



COMPANY: **Mountain Equipment Co-op (MEC), Kathmandu**
COUNTRY: **China**
ASSESSMENT DATE: **09/15/15**
MONITOR: **FLA Assessor Team (China)**
PRODUCTS: **Collectibles [such as figurines, coins, spoons, mugs]**
PROCESSES: **Cut, Screen Printing/Printing, Other, Packing**
NUMBER OF WORKERS: **1484**
NUMBER OF WORKERS INTERVIEWED: **58**
ASSESSMENT NUMBER: **AA0000001867**

FLA Comments

Mountain Equipment Co-op is no longer sourcing at this facility for internal business reasons. Mountain Equipment Co-op represented a very small proportion of this factory's production, and exiting from the facility will not cause any retrenchment. Kathmandu is still sourcing at this facility and will continue to ensure all outstanding issues are remediated.

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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.

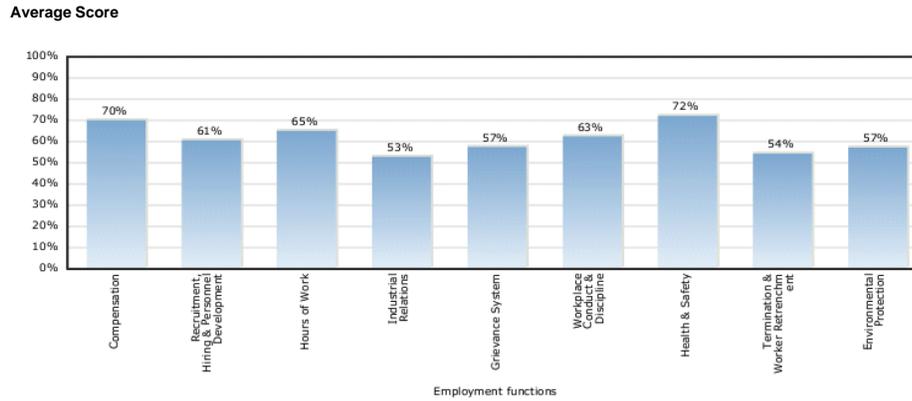
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

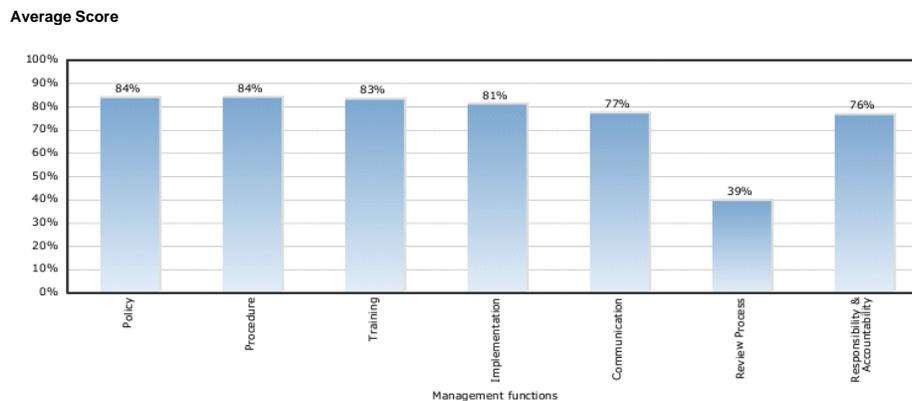
Score by Employment Function

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	78.57%	66.67%	75%	54.25%	75%	75%	45.83%	70%	75%
Procedure	50%	100%	90%	0%	100%	91.67%	100%	87.1%	40%
Responsibility & Accountability	54.25%	54.25%	69.5%	39%	54.25%	54.25%	54.25%	39%	39%
Review Process	50%	50%	50%	0%	50%	0%	50%	33.33%	50%
Training	73.08%	100%	100%	0%	100%	100%	66.67%	86.15%	100%
Implementation	81.43%	82.79%	84.38%	79.31%	77.78%	93.75%	88.89%	77.92%	81.6%
Communication	66.67%	87.5%	100%	50%	75%	83.33%	83.33%	66.67%	0%

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	5	General Compliance Compensation Compensation Receipt Workers Awareness and Understanding of Compensation Timely Payment of Wages Calculation Basis for Overtime Payments
Employment Relationship	16	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Timing and Completeness General/Documentation and Inspection Administration of Compensation/Free Disposal of Wages Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews 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	8	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Facilities for Worker Representatives Right to Freely Associate Right to Collective Bargaining/Validity of Collective Bargaining Agreement
Hours of Work	5	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Rest Day Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	16	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Ventilation/Electrical/Facility Installation and Maintenance Proper Use of Machinery Ergonomics Sanitation in Workplace Facilities Document Maintenance/Workers Accessibility and Awareness Food Preparation Drinking Water Dormitory Facilities Notification and Record Maintenance Permits and Certificates Evacuation Requirements and Procedure Safety Equipment and First Aid Training Personal Protective Equipment Chemical Management and Training
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

Findings and Action Plans

FINDING NO.1

BUSINESS LICENSE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has a business license for the old plant area, which has not been updated to cover the new plant. Factory

management is in the process of updating the business license.

Local Law or Code Requirement

The Company Law of the People's Republic of China, Article 7; FLA Workplace Code (Employment Relationship Benchmark ER.2.1; Health, Safety & Environment Benchmark HSE.4)

Recommendations for Immediate Action

1. Renew the business license to cover the new plant.

COMPANY ACTION PLANS

1. 1. Renew the business license to cover the new plant.

Action plan status:	Completed
Planned completion date:	12/31/15
Progress update:	04/07/17 : July 2016: A copy of the business license has been submitted as evidence. 03/03/16 : FACILITY ACTION: The new plant belongs to correct company; this can be verified through EIA report and Property Ownership Certificate. We have applied to conduct two locations based on one business license by Administration for Industry and Commerce of Zhejiang Province and expect this to be approved by end of year.
Completion date:	08/02/16

FINDING NO.2

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's online recruitment form has a discriminative clause that requires bench workers to be male. Bench workers' main responsibility is to maintain/repair equipment. All of the bench workers in the factory are male.
2. Due to cost and worker turnover concerns, the factory does not provide pre-job and pre-departure occupational health examinations for workers who are exposed to dust, volatile organic compounds (VOC), high noise, UV, etc.
3. Before April 2014, candidates for positions with occupational hazards were not informed in writing about the specific occupational disease hazards they would be exposed to. Since April 2014, newly hired workers have been informed; however, the workers recruited before April 2014 were never informed in writing as per the legal requirement.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Law of Prevention and Control of Occupational Diseases (2011), Articles 34 and 36; FLA Workplace Code (Employment Relationship Benchmark ER.3.2; Nondiscrimination Benchmarks ND.1 and ND.2.1)

Recommendations for Immediate Action

1. Remove the discriminatory clause from the online job advertisements for bench workers. The employment decision should solely be made on candidates' qualifications and abilities.
2. Provide pre-job and pre-departure occupational health examinations for eligible workers who are exposed to occupational hazards.
3. Inform the existing workers in writing who were hired before April 2014 about the occupational disease hazards they are exposed to.

