



**COMPANY: Chenfeng Group**  
**COUNTRY: China**  
**ASSESSMENT DATE: 07/28/15**  
**MONITOR: FLA Assessor Team (China)**  
**PRODUCTS: Apparel**  
**PROCESSES: Cut, Sew, Packing**  
**NUMBER OF WORKERS: 2302**  
**NUMBER OF WORKERS INTERVIEWED:**  
**ASSESSMENT NUMBER: AA0000001811**

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding the Housing Provident Fund and the Collective Bargaining Agreement have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

## What's Included in this Report

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# 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.

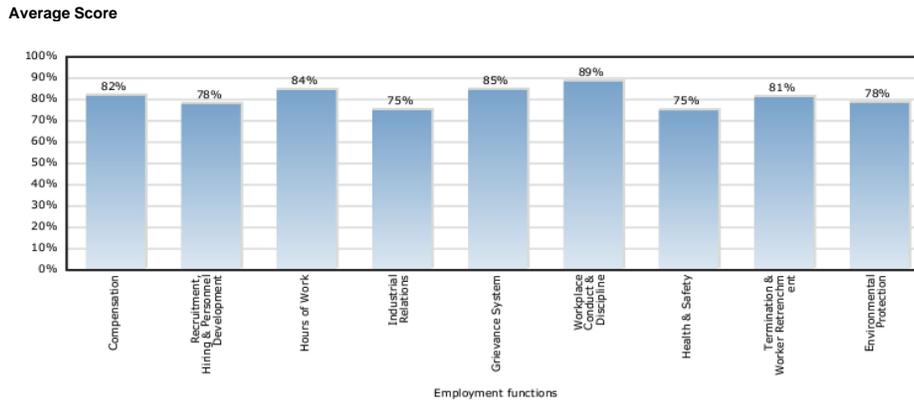
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be 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

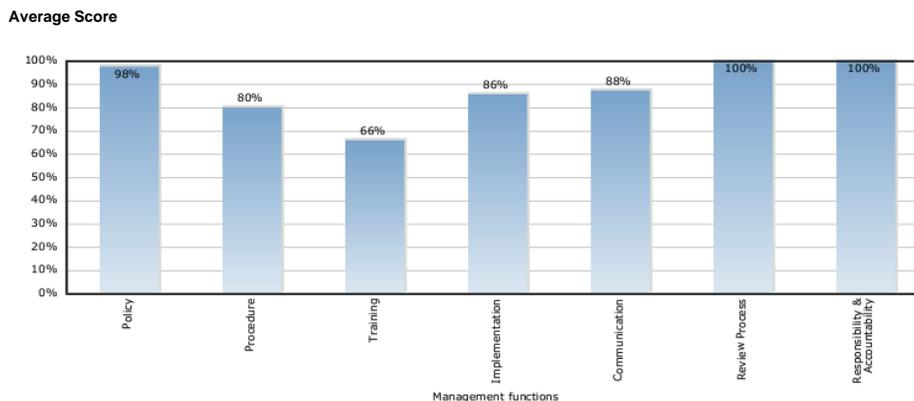
## Score by Employment Function

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%	91.67%	84.09%	87.5%	85.71%
Procedure	74.36%	87.5%	100%	0%	100%	94.44%	90.48%	70.78%	92.31%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	100%	100%	100%	100%	100%	100%
Training	61.9%	33.33%	66.67%	0%	100%	100%	33.33%	59.67%	0%
Implementation	90%	87.71%	78.95%	83.33%	90.91%	100%	100%	81.46%	85.67%
Communication	100%	87.5%	90%	50%	100%	100%	75%	90.63%	50%

## 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	1	Workers Awareness and Understanding of Compensation
Employment Relationship	11	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General 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
Hours of Work	3	General Compliance Hours of Work Rest Day Overtime/Calculation over Period Longer than One Week
Health, Safety and Environment	8	General Compliance Health, Safety, and Environment Machinery Safety, Maintenance and Workers Training Ergonomics Food Preparation 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

