



COMPANY: Esquel Group
COUNTRY: China
ASSESSMENT DATE: 12/02/14
MONITOR: FLA Assessor Team (China)
PRODUCTS: Apparel
PROCESSES: Cut, Sew, Full [= full package]
NUMBER OF WORKERS: 651
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: AA0000000594

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute

an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

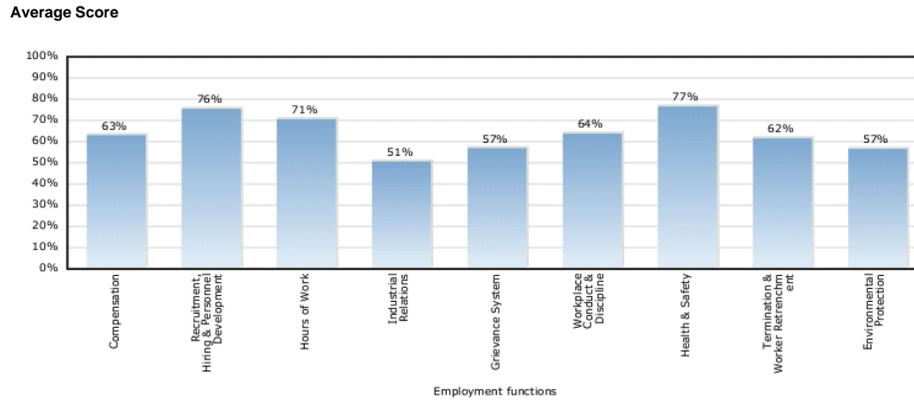
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

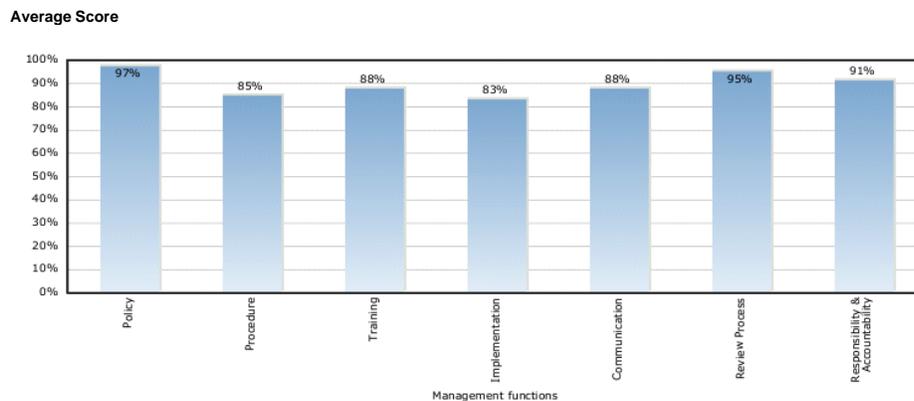
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	90%	88.89%	92.31%	83.33%	88.89%	83.33%	90.91%	87.5%	85.71%
Procedure	76.92%	100%	100%	0%	100%	88.89%	95.24%	84.3%	68.75%
Responsibility & Accountability	66.67%	50%	66.67%	33.33%	50%	50%	50%	33.33%	33.33%
Review Process	100%	100%	100%	100%	100%	50%	100%	100%	100%
Training	85%	100%	100%	100%	100%	100%	100%	74.88%	100%
Implementation	88.08%	81.63%	78.95%	80%	95.45%	87.5%	77.78%	81.83%	75.34%
Communication	83.33%	87.5%	100%	50%	75%	100%	100%	72.5%	75%

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.

FLA Code Element	Number of Violations	Violations
Compensation	3	General Compliance Compensation Workers Awareness and Understanding of Compensation Calculation Basis for Overtime Payments
Employment Relationship	10	General/Human Resource Management Systems Terms and Conditions/Communication Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Recruitment and Hiring/Employment Decisions Health, Safety, and Environmental Management System/Policies and Procedures
Forced Labor	1	Freedom of Movement/Workers Ability to Terminate
Freedom of Association and Collective Bargaining	6	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Right to Freely Associate
Harassment and Abuse	2	General Compliance Harassment or Abuse Discipline/Psychological Abuse
Hours of Work	5	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Rest Day Overtime/Calculation over Period Longer than One Week
Health, Safety and Environment	9	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Ergonomics Document Maintenance/Workers Accessibility and Awareness Dormitory Facilities Notification and Record Maintenance Evacuation Requirements and Procedure Personal Protective Equipment Chemical Management and Training
Non-Discrimination	3	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's online recruitment advertisements have a requirement that sewing worker applicants be female. Observations at the factory confirmed that only 7% of the sewing workers were male. Generally, the factory prefers to hire female workers for the sewing positions.
2. Disabled workers constitute 0.14% of the workforce, which is below the legal requirement of 1.5%. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers, as is allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code and Benchmarks.
3. There are repeated probation terms for workers returning for employment at the factory. According to applicable legal requirements, returning employees should not be subject to additional probation terms in the same workplace.
4. For workers who resign within the probation period, the factory retains possession of the original health examination report, although the health examination fee is paid by the workers themselves, not the factory. (Note: The factory reimburses the health examination fees for workers who pass the probation period.)

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Regulations on the Employment of Persons with Disabilities, Articles 8; Labor Contract Law of PRC (2008), Article 19; Property Law of PRC (2007), Article 39; FLA Workplace Code (Employment Relationship Benchmark ER.3.2; Nondiscrimination Benchmarks ND.1 and ND.2.1)

Root Causes

1. Female workers typically constitute the majority of the workforce in apparel factories.
2. The factory's campus dormitory only serves female workers. The factory has rented several apartments outside of the factory campus for male workers and office staff.
3. Regulations on the Employment of Persons with Disabilities, Article 9 allows employers to contribute to the Employment Security Fund in lieu of hiring disabled workers.
4. Since the type and severity of disability is an important factor for deciding if a candidate is suitable for the workplace/task to which they will be assigned, the factory finds it difficult to recruit eligible disabled workers.
5. The factory considers it is necessary to arrange for a second probation period, since a worker's job category might change when they return to the factory.
6. It is a common practice in the industry to keep workers' health examination reports as a part of workers' personal files.

