



COMPANY: **Under Armour, Inc., Volcom**
COUNTRY: **China**
ASSESSMENT DATE: **11/05/15**
MONITOR: **Social Compliance Service Asia Ltd. (SCSA)**
PRODUCTS: **Footwear**
PROCESSES: **Full [= full package]**
NUMBER OF WORKERS: **650**
NUMBER OF WORKERS INTERVIEWED: **80**
ASSESSMENT NUMBER: **AA0000001918**

FLA Comments

Company Comment: After the FLA SCI Assessment in 11/2015 a remediation plan was created for the factory. They were cooperative and interested in long-term improvement. Due to business decision, we are exiting from this location to another location. This factory constituted 16% of Volcom's footwear business in 2016. There was no retrenchment that impacted on workers from Volcom's exit.

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.

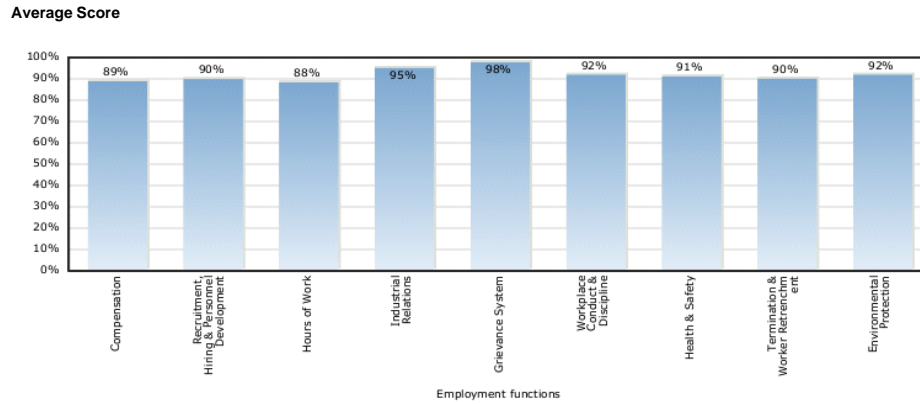
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

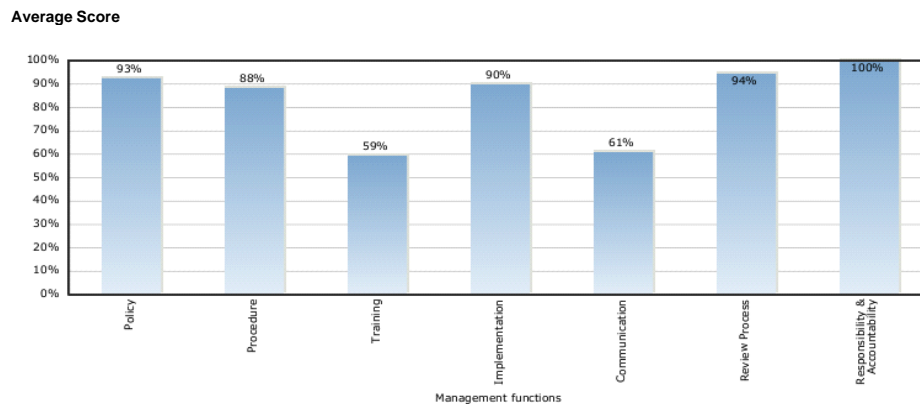
Score by Employment Function

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	81%	100%	100%	100%	100%	100%	87.5%	100%	100%
Procedure	89%	100%	100%	100%	100%	83.33%	75%	83.87%	100%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	100%	100%	100%	0%	100%	100%
Training	73.08%	33.33%	33.33%	0%	66.67%	25%	33.33%	92.31%	25%
Implementation	91.85%	88.41%	74.19%	95.65%	100%	93.75%	100%	90.88%	88.64%
Communication	50%	50%	75%	50%	75%	75%	33.33%	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	4	General Compliance Compensation Deposit of Legally Mandated Deductions Workers Awareness and Understanding of Compensation Compensation Disputes
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 Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Management of Performance Reviews Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	1	General Compliance Freedom of Association
Harassment and Abuse	1	General Compliance Harassment or Abuse
Hours of Work	3	General Compliance Hours of Work Rest Day Maintenance of Reasonable Levels of Staff
Health, Safety and Environment	5	General Compliance Health, Safety, and Environment Ergonomics Document Maintenance/Workers Accessibility and Awareness Evacuation Requirements and Procedure Chemical Management and Training

Findings and Action Plans

FINDING NO.1

TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no policies and procedures managing Termination & Retrenchment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.19)

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory management must identify to us the manager(s) that will ensure to:

Develop formal written: a) termination and retrenchment policies and b) procedures that include equal opportunity provisions, commitment to transparency, non-discrimination, non-harassment, fairness and compliance with retirement regulations and detail methods/processes for calculating final payouts; in accordance with local regulations, Under Armour/Volcom and FLA Workplace Code and Benchmark requirements..