## COMPENSATION

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory does not provide prenatal leave to pregnant workers.
2. The factory does not pay into the legally required Housing Provident Fund for any of the workers.
3. 100% of the workers are covered by work-related injury insurance. However, 77.3% of the workers are not covered by pension insurance, unemployment insurance, medical insurance and maternity insurance. Furthermore, for 22.7% of the workers who are covered by all five types of social insurance, their contribution base is the minimum legal requirement (2299 CNY) rather than their actual earnings. Approximately 82.8% of those workers' wages are higher than the minimum contribution base. Thus, the contribution base is not in alignment with legal requirements.
4. The wage structure for workers is a combination of piece-rate and hourly-rate. However, the factory management only explained the calculation of the piece-rate system to all workers. Therefore, worker interviews revealed that 90% of the workers do not understand the accurate calculation method shown on the pay slip, especially regarding bonuses.

#### Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Notice on Adjustment of Social Insurance Contribution Base of Sihong County (2014); Regulation on the Housing Provident Fund Management (2002), Article 15; Special Rules on the Labor Protection of Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.16 and ER.22.1; Compensation Benchmarks C.1 and C.17.1.3; Nondiscrimination Benchmark ND.8)

#### Root Causes

1. Factory considers the social insurance contribution as a financial burden. The workers also find the social insurance contributions burdensome and prefer the "New Rural Insurance System", which costs less than, but is not a substitute for the legally mandated types of insurance.
2. Most workers prefer higher disposable income in the short-term and choose not to contribute to social insurance.
3. Local governments can advance their interests by using the cost-savings associated with local variances in social insurance contributions as incentives for attracting business. As a result, the local governments typically do not monitor and strictly enforce compliance in this area.
4. Factory management does not have adequate knowledge on laws regarding pregnant/lactating workers.
5. Factory management found it easier to only explain the piece-rate calculation to the workers, instead of the hybrid system.

#### Recommendations for Immediate Action

- 1.

## COMPANY ACTION PLANS

1. The factory now is updating the new Three Periods Policy for Female Workers, and planned to be put in place before July 2016. Meanwhile the new policy will be informed in the orientation trainings.
2. For the moment the factory has no plan for Housing Provident Fund.
3. The factory will discuss social insurance issues internally and externally with the customers to develop a detailed and pragmatic action plan with the final goal of 100% coverage for the five types of social insurance within 5 years.
4. The HR Department are making efforts to enhance the orientation and ongoing training in order to improve workers' knowledge on all fringe benefits and wage structure.

**Action plan status:** In Progress

**Planned completion date:** 11/30/20

**Progress update:** 01/06/16 : The new Three Period Policy for Female Workers will be put into practice on Feb. 2016.

12/02/15 : All the action plans are in progress, no new progress updated.

## HOURS OF WORK

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory's production planning is based on 58 hours/week, which means 18 hours overtime per week on a regular basis.
2. Workers did not receive at least 24 consecutive hours of rest in every seven-day period in three instances over the past year right before or after a relatively long public holiday over the past year. For instance, the workers worked consecutively from 22 September 2014 to 30 September 2014 before a national holiday
3. During the same three instances mentioned above, weekly working hours ranged from 68 to 70, exceeding the FLA limit of 60 hours per week. For instance, 100% of the workers worked 68 hours during the week of June 21, 2015 to June 27, 2015 after the Dragon Festival.
4. For all 12 months in the past year, all workers' monthly overtime ranged from 42 hours to 92 hours with an average of 73 hours, exceeding the legal monthly limit of 36 overtime hours and the limit allowed under factory's Cumulative Working Hours System (CWHS) waiver. The CWHS waiver allowed for a total of 432 overtime hours in 12 months; however, workers worked 829.5 OT hours. The highest overtime (92 hours) occurred in April 2015.
5. There is no tracking system regarding the status of pregnant workers, leading to the risk that the factory cannot assure that those who are in 28<sup>th</sup> week of pregnancy or beyond do not work overtime, as per local law. Currently, the only pregnant worker in the factory stopped working overtime around her 7<sup>th</sup> month of pregnancy. However, without a tracking system, it is not possible to verify whether she stopped working overtime before or right after the 28<sup>th</sup> week of pregnancy.