Recommendations for Immediate Action

1. Remove the discriminatory clauses in the online job advertisements, and ensure that employment decisions are based solely on an applicant's qualifications.
2. Return the original health examination reports to workers who have paid the examination fee without reimbursement from the factory.

COMPANY ACTION PLANS

1. The discriminatory clauses in the online job advertisements have been deleted. In addition, the factory's parent company will hold regular meetings with factory management, HR staff and supervisors to communicate all FLA Code and Benchmarks on non-discrimination to make sure all job advertisements completely comply with the procedure and policy.
2. The original health examination reports have been returned to workers who have paid the examination fee without reimbursement from the factory. Besides, they will sign the attached file to confirm that they have received personal belongings from factory.
3. For the workers who return to the factory, we will not set up a repeated probation for them. Instead, we will provide some necessary training for them to ensure they are adapt to the new position.
4. Factory will try to identify positions for workers with different types of disabilities and collaborate with local authorities and organizations so that we can provide employment opportunities to the eligible workers with disabilities.

Action plan status:	Completed
Planned completion date:	12/05/14
Progress update:	04/18/17 : 1.The discriminatory clauses in the online job advertisements have been deleted.In addition,the factory's parent company will hold regular meetings with factory mananement, HR staff and supervisors to communicate all FLA Code and Benchmarks on non-discrimination to make sure all job advertisements completely comply with the procedure and policy. 2.The original health examination reports have been returned to workers who have paid the examination fee without reimbursement from the factory.Besides,they will sign the attached file to confirm that they have received personal belongings from factory. 3.For the workers who return to the factory, we will not set up a repeated probation for them.Instead, we will provide some necessary training for them to ensure they are adapt to the new position. 4.Factory will try to identify positions for workers with different types of disabilities and collaborate with local authorities and organizations so that we can provide employment opportunities to the eligible workers with disabilities.
Completion date:	12/05/14

FINDING NO.2

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory provides all workers with all five types of social insurance. However, the social insurance contribution base is not aligned with workers' actual earnings; 79% of the regular workers' pension contribution base (CNY 1650) is below their actual earnings, and 38% of the workers' contribution base for medical, unemployment, maternity, and work-related injury insurances is below their actual earnings.
2. The factory contributes to the Housing Provident Fund for all workers, but the contribution base for 81.7% of the regular workers is below their actual earnings.
3. The factory has offered employment contracts for the interns (vocational school students), who make up 4% of workforce, since November 2014. However, the interns were neither covered by the Housing Provident Fund nor any of the five social insurance schemes at the time of the assessment.

Local Law or Code Requirement

Regulation on Housing Provident Fund Deposit Management, Articles 16; Social Insurance Law of PRC, Articles 12, 23, 35, and 44; Social Insurance Contribution Base Notice of Ningbo City (2014); FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Compensation Benchmark C.1)

Root Causes

1. The factory management considers the full contribution to social insurance and housing provident fund financially burdensome.
2. Most workers prefer higher disposable income in the short-term to long-term benefits and, therefore, are willing to accept a lower contribution base.
3. The local authority has not been monitoring and enforcing compliance strictly
4. The current cohort of interns were enrolled in June of 2014 and the employment contracts were offered in November 2014; however, the signing date was marked as June 2014 on the contracts. The employment contracts were offered to interns less than one month before the assessment, and the factory had just begun to register the interns with social insurance and Housing Provident Fund.

COMPANY ACTION PLANS

1. Our employees understand the legal requirements on social insurance and housing fund. Factory will strengthen the related training to all employees so that they can understand more on the long-term benefits. 2. For the interns who have official labor contracts, the factory has provided social insurance and housing provident fund for them. 3. Our current contributions base is accepted by the local government and the factory was praised and refunded by the local government on our 100% participation on

social insurance and housing fund. Besides, there are other many complexities: a, Lack of workers' confidence in Social Insurance system, e.g., transferability and pension availability b, In Esquel, with over 70 international brands, so far only one brand requests full compliance on SI not even HF. The other brands are also aware that there are problems and complexities related to this specific China law. They are not pushing us on it but rather staying focused on asking us to continue to improve areas that have a direct positive impact on the workers c, Different categories of employees have different expectations (e.g., migrant workers are more concerned with transfer policy and younger workers are less interested in higher pension contributions) d, Housing Fund is only a regulation currently. Therefore, we would like to maintain the current practice on social insurance and housing fund, which is accepted by both government and our employees. "1. Factory current practice is accepted by local labor bureau. And due to factory's good practice on Social insurance, the local labor bureau has provided some incentive measures to factory, such as exempted the endowment insurance and medical insurance of Dec 2015 which should be paid by the factory. Factory HR will continue to keep communicating with local government to track the most updated government requirement. 2. Factory purchased social insurance for the "interns" since May 2016, but hasn't purchased housing fund for them. Regarding the HF, it is not mandatory from labor bureau. And it is not so beneficial for the "interns" to purchase HF during the "interns" period if they decide to return school to continue education after the internship. But if the "interns" decide to be back to our factory after graduating, factory will purchase HF for them when they rejoin."

Action plan status: Completed

Planned completion date: 12/05/14

Progress update: 04/18/17 : 1. Our employees understand the legal requirements on social insurance and housing fund. Factory will strengthen the related training to all employees so that they can understand more on the long-term benefits. 2. For the interns who have official labor contracts, the factory has provided social insurance and housing provident fund for them. 3. Our current contributions base is accepted by the local government and the factory was praised and refunded by the local government on our 100% participation on social insurance and housing fund. Besides, there are other many complexities: a, Lack of workers' confidence in Social Insurance system, e.g., transferability and pension availability b, In Esquel, with over 70 international brands, so far only one brand requests full compliance on SI not even HF. The other brands are also aware that there are problems and complexities related to this specific China law. They are not pushing us on it but rather staying focused on asking us to continue to improve areas that have a direct positive impact on the workers c, Different categories of employees have different expectations (e.g., migrant workers are more concerned with transfer policy and younger workers are less interested in higher pension contributions) d, Housing Fund is only a regulation currently. Therefore, we would like to maintain the current practice on social insurance and housing fund, which is accepted by both government and our employees.