COMPANY ACTION PLANS

1. Remove the discriminatory clause from the online job advertisements for bench workers. The employment decision should solely be made on candidates' qualifications and abilities.
2. Provide pre-job and pre-departure occupational health examinations for eligible workers who are exposed to occupational hazards.
3. Inform the existing workers in writing who were hired before April 2014 about the occupational disease hazards they are exposed to.
4. In addition to having an occupational health check for the workers exposed to dust, VOC, high noise, etc., the workers hired before April 2014 to sign the Hazard Disclosure.

Action plan status: In Progress

Planned completion date: 12/31/15

Progress update: 04/07/17 : May 2016: Evidence provided for all actions described.

03/03/16 : FACILITY ACTION 1. We will bring the discriminative clause to the attention of the recruiter and will correct the recruitment content on the website. The factory will make control plan for this and have documentation available. 2. Provide pre-job and pre-departure occupational health examinations for eligible workers who are exposed to occupational hazards. 3. Inform the existing workers in writing who were hired before April 2014 about the occupational disease hazards they are exposed to. 4. We have the workers hired before April 2014 signed the Hazard Disclosure.

FINDING NO.3

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are repeated probation terms for production workers returning for employment. According to applicable legal requirements, returning employees should not be subject to additional probation terms in the same workplace.
2. The factory does not have a policy related to employment contracts for workers who sign employment contracts two consecutive times or for those with ten years or more of working experience, which makes them eligible for indefinite employment contracts. As a result, the factory has not signed indefinite employment contracts with 70% of eligible employees.

Local Law or Code Requirement

Labor Contract Law of PRC (2008), Article 19; Law of Employment Contract of PRC, Article 14; FLA Workplace Code (Compensation Benchmark C.3; Employment Relationship Benchmark ER.1.1)

Recommendations for Immediate Action

1. Review and revise the labor contracts regarding repeated probation terms for workers returning for employment.
2. Establish a policy related to employment contracts for workers who sign employment contracts two consecutive times and/or whose working experience is ten years or more. Train workers on this policy and consult with workers who fit the criteria. If workers prefer to sign indefinite employment contracts, the factory should sign indefinite employment contracts with those workers.

COMPANY ACTION PLANS

1. Review and revise the labor contracts regarding repeated probation terms for workers returning for employment.
2. Establish a policy related to employment contracts for workers who sign employment contracts two consecutive times and/or whose working experience is ten years or more. Train workers on this policy and consult with workers who fit the criteria. If workers prefer to sign indefinite employment contracts, the factory should sign indefinite employment contracts with those workers.

Action plan status: In Progress

Planned completion date: 12/31/15

Progress update: 04/07/17 : May 2016: Evidence provided for actions described. Issue 2 remains in progress.

03/03/16 : FACILITY ACTION 1. We will review the labour contract law clause training with our HR Specialist and then revise the Probation Management Method. The factory will cancel the clause that the request for additional probation terms in the same workplace for workers returning for employment. 2. The factory will revise the Labor Contract Management Method and will clarify that for the workers who have signed employment contracts consecutively two times will sign a no-fixed-term contract. Workers in this category will need to note if they wish to sign fixed-term contract in future.

FINDING NO.4

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Disabled workers accounted for 1.4% of the total workforce in 2014, although they should legally constitute 1.5% of the total workforce. The factory has contributed to the Employment Security Fund for the differential as allowed under the law. In 2015, the factory should recruit 38 disabled workers to meet legal requirements; currently there are 35 disabled workers.
2. The factory has not established performance review procedures, nor conducted systematic performance reviews. Worker 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), Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.29.1, and ER.30.1.2)

COMPANY ACTION PLANS

1. To create a HR policy to ensure annual compliance with this legal requirement.
2. Recommended to establish a procedure for annual performance reviews.
3. Management should work closely with the HSE department to define the positions/areas that may be suitable for disabled workers and strive to employ the full quota of disabled workers." rather than paying the Employment Security Fund.
4. Performance review process must include procedures to train managers, supervisors and workers on the newly established procedure and implement it.

Action plan status: In Progress

Planned completion date: 06/30/16

Progress update: 03/03/16 : Factory unclear of action required therefore a meeting is to occur to establish clarity around remediation.

FINDING NO.5

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory posts the piece rate wage for the previous month in the middle of each month for workers' reference. The factory's finance department instructs each production department to post the pay statement (hourly wage and performance bonus structure) on the bulletin boards and distributes pay slips to the workers around three days prior to pay day.

2. However, the piece rate is not included in the pay statement/pay slips. As a result, workers do not fully understand the link between the performance bonus and the piece rate wage. Additionally, worker interviews revealed that not all workers are provided with a pay slip.
3. The distributed pay statements do not have workers' written confirmation. In addition, the factory does not regularly provide communication on Compensation and updates to the general workforce.
4. The factory did not pay the wages for January 2015 on time; instead, the wages were paid ten days later than the regular payday. This was the only case of delayed payment over the past year and is considered an isolated case.

Local Law or Code Requirement

Regulations of Zhejiang Province on Wage Payment (2002), Articles 13 and 14; FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.18; Compensation Benchmarks C.1, C.4, C.14.1, and C.17)

Recommendations for Immediate Action

1. Include all items (including the piece rate wage item) in the existing hourly rate and performance bonus wage structure. Communicate this change to the workforce, and establish internal monitoring to ensure that all departments distribute pay statements to workers.
2. Ensure that pay statements are confirmed by the workers in writing (e.g. signature, thumbprint).
3. Ensure that all payments to workers are issued on time.