#### Local Law or Code Requirement

Labor Law of PRC, Articles 38 and 41; Special Rules on the Labor Protection of Female Employees, Article 6; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.4.1 and HOW.7; Forced Labor Benchmark F.7.5; Employment Relationship Benchmark ER.24; Non-discrimination Benchmark ND.8.1)

#### Root Causes

1. Factory management thought the current production planning would allow the factory to meet FLA's limit of 60 hours/week, which is considered by the factory's parent company an ambitious target for the labor-intensive garment industry.
2. Factory's production planning is based on a 58-hour workweek, which means an average of 72 hours of overtime per month.
3. Most workers accept to work overtime as a way to increase their income.
4. The central government publishes a holiday schedule, which often combines some holidays with working days for an extended holiday, using subsequent Saturdays and Sundays to make up for the lost working days.
5. Factory management did not see the necessity to establish a tracking system regarding the status of pregnant workers as the factory has had only one pregnant worker in the last year.

#### Recommendations for Immediate Action

1. Ensure all workers receive at least 24 consecutive hours of rest in every 7-day period. Since the holiday schedule announced by the central government is not mandatory, arrange factory's own schedule with input from workers.
2. Ensure that workers do not work over the legal 36-hour monthly overtime limit
3. Ensure that pregnant workers do not work overtime once they're in the 28<sup>th</sup> week of pregnancy.

## COMPANY ACTION PLANS

1. The factory is making efforts to reduce workers' working hours within three years, year by year.
2. The factory is making efforts to develop feasible production plans with CSR/HR department. Ensure that the production plan does not include overtime on a regular basis and implement FLA Principles of Fair Labor & Responsible Production.
3. The factory is establishing a tracking system for the pregnant female workers and will inform the workers in orientation trainings that: when the female workers are confirmed to be pregnant, they should bring the pregnancy test reports to the HR department of the factory for records. The HR department should be responsible for tracking the reports every month, and reporting to the responsible persons and factory managers once they are in the 28th week of pregnancy, supervising them not to work overtime.

**Action plan status:** In Progress

**Planned completion date:** 11/30/18

**Progress update:** 01/06/16 : The factory will take the requirement that every worker receive at least 24 consecutive hours of rest in every 7-day period as first priority.

## FINDING NO.3

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has a trade union established in 2015 under the ACFTU (All China Federation of Trade Unions). Although all workers signed the application form to join the trade union upon hiring, 50% interviewed workers do not know whether or not they are members of the trade union. Additionally, none of the interviewed workers know who the worker representatives are.
2. The factory paid the union dues on behalf of trade union members.
3. The factory management filled all Committee member positions of the trade union. Moreover, the chairman of the trade union is an employee of the parent company, rather than that of the factory.
4. The Collective Bargaining Agreement (CBA) was posted on the bulletin board by the canteen. However, workers are not provided with a copy of the CBA and none of the interviewed workers are aware 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, FOA.11, and FOA.12)

##### 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 a few documents, leading to workers usually not paying attention to details. In addition, there is a lack of sufficient communication from HR and trade union for new workers regarding the application form to join the union.
3. The factory considers the management as the main organizer in the trade union. The dominance of factory management in trade unions is a common practice for Chinese factories.
4. The factory considers the payment of union fees on behalf of trade union members as a benefit to workers. Also, this practice does not violate local law.
5. The factory management is aware of FLA Workplace Code as related to the CBA since FLA assessors have communicated it to them during past assessments. However, they do not consider it a necessity to provide employees copies of the CBA on the grounds that it has already been posted. Additionally, it is not a legal requirement in China to provide workers with a copy of the CBA.

