



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: PUMA SE  
COUNTRY: China  
ASSESSMENT DATE: 09/13/18  
ASSESSOR: Openview  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 830

## 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

1. The factory requires workers to sign a 3-year labor contract that stipulates an extended probation period of 6 months. However, according to the FLA Code and Benchmarks, the probation period shall not exceed 3 months.

##### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.3)

#### VERIFICATION RESULT

##### Finding Status

Remediated

##### Remediation Details

1. Finding Status (Remediated)

##### Explanation:

Assessors reviewed the factory's procedures, workers' labor contracts, and interviewed management and workers. They found that the maximum probation period is three months, which is in line with the FLA Workplace Code and Benchmarks.

### PREVIOUS FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not provide workers with 100% social insurance coverage. Among all 1121 employees, only 443 employees (39.5%) were provided pension and unemployment insurance; 678 employees (60.5%) were provided medical and work-related injury insurance; no workers were provided maternity insurance.

##### Local Law or Code Requirement

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

#### 1. Finding Status (Remediated)

#### Explanation:

Assessors reviewed the social insurance receipts from August 2017 through August 2018 and found that all 612 eligible employees were provided with work-related injury, pension, unemployment, medical and maternity insurance. In addition, the factory provides commercial accidental injury insurance for 16 employees who have reached the retirement age.

## PREVIOUS FINDING NO.3

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Hours of Work

#### Finding Explanation

The factory has 2 production buildings. Each building is devoted to the production of different brands. At the time of the assessment, building #2 had just been completed and had become operational in April 2012. Through review of: a) provided time records from Building #1 from October 2011 to October 2012 and b) time records from Building #2 from April 2012 to October 2012, it was noted that:

The overtime hours for around 80% of workers in Building #1 whose time records were reviewed exceeded the limit of the Cumulative Hours Working System (CHWS) (432 hours of overtime per year) that was valid from August 1, 2011 to July 31, 2012. The maximum cumulative overtime hours for a representative sample of workers reached 1021.5 hours during the CHWS period. No such violation was noted in Building #2, as it had started production only in April 2012.

The weekly working hours for 60% of workers in Building #1 exceeded 60 hours from October 2011 to October 2012; a few workers occasionally worked 72 hours a week in each month. In Building #2, the weekly working hours for 35 – 60% of workers exceeded 60 from May 2012 to July 2012; the maximum number of hours per week was 66 hours for few workers.

#### Local Law or Code Requirement

China Labor Law, Article 65; FLA Workplace Code(Hours of Work Benchmark HOW.1)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status (Not Remediated)

#### Explanation:

a. The factory obtained approval to adopt a Comprehensive Working Hours System (CWHS) which was valid from May 2017 to April 2018. The total working hours for about 90% of workers during this period ranged from 2,439 to 3,026 hours, which exceeded the written approval's limit of 2,432 hours. In addition, the time records indicate that 90% of workers worked more than 36 hours of overtime per month from May 2018 to August 2018, after the factory's CWHS approval expired. The maximum was 150 hours of overtime in May 2018. [HOW.1, HOW.8]

b. According to worker interviews and time records from August 2017 to September 12, 2018, the working hours for about 80% of employees in the factory exceeded 60 hours per week in about 80% of weeks in the review period, with an average of 63 hours and a maximum of 79 hours in one week in July 2018. [HOW.1, HOW.8]

#### Local Law or Code Requirement

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

#### Recommendations for Immediate Action

1. Do not require or allow workers to work more than 36 hours of overtime per month.
2. Do not require or allow workers to work more than 60 hours total (regular plus overtime hours) per week.
3. When operating under a Comprehensive Working Hours System, do not require or allow workers to work more than the CWHS limit.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

In general the root cause of excessive overtime time was

- 1) the production team did not evaluate the actual capacity before they accepted production orders, which was about 20% overloaded for production.
- 2) The big quality issue of fabric

The company plan of action is

1. Hire more sewing workers around 15%
- 2, Factory will filter orders with higher FOB and less quantity
- 3, Communicate with production planning team to make plan more accurate with factory's actual capacity.
- 4, Keep close monitoring on fabric suppliers to settle the fabric issue

## PREVIOUS FINDING NO.4

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

There was only 1 emergency exit in the finished products warehouse on the 1st floor of production Building #1. The warehouse is about 500 to 600 square meters.

