management review of all policies and procedures and will use records by the end of January.



## PREVIOUS FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

The factory does not communicate its policies and procedures either formally, or informally, for most employment functions to the general workforce and management staff. There was an introduction process during orientation training when all new workers were informed of some factory rules and practices. However, this communication was not effective or complete. All interviewees only roughly understood some factory policies and procedures, but had no idea about details: like exact wage calculation, working hours control policy, escalating disciplinary measures, and tracking system for complaints, etc. There is no planned follow-up to communicate updates and legal changes. Furthermore, no policies, procedures, or legal based notices are posted on-site.

The worker integration component is missing for all employment functions. This indicates that the factory had not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Also, workers are neither systematically integrated nor consulted in the decision-making processes.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, and ER.27.3; Compensation Benchmark C.17)

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

###### 1. Finding Status: Partially Remediated

Explanation: The factory only communicated its policies and procedures regarding Compensation, Hours of Work, and Health & Safety to the general workforce and management staff. The factory management orally informs new workers of some factory rules and practices but there is nothing formal. Therefore, most of the interviewed workers only roughly understood some factory policies and procedures. However, they were unaware of specifics, such as the exact wage calculation, the working hours control policy, the escalating disciplinary measures, and the grievance tracking system. The factory has not planned follow-up to communicate any updates or legal changes. [ER.16, ER.25, ER.27, C.17]

###### Root Causes:

The factory management stated that they are not clear about FLA requirements and the factory does not have a specific person responsible for this issue.

###### 2. Finding Status: Not Remediated

Explanation: The worker integration component is missing for all employment functions. This indicates that the factory has not established procedures to receive worker input or feedback on the creation, implementation, and revision of its policies and procedures. Also, workers are neither systematically integrated nor consulted in the decision-making processes. [ER.1]

#### Root Causes:

The factory management stated that they were not clear about the requirements.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, and ER.27; Compensation Benchmarks C.17)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
The factory will create a formal orientation process for workers that includes detailed training on all topics in the factory. They will keep records of this training and give a quiz to workers after to measure knowledge retention.
2.  
The factory will also provide annual trainings on the following: hours of work control, discipline system, and updates to labor laws or factory policies.
3.  
The annual grievance training will include information on the process for tracking, recording, and reporting back to workers on grievances.
4.  
The factory will add a wage calculation training once they have revised their wage process.
5.  
The factory will focus on improving other findings related to training, wage awareness, health and safety, and activating the health and safety committee before developing a system for worker integration. Auditor will support the factory to put this program in place.

#### Company Action Plan Update

#### Update 2/12/19:

1. The factory has covered the process for tracking, recording, and reporting back to workers on grievances, as well as labor law updates in their training on 11/7/18 and the factory said they will start posting all grievance feedback on the bulletin board. Also, at an in person meeting in January 2019, we discussed the need for wage calculation training. We will review this topic again in April 2019.

## PREVIOUS FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

The factory management has interfered with the right of workers to freely elect their representatives. Factory management appointed three workers for a worker representative committee in March 2014, instead of allowing workers to elect the representatives.

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

##### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.10, and FOA.11)

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

1. Finding Status: Remediated

Explanation:

According to a document review, the workers elected five worker representatives on October 17, 2016.

## 2. Finding Status: Not Remediated

### Explanation:

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 Benchmark FOA.2)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Already Completed

#### Company Action Plan Update

1. Already Completed

## PREVIOUS FINDING NO.6

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

The factory's disciplinary system does not include a third-party witness during the imposition and appeal processes.

The factory management imposes monetary fines to punish smoking in the factory area.

The factory does not keep and preserve records of all disciplinary actions, with workers' signatures, in personnel files.

### Local Law or Code Requirement

### Recommendations for Immediate Action

1. Stop using monetary fines as discipline, and maintain disciplinary records in the workers personnel files. Set up escalating disciplinary procedures.

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

1. Finding Status: Remediated

Explanation: The factory's disciplinary system now includes a third-party witness during the imposition and appeal processes.

2. Finding Status: Remediated

Explanation: Workers do not receive monetary fines if they are caught smoking. Instead, the infraction is recorded as a warning.

3. Finding Status: Remediated

Explanation: Based on management and worker interviews, no disciplinary actions took place in the factory in the past year. Also, management asserted that they would maintain all records if any disciplinary actions arose.

## PREVIOUS FINDING NO.7

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

### Finding Explanation

There are no procedures to calculate wages for resigned workers.

Not all workers are provided with all five types of social insurance. According to the social insurance receipts provided by the factory, only 30 of the 195 employees were provided with pension, accident, medical, maternity and unemployment insurance in October 2014.

The social insurance is not paid based on workers' actual wages. The social insurance were paid based on CNY2025, whereas the workers' actual monthly wages ranged from CNY 2,300 to CNY 10,000.

