



COMPANY: Under Armour, Inc., Fenix Outdoor International AG
COUNTRY: China
ASSESSMENT DATE: 09/23/15
MONITOR: FLA Assessor Team (China)
PRODUCTS: Accessories [items, such as handbag clasps, that are affixed to other products]
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 20
NUMBER OF WORKERS INTERVIEWED: 33
ASSESSMENT NUMBER: AA0000001886

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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.

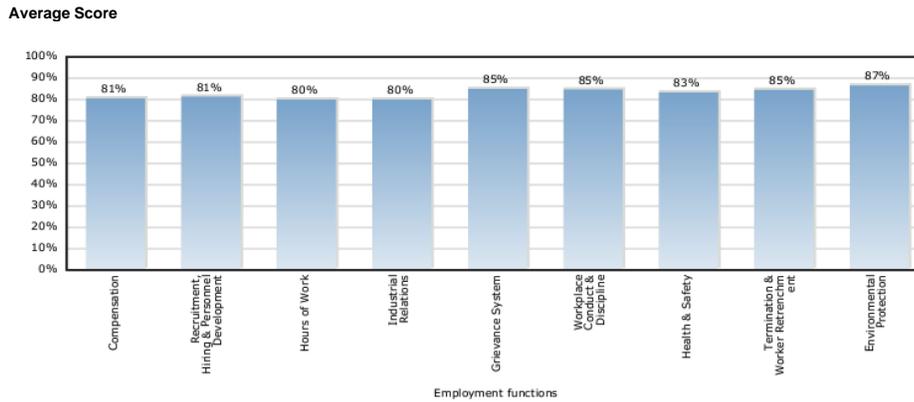
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

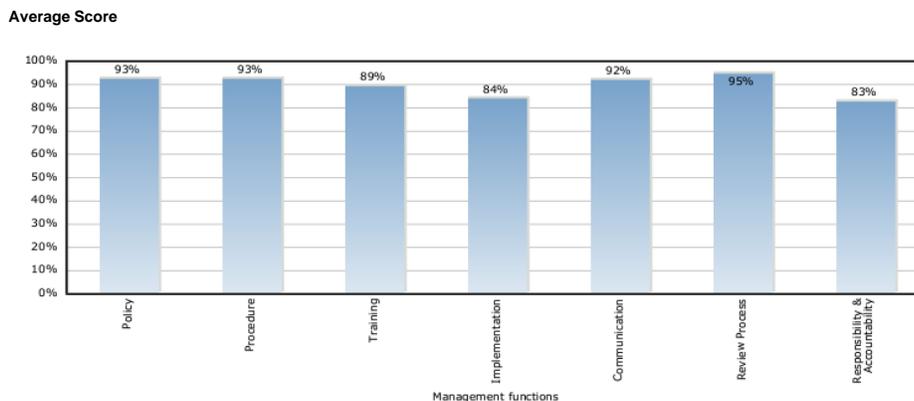
Score by Employment Function

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	100%	100%	100%	100%	83.33%	100%	80%	100%	100%
Procedure	85.71%	100%	100%	50%	100%	100%	100%	88.71%	100%
Responsibility & Accountability	66.75%	66.75%	77.83%	55.67%	66.75%	66.75%	66.75%	66.67%	66.67%
Review Process	100%	50%	100%	100%	100%	100%	100%	100%	100%
Training	85.71%	100%	100%	100%	100%	100%	100%	73.85%	100%
Implementation	77.41%	88.64%	70.97%	82.14%	100%	87.5%	100%	83.24%	90.8%
Communication	83.33%	100%	100%	50%	100%	83.33%	100%	100%	100%

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	2	Timely Payment of Wages Calculation Basis for Overtime Payments
Employment Relationship	11	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Administration of Compensation/Timing and Completeness General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Work Rules and Discipline Skills Development/Management of Performance Reviews Skills Development/Promotion, Demotion and Job Reassignment Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	6	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Right to Freely Associate
Hours of Work	6	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Rest Day Overtime/Calculation over Period Longer than One Week Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	11	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Machinery Safety, Maintenance and Workers Training Ergonomics Sanitation in Workplace Facilities Toilets Food Preparation Drinking Water Notification and Record Maintenance Evacuation Requirements and Procedure Personal Protective Equipment