1 of the 2 emergencies exits in the kitchen was found locked while there were still kitchen workers working inside. The kitchen was about 300 square meters and about 10 kitchen workers were working in there.

The factory did not conduct any fire evacuation drills in the 1st half of 2012. They only conducted 1 fire evacuation drill in the past 6 months, on August 30, 2012.

#### Local Law or Code Requirement

Code for Design of Building Fire Protection and Prevention, 2006, Article 3.7.2; China Fire Prevention Law, Articles 16 and 28; Fire Prevention Regulation for Government Offices, Organizations and Enterprises, Article 40; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.5.1 and HSE.5.2)

#### Recommendations for Immediate Action

1. Add another emergency exit in the finished warehouse and keep all exits open during working time.

## VERIFICATION RESULT

#### Finding Status

Remediated

#### Remediation Details

##### 1. Finding Status (Remediated)

#### Explanation:

According to assessors' onsite observations, there are two emergency exits in the finished products warehouse on the first floor of production Building #1.

##### 2. Finding Status (Remediated)

#### Explanation:

According to onsite observations as well as worker and management interviews, the kitchen and canteen area is now used by another factory. The factory has not had a kitchen or canteen since October 2017.

##### 3. Finding Status (Remediated)

#### Explanation:

According to a document review as well as worker and management interviews, the factory has conducted two fire drills in the past 12 months, one on December 28, 2017 and one on March 28, 2018.

## PREVIOUS FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

The food service permit expired on September 16, 2012.  
Annual inspection certificate for 1 forklift could not be provided for review.

#### Local Law or Code Requirement

China Food Safety Law, Article 20; Safety Monitoring Regulation of Special Equipment, Article 28; FLA Workplace Code (Health, Safety and Environmental Benchmark HSE. 4)

#### Recommendations for Immediate Action

1. Apply for the food service permit and the annual inspection for the forklift with local authorities.

### VERIFICATION RESULT

#### Finding Status

Remediated

#### Remediation Details

##### 1. Finding Status (Remediated)

#### Explanation:

According to onsite observations as well as worker and management interviews, the kitchen and canteen area is now used by another factory. The factory has not had a kitchen or canteen since October 2017.

##### 2. Finding Status (Remediated)

#### Explanation:

According to a document review, assessors found that the factory conducted an annual inspection of the forklift in January 2018 and maintained the inspection certificate for review.

## PREVIOUS FINDING NO.6

### IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

Warning labels attached to some sewing machines were written in English or Japanese, instead of Chinese; as a result, operators do not understand their content.

The back-up horn for 1 forklift was broken.

### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.14.1 and HSE.14.3)

### Recommendations for Immediate Action

1. Create machine safety instructions that are written in Chinese and place them where applicable.
2. Fix the broken back-up horn on the forklift.

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

1. Finding Status (Remediated)

Explanation:

During their onsite observations, assessors found that the warning labels attached to all sewing machines are in Chinese.

2. Finding Status (Remediated)

Explanation:

During their onsite observations, assessors noted that the back-up horn for the forklift is in good condition.

## PREVIOUS FINDING NO.7

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Industrial Relations

### Finding Explanation

There is no industrial relations policy in the factory.

There is no trade union at this factory. Although there was a Workers' Representative Committee, all of the 11 worker representatives were appointed by supervisors, instead of being nominated and elected by workers themselves. The chairman of the Workers' Representative Committee is the administrative manager.

### Local Law or Code Requirement

FLA Workplace Code (Compliance Benchmarks FOA.2, FOA.10, and FOA.11)

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

1. Finding Status (Remediated)

Explanation:

According to a document review and interviews, the factory has developed a policy on Industrial Relations and provides orientation training and ongoing training on Industrial Relations to workers.

## 2. Finding Status (Remediated)

### Explanation:

According to a document review and interviews, all 10 worker representatives currently on the Worker's Representative Committee, including the Chairman of the Committee, were freely elected by the workers of each department. The representatives collect issues from the workers and hold regular meetings with management to discuss workplace issues.

## PREVIOUS FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

Local law requires employers to pay earned wages to terminated/resigned workers on their last day at work. However, the factory pays wages to terminated/resigned workers on the 15th day of the month following the departure of the worker.

There are several termination cases with cause or fault that happened in the past year; however, the relevant documentation and records with these termination cases were not maintained at the factory.