No workers are provided with the legally required Housing Provident Fund.

Paid annual leave and compensation for paid annual leave is based on time worked at the factory, and not based on the working age of employees, as required by local law.

The factory does not pay wages directly to temporary workers as required by local law, but to the people responsible for managing the temporary workers.

The factory does not maintain complete and accurate payroll records for all temporary and home workers.

For temporary workers, the factory only keeps the total amount of wages under the name of supervisor, but does not maintain detailed payment information for each temporary worker.

The factory does not have payroll records for home workers for the past 12 months, except for the period from October to December 2013. Furthermore, the few months of payroll records that exist are incomplete. Only the name and total wages are recorded in the payroll records.

The factory only paid the normal wage rate for overtime hours to all employees for regular, weekend, and statutory holiday overtime, which is less than legal required 150%, 200% and 300% of normal wage respectively.

The factory did not pay downtime wages to all employees for eight days during the Spring Festival period for 2014, as required by local law.

The current wage payment cycle in the factory is 50 calendar days (e.g. the factory paid the wages for July 26, 2014 to August 25, 2014 on October 15, 2014); this exceeds the legal requirement of one month. Furthermore, the payments for home workers are only settled every 2-3 months.

Payroll records revealed that 85% workers pay slips were signed by production group leaders, while only 15% were signed by workers themselves.

#### Local Law or Code Requirement

The PRC Labor Law Articles 44, 48, 72, and 73; Housing Fund Management Regulation Articles 15 and 17; The Regulations on Annual Leave for Employees Article 2, 3, and 5; The Implementation Measures for Employee Paid Annual Leave Article 10; The Provisional Regulations for the Payment of Wages Article 6 and 7; FLA Workplace Code (Employment Relationship Benchmarks ER.11.2.1, ER.18, and ER.22.1; Hours of Work Benchmarks HOW.11, and HOW.14; Compensation Benchmarks C.1, C.4, C.5, C.6, C.7.1, C.7.2, C.8, C.10.1, C.14.1, and C.15; Nondiscrimination Benchmark ND.3)

#### Recommendations for Immediate Action

1.  
Provide annual leave to employees in line with legal requirements.
2.  
Pay wages directly to temporary workers, and provide complete and accurate payroll records for temporary

workers and home workers.

3.  
Provide the legally required overtime premium to employees.
4.  
Provide wages to employees during downtime due to factory production or materials shortage reasons.
5.  
Pay employees within the legally required timeframe. Ensure that all compensation/pay slips records are confirmed by worker signatures
6.  
Provide all five types of social insurance to all employees.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status: Partially Remediated

##### Explanation:

The wage calculation for resigned workers is the same for normal workers. However, the payday for resigned workers is the end of the following month, which is longer than the legal requirement for final payouts. [C.4]

##### Root Causes:

There is a lack of awareness.

#### 2. Finding Status: Not Remediated

##### Explanation:

A total of 153 employees were eligible to receive the five types of social insurance in December 2017, according to the law. Through a review of the social insurance enrollment list and payroll records, only 36 of these employees are enrolled in pension insurance, unemployment insurance, child-bearing insurance, medical insurance, and occupational injury insurance. [C.1]

##### Root Causes:

The factory management states that the workers are not willing to contribute to the social insurance.

#### 3. Finding Status: Not Remediated

##### Explanation:

All 36 workers contribute to the social insurance at a lower base than their actual earnings. For example, one worker earns a monthly wage of CNY 5000 (USD 757.58) and contributes CNY 1050.6 (USD 159.18) to social insurance; however, based on the local law and the worker's actual wage, the worker should have contributed CNY 2060 (USD 312.12). [C.1]

##### Root Causes:

The factory management states that they are following the normal industry practices.

#### 4. Finding Status: Not Remediated

Explanation:

The factory does not pay into the legally required Housing Provident Fund for any of the workers. [C.1]

Root Causes:

The factory management states that they are following the normal industry practices.

5. Finding Status: Partially Remediated

Explanation:

The policy has been changed to now be in compliance with local law. However, based on document review, management interviews, and worker interviews, the workers are not provided with paid annual leave. [C.1]

Root Causes:

A lack of awareness

6. Finding Status: Remediated

Explanation:

Based on document review, management interviews, and worker interviews, the factory directly pays all wages to workers. Also, the factory did not employ any temporary workers during the audit.

7. Finding Status: Partially Remediated

Explanation:

The factory is not using any temporary or home workers and maintains the payroll records for all permanent workers. However, management confirmed that the production supervisors calculated and provided the total wage amount to management, and then the management staff converted that amount into hourly rate wages. The factory could not provide the original wage calculation source and could not advise on how the total wage amount was calculated. [C.5, C.14, C.15]

Root Causes:

The factory management stated that the production supervisors recorded the original records of the workers production amount and calculated the wages for workers. Once the payments were issued to workers, the production supervisors did not maintain the records.