Findings and Action Plans

FINDING NO.1

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The orientation training does not include Industrial Relations & Freedom of Association, which is only communicated through an all staff meetings.
2. Workers are not provided with written documentation that substantiates all the policies and procedures covered in orientation briefings.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.1 and ER.15.3)

COMPANY ACTION PLANS

1. The factory management must identify to us the manager(s) that will:
 - a) Enhance new worker orientation briefings by including more information about Fenix Outdoor/Under Armour/FLA Codes and benchmarks and more specific information about factory's industrial relations policies and procedures; including the factory's commitment to respect workers' associational rights and collective bargaining; and
 - b) Ensure that all workers are provided with written documentation that substantiates all topics discussed during orientation briefings.

Please submit to us supportive documentation, e.g. updated orientation briefings materials, briefings PPTs, etc.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.2

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The number of disabled workers (1% of the total workforce) is below the local legal requirement (1.5% of the total workforce). Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers, as allowed under the local law, this practice carries a risk of discrimination based on FLA Workplace Code and Benchmarks.
2. The factory has not signed non-fixed term labor contracts with 173 out of 205 employees whose labor contracts have been renewed after two fixed-term contracts. As per local law, these workers are eligible for signing non-fixed term labor contracts. The factory plans to sign these contracts in November 2015.
Note: The 32 employees who have worked for the factory for ten years consecutively have signed non-fixed term labor contracts.
3. There is no written procedures or criteria for performance reviews. The current practice for promotion and re-assignment is based solely on the supervisor's judgment.
4. There are no job descriptions for any of the positions.

Local Law or Code Requirement

Labor Contract Law of PRC (2008), Article 44; Regulation on the Employment of the Disabled in Zhejiang Province (2003), Article 10; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.29, and ER.30.1.2)

COMPANY ACTION PLANS

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

1. Develop and execute formal, written strategies to seek out and hire workers with disabilities and comply with the local required percentage and beyond. Document all related efforts including maintaining copies of related job searches, postings, legally and code permissible advertisements. Furthermore, management to establish a communication channel with civil society organizations and/or local governmental institutions that assist people with disabilities and consider hiring people with disabilities for positions, according to their disability, in the factory. Assign someone responsible for ensuring candidates are screened based on their skills/abilities/proficiency.
2. Ensure non-fixed term labor contracts with at least 32 workers are signed, as identified during the assessment. Create a process and written procedure and assign someone responsible for ensuring that from now on all workers eligible for non-fixed term contracts are provided one in accordance with local regulations. Please submit to us supportive documentation e.g. photographs, new process workflow, etc.
3. Designate a manager and/or HR management members to be responsible for the creation of performance review policy and procedures; including regular review/update process. Designated staff member (the process owner) is to document the process, track changes, collect feedback, and create workflows in collaboration with all persons involved.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.3

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. 100% of the workers are covered by pension insurance, unemployment insurance, medical insurance, maternity insurance, and work-related injury insurance. However, the contribution base for all of the workers is the minimum standard, rather than the legally required amount based on workers' earnings. The minimum standard only applies to the workers whose actual earnings are equal to or below the minimum standard. Approximately 37% of the workers' wages are higher than the minimum contribution base standard.
2. 96.3% of the workers have not contributed to the legally required Housing Provident Fund. For the 3.7% of the workers who contribute to the Housing Provident Fund, the contribution base is the minimum standard, rather than the legally required amount based on their actual earnings. All of the workers contributing to the Housing Provident Fund earn wages higher than the minimum contribution base.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 12, 58, and 60; Social Insurance Contribution Base Notice of Hangzhou City (2014), No.44; Regulation on the Housing Provident Fund Management (2002), Article 15; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmark C.1)

COMPANY ACTION PLANS

1. 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: 1) maternity; 2) medical; 3) pension unemployment; 4), and 5) 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; 3) 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.
2. 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: 1) IT REGISTERS AND ENROLLS ALL WORKERS IN THE HOUSING PROVIDENT FUND PROGRAM; 2) IT, AND THE WORKER, REMIT THEIR RESPECTIVE AND REQUIRED PAYMENTS INTO THE HPF; 3) BOTH THE: A) 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; 3) 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%)