3 out of 50 interviewed workers reported that it is difficult to resign during the peak season and that they could not get the approval of resignation despite giving prior notice as per law. Also, based on the termination statistics, about 20% -30% of those workers who resigned did so without notification in year 2012.

#### Local Law or Code Requirement

The Guangdong Province Regulation on the Payment of Wages, Article 13; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.32.2; Compensation Benchmark C.4)

#### Recommendations for Immediate Action

1. Management should pay wages to terminated or resigned workers on their last day at work in accordance with the local law and regulations.

## VERIFICATION RESULT

#### Finding Status

Partially Remediated

#### Remediation Details

##### 1. Finding Status (Partially Remediated)

### Explanation:

Local law requires employers to pay all earned wages to terminated or resigned workers on their last day of work. However, during a document review assessors found that the factory only pays out terminated or resigned workers' regular wages on their last day.

Productivity bonuses are not paid until the 15th day of the month following the worker's departure. [ER.18, C.1, C.4]

### Root Causes:

1. Productivity bonuses are calculated based on the monthly productivity of a group of workers instead of each individual. As a result, the factory does not have complete productivity data until the end of each month and cannot calculate and pay out terminated and resigned workers' bonuses on their last day of work.

##### 2. Finding Status (Remediated)

### Explanation:

According to a review of the factory's termination records as well as management and worker interviews, assessors found that the factory has not terminated any workers for cause or fault in the past 12 months.

##### 3. Finding Status (Remediated)

### Explanation:

All workers that assessors interviewed reported that they can freely resign by following the resignation process regardless of the season. A review of termination records found no issues with in the past 12 months.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

Factory only can pay the basic wage to resigned workers by the date of termination/resignation, but for the production bonus, the unit-piece for each process might not come out yet when workers resign, and most process is operated by several workers together, they need to confirm the quantity after the order finished. Factory will internal review whether the current procedure of bonus calculation could be speed up.

## PREVIOUS FINDING NO.9

## SUSTAINABLE IMPROVEMENT REQUIRED

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

### Finding Explanation

1. The worker integration is overall deficient in the factory. Workers are not systematically integrated or consulted on the decision-making processes, especially with respect to Recruitment, Hiring & Personnel Development, Grievance System, Industrial Relations and Environmental Protection.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.25.2)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status (Not Remediated)

### Explanation:

Assessors reviewed the factory's documents, minutes from meetings between management and the Worker Representative Committee, and grievance records, and interviewed management and workers. Management discussed the updated employee handbook with the Worker Representative Committee in August 2018. However, the active communication from management is insufficient. The factory only posts some of the management documents on the announcement board and there's no system to involve workers in the Management Functions (e.g. consulting workers during the development of policies and procedures and in the decision-making process, including entry-level workers on the Health & Safety Committee and the regular Corporate Social Responsibility (CSR) system review process, etc.) [ER.1, ER.25]

### Root Causes:

1. HR and CSR staff believe that it is easier and more efficient to perform management reviews without the involvement of worker representatives.
2. Management does not recognize the benefits of workers' input.
3. Management does not have solid knowledge of the local laws that can support this topic.
4. Lack of worker integration is very common in this industry across China.

### Local Law or Code Requirement

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

## COMPANY ACTION PLANS

Action Plan no 1.

### Description



Per the on-site following up,

- 1, Regular meetings between the health and safety team, worker representative were invited.
- 2, Regular meeting between the worker representative were arranged.
- 3, Factory has set up the system to collect and follow worker complaints with proper resolution address to workers
- 4, Factory has participated the Workers Voice Project, where workers are able to raise complaint and suggestion via the APP installed in their smart phone. Based on the analysis, the responded rate of worker voice is 100%. Also, factory has conducted worker surveys via this APP.
- 5, The Workplace Cooperation Project mainly focus on worker engagement is enrolled in their branch factory, which will plan to launch in this factory if the result is positive

## PREVIOUS FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. Based on a review of the factory's training practices, training activities are not being adequately carried out, especially with respect to grievance system, workplace conduct, termination & retrenchment and environmental protection.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.1.2)

### VERIFICATION RESULT

##### Finding Status

Partially Remediated

##### Remediation Details

1. Finding Status (Partially Remediated)

##### Explanation:

Based on a review of the annual training plans for the years of 2017 and 2018, training materials, training records, and management and worker interviews, assessors noted that the orientation and ongoing training provided to workers regarding the nine Employment Functions is generally effective. However, none of the four supervisors that assessors interviewed fully understood the legal and FLA requirements regarding Hours of Work (e.g. the legal overtime limit, the weekly working hours limit, and the requirement to provide at least one day off in every seven-day period). [ER.1, ER.17]

##### Root Causes:

1. The training is ineffective.
2. There is no evaluation method in place to assess the effectiveness of training (e.g. an exam).
3. The factory does not have supervisors fill out feedback surveys about the training they have received.
4. The Key Performance Indicators (KPIs) for most of the supervisors do not include CSR performance.