8. Finding Status: Partially Remediated

Explanation:

According to payroll records, the overtime wage is 150% and 200% of normal wages on regular days and rest days, respectively. However, due to the factory not being able to determine how the total wage amount is calculated, the compliance status of the wages could not be fully verified during the audit. [C.7]

Root Causes:

The factory management stated that the production supervisors recorded the original records of the workers production amount and calculated the wages for workers. Once the payments were issued to workers, the production supervisors did not maintain the records.

9. Finding Status: Remediated

Explanation:

The auditors noted that the workers applied for six days of leave from January 19 to 26, 2017 during the Sprint Festival and the leave records were provided for review.

10. Finding Status: Not Remediated

Explanation:

Based on bank transferring records, management interviews, and payroll records review, the current wage payment cycle is 50 calendar days (e.g. the factory paid the wages for September 26, 2017 to October 25, 2017 on December 16, 2017). The payments to resigned workers were also delayed. [C.13]

Root Causes:

The factory management stated that this practice is normal in this area, considering worker stability and better cash flow.

11. Finding Status: Not Remediated

Explanation:

Based on management and worker interviews, pay slips are not provided to workers. [C.13]

Root Causes:

The factory management posts the production amount on the notice board before payments are issued and workers notify the supervisors if there is anything wrong with the production amount or the payments.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Articles 44, 48, 72, and 73; Housing Fund Management Regulation, Articles 15 and 17; The Regulations on Annual Leave for Employees, Article 2, 3, and 5; The Implementation Measures for Employee Paid Annual Leave, Article 10; The Provisional Regulations for the Payment of Wages, Articles 6 and 7; Jiangsu Province Regulations on the Payment of Wages,



### Recommendations for Immediate Action

#### Recommendations for Immediate Action

1. Provide annual leave to employees in line with legal requirements.
2. Pay wages directly to temporary workers, and provide complete and accurate payroll records for temporary workers and home workers.
3. Provide the legally required overtime premium to employees.
4. Provide wages to employees during downtime due to factory production or materials shortage reasons.
5. Pay employees within the legally required timeframe. Ensure that all compensation/pay slips records are confirmed by worker signatures
6. Provide all five types of social insurance to all employees.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
The factory will keep a record of a resigned worker's agreement to receive their final payout on the next regular pay day.
2.  
The factory will enroll workers in commercial accident insurance. They will continue to provide training at the time of hire and at least annually on social insurance. The factory will put in place a plan to gradually meet 100% registration
3.  
The local government has mandated that the factories are able to pay on the lower base, since they realize forcing compliance and making workers/factories pay from a higher base will put many factories out of business. The factory will focus their efforts on increasing the registration percentage.
4.  
The factory will put together a plan to gradually meet 100% registration within 3 years
5.  
The factory will change their records and procedure to instead have this bonus cover annual leave payments. Manager will determine how to calculate payment for workers who did not return after CNY. Factory will provide records within 1 month.
6.  
Already completed
7.  
Will work with the supervisors to determine a better way to record

wages, and to provide a breakdown of the different components of the wage (base salary, bonuses, productivity/skill, piece, etc.) to improve transparency.

8. See action plan above (#7)
9. Already completed
10. The factory will conduct an audit of all documents in the office and production area to make sure they reflect the correct payment cycle. They will send us a photo of the updated documents and a photo of the salary text sent to workers from the bank on Nov 30th.
11. Factory will create pay slips for workers within 2 months.

#### Company Action Plan Update

1. Factory now keeps record of a resigned workers agreement and have sent record of this.

2. Updated 2/12/19- The factory has sent proof of accident insurance and sent us a social insurance table that states the factory is currently at 15%, and will follow this schedule: Year 1 30%, Year 2 45%, Year 3 60%, Year 4 75%, Year 5 100%. As of January 2019 many local factories are waiting to hear more from the government about the new laws surrounding social insurance because there has been no implementation guidelines passed down to the local labor bureaus yet. But until then, The factory is focusing on registering any interested workers and registering any migrant parents who bring their children with them because parents are now required to register for their children to attend a local school.

3. Updated 2/12/19-- The factory has sent proof of accident insurance and sent us a social insurance table that states the factory is currently at 15%, and will follow this schedule: Year 1 30%, Year 2 45%, Year 3 60%, Year 4 75%, Year 5 100%. As of January 2019 many local factories are waiting to hear more from the government about the new laws surrounding social insurance because there has been no implementation guidelines passed down to the local labor bureaus yet. But until then, the factory is focusing on registering any interested workers and registering any migrant parents who bring their children with them because parents are now required to register for their children to attend a local school.