2. Regularly train all workers, supervisors, and managerial staff on Termination & Retrenchment policies and procedures.
3. Include Termination & Retrenchment policies and procedures in the new worker orientation process.
4. Designate staff members the responsibility of overseeing the proper implementation and enforcement of the newly created termination policy and procedures.
5. Develop a regular review process regarding the newly created Termination & Retrenchment policy and procedures.
6. Develop and implement key performance indicators (KPI's) that will confirm/ensure policies and procedures are yielding the desired results.

Please send to us copies, for review, of the newly created termination and retrenchment policies and procedures.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.2

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has not provided specific training for relevant supervisors on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct, Grievance system, and Environmental Protection.
2. No ongoing training is provided to employees regarding Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Health, Safety & Environment.
3. The factory has not provided training on Workplace Conduct & Discipline for the relevant HR personnel and administrative staff.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.16.1, ER.17.1, ER.17.2, and ER.27.2)

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory management must identify to us the manager(s) that will:

1. Create and implement an ongoing comprehensive training program based on the key Employment Functions (as identified in the finding above). Provide ongoing training on all policies and procedures for Industrial Relations, Workplace Conduct and Discipline, Health & Safety and Environmental Protection (see FLA Benchmarks).
2. Establish mandatory training for all employees within the factory, including administrative staff, supervisors, and managers. More specifically, ensure HR personnel and administrative staff are trained on the factory's workplace conduct and discipline.

3. Designate properly credentialed/experienced/knowledgeable compliance staff (or engage 3rd party expert/firm) responsible for the implementation of the training program.
4. Enhance new worker orientation briefings by including more information about Under Armour/Volcom, FLA Codes and benchmarks and more specific information about factory's working hours, industrial relations, including a commitment to respect workers' associational rights and collective bargaining, terms and conditions; including wages and benefits, health and safety policy and procedures, an overview of employee handbook and other factory policies.
5. Please submit to us supportive documentation, e.g. training plan/program, briefings PPTs, etc.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.3

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have policies and procedures regarding Personnel Development and performance reviews.
2. The factory does not have procedures on raising or broadening workers skills in order to advance their careers.
3. The factory does not have procedures regarding promotion, demotion, and job reassignment.
4. The factory does not hire any disabled workers although legal requirements state that at least 1.5% of the total workforce should comprise of disabled workers. The factory pays into the Employment Security Fund in lieu of hiring disabled workers as allowed under local law. Although the current practice complies with the legal requirements this practice carries the potential risk of discrimination based on the FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

Article 30 Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases; Articles 8 & 9 of Regulation on the Employment of the Disabled (2007); FLA Workplace Code (Employment Relationship Benchmark ER.28; Nondiscrimination Benchmarks ND.1 and ND.2)

COMPANY ACTION PLANS

1. Immediate Action Required:

The factory management must identify to us the manager(s) that will:

1. Develop/implement written policies and procedures with regard to personnel development and performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements as well as promotion, demotion, and job reassignment that are transparent and fair in their implementation.
2. Ensure the creation of a written procedure for raising and broadening skills and to include the facilitating of ongoing evaluations and revisions of policies and procedures. Providing continuous training for all workers, supervisors and managerial staff on new policies and procedures. And assigning someone responsible for policy/procedure implementation/enforcement. The formal written job descriptions for each of the person(s) accountable for these items/tasks should be updated to include their new role and/or responsibilities.
3. Ensure that: a) it creates new, formal written policies, procedures and practices for complying with Articles 8 & 9 of Regulation on the Employment of the Disabled (2007), and addressing employment recruitment and hiring; b) it implements a regular review process of policies, procedures and their implementation c) these policies should ensure the establishment of a program to provide training and employ workers with disabilities.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.4