##### Local Law or Code Requirement

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

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Factory will set up evaluation procedure on training effectiveness and implement the procedure accordingly.

# New Findings and Action Plans

## NEW FINDING NO.1

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

The factory has written policies and procedures outlining the process for performance reviews for employees including management staff and production workers; however, the factory only conducts annual performance reviews for employees at the team leader level and not for entry-level workers, who make up about 80% of the total workforce. [ER.1, ER.29]

The factory does not have a system to review the performance of new employees during their probation period. [ER.1, ER.29]

Currently, the factory only employs three disabled workers, who make up 0.4% of the total workforce. Local law requires that 1.5% of the total workforce be made up of disabled workers. The factory does not contribute to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law. Management states that they are trying to hire more disabled workers. [ER.3, ND.1, ND.2]

The job application form includes questions regarding marital and health status, which might lead to discrimination during the recruitment process. [ER.3, ND.2, ND.4, ND.9]

##### Local Law or Code Requirement

Regulation on the Employment of the Disabled, Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, and ER.29; Non-Discrimination Benchmarks ND.1, ND.2, ND.4, and ND.9)

##### Recommendations for Immediate Action

1. Remove all questions regarding marital and health status from the job application form.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will set up annual performance review procedure on production workers with relevant training provided to workers
2. Factory will set up performance review procedure on new employees during their probation period and conduct training.
3. Per the records provided by factory during the onsite following up, factory employed 10 disabled workers who make up 1.6% of the total workforce, so this issue is completed.
4. Per the records provided by factory during the onsite following up, factory already removed marital and health status in the application form, so this issue is completed.

## NEW FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

The contribution base for 50% of employees' five types of social insurance is not in line with legal requirements. The contributions are based on the local minimum requirement of CNY 2,692 (USD 393) for pension insurance, CNY 1,410 (USD 206) for unemployment and maternity insurance, CNY 3,078 (USD 450) for work-related injury and medical insurance, instead of based on the employees' average

monthly wages over the past 12 months (ranging between CNY 3,200 (USD 467) to CNY 3,500 (USD 511) per month). [ER.22, C.1, C.5, C.10]  
The factory only provides 16 out of 643 eligible employees (2.5%) with Housing Provident Fund benefits. [ER.22, C.1, C.5, C.10]  
The factory bases its contributions to the Housing Provident Fund on CNY 1,410 (USD 206) per month, instead of the employee's average monthly wage in the past 12 months (ranging between CNY 2,500 (USD 365) to CNY 3,500 (USD 511) per month). [ER.22, C.1, C.5, C.10]  
The workers' employment contracts state that payday is the 15th day of each month. However, payment was delayed in eight out of 12 reviewed months. For instance, the wages for September 2017 were issued to employees on October 26, 2017, 11 days after the official payday. [ER.18, C.1, C.4]

#### Local Law or Code Requirement

Labor Law of the People's Republic of China, Articles 72 and 73; Social Insurance Law of the People's Republic of China, Articles 12, 23, 35, 44, and 53 Regulations on Management of Housing Provident Fund, Articles 3, 15 and 16; Interim Provisions on Payment of Wages, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.18 and ER.22; Compensation Benchmarks C.1, C.4, C.5, and C.10)

#### Recommendations for Immediate Action

1. Calculate social insurance contributions based on employees' average monthly wages over the past 12 months.
2. Pay workers on the date agreed upon in the employment contracts.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Fulfill the legal requirements progressively.
2. Increase the housing fund coverage progressively.
3. Fulfill the legal requirements progressively.
4. Will arrange meeting with the worker representatives to postpone the payment date to 25<sup>th</sup> of each month.