### COMPANY ACTION PLANS

1. The HR department is making efforts to enhance the orientation trainings; ensure the workers understand trade union membership and activities through regular trainings and communication channels.
2. As the HQ considers the payment of union fees on behalf of trade union members as a benefit from the company to the workers, and this behalf does not violate local law. The factory now has no action plan for this issue.
3. All the members in trade union are elected democratically. Because Sihong factory is a new one, so the vice-chairman of HQ's trade union holds a concurrent post of Sihong factory's trade union chairman. When the next election comes, the factory will conduct a democratic election and elect a chairman who comes from the factory.
4. The copy of CBA is in factory managers' offices. If the workers need, they can go to review anytime they want.
5. Hope to engage with FLA to learn more about local organizations that can support the HQ in understanding collective

bargaining and worker representation.

**Action plan status:** In Progress

**Planned completion date:** 11/30/18

**Progress update:** 01/06/16 : The copies of CBAs are posted and published on the bulletin boards of the factory for the long term period. The workers can review it anytime they want.

12/02/15 : 1. The copy of CBA is in factory managers' offices now. If the workers need, they can go to review anytime they want.

## FINDING NO.4

### TERMINATION & WORKER RETRENCHMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory does not have a written policy governing all aspects and modes of termination. There are no retirement policy and procedures that outline the steps to manage the retirement process.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1)

#### Root Causes

1. The average age in this factory is around 30 years old; therefore, the factory management does not consider the retirement process as an urgent issue.

### COMPANY ACTION PLANS

1. HR department will add the retirement procedure in factory's policy and employees' manual and train all workers and management on the updated policy in the orientation trainings as well as the ongoing trainings.

**Action plan status:** In Progress

**Planned completion date:** 12/26/15

**Progress update:** 12/02/15 : The proposal to add the retirement procedure in factory's policy and employees' manual has been submitted to the CEO and wait to be approved.

## FINDING NO.5

### ENVIRONMENTAL PROTECTION

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. At the time of factory tour, there were oil leaks at four exhausting machines, which collect and treat the oil and smoke generated from the kitchen. (The kitchen serves food for about 2,400 employees.) Additionally, due to lack of second containers, the leakage caused soil contamination.
2. Hazardous wastes and unused chemical (sewing machine oil) have been in the same storage container without proper categorization (labeling) and segregation.

#### Local Law or Code Requirement

### **Root Causes**

1. The environmental risk assessment only mentioned the air emission (oil and smoke) generated from the kitchen, neglecting the risk of oil leaks from exhausting machines.
2. Factory maintenance staff did not inspect this area.
3. No training on HSE was provided for catering service provider, and there is a lack of close communication between catering service provider and factory management.
4. There were very few types of chemicals used in the factory, which were not considered hazardous substances; as a result, inadequate resources were allocated for chemical storage management.

### **Recommendations for Immediate Action**

1. Ensure maintenance staff prevents the leaking oil by inspecting and repairing the exhausting machines.
2. Segregate the hazardous waste from the sewing machine oil using different containers.

## **COMPANY ACTION PLANS**

1. Immediately keep in good repair of the four exhausting machines; ensure their regular operation.
2. Establish a regular maintenance regime of the exhausting machines and install second containers for them, avoid environmental pollution caused by oil leaks.
3. Establish storage for sewing machine oil; Establish leakage-proof measures; Equip relevant workers with appropriate PPEs; Post appropriate classification signals on site.
4. The General Department enhances training of environmental protection for the factory HSE staff; enhances their ability of recognizing environmental risks.
5. The General Department enhances training for the factory's maintenance staff; enhances their environmental senses; improves machine maintenance internally; reduces environmental risks.
6. The General Department enhances trainings for the catering service provider; enhances their environmental senses; encourages them to report HSE issues in time to the factory management.
7. The General Department will conduct risk inspect for all factories and avoid the same problem happening again.
8. The HQ will include catering to the annual internal audit and ensure the action plans reasonable and effective.

**Action plan status:** In Progress

**Planned completion date:** 12/31/15

**Progress update:** 12/02/15 : The factory has immediately kept the four exhausting machines in good repair and ensured their regular operation.