Completion date: 12/05/14

FINDING NO.3

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The employees were not entitled to prenatal (health examination) leave until November 2014. Additionally, the managements places limits on prenatal leave (maximum of 13 times for no more than 4 hours at a time) which are not aligned with local law.
2. The factory does not make sufficient efforts to ensure workers understand the wage calculation, especially for workers who are paid at the collective piece rate. Based on supervisor interviews, these workers are assigned a coefficient for production performance based on respective job category and productivity. There are, however, no clear written criteria for the coefficients. A randomly selected case showed a worker's coefficient was decreased from 1.1 to 1.0, which resulted in wage reduction, without any supporting documents.

Local Law or Code Requirement

Workplace Special Protection Regulation for Female Workers, Article 6; FLA Workplace Code (Employment Relationships Benchmarks ER.16 and ER.22.1, Compensation Benchmarks C.1 and C.17)

Root Causes

1. The local factory received guidance on prenatal leave policy from the parent company; however, due to a miscommunication, the factory decided to put a cap on the number of prenatal leaves.
2. The management thought it was cumbersome to have written standard for the piece rate coefficient and to make a formal evaluation prior to adjusting the coefficient.

Recommendations for Immediate Action

1. Provide prenatal leave to all eligible workers in line with legal requirements.

COMPANY ACTION PLANS

1. Factory will provide prenatal leave to all eligible workers in line with legal requirements.
2. Factory will establish clear policies and procedures regarding the piece rate coefficient and evaluation process. Also, we will arrange related trainings and meetings to HR, supervisors and employees to ensure adequate awareness for them on the related policy and procedure.
3. The consistency in policy and procedure will be enhanced between parent company and factory through regular management conference and trainings.
4. Parent company will arrange internal audit on management system periodically to monitor all policies and procedures are well implemented in factory to make sure the compensation scheme is fair and reasonable to each employee.

Action plan status: Completed

Planned completion date: 12/05/14

Progress update: 04/18/17 : 1. Factory has provided prenatal leave to all eligible workers in line with legal requirements. 2. Factory has established clear policies and procedures regarding the piece rate coefficient and evaluation process. Also, we arranged related trainings and meetings to HR, supervisors and employees to ensure adequate awareness for them on the related policy and procedure. 3. The consistency in policy and procedure will be enhanced between parent company and factory through regular management conference and trainings. 4. Parent company will arrange internal audit on management system periodically to monitor all policies and procedures are well implemented in factory to make sure the compensation scheme is fair and reasonable to each employee.

Completion date: 12/05/14

FINDING NO.4

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. According to management interviews, production planning always includes overtime (a total of 9.5 – 9.6 working hours per day, 6 days per week).
2. The factory obtained a Cumulative Working Hour System Waiver (CWHS) in 2013 and 2014, allowing the factory to have 2432 working hours per year. However, the total working hours for 2014 already reached 2879 hours in November 2014, exceeding the CWHS limit.
3. In the past 12 months (October 2013 – October 2014), 88.52% of the employees worked overtime each month exceeding the 36 hours per month limit. The monthly overtime varied from 64 to 106 hours.
4. 70 – 90% of the employees did not have one day off in every seven-day period in January, July, August, and September 2014.
5. 70 – 90% of the employees worked more than 60 hours per week in January, July, August, and September 2014, which violates the FLA Workplace Code. The weekly working hours reached 66 – 68 hours.
6. Although the management stated that the work shift starts at 7:30, according to worker interviews and time records review, about 28% of the employees have started work between 7:00 – 7:15 over the past year. As a result, these workers have 15-30 minutes of work not accounted for in their working hours. Although the factory has adopted a piece rate system, it still carries the risk that not all working time is compensated, especially in the event that the wage calculated by working hours is more than the piece rate wage.

7. One employee, who was seven months pregnant, worked overtime on weekdays, and worked on Saturday in November 2014.

Local Law or Code Requirement

Labor Law of PRC, Article 38 & 41; Workplace Special Protection Regulation for Female Workers, Article 6; FLA Workplace Code (Employment Relationships Benchmark ER.24; Hours of Work Benchmarks HOW.1, HOW. 2, HOW.4.1, and HOW.7; Forced Labor Benchmark F.7.5; Compensation Benchmark C.7; Nondiscrimination Benchmark ND.8.1)

Root Causes

1. In July and August 2014, due to an associated factory's production issues, extra orders have been transferred to the factory. As a result, the employees have worked more than 60 hours per week, and without one day off in every seven-day period during the abovementioned period.
2. In January and September 2014 the management shifted the working days with rest days so that the employees could have longer holidays (Spring Festival and National Holiday).
3. There is not enough buyers' oversight to identify and address possible reasons behind excessive overtime.
4. Workers rely on overtime premiums for higher earnings.
5. Several of the employees come to the factory earlier due to personal circumstances-- for example, some workers send their children to school early in the morning and come to the factory right afterwards.
6. It was not until December 2014 that the factory started a digital system (HRIS) to track overtime for pregnant workers. Until then, HR staff had manually checked the overtime, which posed the risk that the pregnancy status of the workers was not identified in a timely manner.

Recommendations for Immediate Action

1. The factory should utilize the HRIS system to track female workers' pregnancy status and ensure employees who are pregnant for seven months or more do not work more than eight hours per day and five days per week.
2. The factory should reiterate/emphasize the Hours of Work policy to the workforce and ensure workers perform work only within the formal shift hours.
3. The factory should improve training for workers and supervisors on Hours of Work regulations related to protected workers, such as pregnant workers.
4. The factory should conduct internal monitoring of the implementation for the above actions.
5. The FLA affiliate parent Company should implement FLA Principles of Fair Labor and Responsible Production, and accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the HQ's Sourcing and Social Compliance teams and/or brands' Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors to avoid excessive overtime.