4. Updated 2/12/19 The factory sent us their housing fund table and the factory is currently at 0%, and will follow this schedule:  
Year 1 20%, Year 2 40%, Year 3 60%, Year 4 80%, Year 5 100%

5. Factory has provided 2018 Feb salary record shows annual leave payment.

6. Already Completed

7. 2/12/19 - To give the workers more information on how their wages are calculated the factory will start letting a different worker each month join in on wage calculation meeting with the line leader and supervisor. The worker will sign off on the meeting and calculation. The factory continues to include workers in wage meetings and While there in January the factory said that workers are mainly just listening right now. To make sure workers are understanding the meetings the factory will start doing either a quiz or providing a feedback form for workers.

8. Apply Action Plan Above (#7)

9. Already Completed

10. The factory conducted an audit of all documents in the office and production area to make sure they reflected the correct payment cycle. They sent us a photo of the updated documents and a photo of the salary text sent to workers from the bank on Nov 30th.

11. Factory is providing pay slips to workers.

## PREVIOUS FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

The manual attendance records adopted by the factory are not accurate and effective to record working hours for permanent, temporary, and home workers. Employee attendance records are only marked with a hyphen or vertical line without specific check in or out time, working hours, employees' signature for confirmation, and corresponding months. Furthermore, management was unable to correctly calculate the working hours for a certain day or month during the interview.

The attendance records for permanent and temporary workers before 2014 were not provided for review by the factory.

The attendance information for individual temporary workers was not recorded properly, and no attendance records were available for home workers. The factory only marked the information for the people responsible for managing the temporary workers information in the attendance records.

The daily and monthly overtime hours, weekly working hours, and consecutive working days exceed both legal requirements and the FLA Workplace Code. Only the manual attendance records of the finishing workshop in June 2014 indicate specific working hours. In June 2014, all employees in the finishing workshop (around 13% of the employees in the factory) worked five to six hours of overtime per day, and 178 to 180 overtime hours per month. The weekly working hours were 76 to 88 for four weeks, and they didn't receive one day off in every 7 for a 23-day period.

Working hours of the employees in the other workshops could not be calculated correctly since no specific working hours were recorded in their attendance records, except the number of rest days. 95% employees in other workshops were only provided one or two days off in each month throughout last 12 months.

The factory arranges overtime tasks on statutory holidays, and does not provide workers with all official public holidays.

## Local Law or Code Requirement

The Provisional Regulations for the Payment of Wages Article 6; The PRC Labor Law Articles 38 and 41; The National Measures for Annual and Commemorative Holidays Article 2; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23.2, ER.23.3, and ER.23.5; Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2, and HOW.10)

## Recommendations for Immediate Action

1.  
Adopt an accurate and effective time keeping system to record working hours for permanent, temporary, and home workers.
2.  
Ensure that total working hours don't exceed 60 hours per week, guarantee at least 24 consecutive hours off during each 7-day period, and ensure the overtime hours do not exceed the legal requirements.
3.  
Ensure that employees rest on the statutory holidays.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

#### Explanation:

The factory still records working hours manually, which runs the risk of mistakes during recording. The factory management stated that sometimes the workshop supervisors record hours once a week, which might not accurately reflect worker attendance. Even though supervisors only record attendance once a week, they contain detailed time-in and time-out records and the workers signed them each week. However, recording attendance only once a week runs the risk of being inaccurate. [ER.2, ER.23]

#### Root Causes:

The factory management stated that they record working hours manually because it saves money and is easier to manage.

2. Finding Status: Remediated

#### Explanation:

There are no temporary workers in the factory and all working hours are recorded manually.

3. Finding Status: Remediated

#### Explanation:

There are no temporary workers or home workers in the factory.

4. Finding Status: Not Remediated

#### Explanation:

100% of the sampled workers' monthly overtime hours exceeded the legal requirement of 36 hours, ranging from 140 hours to 179.5 hours in the sampled months of April 2017 (non-peak month), June 2017 (peak month), and October 2017 (most current month). The

average was 156 hours. Furthermore, the weekly working hours for all workers exceeded 60 hours, ranging from 64 hours to 84 hours in the reviewed months of April 2017 (non-peak month), June 2017 (peak month), and October 2017 (most current month). The average was 75 hours. The maximum monthly overtime and weekly working hours occurred in October 2017. [HOW.1]

Root Causes:

The factory management stated it was because of a busy production schedule.

5. Finding Status: Not Remediated

Explanation:

The factory manually records the time records for all workers. However, the time recording system is not automated. [ER.2, ER.23]

Root Causes:

The factory management stated that they record working hours manually because it saves money and is easier to manage.