WORKER INTEGRATION & COMMUNICATION

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 and feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.
2. The factory does not have a system through which workers can submit grievances or questions about wage payments and benefits.
3. The factory does not communicate its Environmental Protection program to the general workforce, including new workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1, ER.25.2, ER.27.3, ER.29, and ER.30.2; Compensation Benchmarks C.17 and C.19)

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory must identify to us (name/title) of the person(s) who will:

1. Develop a communication strategy to ensure all workers are aware of the grievance policy and procedures.
2. Ensure workers can submit grievances in general (and more specifically/including those related to wage payments and benefits) through text and social media messages, email, free of charge phone calls, hotline to senior management staff.
3. Consider communicating the grievance policy and procedures through internal communication channels, such as, loud speakers or PA system, bulletin boards, flyers, worker induction, etc.
4. Provide ongoing training about the different grievance channels available to all workers, supervisors, and managerial staff
5. Designate staff responsible for Grievance System enforcement and/or implementation.
6. Periodically analyze whether the grievance system is being implemented as intended. Metrics would include: nature of grievances, types, reasons, frequency, resolutions, etc.
7. Develop and implement an environmental protection communication/training program for all workers and managerial positions with the aim to increase their awareness about the environmental impact of the production processes and channels available to raise environmental concerns at the facility without retaliation

Action plan status: Planned

Planned completion date: 05/05/17

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on time records from Oct 2014 to Oct 2015, approximately 70% workforce worked in excess of 60 hours a week throughout the year, except in February and March 2015. The maximum number of weekly hours was 79 hours in Dec 2014, in the week of Dec 8, 2014 to Dec 14, 2014.
2. Approximately 70% of the workers' monthly overtime working hours exceeded 36 hours per month, with highest monthly overtime reaching 135 hours in Dec 2014. Maximum daily overtime reached four hours a day during the factory's peak production in December. Additionally, the factory did not have for an overtime waiver in place.
3. 70% out of 80 sampled workers occasionally did not receive one rest day per week. Workers worked without one rest day within a seven-day period three times in the past year; workers consecutively worked 14 days from Jan 12 to Jan 25, 2015, 13 days from Nov. 24, 2014 to Dec 6, 2014, and 13 days from Nov 10 to Nov 22, 2014.

4. The factory always includes overtime in regular production planning.

Local Law or Code Requirement

Article 41 of the Labor Law of the PRC; Article 38 of the Labor Law of the PRC; FLA Workplace Code (Hours of Work Benchmark HOW.1.1, HOW.2, and HOW.6)

Recommendations for Immediate Action

1. Adopt practices and controls to ensure that employee overtime hours do not exceed the legal limits.
2. Ensure workers do not work more than 60 hours a week, including overtime.
3. Ensure workers do not work more than 36 hours of overtime per month.
4. Ensure that workers are provided with at least one rest day in every seven-day period.
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:
 1. How to provide better order forecasts to the factories;
 2. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 3. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 4. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 5. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 6. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

1. Immediate Action Required

1. Management to ensure that it does not include overtime in production planning and do not exceed the legal limit of 36 hours of overtime per month as required by local regulations.
2. Management to ensure that workers do not exceed the 60 hours per week as required in Under Armour/Volcom/Fair Labor Association's code of conduct. Furthermore, management to ensure that daily overtime does not exceed three hours as required by local regulations.
3. Management to ensure that workers have at least 24 consecutive hours of rest in every 7-day work period

Action plan status: Planned

Planned completion date: 03/29/16

2. Sustainable Improvement Required:

The factory must identify the top and middle management personnel from October Industry Co., Ltd. who will: 1) conduct documented and regular (daily, weekly and monthly) documented and regular analyses of the factory's hours of work with a view to progressively reducing excessive hours of work; 2) demonstrate and issue a written commitment to reduce overtime and 3) alter its personnel practices to make a documented effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. Factory management is to: address its excessive hours issues:

1. if established to be necessary, by jointly working with its customers on how to provide better order forecasts;
2. Participating in workshops/engaging a consultancy for the factory on how to improve productivity/quality;
3. if established to be necessary, by jointly working with its customers to develop clear guidelines on how to extend shipment deadlines in case of contingencies;
4. the creation of steps that management must follow if overtime is inevitable (steps for how to communicate with Under Armour's/Volcom's Sourcing and Sustainability teams and other customers);
5. clear guidelines on calculating and setting reasonable production targets that will not demand work beyond regular working hours or during breaks; and
6. Developing clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.
7. Re-evaluate the production planning systems and controls in order to ensure that they match their historically demonstrated production capacity in order to operate within its working hour control policy.