COMPANY ACTION PLANS

1. 1.Factory will utilize the HRIS system to monitor female workers' pregnancy status. We will make sure the working hours of pregnant women are well controlled that they will not work more than eight hours per day and five days per week. Furthermore, factory will arrange trainings for all employees on hours of Work policy twice per year. 2.Factory will reiterate /emphasize the hours of work policy through daily communication meetings to workers and ensure workers perform work only within the formal shift hours. 3.Parent company will arrange internal audit on management system periodically to monitor whether all policies and procedures are well implemented in factory to drive factory's improvement. 4.As noted by assessors, an associated factory's production issues occurred in some reviewed months and the other months reviewed are our peak months. During those months (and at all times), we have ensured that all overtime work is done voluntarily and workers are paid at a premium based on the China law. In addition, we will continue to work with customers, internal sales representatives and production planning to balance order loading against factory capacities. Unfortunately the cyclical nature of most orders and the complexities involved in managing various customer requirements/requests, makes it challenging to ensure no OT all year. Further, we will enhance the training to improve workers' skills to meet production need and ensure that all overtime work is done voluntarily by employees, well recorded and paid appropriately according to labor law. The factory has taken different actions to improve the efficiency to help reduce the working hours while maintaining workers' salary. From year of 2015 and 2016, we can see the overtime working hours are reduced gradually. Unfortunately, the labor shortage situation in Yangtze River Delta makes it challenging to ensure no OT all year. Factory will continue to work with the related depts. to further reduce the OT hours. Factory comments and update on the finding of Hours of Work in 2017 as follows, 1. Factory ensures to provide one day off in 7 days' period and OT working should be within 3hrs per day as basic requirement. 2. Regarding production, factory also took below steps to improve the efficiency to help reduce the working hours while maintaining workers' salary: a) Production layout optimization to improve efficiency which help to reduce OT:

With the cutting items supermarket rack established, Lean flow was driven from Sub-part Line to small modular lines, which reduce handling process and improve efficiency. b) Auto machine developing & applying in sub-part lines and sewing lines to increase line capacity which not only reduce handwork by workers, but also contribute greatly to the improvement of efficiency and productivity: i. In 2015: Factory has increased 15 sets of auto-sewing machines ii. In 2016: Factory has increased 18 sets of auto-sewing machines to 102 sets. iii. In 2017: Factory plans to increase 22 sets auto sewing machines, which include 4 sets of auto sew sleeve placket and 4 sets of auto attach collar band. c) With the implementation of Lean line, more and more workers are trained to be multi-skilled workers, so as to bottleneck process when necessary to better balance the production and improve productivity. Factory will continue to implement the Skill Operator Training Program in 2017.

Action plan status: In Progress

Planned completion date: 12/31/15

Progress update: 04/18/17 : 1.Factory will utilize the HRIS system to monitor female workers' pregnancy status. We will make sure the working hours of pregnant women are well controlled that they will not work more than eight hours per day and five days per week. Furthermore, factory will arrange trainings for all employees on hours of Work policy twice per year. 2.Factory will reiterate /emphasize the hours of work policy through daily communication meetings to workers and ensure workers perform work only within the formal shift hours. 3.Parent company will arrange internal audit on management system periodically to monitor whether all policies and procedures are well implemented in factory to drive factory's improvement. 4.As noted by assessors, an associated factory's production issues occurred in some reviewed months and the other months reviewed are our peak months. During those months (and at all times), we have ensured that all overtime work is done voluntarily and workers are paid at a premium based on the China law. In addition, we will continue to work with customers, internal sales representatives and production planning to balance order loading against factory capacities. Unfortunately the cyclical nature of most orders and the complexities involved in managing various customer requirements/requests, makes it challenging to ensure no OT all year. Further, we will enhance the training to improve workers' skills to meet production need and ensure that all overtime work is done voluntarily by employees, well recorded and paid appropriately according to labor law.

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Two groups of interns (vocational school students), each making up for around 4% of all workforce, worked overtime in 2013 and 2014.

(Note: At the time of assessment the group of interns for the 2013 term had completed their internship. A new group of interns for the 2014 term were enrolled in June of 2014. The factory offered employment contract to these interns to replace the original internship agreement before the completion of internship. Employment contracts annul the overtime restriction.)

Local Law or Code Requirement

Notice on Secondary Vocational School Students Internship to deal with Shortage of Skilled Workers announced by Ministry of Education of PRC, Item 4; FLA Workplace Code (Hours of Work Benchmark HOW.4)

Root Causes

1. The factory staff lacks knowledge of legal requirements regarding interns (vocational school students). The overtime issue for interns was noticed through the internal audit by the parent company in the middle of 2014. After the parent company's audit factory management offered employment contracts to these interns.
2. There is a lack of close communication between factory management and the parent company.

Recommendations for Immediate Action

1. Cease the practice of arranging overtime work for interns (vocational school students).

COMPANY ACTION PLANS

1. According to Labor Contract Law, no clause is stipulated that internal students aren't allowed to sign labor contract. Therefore, all "interns" in our factory have signed official labor contracts with factory, instead of labor agreement. There is no doubt that we treat the "interns" as formal workers, provided the same welfare. In addition, "interns" in factory are accounted for 10% of the workforce and we certainly need them to help us meet our production need which results that we will arrange overtime work to them based on production planning. And, we ensure that all overtime work is done voluntarily by interns, well recorded and paid appropriately as required by labor law. 2. Factory will report the status in time to the parent company for feedback and guidance in order to achieve closer communication between parent company and factory. We understand the FLA's expectation. But we also want to supplement that before the interns signs the labor contract, the factory HR explained clearly to the interns what benefit and obligation they will have. Also, they are offered an alternative of signing labor agreement. Therefore, whoever sign the labor contract, the factory will treat them as formal workers and this arrangement is under a mutual agreement. We would greatly appreciate FLA's understanding on our current practice.