COMPANY ACTION PLANS

1. 1. Include all items (including the piece rate wage item) in the existing hourly rate and performance bonus wage structure. Communicate this change to the workforce, and establish internal monitoring to ensure that all departments distribute pay statements to workers.
- 2 & 3. Ensure that pay statements are confirmed by the workers in writing (e.g. signature, thumbprint).
4. Ensure that all payments to workers are issued on time.

Action plan status:	In Progress
Planned completion date:	12/31/15
Progress update:	04/07/17 : May 2016: Evidence provided for Issue 1 however 2&3 remain in progress. 03/03/16 : FACILITY ACTION 1.The factory will improve the information presented for piece rate wage items in the wage statement. We arrange for details and review with managers the requirement that all departments need to send all this information to workers. The factory will also conduct more training to workers about the wage calculation method and the reporting in pay slips. 2 & 3 : All pay statements are confirmed by the workers in writing now. 4. To discuss cause of Jan15 late payments to ensure does not happen again.

FINDING NO.6

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not pay into the legally required Housing Provident Fund for 96.7% of the workers (2,479 out of 2,563). Furthermore, for the 3.3% of workers who are registered with the Hosing Provident Fund, their contribution base is the minimum standard (2625 CNY) rather than the workers' actual earnings, which are significantly higher than the minimum standard.
2. 100% of the workers are covered by work-related injury insurance. However, 61% of the workers are not covered by pension insurance, unemployment insurance, medical insurance, and maternity insurance. Furthermore, for the 39% of the workers who are covered by all five types of social insurance, their contribution base is the minimum standard rather than their actual earnings, which are higher than the minimum standard.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Notice on Declaration of Social Insurance Contribution Base, Yongkang City (2015); Regulation on the Housing Provident Fund Management (2002), Article 15; Regulation on the Housing Provident Fund Management of Zhejiang Province (2001), Article 11; FLA Workplace Code (Employment Relationship Benchmark ER.22.1)

COMPANY ACTION PLANS

1. Recommend creating a step-wise approach for obtaining legal requirements for housing fund and all 5 types of social insurance (i.e., improving by a certain % each year).

To complete KMD template to benchmark current status and explanation for non-payment. Furthermore, to agree stepped change to achieve compliance within a 2 year timeframe as the longest period noting that specific types are to be paid in full within an earlier timeframe.

Factory to complete Kathmandu SI-HPF template to provide more detail to enable effective timeline proposal. However, per SCI findings our proposed timeline would be 1. Housing Fund - incremental steps and 100% within 2yrs 2. Pension and medical steps of +10% quarterly achieving 100% by end 2016 / Unemployment and maternity +10% quarterly achieving 100% by end 2016 and/or commercial insurance purchased as an interim measure.

Action plan status:	In Progress
Planned completion date:	12/31/17
Progress update:	04/07/17 : The factory have completed the KMD SI-HPF (social insurance and Housing Fund) template to enable discussion in this space. It is established that the first priority to be fully paid up for work injury insurance is being met however the annual improvement for other types is yet to be agreed. 03/03/16 : KMD template to benchmark existing benefit status has been issued to the factory for completion. Upon receipt next steps will be established.

FINDING NO.7

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The full attendance bonus requires that workers work overtime. For example, employees who work in the injection-molding department must work 28 days per month to get the bonus. This creates a risk of involuntary overtime work.
2. The factory does not take workers' external seniority (previous job experience prior to employment at the factory) into account when calculating annual leave as legally required. The factory's fringe benefits policy states that workers are only able to enjoy such benefits after they have been working for the factory for at least one year.
3. There are no written prenatal leave policies and procedures. Thus, during the last 12 months, no prenatal leave requests have been recorded for any of the pregnant workers. Interviewed workers said that they had prenatal exams during their rest days.

Local Law or Code Requirement

Implementation Measures of Employees' Paid Annual Leave (2008), Article 4; Special Rules on the Labor Protection of Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.11; Forced Labor Benchmark F.7)

Recommendations for Immediate Action

1. Revise the full attendance bonus policy so that it does not require overtime attendance. Communicate the revised policy to workers.
2. Provide all legally required social benefits (social insurance and leave) to all eligible employees.
3. Update the annual leave policy to be in line with legal requirements. Train workers on the newly updated policy.
4. Establish a prenatal care leave policy. Communicate the new policy to workers.

COMPANY ACTION PLANS

1. Revise the full attendance bonus policy so that it does not require overtime attendance. Communicate the revised policy to workers.
2. Provide all legally required social benefits (social insurance and leave) to all eligible employees.
3. Update the annual leave policy to be in line with legal requirements. Train workers on the newly updated policy.
4. Establish a prenatal care leave policy. Communicate the new policy to workers.
5. Annual leave policy must be reviewed to ensure inclusion of all legal requirement and specifically per finding regarding non-compliance of annual leave relating to previous job experience.

Action plan status: In Progress

Planned completion date: 03/31/16

Progress update: 04/07/17 : May 2016: Evidence provided on issue 4 and on-going progress taking place for remaining issues. Social benefits are benchmarked and a continuous improvement plan is underway.

03/03/16 : FACILITY ACTION 1. Factory has revised the full attendance bonus policy 2. KMD COMMENT: Refer to social benefits finding for action "in progress" and completion date. Current status of social benefits to be benchmarked in order to set % increase or targets for the next 2 years. 3.Factory will revise the rule of full attendance bonus of employees who work in the factory from 28 days per month to regular work week, will follow up the law to set the bonus for full attendance. 4.Factory will add the contents about annual leave and prenatal care leave policy into Employee Manual, and will post it in public area. The factory will implement this based on the policy.

FINDING NO.8

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's production planning is based on 56 - 66 hours/week, depending on the production needs of different departments. This planning requires 16 - 26 hours overtime per week on a regular basis.
2. Around 70% of the workers did not receive at least 24 consecutive hours of rest in every seven-day period over the past year. For example, 70% of the workers worked consecutively from August 1st 2014 to August 31st 2014 without any rest day.
3. 2% of the workers worked overtime for more than three hours per day (3.5 to 4 hours) in 9 out of the last 12 months.
4. On average, 70% of the workers worked for 66 hours per week on a regular basis for the last 12 months, exceeding the FLA limit of 60 hours per week. In June 2015, weekly working hours reached 72 hours.
5. For the last 12 months, all workers' monthly overtime ranged from 63 hours to 84 hours, with an average of 66 hours, exceeding the monthly legal limit of 36 overtime hours. The highest monthly overtime (166 hours) occurred in January 2015.
6. According to employee interviews, the supervisors conduct a preparation meeting in the morning with all the workers for about 10 minutes before the beginning of production. The frequency of these meetings varies from one department to another, and can occur daily; however, this time is not compensated.