Action plan status: Planned

Planned completion date: 03/22/16

FINDING NO.4

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory did not pay all of the workers their August wages on the regular payday, instead paying it one day later. The payday fell on a Sunday, workers were paid on Monday, instead of the prior Friday. This late payment only occurred once in the past year and assessors consider it an isolated case.
2. The factory does not have a compensation leave policy (in lieu of leave time). This lack of policy results in working hours on weekends not being paid at the overtime (OT) premium rate, but at the regular rate, in the following examples:
 - a. If a regular-shift worker applies personal leave on weekdays and they work on Saturday or Sunday, then the weekend wage is not paid at the legally required 200% rate, as the factory automatically swaps the regular weekday with Saturday or Sunday.
 - b. Due to working hour controls to meet 60 hours per week, a two-shift worker (accounting for 20% of the total employees in June, July and August 2015) might work only four regular hours on one weekday and eight OT hours on Saturday. Four out of eight OT hours worked during the weekend will be automatically exchanged at the weekday hourly rate. Meaning the wage of the 4 OT hours exchanged from the weekend is paid at a regular rate (100%) instead of 200% as legally required.
3. According to the HR administrative handbook and worker interviews, the factory does not take workers' external seniority (previous job experience prior to factory employment) into account in calculating annual leave as legally required.

Local Law or Code Requirement

Payment of Wages Tentative Provisions, Article 7; Implementation Measures of Employees' Paid Annual Leave (2008), Article 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.18, and ER.22.2; Compensation Benchmarks C.4, and C.7; Hours of Work Benchmark HOW.11)

Recommendations for Immediate Action

1. Cease the practice of swapping the overtime hourly rate with the regular hourly rate when the worker has taken personal leave prior to the overtime hours worked.
2. To continue the practice of swapping weekend OT hours with regular hours before leave hours are taken, when the worker does not work a full regular hour workweek (40 hours) due to their established regular shift and works on Saturday, the factory must establish a compensation leave policy. The policy shall state that when workers work overtime on the weekend due their established shift, they will receive leave hours the following week so that the hours worked on the weekend are to be paid at the regular hourly rate. This policy cannot be applied to OT on public holidays, which shall be compensated at 300% without exemption. In the absence of this policy and no corresponding rest time arranged for workers, the overtime occurred must be compensated at legally premium rate.
3. Update the HR handbook regarding the annual leave policy and align it with the legal requirements; implement the new policy accordingly.

COMPANY ACTION PLANS

1. Management must pay wages (in full) and on time. If payday falls on a Sunday, management must ensure workers are paid the Friday before wage payment due date. Please send to us a commitment letter, using the Company's letterhead, indicating factory workers will be paid in full and on time as required by local regulations.
2. Management to cease the practice of swapping the overtime hourly rate with the regular hourly rate when workers have taken personal leave prior to the overtime hours worked. In order to continue the practice of swapping weekend OT hours with regular hours before leave hours are taken, when the worker does not work a full regular hour workweek (40 hours) due to their established regular shift and works on Saturday, the factory must establish/implement a compensation leave policy. The policy shall state that when workers work overtime on the weekend due their established shift, they will receive leave hours the following week so that the hours worked on the weekend are to be paid at the regular hourly rate. This policy cannot be applied to OT on public holidays, which shall be compensated at 300% without exemption, according to a new written procedure, with documented training for responsible managers, all workers and posters of/summarizing the new

policies and procedures. In the absence of this policy and if no corresponding rest time is arranged for workers, then the overtime worked must be compensated at legally premium rate.