## **FINDING NO.6**

### **HEALTH & SAFETY**

#### **FINDING TYPE: Sustainable Improvement Required**

#### **Finding Explanation**

1. The factory has not arranged for a licensed service provider to conduct the preliminary evaluation of occupational disease hazards and the evaluation of effects of occupational disease hazard control prior to the acceptance check of the construction project, which is in violation of the local law. Although the factory outsourced a licensed institution to test the occupational disease hazard factors, it was focused on the testing of the exposure level of hazards rather than identifying and evaluating all types of hazards in a comprehensive way. As a result, the following issues were not identified and no Personal Protective Equipment (PPE) was provided for respective workers:
  - a. Buttoning: At the time of the factory tour, approximately 30% of workers in the buttoning positions were wearing PPE (masks) while the others in the same position were not. Based on worker interviews, the workers wearing masks bought the masks for protection against dust. The testing factory arranged (for sewing, cutting and down filling) did not cover buttoning.
  - b. Vacuum board for thread-thrum sucking machine: At the time of factory tour, earplugs were not provided for the workers at this area where the noise level was 84dB as tested by the assessor, very close to the legal level limit of 85dB. On the following day, factory purchased and provided adequate earplugs for the workers.

## **Local Law or Code Requirement**

Law of Prevention and Control of Occupational Diseases, Articles 18 and 23; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.7)

## **Root Causes**

1. Factory thought of occupational hazards as a low risk on account of the facility being a garment factory. Thus, the preliminary evaluation and evaluation of occupational disease hazards control were skipped.
2. Local authority does not enforce the occupational health law strictly enough. In addition, the local authority does not check the evaluation report of occupational disease hazards control prior to the acceptance check of the construction project.
3. The training on procedure related to channels for workers to raise HSE concerns was not sufficient.
4. Worker representatives in the HSE committee come from the key departments such as sewing, cutting without representation from the above-mentioned positions. As a result, such HSE concerns received no attention.
5. The factory's HSE staff does not conduct the internal inspection in detail.

## **Recommendations for Immediate Action**

1. Ensure all workers at button positions are provided with masks at factory's expense. Factory is to reimburse workers who bought their own PPE.
2. Ensure all workers have earplugs for the vacuum board.
3. Constantly provide adequate and necessary PPE for free for the eligible workers.

## **COMPANY ACTION PLANS**

1. The HQ will arrange for a licensed service provider to conduct an evaluation of the current situation of occupational disease hazards.
2. Equip all the workers at button positions with masks at factory's expense.
3. Equip all the workers at vacuum board with earplugs and conduct labor protection trainings for these workers.
4. The General Department enhances training of environmental protection for the factory HSE staff; enhances their ability of recognizing environmental risks.
5. The General Department will conduct HSE risk inspection for all factories; Enhance HSE trainings for all the workers and strengthen their HSE protection sense.

**Action plan status:** In Progress

**Planned completion date:** 05/31/16

**Progress update:** 12/02/15 : 1. The HQ has arranged for a licensed service provider to conduct an evaluation of the current situation of occupational disease hazards. 2. All the workers at button positions have been equipped with masks at factory's expense. 3. All the workers at vacuum board have been equipped with earplugs.

## **FINDING NO.7**

### **RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. Although the factory's recruitment advertisements note that disabled candidates are eligible for employment, the factory has hired only one disabled worker who makes up 0.04 % of the total workforce, which falls short of the legal requirement that at least 1.5% of the total workforce comprise disabled workers. Additionally, the factory has not been contributing to the Employment Security Fund in lieu of employing disabled workers as allowed under the law.
2. During the recruitment process, candidates for employment in the down-filling workshop were not informed in writing that they would be exposed to dust, an occupational disease hazard. Additionally, the type of occupational disease hazard was not publically posted at the work site. Both instances violate legal requirements.
3. Although there are policies and procedures for Personnel Development and career path in place, workers' promotion is based on the supervisors' judgment without formal appraisal and clear criteria.

## Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities (2007), Articles 8; Law of the PRC on the Prevention and Control of Occupational Diseases (2011), Article 34; Provisions on the Supervision and Administration of Occupational Health at Work Sites (2012), Article 15; FLA Workplace Code (Employment Relationship Benchmarks ER.3.2 and ER.30.1.2; Nondiscrimination Benchmarks ND.1 and ND.2.1)

## Root Causes

1. Factory management reported that there were few candidates with disability who apply for advertised positions.
2. Based on management interviews, non-local disabled persons do not count towards the 1.5% threshold according to the local authority, which is limiting the pool of eligible candidates.
3. As the type and severity of disability is an important factor for deciding if a candidate is suitable for the workplace task, the factory finds it difficult to recruit eligible disabled workers.
4. Factory management is under the impression that there are no critical occupational hazards in this garment factory; thus, the factory does not see the need to list the specific occupational health hazard in the employment contract and at the workplace.
5. Past FLA SCI assessments in sister factories of the parent company (an FLA PS affiliate) have also found personnel development issues. Therefore, the parent company has started to implement systematic personnel development procedures in these factories. However, since this assessed factory was relatively new and focuses on production as a priority, the Personnel Development Plan was not implemented yet. Workers are promoted through informal ways based on their supervisors' recommendation.

## Recommendations for Immediate Action

1. Post the type of occupational disease hazards at respective worksites, as legally required.

## **COMPANY ACTION PLANS**

1. The HR and Enterprise Management department cooperate to assess the manufacturing process and identify the positions for different kinds of disabled workers. Post these positions in the recruitment advertisement.
2. HR department will cooperate with local Disabled Persons' Federation to help disabled people to find jobs.
3. Inform new workers in the orientation trainings as to which occupational disease hazards they will be exposed to; Enhance their HSE protection sense.

**Action plan status:** In Progress

**Planned completion date:** 12/26/18

**Progress update:** 01/06/16 : On the first day at work, the Occupational Disease Hazards Notification will be distributed to the new employees. The Occupational Disease Hazards Inform Cards have been posted in corresponding workshops. ( Already completed at the end of August 2015.)

12/02/15 : New workers have been informed in the orientation trainings as to which occupational disease hazards they will be exposed to.

## **FINDING NO.8**

### **HEALTH & SAFETY**

#### **FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. On the first day of the assessment, there were not enough seats for workers in the cutting department, with five to six workers missing seats. As a result, workers had nowhere to sit for rest when they feel tired. The factory provided sufficient number of seats on the 2nd day of the assessment.
2. None of the seats (wooden bench) provided for workers are ergonomically designed with a backrest and adjustable in

- height.
3. Workers who lift goods in the fabric warehouse are not provided with training on proper lifting techniques; nor are they provided with proper support belts.
  4. The catering service providers keep food samples for 24 hours instead of 48 hours as per applicable law.
  5. The factory had no system to maintain or track illness records.

### **Local Law or Code Requirement**

Regulation on Hygiene Requirement for Food Catering Industry, 2005, Article 35.2 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3.2, HSE.17.1, HSE.17.2, and HSE.22.1)

### **Root Causes**

1. Factory's parent company has a basic awareness of the benefits of ergonomic improvements, and has started to provide the chairs with backrests at a few other sister factories, but full-scale ergonomic improvements have yet to be rolled out due to costs implications.
2. Since cutting positions usually need work in a standing position, factory has neglected the importance of seats for the rest of this type of workers.
3. Although HSE manager from the parent company had clearly communicated the food-sampling requirement to the factory HSE staff, the internal audit was not effectively implemented in the factory.
4. The factory lacks the awareness on the importance of maintaining and analyzing illness records to identify preventive measures.

## **COMPANY ACTION PLANS**

1. 1. Equip the workers who are standing during work at cutting workshop with enough chairs.
2. The General Department conduct inspection to the whole company to ensure all the workers who are standing during work are equipped with enough chairs.

**Action plan status:** Completed

**Planned completion date:** 07/29/15

**Progress update:** 12/02/15 : 1. All the workers who are standing during work at cutting workshop are equipped with enough chairs. 2. The General Department has conducted inspection to the whole company to ensure all the workers who are standing during work are equipped with enough chairs.