### NEW FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. According to the time records for the period from August 2017 to September 12, 2018 and worker interviews, about 80% of workers worked three and a half to four hours of overtime per day on about 30% of weekdays in the reviewed period, except for during the months of September 2017 and February 2018. [HOW.1, HOW.8]
2. Assessors reviewed time records from August 2017 to September 12, 2018 and interviewed workers. They found that 0.1% to 37% of workers did not receive one day off in every seven-day period during each month except August, September and November 2017. The maximum number of consecutive days worked was 13 days in June 2018 and the average was seven days. [HOW.2]
3. Assessors reviewed the factory's procedures and time records and interviewed workers and management. They found that the factory does not provide one hour of rest during normal working hours for workers who are at least seven months pregnant. [ER.14, HOW.1, HOW.4, ND.1, ND.8]

#### Local Law or Code Requirement

Labor Law of the People's Republic of China, Articles 38 and 41; Special Rules on the Labor Protection of Female Employees of Guangdong Province, Article 10; FLA Workplace Code (Employment Relationship Benchmark ER.14; Hours of Work Benchmarks HOW.1, HOW.2, HOW.4, and HOW.8)

#### Recommendations for Immediate Action

1. Do not require or allow workers to work more than three hours of overtime per day.
2. Ensure that all workers receive at least one day off in every seven-day period.
3. Provide at least one hour's rest during normal working hours for workers who are seven or more months pregnant.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

In general the root cause of excessive overtime time was

- 1) the production team did not evaluate the actual capacity before they accepted production orders, which was about 20% overloaded for production.
- 2) The big quality issue of fabric

The company plan of action is

1. Hire more sewing workers around 15%
- 2, Factory will filter orders with higher FOB and less quantity
- 3, Communicate with production planning team to make plan more accurate with factory's actual capacity.
- 4, Keep close monitoring on fabric suppliers to settle the fabric issue

## NEW FINDING NO.4

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. According to interviews with management, workers, and worker representatives, the factory does not provide facilities (e.g. a designated office) necessary for the proper exercise of the Worker's Representative Committee's function. [FOA.15]
2. FLA Comments: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All-China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. [FOA.2]

#### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association and Collective Bargaining Benchmarks FOA.2 and FOA.15)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Factory could reserve a meeting room for the proper exercise of the Worker's Representative Committee's function whenever it is needed.

### NEW FINDING NO.5

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

The disciplinary system does not include the workers' right to have a third-party witness present during imposition of the disciplinary action. [ER.27]

The factory maintains the records of disciplinary actions in a centralized file, not in worker's personnel files. [ER.27]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

Factory has revised the procedure on disciplinary system to include workers' right to have a third-party witness present during imposition of the disciplinary action.

### NEW FINDING NO.6

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory's Environmental Protection procedures do not:

- a. enable workers to raise environmental concerns;
- b. include steps for reporting environmental emergencies;
- c. protect workers who raise concerns against retaliation. [ER.1, ER.31, HSE.5]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmark HSE.5)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

Factory will update the Environmental Protection procedures.

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

The factory does not provide workers with training on proper lifting techniques. [HSE.17]

There is no backup battery for the emergency alarm system. [HSE.5]

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

The factory does not conduct an annual test of the lightning protection system. [HSE.1]

The factory is not taking proactive steps to reduce repetitive-motion stress and injuries. Not all workstations can be adjusted to fit individual workers. [HSE.17]

The factory has not updated their business license as legally required. Currently, the factory only uses Building A. However, the business address listed on the factory's business license includes Building A and Building B. [HSE.1, HSE.4]

##### Local Law or Code Requirement

Technical Specifications for Inspection of Lightning Protection System in Building, Article 6; Administrative Regulations of the People's Republic of China Governing the Registration of Legal Corporations, Article 17; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.4, HSE.5 and HSE.17)

##### Recommendations for Immediate Action

1. Install a backup battery for the emergency alarm system in the factory.
2. Test the lightning protection system every year.
3. Update the business license so that it accurately reflects the buildings occupied by the factory.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1.(Completed) Factory has provided workers with training on proper lifting techniques
- 2.(Completed) Factory has installed the backup battery for emergency alarm system
- 3.(Completed) Factory has set up the tracking system on illnesses
- 4.(In progress) Factory will conduct the testing on lightning protection system
- 5.(In progress) Factory will review and set up an effective monitoring system to reduce repetitive-motion stress and injuries
- 6.(Completed) Factory has updated the business license accordingly