6. Finding Status: Partially Remediated

Explanation:

Based on a review of the time records from November 2016 to December 2017, all workers did not work on public holidays or rest days and were paid normal wages. However, because the factory could not determine the total wage amount, the wages for statutory holidays could not be verified. [ER.2, ER.23]

Root Causes:

The factory was not clear about the requirement and they did not maintain the piece rate records for a sufficient amount of time.

Local Law or Code Requirement

The Provisional Regulations for the Payment of Wages, Article 6; Labor Law of the People's Republic of China, Articles 38 and 41; The National Measures for Annual and Commemorative Holidays, Article 2; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23)

Recommendations for Immediate Action

1. Adopt an accurate and effective time keeping system to record working hours for all workers.
2. Ensure that the total working hours do not exceed 60 hours per week and ensure that the overtime hours do not exceed the legal requirements. Arrange a reasonable production plan, increase productivity using positive means (such as bonuses), and reduce the overtime hours to ensure that they are within 3 hours per day and 36 hours per month. Also, educate workers on the health and safety risks of excessive overtime.
3. Maintain the piece rate records for at least two years for all workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

Description

1.  
The factory has put in place an electronic attendance record keeping system and started collecting data from workers in April. They are continuing to train workers so they don't miss punches, and expect to have a full set of records to review in May.
2.  
Already completed
3.  
Already completed
4.  
The factory put in place an incentive program for sewing workers in 2017 that

was designed to increase productivity, decrease hours, but keep output and wages the same. Eventually will roll it out to other departments in the factory

5. Training provided from auditor to manager
6. The factory will improve record keeping and increase transparency on the wage calculations.

#### Company Action Plan Update

1. The consultant has reviewed the records and confirmed that hours are calculated accurately.
4. The consultant has confirmed that the daily and weekly working hours have been lowered. The factory is still continuing with the incentive program.
5. The factory has an electronic attendance system put in place and have included training on this attendance system.
6. To give the workers more information on how their wages are calculated the factory will start letting a different worker each month join in on wage calculation meeting with the line leader and supervisor. The worker will sign off on the meeting and calculation. The factory continues to include workers in wage meetings and while there in January 2019, the factory said that workers are mainly just listening right now. To make sure workers are understanding the meetings the factory will start doing either a quiz or providing a feedback form for workers.

#### PREVIOUS FINDING NO.9

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

The factory management has not conducted fire acceptance check certificates for both the dormitory building and the one story concrete attached to the production building. The total area of the buildings is about 2,500 square meters.

The factory management does not have reports on the inspection for completed building construction projects for both the dormitory building and the one story iron sheet building attached to the production building. The buildings were completed in 2010.

The factory has installed an isolated fire alarm system, rather than a centralized fire alarm in the factory area.

All of the lighting in the raw material warehouse on the 3rd floor the packaging material warehouse on the 1st floor, and 80% of the lighting in the accessory warehouse on the 2nd floor of the production building are incandescent lights instead of anti- explosive lights.

30% of the emergency exit signs installed at the top of the emergency exits are not constantly illuminated signs.

No emergency lights are installed at the top of the two emergency exits on the 1st floor of the dormitory building.

One emergency exit in the finishing workshop on the 1st floor of the production building has roll shutter door, and the other emergency exit has horizontal sliding door. Neither of the doors are equipped with any fixed devices; there are about 20 employees in this workshop.

#### Local Law or Code Requirement

The Fire Control Law of the People's Republic of China Articles 11, 13, and 16; The Construction Project Fire Safety Supervision and Management Regulation Articles 2, 13, and 14; The Construction Law of the People's Republic of China Article 61; The Rules on Administration of Fire Safety in Warehouses Article 38; The Fire Safety of Building Design Regulation GB50016-2006 Articles 11.3.4.1 and 11.3.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.4, HSE.5.1, and HSE.25.1)

#### Recommendations for Immediate Action

1.  
Install centralized fire alarm system.
2.  
Install anti-explosive lights in the warehouse where the C-class goods are stored.
3.  
Replace the current emergency lights with illuminated emergency exit signs at the top of emergency exits.
4.  
Install the emergency lights on the top of all emergency exits.
5.  
Install fixed devices for the rolling shutter doors and horizontal sliding door.



## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

#### Explanation:

The factory management has not conducted a fire acceptance check for one added 4-story concrete building attached to the production building. The total area of the building is about 1,000 square meters. [HSE.1, HSE.4]

#### Root Causes:

The factory management stated that they are in the process of applying for the certificate, but it might take time.

2. Finding Status: Not Remediated

#### Explanation:

The factory management does not have the inspection report for the completed building construction projects for both the dormitory building and one added 4-story concrete building attached to the production building. The buildings were completed in year 2010 and 2014, respectively. [HSE.1, HSE.4]

#### Root Causes:

The factory management stated that they are in the process of applying, but it might take time.