Local Law or Code Requirement

Labor Law of PRC, Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmark ER.24; Compensation Benchmark C.7; Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8)

Recommendations for Immediate Action

1. Ensure that workers' weekly hours meet the FLA limit of 60 hours/week. Ensure workers' monthly overtime hours do not exceed 36 hours.
2. Ensure that workers have at least 24 consecutive hours of rest in every 7-day period.
3. Ensure that workers' daily overtime does not exceed three hours.
4. Do not request that workers attend the morning meeting before shifts start. Morning meetings that have already taken place should also be considered as worked time, recorded, and taken into account when calculating wages. The factory should retroactively pay workers for the uncompensated worked time (10 minutes each day) based on attendance for the past 12

months.

5. FLA affiliate Company's Sourcing and Social Compliance teams should:
 - a) implement FLA Principles of Fair Labor and Responsible Sourcing and
 - b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - 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 brand's 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 and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

1. 1. Ensure that workers' weekly hours meet the FLA limit of 60 hours/week. Ensure workers' monthly overtime hours do not exceed 36 hours.
2. Ensure that workers have at least 24 consecutive hours of rest in every 7-day period.
3. Ensure that workers' daily overtime does not exceed three hours.
4. Do not request that workers attend the morning meeting before shifts start. Morning meetings that have already taken place should also be considered as worked time, recorded, and taken into account when calculating wages. The factory should retroactively pay workers for the uncompensated worked time (10 minutes each day) based on attendance for the past 12 months.

Action plan status: In Progress

Planned completion date: 12/31/16

Progress update: 04/07/17 : May 2016: Whilst evidence submitted is encouraging, it does not clearly meet our requirement. Evidence provided for issue 3 and in part for other issues described.

03/03/16 : FACILITY ACTION: 1.The factory, with the encouragement of our key customer, has been doing ongoing work to set up an OT control plan that ties in, an is a natural extension of our production planning, use of automatic machines to reduce labour and flexible lean manufacturing techniques. Our goal is to join the twin goals of an efficient factory with a productive workforce that results in reduced OT work hours and regular rest days. (Points 2&3 are the same as point 1) 2. Factory will start 1 day off per 7 from 2016 Jan. 3. Done (workers overtime will not exceed 3 hours per day) 4. The factory will note to all workshop managers that morning meeting in non-working time will be prohibited

FINDING NO.9

TERMINATION & RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no policies and procedures governing Retirement.
2. The factory's termination payout procedure does not include a process for paying workers who leave the factory without notification. In practice, workers who leave the factory without notification do not complete the process of Resignation Handover; therefore, the factory does not pay the termination payouts to them.

Local Law or Code Requirement

Wage Payment Regulation of Zhejiang Province, Article 15; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.21, and ER.32.1; Compensation Benchmark C.1)

Recommendations for Immediate Action

1. Ensure that the termination payout is paid to workers who leave the factory without notification.
2. Termination payouts should be paid by bank transfer (the factory uses this method to pay wages to the general workforce).
3. Provide detailed/accurate termination payout manifests via notification letter sent to the workers' addresses registered in their personal files.

COMPANY ACTION PLANS

1. 1. Ensure that the termination payout is paid to workers who leave the factory without notification.
2. Termination payouts should be paid by bank transfer (the factory uses this method to pay wages to the general workforce).
3. Provide detailed/accurate termination payout manifests via notification letter sent to the workers' addresses registered in their personal files.

Action plan status:	In Progress
Planned completion date:	01/31/16
Progress update:	03/03/16 : FACILITY ACTION: The factory will revise the clause in the Method of Leave Management which is about the workers who leave the factory without notification: HR dept. will inform the workers by phone or mail to come to the factory to handle the leave procedure. The HR dept. will also have a process to send the registered letter to the relative address. Follow-up planned with the HR specialist about this.

FINDING NO.10

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a trade union that was established in 2004 under the ACFTU (All China Federation of Trade Unions). The factory did not make efforts to introduce its Freedom of Association Policy and the trade union to workers before the time of hiring when workers signed the application form to join the trade union. None of the interviewed workers knew if they were members of the trade union. Additionally, none of the interviewed workers were aware of the worker representatives, and none of them participated in the worker representative elections.
2. The factory does not have a policy on collective bargaining. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA). None of the interviewed workers are aware of the CBA.
3. Factory management filled all of the six trade union committee member positions.
4. The factory does not provide an office for the trade union for the proper exercise of the union's functions.
5. The factory has two CBAs, one covering overall working conditions and another called 'Wage CBA' that covers compensation. There is a conflict between the two in that the general CBA states that the factory implements five working days a week, while the Wage CBA states that the factory implements six working days a week.
6. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement

Trade Union Law of PRC, Article 45; FLA Workplace Code (Employment Relationship Benchmark ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.15, and FOA.20)

COMPANY ACTION PLANS

1. Ensure all existing workers are informed of trade union and new workers are informed before hiring. Schedule union meeting to ensure representatives are elected according to rules. Document meeting agenda and minutes.
2. Create policy for CBA to document process and actions. Provide copy of CBA to all workers and ensure awareness.
3. Ensure committee members are elected by the workers and promote/encourage these should not be held by management positions.
4. Ensure facilities necessary for the proper exercise of their functions, including access to workplaces are made available.
5. Conflict to be removed / recommend that one CBA is created to ensure no conflict exists.

Action plan status: In Progress

Planned completion date: 06/30/16

Progress update: 04/07/17 : June 2016: evidence submitted to support issues 4&5. The remaining action is underway and progress is encouraging.

03/03/16 : FACILITY ACTION: Factory will add detailed trade union information into the new worker training and regular training. Factory will make sure Reps. From workers and the policy of CBA created and passed to workers

FINDING NO.11

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The disciplinary policy/procedure (included in the Employee Handbook) does not require workers to sign all written records of disciplinary action against them. Consequently, not all the workers who violated factory rules signed the records of disciplinary action against them.
2. The Employee Handbook stipulates that if workers do not correctly use machinery, equipment, and tools, they will receive disciplinary action. As a result, 50% of the disciplinary actions were related to this stipulation, which violates FLA benchmark that prohibits use of negative incentives to ensure proper use of machinery, equipment, etc.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.3.3; Health, Safety & Environment Benchmark HSE.15)

Recommendations for Immediate Action

1. Remove the negative incentives regarding the safe use of machinery, equipment, and tools from the Employee Handbook. Cease the practice of imposing these disciplinary actions for incorrect use of machineries and tools.