3. Review/update the HR handbook to ensure that workers' seniority (from previous job) is taken into account when calculating their annual leave as required in local regulations. Identify the manager who will develop/implement a formal written annual leave policy and procedures accordingly. Train workers/managers on the newly developed policy/procedures, post copies of the new policies and procedures as well as summaries of them and assign someone responsible for implementation/enforcement

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.5

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on interviews with the production supervisors and employees, supervisors of certain departments, such as ironing and quality inspection, conduct morning preparatory meetings for 5 to 10 minutes before the regular workday starts. However, this time is not compensated. These meetings affect about 50% of the workers in the ironing and quality departments and occur up to 3 times a week.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.7)

Recommendations for Immediate Action

1. Either compensate workers for attending the meetings before their shifts, or stop the practice of requesting that workers attend morning meetings before the shift.
2. Retroactively pay the uncompensated 5-10 minutes for each workday of the past 12 months for the workers in the concerned departments.

COMPANY ACTION PLANS

1. Management to either compensate workers for attending the meetings before their shift starts, or stop the practice of requesting that workers attend morning meetings. Please send to us a commitment letter, using the Company's letterhead, from top management stating the new policy, i.e., that workers who attend meetings before the shift starts will be compensated in accordance with local regulations.
2. Take any necessary corrective action concerning past practices, including retroactively paying workers who participated in morning meetings (before their shift started) the uncompensated 5-10 minutes for each workday of the past 12 months for the workers in the concerned departments. All such workers must be identified by name, title, id number, job function and the compensatory payments must be documented and itemized in each affected worker's pay slip and personnel file. Please send to us supportive documentation that will demonstrate compliance with the above action items.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.6

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's production planning is based on 48 hours per week during the low season and 60 hours per week during the peak season. The production planning during low and peak seasons can vary from 8 to 20 hours of overtime per week on a regular basis.
2. None of the workers received at least 24 consecutive hours of rest for every seven-day period in 4 of the past 12 months from September to December 2014. Workers worked 13 consecutive days in September, seven consecutive days in October, eight consecutive days in November, and nine consecutive days in December.
3. In 6 of the past 12 months, 50% of the employees worked more than three hours of overtime on a daily basis, ranging from 3.5 hours to 4.5 hours.
4. In 10 of the past 12 months, all workers' monthly overtime ranged from 38 hours to 94 hours, with an average of 71 hours. The highest overtime (94 hours) occurred in August 2015.
5. In 5 of the past 12 months, weekly working hours ranged from 60.6 to 70.5, exceeding the FLA limit of 60 hours per week. For example, 50% of the workers worked around 67 hours in July 2015. The highest hours of work per week (70.5) occurred in July 2015.
6. The factory obtained a Cumulative Working Hour System Waiver (CWHS), which allows 216 hours of overtime from May 2015 to October 2015. However, from May 2015 to August 2015, the factory's average overtime was 334 hours, exceeding the CWHS limits.

Local Law or Code Requirement

Labor Law of PRC (1995), Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1.3, HOW.2, HOW.7, and HOW.8.3)

Recommendations for Immediate Action

1. Do not include regular overtime in production planning and do not exceed the legal limit of 36 hours of overtime per month.
2. Ensure that workers' weekly hours meet the FLA limit of 60 hours/week.
3. Ensure that workers have at least 24 consecutive hours of rest in every 7-day period.
4. Ensure that daily overtime does not exceed three hours.
5. FLA affiliate Companies' 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. 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/Fenix Outdoor/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: 03/09/16

2. The factory must identify the top and middle management personnel from Hangzhou U-Jump 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/Fenix Outdoor'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: 03/09/16

FINDING NO.7

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The HR Administrative handbook states that the HR department should maintain records of all disciplinary actions, including verbal warnings. According to management and worker interviews, verbal warnings were occasionally issued in the last 12 months; however, the HR department did not maintain any records of these disciplinary actions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1 and ER. 27.2.2)

COMPANY ACTION PLANS

1. 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: 03/09/16

FINDING NO.8

TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have a written retirement policies and procedures that outline the steps to manage the retirement process.
2. 60% of the interviewed employees were unaware of the termination procedures.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. The factory must identify the person who/that will: develop and effectively implemented for new documented and written policies/procedures governing all aspects and modes of termination/retirement. The policy should include a commitment to respect compliance with retirement regulations and detail methods/processes for calculating final payouts. Please send to us copies of the newly created retirement policy and procedures.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.9