Action plan status: Completed

Planned completion date: 12/05/14

Progress update: 04/18/17 : 1. According to Labor Contract Law, no clause is stipulated that internal students aren't allowed to sign labor contract. Therefore, all "interns" in our factory have signed official labor contracts with factory, instead of labor agreement. There is no doubt that we treat the "interns" as formal workers, provided the same welfare. In addition, "interns" in factory are accounted for 10% of the workforce and we certainly need them to help us meet our production need which results that we will arrange overtime work to them based on production planning. And, we ensure that all overtime work is done voluntarily by interns, well recorded and paid appropriately as required by labor law. 2. Factory will report the status in time to the parent company for feedback and guidance in order to achieve closer communication between parent company and factory.

Completion date: 12/05/14

FINDING NO.6

TERMINATION & RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has a procedure on how to calculate and pay termination payouts, and the majority of termination payouts are paid within five days of the termination of the employment relationship. However, before November 2014 an average of 2-3 resigned workers' termination payouts each month were not paid within five days, due to an delayed handover process whereby the workers return factory tools, time card, etc. The delay was for three days.
(Note: The factory established HRIS system to track termination payouts in November 2014.)
2. The factory's compensation administration procedures do not cover compensation for unclaimed annual leave. In two cases, the factory paid 100% of the daily wage instead of the legally required 300% for unclaimed annual leave. In both cases the employee's last workday coincided with the last day of the employment contract.

Local Law or Code Requirement

Regulation on Wage Payment of Zhejiang Province (2002), Article 15; Implementation Measures of Employees' Paid Annual Leave (2008), Article 10; FLA Workplace Code and Benchmarks (Employment Relationship Benchmarks ER.19.1 and ER.22.2; Hours of Work Benchmark HOW.11)

Root Causes

1. The factory pays the termination payout unless the handover process is finished; however, sometimes HR staff and the concerned workers do not strictly follow the timeline to deal with the handover process.
2. The factory always arranges for resigning workers to claim their remaining annual leave; however, due to production needs, some workers cannot claim their remaining annual leave before they leave the factory. The factory tries to save cost by paying a partial compensation amount.

3. Previous internal audits did not identify the issue of under-compensation of annual leave.

Recommendations for Immediate Action

1. Compensate the workers for unused annual leave at the legal rate, and retroactively pay the two workers for the arrears.

COMPANY ACTION PLANS

1. Factory will compensate workers for unused annual leave at the legal rate and pay the two workers for the arrears. In order to avoid this kind of issues, factory will notice workers to take their annual leave in advance before termination.
2. Factory will hold related trainings for all workers to communicate the termination process with them. Besides, we will ensure the HR department utilizes the HRIS system to track and simplify the termination procedures to make sure that all termination payout are paid on time.
3. Factory will update our compensation administration procedures to align them with legal requirements related to annual leave compensation. Besides, we also will enhance the communication/training and internal monitoring related to termination payouts and calculation of unclaimed annual leave.

Action plan status: In Progress

Planned completion date: 12/31/15

Progress update: 04/18/17 : 1.Factory will compensate workers for unused annual leave at the legal rate and pay the two workers for the arrears. In order to avoid this kind of issues, factory will notice workers to take their annual leave in advance before termination. 2.Factory will hold related trainings for all workers to communicate the termination process with them. Besides, we will ensure the HR department utilizes the HRIS system to track and simplify the termination procedures to make sure that all termination payout are paid on time. 3.Factory will update our compensation administration procedures to align them with legal requirements related to annual leave compensation. Besides, we also will enhance the communication/training and internal monitoring related to termination payouts and calculation of unclaimed annual leave.

FINDING NO.7

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a trade union under the ACFTU (All China Federation of Trade Unions) established in 2002. Although all workers signed the application form to join the trade union upon hire, none of the interviewed workers knew whether or not they were members of the trade union or have any knowledge of trade union committee elections. The factory pays the union dues on the workers' behalf.
2. Factory management fills all union committee member positions. Worker representatives elect committee members from candidates nominated by factory management.
3. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA), and none of the interviewed workers were informed about the content of the CBA.

Local Law or Code Requirement

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

Root Causes

1. **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.
2. In the course of hiring, workers need to sign several documents, and workers usually do not see the details. There is a lack of communication from HR and the trade union for new workers on the application form to join the union.
 3. Factory management is not aware of FLA Workplace Code as related to the CBA, and does not think it is necessary to provide employees copies of the CBA. Additionally, it is not a legal requirement in China to provide workers with a copy of the CBA.
 4. The trade union is managed in a top-down manner with limited communication or input from workers.

COMPANY ACTION PLANS

1. As specified in the Root causes by FLA, this is a country specific issue and the factory is unable to solve this issue alone. We will continue to positively engage with our trade union representatives. "1. The worker representative of the TU are elected by all the workers, and the union committee members are elected by the worker representatives. The election record were published on bulletin board for all workers reference. 2. All the terms included in the CBA are negotiated and agreed by both factory management and worker representatives, and signed by both parties. After the CBA was approved by local labor bureau, factory published the approved copy of the CBA on bulletin board for all workers reference. "

Action plan status:	In Progress
Planned completion date:	12/31/15
Progress update:	04/18/17 : As specified in the Root causes by FLA, this is a country specific issue and the factory is unable to solve this issue alone. We will continue to positively engage with our trade union representatives.

FINDING NO.8

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has established a grievance mechanism including the grievance procedure, channels, records, etc.; however, the following deficiencies was found:
2. There are four grievance channels in the factory: face-to-face meeting with the supervisors/HR, suggestion boxes, hotline, and management-worker meetings. However, none of the interviewees were aware of the hotline and management-worker meetings. Additionally only one grievance record from the hotline was available for review. These suggest that hotline and management-worker meetings might not be used effectively.