COMPANY ACTION PLANS

1. Remove the negative incentives regarding the safe use of machinery, equipment, and tools from the Employee Handbook. Cease the practice of imposing these disciplinary actions for incorrect use of machineries and tools.
2. The factory should revise the disciplinary procedure to include requiring workers to sign the disciplinary action against them, and implement it without exceptions.

Action plan status: Completed

Planned completion date: 12/31/15

Progress update: 04/07/17 : May 2016: Evidence provided for actions described.

03/03/16 : FACILITY ACTION: The factory will revise the current version of Rewards and Punishment Rules and will publish it in public, will delete clauses with regards to negative incentives to ensure workers use machinery safely.

FINDING NO.12

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has not recorded any grievance cases during the last 12 months. Based on management and workers interviews, most of the grievances were settled through face-to-face communication without any written records.
2. The factory provides three grievance channels: face-to-face communication, a suggestion box, and the trade union. However, 60% of the employees were not aware of the latter two channels. Furthermore, the factory does not provide enough suggestion boxes and does not place the suggestion boxes in locations that ensure confidentiality. Also, there are two production buildings in the new campus and the suggestion boxes were only installed at the gate of one of the buildings and in the canteen. Since not all workers eat at the canteen, the absence of suggestion boxes at one of the buildings creates a risk that not all workers have access to them. Around 40% of interviewed workers are unaware of the suggestion boxes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.16, and ER.25.3.2)

COMPANY ACTION PLANS

1. Create policy/process to ensure that the grievance procedures and applicable rules are known to workers.
2. Ensure all workers have access to and are aware of grievance channels.
3. Ensure grievance policy/process includes a) suggestion boxes are available in sufficient quantity and locations to ensure easy access by workers. b) recorded grievances are signed by the worker

Action plan status: In Progress

Planned completion date: 03/31/16

Progress update: 04/07/17 : June 2016: evidence has been submitted issues 1&2 described however awaiting evidence for #3.

03/03/16 : Factory will enhance the training to workers.

FINDING NO.13

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not have an acceptance check for the completed environmental protection facilities at the new plant. According to management interviews and document review, the local environmental authority conducted two on-site inspections (acceptance checks) for the new campus so far. In the first inspection in April of 2015, the pH value of discharged wastewater exceeded the legal limits, so the factory failed, and local authority could not issue the approval document. In the second inspection on June 18 of 2015, the previously failed item was passed; however, another item called "water balance" failed, so the approval document still could not be obtained.
2. Due to the capacity limit of the hazardous waste warehouse, the hazardous waste generated on a daily basis is stored in an open-air area.
3. Personal protective equipment (PPE) (respirator and rubber gloves) is not provided at the hazardous waste warehouse, despite the fact that signs requesting these PPE are posted there.

4. The ventilation facility at the hazardous waste warehouse was shut down at the time of factory tour, posing risk of chemical substance build-up.
5. The factory does not have a disposal records for hazardous waste more recent than September of 2014. Management reported that the commissioned licensed handler has a capacity issue due to annual quota set by the local authority for waste handling. Therefore, the factory was unable to demonstrate that the hazardous wastes were disposed in line with legal requirements after September 2014.
6. The factory was unable to provide disposal records for sludge generated from the wastewater treatment facility.
7. The factory's Environment, Health & Safety Management Procedure (Q/HRS-GP-13) does not have components that enable workers to raise environmental concerns, report environmental emergencies, and protect workers who allege environmental violations from retaliation.

Local Law or Code Requirement

Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project, Article 17; Standard for Pollution Control on Hazardous Waste Storage GB18597, Articles 6.2.2 and 8; Law on Prevention and Control of Environmental Pollution by Solid Wastes (2013), Article 59; Ministry of Environmental Protection PRC, Announcement [2010] No.129, Article 2; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1 and ER.31.2; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.7, and HSE.13)

Recommendations for Immediate Action

1. Improve the " water balance" and re-apply for the on-site inspection from the local environmental authority to obtain the approval document of the acceptance check of completed environmental protection facilities for the new plant.
2. Open another secure area to store the hazardous waste generated by daily operation.
3. Provide PPE (respirator and rubber gloves) at the hazardous waste storage areas.
4. Conduct regular monitoring to ensure all the safety equipment (including ventilation) is in good condition.
5. Hire a licensed handler that has the capacity to dispose of hazardous wastes. Maintain the disposal records on-site.
6. Dispose of sludge in adherence to the Environmental Impact Appraisal (EIA) and maintain disposal records.

COMPANY ACTION PLANS

1. 1. Improve the " water balance" and re-apply for the on-site inspection from the local environmental authority to obtain the approval document of the acceptance check of completed environmental protection facilities for the new plant.
2. Open another secure area to store the hazardous waste generated by daily operation.
3. Provide PPE (respirator and rubber gloves) at the hazardous waste storage areas.
4. Conduct regular monitoring to ensure all the safety equipment (including ventilation) is in good condition.
5. Hire a licensed handler that has the capacity to dispose of hazardous wastes. Maintain the disposal records on-site.
6. Dispose of sludge in adherence to the Environmental Impact Appraisal (EIA) and maintain disposal records.
7. Ensure existing procedures are improved to enable worker participation in raising concerns and reporting issues. Ensure there is no negative impact on workers.

Action plan status: In Progress

Planned completion date: 04/30/16

Progress update: 04/07/17 : June 2016: Evidence provided for issues 1/4/6, the remaining are on-going but yet to be submitted.