3. Finding Status: Not Remediated

#### Explanation:

The factory has installed an isolated fire alarm system instead of a centralized fire alarm in the factory area. [HSE.1]

#### Root Causes:

The isolated fire alarm system is less expensive and easier to manage.

4. Finding Status: Remediated

#### Explanation:

All the lighting in the raw material warehouse on the third floor, in the packaging material warehouse on the first floor, and in the accessory warehouse on the second floor of the production building are cold and anti-explosive lights.

5. Finding Status: Not Remediated

#### Explanation:

During the factory tour, the assessors found that: 1) One safety exit in the sample making section on the second floor of the production building was not affixed with an exit sign; 2) 80% of evacuation signs in the factory were not illuminated; 3) One of the two exit signs on the third floor of the dormitory building was not lit. [HSE.5]

#### Root Causes:

There is a lack of awareness in the factory.

6. Finding Status: Not Remediated

#### Explanation:

No emergency lights are installed in one of the four staircases in the production building. [HSE.5]

#### Root Causes:

The lights were not installed due to management negligence.

7. Finding Status: Remediated

#### Explanation:

The factory installed another emergency exit with a door that opens outward in the finishing workshop on the first floor of the production building, the old exit with roll shutter door in the finishing workshop is no longer an emergency exit. The other emergency exit has a horizontal sliding door that opens outward, following legal requirements. The above roll shutter door and the sliding door are equipped with fixed devices to ensure that the doors can be kept open during working hours. There are about 12 employees in the workshop.

### Local Law or Code Requirement

The Fire Control Law of the People's Republic of China, Articles 11, 13, and 16; The Construction Project Fire Safety Supervision and

#### Recommendations for Immediate Action

1. Install a centralized fire alarm system and equip it with backup electricity.
2. Replace the current emergency lights with illuminated emergency exit signs.
3. Install emergency lights on the top of all the emergency exits and staircases.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
The factory plans to research either 1) asking the fire dept to conduct this test during their annual inspection, or 2) hiring a third party to conduct the test.
2.  
See above - they will inquire about this test at the same time as the fire acceptance test.
3.  
The factory will get a quote for a centralized fire alarm with back up battery, and work with the factory electrician to install
4.  
Already completed
5.  
The factory will activate their current health and safety committee, and create a written procedure for who, how often they will meet, duties, implementation plan. Kevin has a reference document they can use. The factory will put in place a health and safety checklist for the committee to use. The factory will also correct 1), 2) and 3) from the finding
6.  
The factory will install these lights in the dorm within one week and provide photos. **UPDATE 6/1:** Factory has installed lights in the dorm
7.  
Already completed

1. In Progress - The factory will complete the fire acceptance check when the new building addition is completed. They expect the new building to be done in summer 2019.
2. In Progress -The factory will have the inspection reports completed when the new building addition is finished. They expect the new building to be done in summer 2019.
3. In Progress - The factory will work on getting better lights and they will replace the fire alarm once the new building is complete
- 3a. In Progress -The factory has two exit lights in the lobby and stairwell that aren't working. There isn't electricity available currently for the lobby and stairs, so they will fix this with the new construction.
5. Published one procedure of health committee and also a check list
6. **UPDATE 6/1:** Factory has installed lights in the dorm

## PREVIOUS FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

The policies and procedures for Health & Safety do not contain a framework for a comprehensive health and safety management system. Additionally, the policies and procedures do not clearly define employer's responsibilities, workers' rights and duties, the evacuation plan, and procedures of notifying local authorities in case of accidents, etc.

The chairs for workers in the workshop are not adjustable and do not have backrests to minimize workers' bodily strains.

No training is provided to workers regarding to lifting techniques.

## Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.17.1 and HSE.17.2)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Partially Remediated

#### Explanation:

The factory has established the policies and procedures for an evacuation plan and the procedure for notifying local authorities in the case of an accident. However, the policy and procedures do not contain a framework for a comprehensive health and safety management system. Additionally, the policies and procedures do not clearly define the employers' responsibilities, the workers' rights and duties, the review process, etc. [ER.1, ER.31]

#### Root Causes:

The factory management was not aware of the requirement.

2. Finding Status: Not Remediated

#### Explanation:

The chairs in the workshop are not adjustable and do not have backrests to minimize workers' bodily strains. In addition, there are no mats for cutting workers who stand when working. [HSE.17]

#### Root Causes:

The factory management was not aware of the requirement.

3. Finding Status: Remediated

#### Explanation:

A document review showed that the loading workers have been trained on proper lifting techniques.

## Local Law or Code Requirement

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

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Another Colosseum factory has worked with a third party to help put this together for them, and will reach out to obtain a copy.
2. The factory already has an ergonomics policy/procedure and conducts training. The factory will add floor mats for any

standing work station.