Action plan status: Planned

Planned completion date: 05/17/16

FINDING NO.6

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. According to the social insurance contribution for October 2015, it was noted that 360 out of 360 employees participated in work related injury insurance, medical insurance, and maternity insurance; however, the factory only provided 324 out of 360 (90%) employees with unemployment insurance and pension insurance.
2. The factory only enrolled 10 out of 360 workers in the Housing Provident Fund.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 73; Regulation on the Housing Provident Fund Management (2002); FLA Workplace Code (Employment Relationship Benchmark ER.22.2; Compensation Benchmarks C.1 and C.10)

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory must identify the person who will:

1. provide all workers with all of the social insurance benefits to which they are entitled legally, for example: a) maternity; b) medical; c) pension unemployment; d), and e) industrial (work-related) injury; and (please see Article 73 of the Labor Law of the People's Republic of China);
2. Ensure that the factory properly calculates its payments/remittances to the government using the correct percentage of actual gross wages instead of the basic wage, if, and as legally, required; a) that it maintains on file at the factory records of related payments to the appropriate authorities. Additionally, the factory should host documented training sessions to help workers understand the importance of contributing toward social insurance schemes and the portability of such payments for migrant workers.
3. The factory must review and comply with the attached FLA Issue Brief on the Housing Provident Fund. THE FACTORY MUST IDENTIFY THE PERSON WHO WILL DRAFT AND EFFECTIVELY IMPLEMENT A WRITTEN PROCEDURE THAT WILL ENSURE THAT WITHIN THE NEXT 2 MONTHS: A) IT REGISTERS AND ENROLLS ALL WORKERS IN THE HOUSING PROVIDENT FUND PROGRAM; i) IT, AND THE WORKER, REMIT THEIR RESPECTIVE AND REQUIRED PAYMENTS INTO THE HPF; ii) BOTH THE: iii) FACTORY AND B) THE WORKER MUST CONTRIBUTE TO THE WORKER'S PERSONAL ACCOUNT AND THE FUNDS IN THE ACCOUNT BELONG SOLELY TO, ARE CONTROLLED SOLELY BY EACH, WORKER;
- 4 CONTRIBUTIONS MUST BE CALCULATED BASED ON EACH WORKER'S AVERAGE MONTHLY WAGE OVER THE LAST YEAR AND 3) CONTRIBUTIONS MAY NOT FALL BELOW A MINIMUM OF FIVE PERCENT (5%) OF THE MONTHLY WAGE,

Action plan status: Planned

Planned completion date: 05/17/16

FINDING NO.7

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The current disciplinary system does not include a third party witness during imposition, nor does it include an appeal process.
2. The factory does not have procedures for employees to appeal disciplinary actions, or a requirement to record all warnings, disciplinary actions, and filing requirements.

Local Law or Code Requirement

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory must identify the person(s) who will effectively implement the progressive disciplinary system as suggested in the HR Administrative handbook to ensure that all verbal warnings are immediately and consistently documented, signed by the worker and the party administering the warning and that related records are maintained in each worker's on site factory personnel file. Furthermore, responsible person(s) must ensure that the factory's disciplinary system includes and effectively implements new, formal written procedures that include:

- a) Having a third-party witness present if, and when, sanctions are imposed, and
- b) and an Appeals process. The factory should conduct documented training, and with materials, in Chinese and any other applicable dialects and languages, with its managers, Human Resources personnel and workers about each of the revised and or/ new and existing policies and procedures as described in the HR Administrative handbook. The factory should post copies and summaries of the new policies and procedures.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no emergency lights and safety installed for the safety exits leading to the roof top of the production building.
2. At least two fire alarms were blocked by obstructions (production materials) in the warehouse.

Local Law or Code Requirement

Article 11.3.1 of the Code for design of building fire protection and prevention; Article 28 of Fire Control Law of the People's Republic of China; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1 and HSE.5.1)

Recommendations for Immediate Action

1. Install emergency lights and signs along all evacuation routes in the factory.
2. Clear all obstructions from fire equipment in the warehouse.