03/03/16 : 1.Factory is working with local government to finish the final checking and will get the report of completed environmental review. 2.The factory has installed a new steel shed to store the daily-generated hazardous waste, the PPE is provided at the hazardous waste area. 3. Done (PPE provided) 4. Factory conducted safety equipment maintenance and will enhance the monitoring 5. Because of the local government reason, the disposal for hazardous waste is moving very slowly in JinHua Area, factory is trying to contact with relative department and will dispose it as soon as possible. 6.There is a certificate with data showing the sludge is in compliance with regulations; The factory will contact with local Environmental Department to proved this and the sludge cleaning records. 7. Factory has involved this in the emergency plan "

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory was unable to provide the inspection report and the official registration record of construction safety for the hazardous chemical warehouse. According to the registration form issued by local construction authority with regards to completed building construction projects for the new plant campus, the two four-story production buildings are registered; however, the independent one-story hazardous chemical warehouse was not registered.
2. According to the Fire Protection Filing Form issued by the local fire authority for the new plant campus, the two 4-story production buildings (one construction area- 43,307 m2 and the other -16,290 m2) are filed; however, as per the national law, the factory should apply for a fire acceptance check for the production buildings above construction areas of 2,500 m2 rather than only undergoing filing. The factory used the incorrect process.
3. The factory was unable to provide the fire acceptance check report for the independent hazardous chemical warehouse. As per national law, the hazardous substance storage building should undergo an on-site fire acceptance check by the local fire authority. According to the fire protection design, the hazardous chemical warehouse was originally designed as a waste product warehouse; however, the usage of this building was changed.

Local Law or Code Requirement

Construction Law of PRC, Article 61; Regulation on Quality Management of Construction Project, Article 49; Regulation on Construction Project Fire Safety Supervision and Management 2012, Articles 13(4) and 14(6); FLA Workplace Code (Employment Relationship Benchmark ER.2.1; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.5)

Recommendations for Immediate Action

1. Organize a construction safety inspection for the hazardous chemical warehouse. Register this safety inspection with local authority.
2. Contact the local fire authority to apply for on-site fire acceptance check for the two 4- story production buildings and the hazardous chemical warehouse in the new campus.

COMPANY ACTION PLANS

1. 1. Organize a construction safety inspection for the hazardous chemical warehouse. Register this safety inspection with local authority.
- 2 & 3. Contact the local fire authority to apply for on-site fire acceptance check for the two 4- story production buildings and the hazardous chemical warehouse in the new campus.

Stepped timeline action must be undertaken to initially arrange experts / inspections and achieve safety compliance.

Action plan status: In Progress

Planned completion date: 03/31/16

Progress update: 04/07/17 : June 2016: Evidence submitted for Issue 1 remaining evidence is yet to be submitted.

03/03/16 : 1.Factory will contact with local government to carry out the inspection and check for hazardous chemical warehouse. 2 & 3: Factory will liaise with the local government to conduct this.

FINDING NO.15

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's recent fire drill did not simulate normal circumstances in the event of emergency evacuation, which carries the risk of unsafe evacuation in the event of emergency. A recent fire drill (July 2015) in the new plant campus only included the workers

- on the first floors. The workers on the other three floors did not participate in the drill. (Note: the fire drill in the old plant covered all workers.)
2. There are three dormitory buildings where factory workers live. Although the three dormitory buildings are privately owned, the factory dormitory management rules are posted there, and all workers living there are employees of this factory. However, no fire-fighting equipment (fire extinguishers, fire alarms, emergency lights, and exit signs) is installed in the three dorms.
 3. As per the annual fire equipment inspection report, only fire hydrants were tested by a licensed institution, while other fire-firing equipment, such as the fire alarm, fire extinguishers and smoke-detecting devices were not tested.

Local Law or Code Requirement

Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises, and Institutions, Article 40; Code of Design on Building Fire Protection and Prevention, GB 50016, Articles 8.1.6, 11.3.1 and 11.3.4; Fire Protection Law of PRC (2008), Article 16(3); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, and HSE.25.1)

Recommendations for Immediate Action

1. Ensure that all workers in the same building evacuate at the same time when conducting fire drills. Evaluate the fire drill outcomes, and improve the evacuation plan if there are any deficiencies.
2. Ensure that fire extinguishers, fire alarms, emergency lights, and exit signs are installed at the three privately-owned worker dormitory buildings.
3. Commission a licensed institution to test the fire alarm, fire extinguishers, and smoke-detecting devices. Maintain this test report on-site.

COMPANY ACTION PLANS

1. Ensure that all workers in the same building evacuate at the same time when conducting fire drills. Evaluate the fire drill outcomes, and improve the evacuation plan if there are any deficiencies.
2. Ensure that fire extinguishers, fire alarms, emergency lights, and exit signs are installed at the three privately-owned worker dormitory buildings.
3. Commission a licensed institution to test the fire alarm, fire extinguishers, and smoke-detecting devices. Maintain this test report on-site.

Action plan status: In Progress

Planned completion date: 01/31/16

Progress update: 04/07/17 : June 2016: Evidence provided for issue 1 and in part for other actions described. Awaiting remaining evidence.

03/03/16 : FACILITY ACTION 1. All employees will be requested to attend the fire drill since next time. 2.Factory will finish to install all fire equipment to dormitory within 30 days. 3.The 2 buildings in the new plan have completed fire acceptance records. There is verified from the records that it doesn't belong to the selected survey objects. Regarding the hazardous chemical warehouse; the factory will contact with local government to conduct the fire acceptance records.

FINDING NO.16

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory provided safety boots to only half of the workers in the molding positions at the new plant campus.
2. Physical observation and worker interviews revealed that workers in the molding positions transport the molds to the preparation area of lean production lines. However, mold transfer from the preparation area to production lines and mold-replacing was handled by operators working in the lines, rather than by the designated workers. These operators were not provided with safety boots to protect them from falling goods.
3. The operators at the automatic lean production lines (first floor- hardware workshop at the new plant campus) were not provided with goggles. These operators were working in the bottle mouth/bottom flattening positions (平口平底) and were

exposed to flying metal chips. The workers in the same positions at the standard lean production lines were provided with goggles.

4. The factory has not provided the electricians working in the new plant with adequate PPE (safety helmet and safety belt).
5. The factory has not provided workers using the compressed air gun in the assembly lines, who are exposed to a noise level of 90-105dB, with earplugs. The compressed air gun operation was not identified by internal risk assessment.
6. The factory has not replaced the respirator filter used by the worker in the wastewater treatment facility.
7. The occupational hazard notification card posted at the old plant campus was not in line with legal requirements.