Local Law or Code Requirement

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

Root Causes

1. The workers and line supervisors verbally settle many grievances directly, so management did not feel the need for communication on other channels.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. 1. The grievance policies, procedures and channels have been posted in the notice boards where all employees could be easily to review and relevant trainings will be held for all workers;

2. Ongoing training will be provided for supervisors, HR staff and hotline receptionists so that they could know how to record and deal with workers' complaints;
3. Conduct periodic employee surveys to assess awareness and perception of grievance system; and identify any gaps in the grievance system and employees' perception and then take continuous improvement actions;
4. Enhance monthly internal monitoring to ensure implementation is in alignment with written policy and procedures.

Action plan status: In Progress

Planned completion date: 08/31/15

Progress update: 04/18/17 : 1. The grievance policies, procedures and channels have been posted in the notice boards where all employees could be easily to review and relevant trainings will be held for all workers; 2. Ongoing training will be provided for supervisors, HR staff and hotline receptionists so that they could know how to record and deal with workers' complaints; 3. Conduct periodic employee surveys to assess awareness and perception of grievance system; and identify any gaps in the grievance system and employees' perception and then take continuous improvement actions; 4. Enhance monthly internal monitoring to ensure implementation is in alignment with written policy and procedures.

FINDING NO.9

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The discipline policy and employee handbook indicate that employees are considered to have accepted the public circulation of warning letters when they accept the disciplinary sanction. However, based on record review and interviews with management and workers, no evidence of this practice was found during the assessment.
2. Warning letters are not archived in personnel files. Instead, the letters are archived together in a separate folder.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationships Benchmark ER.27.3.4; Harassment or Abuse Benchmarks H/A.1 and H/A. 6)

Root Causes

1. Management regards this practice as a backup to confirm the sanction in the event that a worker refuses to recognize the sanction.
2. The factory believes that it is easier to review disciplinary records by archiving all the disciplinary records in a centralized way.
3. The factory does not see the benefit of putting disciplinary records in the employees' personal files to easily track employees' historical performance when determining workers' promotion, demotion, etc.
4. The factory management lacks awareness of the FLA Workplace Code and Benchmarks regarding Harassment or Abuse.

COMPANY ACTION PLANS

1. The clause regarding public circulation of warning letter has been removed from the disciplinary policies/procedures and employee handbook. Moreover, the factory has restated with each department that the disciplinary action must not be posted publicly to protect worker's privacy;
2. The revised disciplinary policies and procedures have been communicated to workforce through posting them in the notice board;
3. The factory has required HR to file up all disciplinary records together with worker's personal files.
4. HR staff and supervisors who were handling disciplinary actions have been provided with trainings regarding harassment or abuse so as to have a clear idea of the requirements as noted in FLA Code and Benchmarks. And, the training will be carried out once a year.

Action plan status: Completed

Planned

completion date: 12/05/14

date:

Progress update: 04/18/17 : 1.The clause regarding public circulation of warning letter has been removed from the disciplinary policies/procedures and employee handbook. Moreover, the factory has restated with each department that the disciplinary action must not be posted publicly to protect worker's privacy; 2. The revised disciplinary policies and procedures have been communicated to workforce through posting them in the notice board; 3. The factory has required HR to file up all disciplinary records together with worker's personal files. 4. HR staff and supervisors who were handling disciplinary actions have been provided with trainings regarding harassment or abuse so as to have a clear idea of the requirements as noted in FLA Code and Benchmarks. And, the training will be carried out once a year.

Completion date: 12/05/14

FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. A few workers use high power induction cookers (2.1kw) to cook food in the dormitory, which increases the fire risk, and violates both the local legal requirements and the factory's own policies.
2. The factory's fire drills do not reflect the normal circumstances, which carries the risk of unsafe evacuation in the event of emergency. For example, the emergency assembly areas overlap with the parking lots, and employees received notice from management to not drive their cars on the day of fire drill, while under normal circumstances the parking lots are fully occupied due to employees' driving to work.
3. The factory installed sprinkler systems in the two warehouses; one was installed in the main factory warehouse in January 2014 and received an authorized 3rd party test; however, the factory has not arranged a test for the other sprinkler system installed in the rented warehouse in June 2014.

Local Law or Code Requirement

Standard for Fire Safety Management of Assembly Occupancies GA654-2006, Article 8.8.5; Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions (2001), Article 40; Fire Protection Law of PRC (2008), Article 16(3); FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.5.1, and HSE.25.1)

Root Causes

1. Workers usually cook dinner themselves to save money. The factory's contracted canteen also provides dinner service, but the type of offered food does not change, and workers would rather cook their own foods.
2. This factory is an old facility in an urban area and does not have spacious premises. With recent economic growth, many of the staff members can afford cars and drive to work; as a result, parking lot occupy a relatively big portion of the outdoor space.
3. Fire safety facilities need to be tested annually, as per legal requirements; the factory planned to combine the test for these two systems in January 2015 in the interest of convenience and cost saving.

Recommendations for Immediate Action

1. Reiterate the factory's dormitory policies to the workers and ensure that no high power cookers are used in the dormitory.
2. Conduct a new fire drill under normal circumstances.

COMPANY ACTION PLANS

1. 1.A communication meeting of safe electricity utilization at dormitory has been held between workers(living in dormitory) and the management on 9 June 2015. We have restated the importance of fire safety with workers on prohibiting use of high power electrical equipment at the dormitory. As per the agreement we have made during the meeting, firstly, all high power electric equipment should be taken away from dormitory by workers under security department's supervision during exit of factory; secondary, the reason why workers use high power induction cookers is to cook what they desire food by themselves due to less food choice of dinner, thus, we made up below decisions to cater to workers' needs: a)empty a dormitory room, provided with

cooking equipment so that workers can cook there; b) negotiate with the canteen contractor to prepare a menu during dinner for workers' choosing so they could order food what they want.

2. Another fire drill under normal circumstances has been conducted on 26 December 2014 and we didn't inform employees not to park their cars in the assembly point before the drill. Further, we also invited the local fire service bureau to send firefighters to join our fire drill and they gave very professional training and suggestions to us. After evaluating the outcomes of this fire drill, we found that workers could evacuate in order from the worksite within the target evacuation time in case of the emergency.