COMPANY ACTION PLANS

1. Immediate Action Required

1. Management to ensure that the emergency exit and corridors are equipped with emergency lights, following local requirements. And the new lights must be supported by battery operated emergency back up.

2. Management is to ensure that no fire alarms, emergency exits, fire hydrants, fire extinguishers, fire-fighting and emergency equipment, electricity connection boxes/electrical panels and the areas in front of all such exit, aisles, boxes panels and equipment are blocked (even partially) including by implementing systems and controls such as frequent daily documented inspections in order to comply with applicable laws.

Please send to us before and after photographs and any other relevant supporting documentation.

Action plan status: Planned

Planned completion date: 04/01/16

2. Sustainable Improvement Required:

The factory must assign someone responsible and accountable to establish Fire Safety Equipment Inspection and Testing program must be based on all of the following:

- 1) To conduct periodical and scheduler inspection, maintenance and testing the emergency lighting, alarm call point, alarm & detection system;
- 2) To conduct fire safety assessment ensuring safety ingress and egress for people in the premises during normal and emergency situation this include:
 - a) Ensure there is adequate installation of emergency lightings with battery operated back up in the factory and surrounding areas;
 - b) Must keep all fire safety equipment clear from obstruction such as:
 - i) Alarms and manual call points;
 - ii) Emergency exits and emergency lightings;
 - iii) Fire extinguishers and hose reel;
 - iv) Smoke and heat detectors;
 - v) Sprinkler heads and
 - vi) Hydrant stands;
- 3) Ensuring there is tracking system to monitor and document routine, inspection maintenance and operational testing program;
- 4) Routine maintenance and operational testing program must be based on all of the following: a) Manufacturer's recommendations and instruction manuals and b) Requirements of NFPA 25.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.9

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

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 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 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2; ER 25 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.15, FOA.17, and FOA.21)

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

1. Management must ensure that no personnel who hold managerial positions are union committee members. Nominations should come from production lines, so that workers can freely and confidentially nominate themselves or fellow workers without management interference/intimidation/participation; consistent with ILO Freedom of Association principles. Election process and meetings should be documented/recorded.
2. Management to ensure workers are provided with a printed copy of the CBA. Furthermore, management to create and post announcements about the CBA and push this information to workers, in a documented manner to workers, and progressively increase worker awareness of the current CBA.
3. Management to respect the right of workers to establish and join organizations of their own choosing and to bargain collectively;

including workers' right to participate in strikes and even though the rights to freedom of association, strikes, and collective bargaining are restricted under Chinese law, the employer should nevertheless commit itself to not obstruct the development of alternative means of worker association. Management to commitment to non-discrimination, non-retaliation, non-interference, intimidation, harassment and equal treatment of unions and other worker representative structures.

Action plan status: Planned

Planned completion date: 05/17/16

FINDING NO.10

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. 30% of the chemicals, such as glues and solvents, are not equipped with secondary containment in the chemical use areas.

Local Law or Code Requirement

Article 20 of Regulation for Safety of Hazardous Chemical, FLA Workplace Code (Health, Safety & Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. Provide anti-leakage facilities (e.g. secondary containers) for all chemicals.

COMPANY ACTION PLANS

1. Immediate Action Required:

Factory must identify the manager/and supporting personnel who will:

- 1) To install secondary containment in chemical storage areas and for the all chemicals, such as glues and solvents in the chemical storage areas and warehouse. The secondary containment should be leak tight and impervious to the chemical it is supposed to contain. Additionally, the containment should be of sufficient volume good practice dictates that the volume of the containment should be 110% of the volume of the largest container or 10% of the combined volume of all containers whichever is larger.

Action plan status: Planned

Planned completion date: 04/19/16

2. Sustainable Improvement Required:

Management must identify by name and title, and clearly define, the specific managers responsible/accountable for:

- 1) Create a simplified chemical or management safety data sheets (CSDS) (MSDS) in local language and posted at area where chemical is being use;
- 2) To conduct hazard communication by training workers to comprehend the use safety data sheet (CSDS) (MSDS), the appropriate use of PPE to prevent of excessive chemical exposure and ability to act on emergency first aid treatment and;
- 3) ESH team is to implement a chemical register to crosscheck with CSDS MSDS to:
 - a) Quantify the risk of using the chemicals;
 - b) Keeping track of new chemical being brought into the factory for use;
 - c) To ensure safe chemical handling and storage;
 - d) To react to chemical spillage and fire;
 - e) To administer of PPE inventory and usage and
 - f) To maintain good housekeeping practice at all chemical storage area to eliminate combustion risk.