3. Already completed

#### Company Action Plan Update

Update 6/1/2018

1. Factory has reworked policy and procedure to include a framework for a comprehensive health and safety management system.
2. The factory has added floor mats for standing work station

### PREVIOUS FINDING NO.11

#### IMMEDIATE ACTION REQUIRED

**FINDING TYPE:** Health & Safety

#### Finding Explanation

20% of the sewing machines in the sewing workshop on the 2nd floor of the production building are not equipped with pulley guards.

No lifting belts are provided to loading workers.

#### Local Law or Code Requirement

The Code of Design of Manufacturing Equipment Safety and Hygiene Article 6.1.6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.14.1 and HSE.17.2)

## Recommendations for Immediate Action

1.  
Equip all sewing machines with pulley guards.
2.  
Provide loading workers with lifting belts.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

Explanation:

Two sewing machines are not equipped with safety belt guards. Safety eye-shields are not used for 50% of the over-locking sewing machines in the factory. [HSE.14]

Root Causes:

There is a lack of awareness and training.

2. Finding Status: Remediated

Explanation:

Lifting belts have been provided to loading workers.

### Local Law or Code Requirement

The Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.14)

### Recommendations for Immediate Action

1. Equip all sewing machines with pulley guards and ensure that all workers are using the eye-shields while working.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

1.  
The factory will move the sewing machines missing belt guards out of the sewing area and send photos. They will provide training to workers on using the eye shield, post signs indicating the need to use them, and have supervisors monitor usage.

2. Already completed

#### Company Action Plan Update

1. The factory has moved the sewing machines to the trash and covered the topic of eye shield protection during their training on 11/07/18.

### PREVIOUS FINDING NO.12

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

There is not adequate training for any of the employment functions, including orientation training, supervisor training and on- going training. According to the on-site assessment, there is only some training focused on Health & Safety issues: fire safety, personal protection, and emergency response.

The factory provides orientation training to new workers at the time of hiring. Although the orientation training covers compensation, factory rules, and human resources policies etc., it is only verbal training. Furthermore, workers are not provided with written documentation substantiating all the issues covered in the orientation briefings.

The managerial staff responsible for administration, human resources, supervision, and production are not trained on national laws, regulations, the FLA Workplace Code, work rules & disciplinary system, and appropriate practices. Some information is informally communicated through internal meetings. As a result, the managerial staff is not clear about the details of these policies.

No on-going training is provided to regular workers and managerial staff for updated factory policies, procedures, or legal requirements.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.15.3, ER.17.1, and ER.17.3)

#### VERIFICATION RESULT

##### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status: Not Remediated

##### Explanation:

There is not adequate training for any of the employment functions, including orientation training, supervisor training and on-going training. Based on the on-site assessment, there is only some training focused on the following Health & Safety issues: fire safety, personal protection, and emergency response. [ER.1]

##### Root Causes:

The factory management was not aware of the requirement and do not have a specific person in charge of this requirement.

#### 2. Finding Status: Not Remediated

##### Explanation:

The factory provides an orientation training to new workers at the time of hiring. However, it only covers factory rules and regulations. Also, the training is oral and there are no written documents. [ER.1, ER.15]

##### Root Causes:

The factory management was not aware of the requirement and do not have a specific person in charge of this requirement.

#### 3. Finding Status: Not Remediated

##### Explanation:

The management staff responsible for all parts of administration, human resources, supervision, and production are not trained on national laws, regulations, the FLA Workplace Code, work rules & disciplinary systems, and appropriate practices. Although some information is informally communicated through meetings, the management staff is not clear about the details of the policies and procedures. [ER.1, ER.17]

##### Root Causes:

The factory management was not aware of the requirement and do not have a specific person in charge of this requirement.

#### 4. Finding Status: Not Remediated

##### Explanation:

The factory has developed on-going training plans and the trainings are provided to regular workers and managerial staff. However, the trainings only cover factory rules and regulations, working hours, health and safety, grievance system, and the client's COC. [ER.1, ER.15, ER.17]

##### Root Causes:

The factory management was not aware of the requirement and do not have a specific person in charge of this requirement.

### 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. The factory will create a formal orientation process for workers that includes detailed training on all topics in the factory. They will keep records of this training and give a quiz to workers after to measure knowledge retention.
2. The factory will also provide annual trainings on the following: hours of work control, discipline system, and updates to labor laws or factory policies.
3. The annual grievance training will include information on the process for tracking, recording, and reporting back to workers on



grievances.