3. The factory has entrusted the 3rd qualified party to conduct the testing of firefighting facilities including fire sprinkler system in the factory and rented warehouse respectively on 3 February 2015 and 20 December 2014. The testing results showed that all firefighting facilities are under normal operations. Meanwhile, we have put the testing of firefighting facilities in the EHS plan to ensure that the annual testing could be conducted in time as per the plan.

Action plan status: In Progress

Planned completion date: 08/31/15

Progress update: 04/18/17 : 1. A communication meeting of safe electricity utilization at dormitory has been held between workers (living in dormitory) and the management on 9 June 2015. We have restated the importance of fire safety with workers on prohibiting use of high power electrical equipment at the dormitory. As per the agreement we have made during the meeting, firstly, all high power electric equipment should be taken away from dormitory by workers under security department's supervision during exit of factory; secondly, the reason why workers use high power induction cookers is to cook what they desire food by themselves due to less food choice of dinner, thus, we made up below decisions to cater to workers' needs: a) empty a dormitory room, provided with cooking equipment so that workers can cook there; b) negotiate with the canteen contractor to prepare a menu during dinner for workers' choosing so they could order food what they want. 2. Another fire drill under normal circumstances has been conducted on 26 December 2014 and we didn't inform employees not to park their cars in the assembly point before the drill. Further, we also invited the local fire service bureau to send firefighters to join our fire drill and they gave very professional training and suggestions to us. After evaluating the outcomes of this fire drill, we found that workers could evacuate in order from the worksite within the target evacuation time in case of the emergency. 3. The factory has entrusted the 3rd qualified party to conduct the testing of firefighting facilities including fire sprinkler system in the factory and rented warehouse respectively on 3 February 2015 and 20 December 2014. The testing results showed that all firefighting facilities are under normal operations. Meanwhile, we have put the testing of firefighting facilities in the EHS plan to ensure that the annual testing could be conducted in time as per the plan.

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no Material Safety Data Sheet (MSDS) for the cleaning agent "KANFIX-PLUS" for removing adhesive residue from Teflon conveyor belts on the fusing machines.
2. Although corporate policy prohibits use of chemicals containing n-Hexane, this factory still occasionally uses a decontamination agent named "DJW-618X", which contains n-Hexane. At least 16 kg (two containers) has been consumed in the past six months.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.10.1)

Root Causes

1. The cleaning agent is not used for products, and was therefore overlooked by the factory; as a result, it is not included in the factory's chemical list and internal monitoring.
2. Although factory senior management has received the corporate policy prohibiting the use of n-Hexane, there is no close communication between factory senior management and the staff member in charge of purchasing chemicals.

Recommendations for Immediate Action

1. Contact the supplier for the cleaning agent " KANFIX-PLUS" to obtain the MSDS, and post the MSDS at the workplace.
2. Cease using the chemical containing n-Hexane and substitute it with a chemical with low hazardous substance.

COMPANY ACTION PLANS

1. The MSDS of chemical named "KANFIX-PLUS" has been provided by supplier and posted at the workplace where it was used and stored. We have added "KANFIX-PLUS" to the chemical list accordingly.
2. The factory have restated on 5 December 2014 that the chemical named "DJW-618X" containing n-Hexane are prohibited from using. The leftover of DJW-618X were returned to the supplier. At the same time, we also communicated with our purchasing staff that we only purchase the environmentally decontamination agent named "Yong De" which doesn't contain n-Hexane;
3. The factory has updated the chemical list to our EHS staff so that she can cross-check all used chemicals are consistent with the chemical list and should be posted with MSDS during internal monitoring.

Action plan status: Completed

Planned completion date: 12/05/14

Progress update: 04/18/17 : 1. The MSDS of chemical named "KANFIX-PLUS" has been provided by supplier and posted at the workplace where it was used and stored. We have added "KANFIX-PLUS" to the chemical list accordingly. 2. The factory have restated on 5 December 2014 that the chemical named "DJW-618X" containing n-Hexane are prohibited from using. The leftover of DJW-618X were returned to the supplier. At the same time, we also communicated with our purchasing staff that we only purchase the environmentally decontamination agent named "Yong De" which doesn't contain n-Hexane; 3. The factory has updated the chemical list to our EHS staff so that she can cross-check all used chemicals are consistent with the chemical list and should be posted with MSDS during internal monitoring.

Completion date: 12/05/14

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. At the time of factory tour, one worker was wearing earplugs at the flat sewing area, while the other 20-30 workers were not. Based on worker interviews, this worker felt that the area was too noisy and bought the earplugs himself. The factory does not provide PPE for the workers in this area, and there has not been an indoor noise level test in this area to ensure that it is within the legal limit.
2. Electricians have not been provided with adequate Personal Protective Equipment (PPE), such as safety helmets and safety belts.
3. Maintenance staff has not been provided with PPE, such as goggles and masks, that they need to operate the grinding machine.
4. The grinding machine is placed at an office where five to six staff members sit during the daily work time, causing noise and dust.

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites (2012), Article 20; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.7)

Root Causes

1. Management thinks there is no noise issue at the flat sewing area; as a result, an indoor noise level test has not been conducted in this area, and no earplugs have been provided for workers.
2. The scope of internal monitoring has not included the electricians and their PPE needs.
3. Although the dedicated training on work safety has been provided for maintenance staff, the required PPEs are not included in the internal audit.
4. This is a 20 year old facility and the factory management finds it difficult to set up a dedicated workshop for the grinding

machine.

Recommendations for Immediate Action

1. Provide PPE (safety helmets and safety belts) for electricians.
2. Provide PPE (goggles and masks) for the maintenance staff.
3. Remove the grinding machine from the office, and take safe working conditions into consideration when relocating it.