Action plan status: Planned

Planned completion date: 05/05/16

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not have an ergonomics program, and there have not been proactive steps taken to reduce repetitive-motion stress/injuries. Individual workstations are not adjustable to fit individual workers, and do not have proper backrests. Additionally, the factory does not provide eligible workers with lifting belts as Personnel Protective Equipment PPE.
2. The factory's Health & Safety procedures do not contain protections against retaliation for workers who raise Health & Safety concerns.
3. The factory's Health & Safety procedures do not contain steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated.
4. The factory's Health & Safety procedures do not contain steps to ensure that all special categories of workers and children in childcare facilities are safely evacuated.
5. The factory does not have guidance documents for external contractors/service providers concerning Health & Safety.
6. Occupational diseases might result from some of the health hazards and work processes in the factory. However, the facts, harmful effects, consequences, protective measures, and necessary treatment of occupational diseases are neither communicated to relevant employees nor indicated in their employment contracts. Candidates and workers were not informed about possible health hazards in written form during the recruitment process and in their employment contracts, such as a list of chemicals they might be exposed to.
7. No Health & Safety information is provided to service providers, such as contractors for septic tank and maintenance personnel working at the facility.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.5, and HSE.17.1)

Recommendations for Immediate Action

1. Provide all eligible workers with lifting belts as appropriate PPE and train them on the usage of the lifting belts.
2. Communicate the potential risk of occupational diseases to the workers in hazardous positions, and indicate this information in the employment contracts.

COMPANY ACTION PLANS

1. Immediate Action Required:

The factory must identify the manager who will engage a licensed/credentialed expert or 3rd party firm who/that will draft and help the factory to implement a formal, written ergonomic plan. Please identify the manager who will:

- 1) Provide an anti-fatigue mat to each worker who stands while they work and:
- 2) Purchase and install, over time, and according to the written ergonomic plan, ergonomic work chairs that are equipped with:
 - a) Back supports and
 - b) Seat cushions that workers are trained to use in documented educational meetings.
- 3) Please send us a schedule and diagram showing the a) number of mats to be installed and b) the number and location of the ergonomic chairs that will be provided to the workers.
- 4) Ergonomic program shall:
 - a) include a worker training component to ensure workers are aware of proper sitting positions, chair adjustments based on their height, lifting techniques for those with duties that include lifting objects/materials/boxes, etc. regularly;
 - b) Repetitive motion assessment for all job positions that require repetitive; and c) scheduled/documented (morning/afternoon) ergonomic breaks. Lastly, ensure that there is someone responsible for tracking and analyzing illness records that would assist in identifying occupational hazards.
- 5) Management is to conduct a documented review of the existing Fire Emergency Response Procedure and include detailed steps to be taken to ensure the safe evacuation of all personnel, visitors, contractors, service providers, special categories of workers and children in childcare facilities provided by the factory, during a fire or other emergency;

Action plan status: Planned

Planned completion date: 04/19/16

2. Sustainable Improvement Required:

The factory must identify the members of top management, managers and team members who will ensure, by drafting, effectively implementing, conducting documented training about, posting full and summary posters of, formal new written policies and procedures that are sufficient to ensure, that from now on it:

- 1) Provides lifting belts to all employees lifting heavy materials
- 2) Provides documented initial and periodic refresher training to all employees on proper lifting techniques and use of lifting belts.
- 3) Ensures that Volcom/Under Armour receives photographic evidence of lifting belts and workers receiving training on lifting belt use.
- 4) Ensuring the training program promotes an ergonomic approach to lifting that includes: a) Consider alternative ways to accomplish the same lifting or handling; b) Assess the weight of the object before attempting lifting or handling; c) Ask for assistance if necessary; d) Determine the best way to hold or manoeuvre the object before lifting the object; e) During repetitive lifting activities, try to minimize the vertical distance of the lift from origin to destination, and minimize the amount of twisting and bending; f) Use the legs for lifting rather than the back and g) use the feet to turn, rather than twisting the trunk of the body.
- 5) Management to develop and implement procedures to deal with emergencies that may arise while all special categories of workers and children in childcare facilities are safely evacuated. Ensuring they have adequate instruction, information, training and supervision as is necessary for them to carry out their work during emergency evacuation.
- 6) Management to develop an ongoing training plan to ensure all personnel, visitors, contractors and service providers are aware of the newly created emergency evacuation procedures.
- 7) Engage 3rd party expert or firm who will draft written policies and procedures that will inform current and future contractors and service providers about the factory's health, safety and environmental precautions, hazards and regulations and the specific obligations of each contractor and service provider. This would include specific contractual obligations for each such contractor and provider.
- 8) Communicate the potential risk of occupational diseases to the workers in hazardous positions, and indicate this information in the employment contracts.

Action plan status: Planned

Planned completion date: 04/19/16

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Approximately 20% of the workers in the finishing process at the workshop come in contact with hazardous chemicals, such as glues. However, they do not have protective masks and do not properly wear gloves as appropriate Personal Protective Equipment PPE.
2. There is no eye washing facility in the chemical warehouse.
3. The factory did not conduct an assessment of occupational health impacts of the facility before beginning operation, and there has been no assessment of the current occupational health impacts.

Local Law or Code Requirement

Article 37 of Law of the People's Republic of China on Production Safety; Article 16 of Regulation for Safety of Hazardous Chemical; Interim Measures on Supervision and Management of "Three Simultaneities" for Occupational Health of Construction Projects, Article 10; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE 4, HSE.8, and HSE.9.1)

Recommendations for Immediate Action

1. Ensure that employees are provided with proper Personal Protective Equipment PPE while handling hazardous chemicals. Ensure that all workers in the workshop use appropriate PPE at all times. Provide training on proper PPE usage to all workers that handle hazardous chemicals.
2. Provide an eye washing facilities at the chemical warehouse and provide proper training to the eligible employees.
3. Arrange for a certified third party to carry out an assessment on the current condition of occupational health impact for the workshop.

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

1. THE FACTORY MUST IDENTIFY THE MANAGERS WHO WILL ENSURE, BY IMPLEMENTING A DOCUMENTED WRITTEN PERSONAL PROTECTIVE EQUIPMENT ("PPE") USE POSITIVE INCENTIVE/REWARD/AWARD SYSTEM, THAT ITS WORKERS USE THE PPE REQUIRED BY THEIR SPECIFIC WORKPLACE CONDITIONS;
- 2) CONDUCT DOCUMENTED TRAINING SESSION FORCEFULLY EMPHASIZING RISKS AND HARMS OF FAILING TO WEAR/PROPERLY USE, PPE;
- 3) POST POSTERS, WRITTEN IN THE LANGUAGE(S) UNDERSTOOD BY ITS WORKERS AND MANAGERS, IN EACH WORKPLACE SHOWING THE NECESSARY AND PROPER USE OF PPE FOR EACH WORKER;
- 4) WITHIN THE NEXT 30 DAYS 1) CONDUCT DOCUMENTED RE-TRAINING AND 2) DRAFTING AND IMPLEMENTING AND POSITIVE INCENTIVE/REWARD PROGRAM THAT WILL ENSURE THAT WORKERS WEAR EAR APPROPRIATELY MASK PROTECTION.

Action plan status: Planned

Planned completion date: 04/19/16

2. Immediate Action Required

Management must identify by name and title, and clearly define, the specific managers responsible/accountable for:

1. Ensure that employees are provided with proper Personal Protective Equipment PPE while handling hazardous chemicals. Ensure that all workers in the workshop use appropriate PPE at all times. Provide training on proper PPE usage to all workers that handle hazardous chemicals.
2. Install emergency eyewash stations that are operated without the use of hands in, and near, the Chemical Warehouse to ensure that workers have immediate access to this equipment in order to avoid serious eye injury caused by contact with hazardous chemical and provide proper training to the eligible employees.
3. Engage a certified third party to carry out an assessment on the current condition of occupational health impact for the workplace.

Action plan status: Planned

Planned completion date: 04/07/16

3. --

Action plan status: Planned

Planned completion date: 04/24/17