**Completion date:** 07/29/15

2. The HQ will help change the chairs which are ergonomically designed with a backrest and adjustable in height gradually.

**Action plan status:** In Progress

**Planned completion date:** 12/30/16

**Progress update:** 12/02/15 : The General Department are promoting this project.

3. 1. The General Department will conduct trainings on proper lifting techniques for the workers who lift goods in the fabric warehouse.
2. The General Department will conduct trainings on ergonomics for all the workers in packaging area and warehouse and enhance their safety awareness.

**Action plan status:** Completed

**Planned completion date:** 08/20/15

**Progress update:** 01/06/16 : Chenfeng will buy waist support belts for the workers who lift goods in the fabric warehouse. (will complete in 01/02/2016)

12/02/15 : 1. The General Department has conducted trainings on proper lifting techniques for the

workers who lift goods in the fabric warehouse. 2. The General Department has conducted trainings on ergonomics for all the workers in packaging area and warehouse and enhance their safety awareness.

**Completion date:** 02/01/16

1. The factory will immediately keep food samples for at least 48 hours and each sample not less than 150 grams.
2. The General Department will assign HSE specialist to do monitoring and inspection of the foods safety in canteen; Conduct trainings for the canteen's staff and enhance their food safety awareness.
3. The General Department will conduct risk inspection for all factories and avoid the same problem happening again.
4. The HQ will include catering to the annual internal audit and ensure the action plans reasonable and effective.

**Action plan status:** Completed

**Planned completion date:** 08/01/15

**Progress update:** 12/02/15 : The factory has immediately kept food samples for at least 48 hours and each sample not less than 150 grams.

**Completion date:** 08/01/15

1. The factory should keep records of occupational injury for at least one year. Regularly conduct analysis and evaluation with HSE representatives to create prevention measures.
2. The General Department will summary and analyze the injury records of all the factories and create prevention measures.
3. The HQ will include the action plans to the annual internal audit and ensure the action plans reasonable and effective.

**Action plan status:** In Progress

**Planned completion date:** 12/31/15

**Progress update:** 12/02/15 : The factory management and HQ are promoting this practice.

## FINDING NO.9

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. There were no standard operating procedures (SOP) or safety instructions in the workstation where a compressed air gun is in use. Additionally, compressed air gun were occasionally used for cleaning.
2. There were no signs for approximately 50% of fire alarm buttons throughout the workplace, posing a potential risk in case of an emergency since they are not easily visible.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5.1 and 14.3)

##### Root Causes

1. Since the compressed air gun is occasionally used by workers for cleaning, the factory was under the impression that this operation had a low safety risk. As a result, no safety instructions or SOP was created.
2. This is a relatively new facility so the factory was still in the process of preparing the signs for fire alarm buttons at the time of assessment. The first batch of signs were placed and the factory management reported that the rest of the signs would be ready soon.
3. Factory HSE staff does not have solid knowledge on HSE affairs.

##### Recommendations for Immediate Action

1. Create safety instructions/SOP and post it at the appropriate locations where the compressed air gun is used.

2. Post signs for all fire alarm buttons.

## COMPANY ACTION PLANS

1. 1. Immediately create safety instructions/SOP and post it at the appropriate locations where the compressed air gun is used. Conduct safety training for the workers at this position and avoid accidents.
2. The General Department enhances training of environmental protection for the factory HSE staff; enhances their ability of recognizing environmental risks.

**Action plan status:** Completed

**Planned completion date:** 08/20/15

**Progress update:** 12/02/15 : The safety instructions/SOP has been created and posted at the appropriate locations where the compressed air gun is used.

**Completion date:** 08/20/15

2. 1. Post signs for all fire alarm buttons and ensure can be seen at emergency.
2. The General Department enhances training of environmental protection for the factory HSE staff; enhances their ability of recognizing environmental risks.