Local Law or Code Requirement

Code of Practice for Selection of PPE GB11651-2008, Article 6.1, Sheet 3, A09 and A14; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Articles 15 and 16; Norms of Employers' Notification and Warning Signs of Occupational Hazards (2014), Article 16; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.7)

Recommendations for Immediate Action

1. Provide personal protective equipment (safety boots) for the workers in the molding positions at the new plant campus.
2. Ensure that the designated workers handle moving and replacing molds rather than operators in the production lines. Ensure that those workers have safety boots.
3. Provide personal protective equipment (goggles) for the operators at the Automatic lean production lines who are working in the bottle mouth/bottom flattening position.
4. Provide personal protective equipment (safety helmets and safety ropes) for the electricians at the new plant campus.
5. Provide personal protective equipment (ear plugs) for the workers using the compressed air gun in the assembly lines. Update the internal risk assessment report accordingly by adding compressed air gun operation.
6. Regularly replace the filter of the respirator used by the worker in the wastewater treatment facility.
7. Update the occupational hazard notification card posted at the old plant campus to indicate the hazard categories, consequences, prevention of occupational hazards, and emergency treatment measures.

COMPANY ACTION PLANS

1. Provide personal protective equipment (safety boots) for the workers in the molding positions at the new plant campus.
2. Ensure that the designated workers handle moving and replacing molds rather than operators in the production lines. Ensure that those workers have safety boots.
3. Provide personal protective equipment (goggles) for the operators at the Automatic lean production lines who are working in the bottle mouth/bottom flattening position.
4. Provide personal protective equipment (safety helmets and safety ropes) for the electricians at the new plant campus.
5. Provide personal protective equipment (ear plugs) for the workers using the compressed air gun in the assembly lines. Update the internal risk assessment report accordingly by adding compressed air gun operation.
6. Regularly replace the filter of the respirator used by the worker in the wastewater treatment facility.
7. Update the occupational hazard notification card posted at the old plant campus to indicate the hazard categories, consequences, prevention of occupational hazards, and emergency treatment measures.

Action plan status: In Progress

Planned completion date: 01/31/16

Progress update: 04/07/17 : June 2016: Evidence provided for all with exception of 3 where we are seeking confirmation that the PPE is appropriate.

03/03/16 : FACILITY ACTION 1.The PPE(safety boots) for the workers in the molding positions at the new plant campus has provided. 2.Full-time staff will be used at the moving and replacing molds area 3.The PPE(goggles) has provided to the operators at the Automatic lean production lines. 4.The PPE(safety helmet and safety rope) has been provided to electricians. 5.Factory has purchased the ear plugs for the workers using compressed air gun. 6.Factory has purchased the respirator for the workers working in the waste-water treatment facility 7. Done (updated hazard notification card)

FINDING NO.17

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The MSDS for one type of chemical (called "MianQi) is not fully translated into the local language. The section of ingredients is in English, which workers cannot understand.
2. There are no MSDS available for the following chemicals: mold cleaner, mold rust cleaner, and Autotype Plus 8000.
3. The factory has not installed an alarm device or anti-static facility in the hazardous chemical warehouse.
4. The factory does not have the safety assessment/evaluation on the construction project of hazardous chemical warehouse.

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 24; Regulation on the Safety Management of Hazardous Chemicals, Articles 12, 20, and 21; Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Devices of Construction Projects (2015 revised), Articles 7 and 22; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE. 9.1, and HSE.10.1)

Recommendations for Immediate Action

1. Maintain a complete chemical list and update it on a regular basis.
2. Obtain a MSDS fully in Chinese for chemical "MianQi", and communicate it to eligible workers.
3. Obtain MSDS for the following chemicals: mold cleaner, mold rust cleaner, and Autotype Plus 8000. Train the relevant workers on these MSDS.
4. Install alarm devices and an anti-static facility in the hazardous chemical warehouse.
5. Commission a licensed institution to conduct a safety assessment/evaluation on the construction project of the hazardous chemical warehouse. Report the results of the assessment to the local city-level work safety authority.

COMPANY ACTION PLANS

1. Obtain a MSDS fully in Chinese for chemical "MianQi", and communicate it to eligible workers.
2. Maintain a complete chemical list and update it on a regular basis.
3. Obtain MSDS for the following chemicals: mold cleaner, mold rust cleaner, and Autotype Plus 8000. Train the relevant workers on these MSDS.
4. Install alarm devices and an anti-static facility in the hazardous chemical warehouse.
5. Commission a licensed institution to conduct a safety assessment/evaluation on the construction project of the hazardous chemical warehouse. Report the results of the assessment to the local city-level work safety authority.

Action plan status: In Progress

Planned completion date: 03/31/16

Progress update: 04/07/17 : June 2016: Evidence provided for issue 1 and the balance remain outstanding however work is in progress.

03/03/16 : FACILITY ACTION: 1.The MSDS has changed to Chinese version. 2&3.The factory has requested the MSDS from suppliers for following chemicals: mold cleaner, mold rust cleaner, and autotype plus 8000. and will get it soon. 4. Factory will install the alarm devices and anti-static facility in the hazardous chemical warehouse, it will take about 30 days. 5. As explained in other issue (#7), the hazardous chemical warehouse will contact with local government to conduct the acceptance records issue.

FINDING NO.18

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory provides meal service for workers. The factory does not properly manage the process of food sampling against the

- risk of food poisoning. In the old plant, food samples were only kept for four hours (the period between two meal breaks); in the new plant, there are no food sampling records since August 1st, 2015. Previous records showed that the food sampling was kept for 24 hours instead of the legally required 48 hours.
2. According to the yearly drinking water test report, physical observation, and a management interview, the drinking water test does not cover the new plant campus, and there was no maintenance record to demonstrate that the filters of water boiling machines were regularly replaced. These incidents increase the risk of poor drinking water quality.
 3. The factory does not keep the men's toilets of the old plant clean. The regular cleaning is implemented poorly.

Local Law or Code Requirement

Regulation on Hygienic of Food Industry and Delivery Unit of Group Meals (2005), Article 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.13, HSE.19, HSE.22, and HSE.23)

Recommendations for Immediate Action

1. Keep food samples for at least 48 hours.
2. Ensure that the drinking water test covers the new plant campus. Regularly replace the filters of the water boiling machines, and keep the maintenance records of these replacements.
3. Keep all toilets clean and improve the implementation of regular cleaning.

COMPANY ACTION PLANS

1. 1. Keep food samples for at least 48 hours.
2. Ensure that the drinking water test covers the new plant campus. Regularly replace the filters of the water boiling machines, and keep the maintenance records of these replacements.
3. Keep all toilets clean and improve the implementation of regular cleaning.