4.  
The factory will add a wage calculation training once they have revised their wage process.
5.  
See above
6.  
The factory will put in place a training program for all management staff that  
  
covers all topics mentioned in the finding.
7.  
See #1 above

#### Company Action Plan Update

1. The factory has addressed all trainings in their training plan and factory has created a procedure for training.
2. The factory has addressed all trainings in their training plan and factory has created a  
  
procedure for training. They also completed a new worker orientation and a quiz as well.
3. The factory has added training for management that includes the following topics:  
  
COC, Labor law, compliance police, and other training. The factory held this training on 9/30/18
4. The factory has sent us an updated training schedule that includes labor laws/legal requirements on it. The factory has also covered this topic during management training on 9/30/18 and during a worker training on 11/07/18.

## FINDING TYPE: Environmental Protection

### Finding Explanation

There are no policies and procedures for Environmental Protection to minimize the environmental impact of the factory.

The factory has not filled out the "Environmental Impact Registration Form" and submitted it to the local environmental bureau for approval

### Local Law or Code Requirement

The PRC Environmental Impact Assessment Law Article 16; FLA Workplace Code (Employment Relationship Benchmark ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.4)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

Explanation:

There were no policies or procedures for Environmental Protection to minimize the factory's environmental impact. Also, the factory does not have a commitment from top management to minimize the environmental impact. [ER.1, ER.31]

Root Causes:

The factory management stated that they were not clear about the requirements.

2. Finding Status: Remediated

Explanation:

During the audit, the factory completed the "Environmental Impact Registration Form" and submitted it to the local environmental bureau. The bureau approved the form.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1 and ER.31)

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

1.

The factory will create an environmental committee. They will define the structure, roles, responsibilities, implementation

procedure, and management commitment.

2. Already completed

#### Company Action Plan Update

1. The factory has created a committee that handles all health, safety, and environment.

## New Findings and Action Plans

### NEW FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

#### Finding Explanation

100% of randomly sampled workers have worked more than six consecutive days without one rest day between November 2016 to December 2017. The maximum consecutive working days were 77 days from October 5, 2017 to December 20, 2017. [HOW.2]

The factory' monthly production schedule is calculated based on 60 hours per week, instead of the normal 40 working hours. [HOW.7]

#### Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.2 and HOW .7)

#### Recommendations for Immediate Action

1. Develop a work schedule that limits overtime and does not encourage employees to work on their rest days. Ensure that workers have at least 24 consecutive hours of rest in every seven-day period.
2. The factory should ensure the production schedule is calculated based on normal working hours of 40.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The factory put in place an incentive program for sewing workers in 2017 that was designed to increase productivity, decrease hours, but keep output and wages the same.
2. The factory put in place an incentive program for sewing workers in 2017 that was designed to increase productivity, decrease hours, but keep output and wages the same.

## NEW FINDING NO.2

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

The factory could not provide documentation to show that they annually test for occupational hazardous factors over the past year. [HSE.13]

The factory did not conduct the drinking water potability test in the past year. [HSE.23]

The kitchen catering service license expired on August 15, 2016. [HSE.22]

Local Law or Code Requirement

Regulations of Occupational Hazardous Factor Regular Testing, Article 4; Hygienic Standards for the Design of Industrial Enterprises GBZ 1-2010, Article 7.3.2; Law on Food Safety of the People's Republic of China, Article 35; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.13, HSE.22, and HSE.23)

## COMPANY ACTION PLANS

Action Plan no 1.

Description

Company Action Plan Update

## NEW FINDING NO.3

## SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Health & Safety

Finding Explanation

1. The factory does not have a certified electrician. The factory management stated that they have an outside electrician who is available when necessary, but no contract or certification could be provided for review. [HSE.13]

Local Law or Code Requirement

Special Equipment Safety Law of the People's Republic of China Article 33; FLA Workplace Code (Health, Safety and Environment

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The factory will obtain a copy of the electrician's certificate to keep on file and will add to the H&S checklist.

#### Company Action Plan Update

1. Factory has provided copy of electrician's certificate and has added it to the health and safety checklist.

## NEW FINDING NO.4

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The fire alarm system does not have a back-up power source. [HSE.5]

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.5)

#### Recommendations for Immediate Action

Equip the fire alarm system with a back-up power source.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

The factory will get a quote for a centralized fire alarm with back up battery, and work with the factory electrician to install

### Company Action Plan Update

1. The factory is waiting for the new building to be finished in order to replace the fire alarm.

## NEW FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Recruitment, Hiring & Personnel Development

### Finding Explanation

The factory does not have a dedicated HR department. [ER.1]

The factory does not clearly define the responsible person(s) for all of the employment functions except for Health & Safety. Also, the factory does not clearly and formally identify the person with ultimate responsibility; they are identified informally. [ER.1]

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.  
The factory will create an organizational chart that shows HR jobs
2.  
The factory will create a written procedure for this, and identify who is in charge or what HR process.

#### Company Action Plan Update

- 1.
1.  
The Factory has created an organizational chart to show Ms. Zhao's job
2. Factory has created written procedure and has sent over HR process