**Action plan status:** Completed

**Planned completion date:** 08/20/15

**Progress update:** 12/02/15 : All fire alarm buttons have been posted with signs and can be seen at emergency.

**Completion date:** 08/20/15

## FINDING NO.10

### WORKER INTEGRATION

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The worker integration component is missing across all Employment Functions. 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 Benchmarks ER.1.3, ER.16 and ER.32.1)

#### Root Causes

1. Management does not recognize the benefits of feedback from workers despite their experience with and intimate knowledge of the production process.
2. HR and CSR staff find it easier and more efficient to create and review policies and procedures by management than by involving worker representatives or workers.

## COMPANY ACTION PLANS

1. When the factory is formulating new policies and systems, the management should communicate with the HSE representatives and worker representatives to ask for workers' opinions and suggestions widely.

**Action plan status:** Completed

**Planned completion date:** 10/26/15

**Progress update:** 12/02/15 : The factory management has communicated widely with worker representatives to ask for their opinions when make some desions.

**Completion date:** 10/26/15

## FINDING NO.11

### GRIEVANCE SYSTEM

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. Although factory has established a clear policy and procedure on grievance, and based on worker interviews, most of the workers are aware of the grievance channels, a few instances of HSE issues (e.g., around 6 workers were not provided with chairs to take rest, workers in the buttoning positions bought their own PPE, etc.) show that the training on grievance/suggestion channels for workers to raise HSE concerns was not sufficient as the said workers had not raised their HSE concerns to the factory management.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25.2 and ER.31.2.4)

#### Root Causes

1. Since the supervisor training is insufficient, the training of workers by supervisors is consequently unsatisfactory.
2. Because of the lack of robust training on the grievance mechanisms, workers may not trust that their grievances will be addressed by supervisors.

### COMPANY ACTION PLANS

1. The HQ will enhance orientation and ongoing trainings for workers on the factory's policies, especially on the grievance system's procedure enabling workers to raise health, safety and environment concerns.
2. Encourage the workers to raise health, safety and environment concerns.

**Action plan status:** In Progress

**Planned completion date:** 12/26/16

**Progress update:** 12/02/15 : The HR Department is making effots to improve training plans.

## FINDING NO.12

### TRAINING (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory does not have an effective and robust training system.
2. There is no supervisor training on the policies and procedures of Compensation, Termination, Industrial Relations & Freedom of Association, Environmental Protection, national laws, and the FLA Workplace Code & Benchmarks
3. The orientation training does not include Termination and Environmental Protection. Regarding Industrial Relations, training does not cover the topics of joining or leaving the trade union.
4. There is on-going training for workers on Workplace Conduct, but not on any other Employment Functions.
5. Because of these shortcomings with training and communication, workers lack understanding of many topics. For example, 70% interviewed workers did not know the termination process and 96% of workers who have resigned from the factory so far did so without advance notice to the factory. Also, a great majority of workers do not understand the factory's wage

structure.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1, ER.17.1 and ER.27.2)

### **Root Causes**

1. The factory's parent company considers the training structure (HQ trains supervisors, and then supervisors train workers) as effective and suitable for the factory. However, due to the fact that this is a newly established factory, the management and supervisors focus on production with a lack of robust supervisor training.
2. Since the supervisor training is insufficient, the training of workers by supervisors is consequently unsatisfactory.

## **COMPANY ACTION PLANS**

1. HR Department will enhance supervisor training by including all existing policies and procedures, national laws and FLA Workplace Code & Benchmarks; Enhance orientation and ongoing trainings for workers on factory's policies and procedures.
2. HR Department will assess the efficacy of supervisor training and sporadically observe training by supervisors to ensure adequate training is being provided to workers.

**Action plan status:** In Progress

**Planned completion date:** 12/26/16

**Progress update:** 01/06/16 : The topics of joining or leaving the trade union have been included in the orientation training. Training about Termination (especially dismissal and retire) and Environmental Protection will be enhanced in 2016's orientation trainings. The topics of joining or leaving the trade union have been included in the orientation training. Training about Termination (especially dismissal and retire) and Environmental Protection will be enhanced in 2016's orientation trainings.

12/02/15 : HR department is making efforts to improve training plans and materials, and balance training needs with production needs.