Action plan status:	In Progress
Planned completion date:	12/31/15
Progress update:	04/07/17 : May 2016: Evidence provided for issue 1 and balance yet to be submitted. 03/03/16 : 1. Factory has requested kitchen to keep the food samples for 48 hours and will make records as well. 2.Factory has purchased the filter, the filter will be replaced once a month, and the replacement records will be kept accordingly. 3.Toilets are cleaned twice per day

FINDING NO.19

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The illumination level at the metal processing ("hardware") workshops in both the old and new plant ranges from 50lux through 100lux, which is below the legal requirement of 200lux. The factory does not have a policy/procedure on illumination.
2. The factory has not maintained all work-related injury or accident/incident records (e.g., minor and near-miss cases) to help with identifying preventive measures. For example, workers are not required to fill in their reason for using medical supplies when they take them from first aid boxes. The factory only recorded the injuries that require insurance process. Additionally, factory has not tracked or analyzed workers' illnesses.
3. The factory's Environment, Health & Safety Management Procedure (Q/HRS-GP-13) does not address enabling workers to raise Health & Safety concerns, reporting Health & Safety emergencies, and protecting workers who allege Health & Safety violations from remediation.
4. The factory only communicated part of the Health & Safety procedures to the workers. For instance, the policy/procedure on confined space was not communicated to the concerned workers.
5. The factory has made partial effort to improve ergonomics. However, following shortcomings were observed:
 - a. The factory has opened rest areas in the new plant for those workers whose position requires standing. However, such rest areas were not opened in the old plant.
 - b. Anti-fatigue mats have not been provided to the workers who have to stand.

- c. 95% of the chairs (wooden benches) provided for workers are not adjustable or equipped with backrests to minimize workers' bodily strains.
- d. There is no training on lifting techniques for eligible workers.

Local Law or Code Requirement

Standard for Lighting Design of Buildings GB50034, Article 5.3, Sheet 5.3.1- metal processing/rough machining-200lux; FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.31.2; Health, Safety & Environment Benchmarks HSE.1, HSE.3.2, HSE.13, HSE.17.1, and HSE.19)

COMPANY ACTION PLANS

1. 1. Ensure legal requirements are met with regard to illumination.
2. create policy/process to ensure work-related injury or accident/incident records are maintained appropriately. Furthermore, that repetitive accidents/illnesses are tracked to identify preventative measures.
3. Improve existing procedures to include worker participation to report issues. Workers must be protected.
4. Ensure workers are aware of all Health & Safety procedures. Recommend identifying those that are not commonly known and provide information. Regular follow up should occur.
5.
 - a. Create an open rest area in the old plant, or provide access & conduct training to allow workers stationed in the old plant to have access to the new plants rest area.
 - b. Procure anti-fatigue mats for all workers who are required to stand for their role.
 - c. Equip all chairs will adequate back rests.
 - d. Provide training, either arranged internally or via third party on proper techniques for lifting.

Action plan status:	In Progress
Planned completion date:	03/31/16
Progress update:	03/03/16 : FACILITY ACTION: 1. Factory always had work-related injury recording process in place, factory will improve the accuracy. 2-5. Factory will make evaluation to the other requirement for the feasibility and improvement step by step

FINDING NO.20

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no reports available for the pre-assessment of occupational hazards (职业病危害预评价) and the assessment of effects of occupational hazards control (职业病危害控制措施效果评价), prior to the acceptance check of the construction project and formal production, which are legally required.

Local Law or Code Requirement

Law of the PRC on the Prevention and Control of Occupational Diseases (2012), Articles 17 and 18; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Commission a licensed institution to conduct the assessment for current situation of occupational hazards (职业病危害现状评价).
(Note: The two reports in finding explanation cannot be retroactively obtained as the factory has formally started the production. Currently, factory conducts annual occupational hazards testing, which is less comprehensive than the assessment of current situation of occupational hazards.)

COMPANY ACTION PLANS

1. Commission a licensed institution to conduct the assessment for current situation of occupational hazards (Note: The two reports in finding explanation cannot be retroactively obtained as the factory has formally started the production. Currently, factory conducts annual occupational hazards testing, which is less comprehensive than the assessment of current situation of occupational hazards.)

Action plan status: In Progress

Planned completion date: 07/31/16

Progress update: 04/07/17 : July 2016: Assessment obtained / evidence provided.

03/03/16 : FACILITY ACTION: The assessments were done in May and Jul 2015 and the annual assessments will be done in May and Jul 2016

FINDING NO.21

REVIEW PROCESS (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not conduct periodic reviews of its policies and procedures. There is no version number or revision date on the factory's rules to demonstrate that regular document review is performed.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER.31.1)

COMPANY ACTION PLANS

1. Conduct periodic reviews of policies and procedures. Implement procedure for version number or revision date on the factory's rules to demonstrate that regular document review is performed.

Action plan status: In Progress

Planned completion date: 01/31/16

Progress update: 04/07/17 : May 2016: Written confirmation provided for actions described. No supporting document requested as evidence.

03/03/16 : Factory will add review dates to the documentations

FINDING NO.22

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Furthermore, 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)

COMPANY ACTION PLANS

1. Include worker integration component to all Employment Functions to indicate that the factory has established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers to be consulted in the decision-making processes.

Action plan status: In Progress

Planned completion date: 01/31/16

Progress update: 04/07/17 : July 2016: written confirmation obtained describing action. No further evidence requested.

03/03/16 : Factory conducts annual worker survey and also collect workers' input via suggestions boxes for the reference of decision making. Also factory conducts worker turnover rate, salary status, etc. review monthly. Procedure will be reviewed to identify improvement.

FINDING NO.23

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The orientation and on-going training for regular workers does not cover Industrial Relations & Freedom of Association.
2. There is no supervisor training on the existing policies and procedures for Hiring and Personnel Development, Industrial Relations, and Workplace Conduct & Discipline.
3. The factory does not provide workers with written documentation that substantiates all of the issues covered in the orientation briefings.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. 1. Ensure the orientation and on-going training for regular workers covers Industrial Relations & Freedom of Association.
2. Ensure supervisor training takes place on the existing policies and procedures for Hiring and Personnel Development, Industrial Relations, and Workplace Conduct & Discipline.
3. Ensure the factory provides workers with written documentation that substantiates all of the issues covered in the orientation briefings.

Action plan status: In Progress

Planned completion date: 01/31/16

Progress update: 04/07/17 : May 2016: whilst advice on action taken is encouraging, evidence is yet to be submitted at this time. July 2016: evidence submitted showing material is available on notice boards for workers however requested copies to review content meets requirement.

03/03/16 : FACILIYT ACTION: Factory will improve the training material to cover the recommendations