COMPANY ACTION PLANS

1. The factory has conducted the noise level testing at the flat sewing area and found that the noise level didn't exceed 85 dB. We also have communicated the testing results to workers through posting them in notice board. And, after considering to properly protect workers from effected noise, we also provided the earplugs on-site so that workers could be easily to use if they want;
2. The factory has provided safety helmets and safety belts for electricians and goggles and masks for the maintenance staff;
3. The factory has provided work safety training for EHS staff, electricians and maintenance staff to enhance their safety awareness of using PPEs;
4. The grinding machine has been removed from office to an independent room where no worker was nearby except the grinding operator;
5. The factory has updated the internal monitoring checklists to inspect the work safety for electricians and maintenance staff, identify any deficiencies about the work safety, develop preventive plans and make immediate improvements if needed.

Action plan status: Completed

Planned completion date: 12/30/14

Progress update: 04/18/17 : 1. The factory has conducted the noise level testing at the flat sewing area and found that the noise level didn't exceed 85 dB. We also have communicated the testing results to workers through posting them in notice board. And, after considering to properly protect workers from effected noise, we also provided the earplugs on-site so that workers could be easily to use if they want; 2. The factory has provided safety helmets and safety belts for electricians and goggles and masks for the maintenance staff; 3. The factory has provided work safety training for EHS staff, electricians and maintenance staff to enhance their safety awareness of using PPEs; 4. The grinding machine has been removed from office to an independent room where no worker was nearby except the grinding operator; 5. The factory has updated the internal monitoring checklists to inspect the work safety for electricians and maintenance staff, identify any deficiencies about the work safety, develop preventive plans and make immediate improvements if needed.

Completion date: 12/30/14

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has not maintained records for all work-related injuries and accidents/incidents (e.g. minor and near-miss cases). For example, workers are not required to fill in their reason for using medical supplies when they take them from first aid boxes.
2. None of the chairs (wood benches) provided for workers are ergonomically designed with backrest to minimize bodily strain. Also, workers are not trained on proper lifting techniques.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.3.2 and HSE.17)

Root Causes

1. Management did not fully recognize the importance of maintaining and analyzing injury records in identifying preventive measures.

2. Management has a basic awareness of the benefits of ergonomic improvements, but is concerned of the additional costs that would result from such improvements.

COMPANY ACTION PLANS

1. 1. Factory has updated the format of logs for use of medical supplies of first aid box including the reason of using medical supplies. All employees are requested to record if they use any medical supplies from first aid boxes. Factory will analyze the logs to develop preventive measures.
2. The ergonomically designed chairs have been provided for the workers of two production lines at our brother factory. If we receive satisfied feedback (comfort degree), we will adopt the chairs for our workers. Moreover, factory will collect appropriate information on ergonomics procedure and provide training for the employees.

Action plan status: In Progress

Planned completion date: 12/31/15

Progress update: 04/18/17 : 1. Factory has updated the format of logs for use of medical supplies of first aid box including the reason of using medical supplies. All employees are requested to record if they use any medical supplies from first aid boxes. Factory will analyze the logs to develop preventive measures. 2. The ergonomically designed chairs have been provided for the workers of two production lines at our brother factory. If we receive satisfied feedback (comfort degree), we will adopt the chairs for our workers. Moreover, factory will collect appropriate information on ergonomics procedure and provide training for the employees.

FINDING NO.14

COMPENSATION

FINDING TYPE: Notable Feature

Finding Explanation

1. The factory provides paid leave for employees who have personal development goals and need to attend necessary activities such as examinations, sports games, etc.
2. The factory provided a High Temperature Allowance of CNY 3.5-5.5 per workday to all the employees in July and August 2014, regardless of the indoor/outdoor temperature.

FINDING NO.15

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. At the time of the factory tour, there were oil leaks from five machines for thread tension and length treatment at the fabric warehouse, which is rented by the factory and is a 40-minute drive from the main factory site.
2. The factory has not arranged a quality test for air emissions generated from the kitchen, which serves food for about 700 employees. It is not possible, therefore, to verify if the air emissions meet the legal limits.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (2000), Article 13 and Emission Standard of Cook Fume, GB18483-2001, Articles 1.2.1 and 4.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

Root Causes

1. The factory's parent company conducted an internal audit in June in the fabric warehouse while these five machines were not in use at that time. Since then, there has not been an internal monitoring of the fabric warehouse.
2. The factory has concentrated on the air emission from production and overlooked the air emissions generated by the kitchen.

COMPANY ACTION PLANS

1. The machines have been repaired to ensure no oil leaking anymore. Factory mechanic will conduct monthly inspection regularly.
2. The air quality test for air emissions of kitchen will be arranged in Aug 2015. Factory is committed to analyse environmental factors according to ISO14001 environmental management system.

Action plan status:	In Progress
Planned completion date:	08/31/15
Progress update:	04/18/17 : 1. The machines have been repaired to ensure no oil leaking anymore. Factory mechanic will conduct monthly inspection regularly. 2. The air quality test for air emissions of kitchen will be arranged in Aug 2015. Factory is committed to analyse environmental factors according to ISO14001 environmental management system.

FINDING NO.16

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing across all Employment Functions. The factory has not established and implemented procedures to include workers' input/feedback on the creation, implementation, and revision of its policies and procedures. Therefore, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

Root Causes

1. Management does not fully recognize the benefits of workers' input.
2. HR and CSR staff find it easier and more efficient to perform management review than involving worker representatives or workers.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. The factory always encourages and welcome employees to make input/feedback. There are many channels provided for our employees, e.g., we have an Incentive-suggestion system in place in the factory. Every month, we receive many suggestions from our employees and some of the suggestions will be adopted by the factory and the employees will be awarded. Factory will strengthen the management system for creation, implementation, periodic review and update of all HR policies & procedures and incorporate workers value-added input/feedback in our operation.

Action plan status:	In Progress
----------------------------	-------------

Planned completion date: 12/31/15

Progress update: 04/18/17 : The factory always encourages and welcome employees to make input/feedback. There are many channels provided for our employees, e.g., we have an Incentive-suggestion system in place in the factory. Every month, we receive many suggestions from our employees and some of the suggestions will be adopted by the factory and the employees will be awarded. Factory will strengthen the management system for creation, implementation, periodic review and update of all HR policies & procedures and incorporate workers value-added input/feedback in our operation.