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a trade union that was established on January 1st, 2012 under the ACFTU (All China Federation of Trade Unions). However, the five union committee member positions were all factory managers. Additionally, none interviewed workers were aware of the union election, which took place in early January 2012.
2. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA). Although the CBA is posted in the canteen, all of the interviewed workers were completely unaware of the existence of the CBA.
3. The union chairman considers all workers union members; however, there are no written consent forms to enroll in union, and worker interviews revealed that they were not clear about their union membership.
4. The union dues are paid by the factory instead of by the workers.
5. 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 Benchmark ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, and FOA.11)

COMPANY ACTION PLANS

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: 03/29/16

FINDING NO.10

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not arranged an air emissions test for the diesel power generator and laser cutting machine. Therefore, management is unable to verify if the air emissions meet the legal limit.
2. Currently, the air exhaust pipe of the boiler is only 7.8 meters high, while the local environmental authority required that it should be 10 meters high when they did an acceptance check of the factory's environmental protection facilities.
3. The factory has not conducted an environmental risk assessment, which was requested in the factory's environmental protection procedure. Therefore, the factory cannot identify all environmental risk factors and develop preventative measures.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (2000), Articles 13 and FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1)

Recommendations for Immediate Action

1. Arrange for a licensed service provider to conduct air emissions tests for the power generator and laser cutting machine.
2. Extend the boiler exhaust pipe up to 10 meter high, as per the local environmental authority's requirement.
3. Conduct an environmental risk assessment that includes preventative measure to minimize environmental risks.

COMPANY ACTION PLANS

1. 1. The factory must identify by name and title, and clearly define, the specific managers who will 1) engage: a 3rd party qualified/licensed environmental protection/related field engineer to a) prepare and conduct required air emissions tests of the i) power generator and ii) laser cutting machines and 2) prepare and conduct an environmental risk assessment (E.R.A.) that includes recommended preventative measure to minimize environmental risks. PLEASE ENSURE THAT WITHIN THE NEXT 30-45 DAYS WE (UNDER ARMOUR/FENIX'S SUSTAINABILITY TEAMS) RECEIVE COPIES OF THE A) TEST RESULTS; b) THE E.R.A. AND C) APPROPRIATE ACTION PLAN(S), IF ANY RELATED TO THE TESTS AND E.R.A.;

Action plan status: Planned

Planned completion date: 03/09/16

2. 2. The factory must have a 3rd party qualified technician extend the boiler exhaust pipe up to 10 meter high, as per the local environmental authority's requirement and send us copies of: a) the pipe, before and after the extension; b) copies of the technician's credentials and c) and permit, if any, required for same.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. No ventilation facility is installed at the chemical (machine oil) storage area. Additionally, the window is completely closed. There is no system to prevent chemical buildup in the interior environment.
2. No Material Safety Data Sheet (MSDS) was available for the chemical glue sprayer "Super88" at the time of the factory tour. Before the assessor left the premise, the MSDS was obtained from the chemical supplier. Additionally, this chemical is stored at the general warehouse instead of the dedicated chemical storage area.

Local Law or Code Requirement

Recommendations for Immediate Action

1. Store chemicals in a well ventilated, dedicated area.
2. Enhance internal monitoring, and ensure that the MSDSs for all chemicals are maintained on-site and are available to workers.

COMPANY ACTION PLANS

1. 1. The factory must identify by name and title, and clearly define, the specific managers who will 1) engage a 3rd party qualified structural engineer to assess the ventilation needs in the chemical storage area and 2) based on his/her assessment, install an appropriate ventilation system in accordance with local regulations. PLEASE ENSURE THAT WITHIN THE NEXT 30-45 DAYS WE RECEIVE COPIES OF HIS/HER ASSESSMENT AND ACTION PLAN IF APPLICABLE WITH PHOTOGRAPHS OF ANY NEWLY INSTALLED EQUIPMENT AND RELATED POSTINGS. In the meantime, the factory must identify the person/team who/that will ensure that every day, the window is kept open and temporary ventilation equipment is installed/used.

Action plan status: Planned

Planned completion date: 03/09/16

2. 2. Management to assign someone responsible for ensuring that all MSDSs for all chemicals (in storage/production) are posted in Chinese, accounted for, maintained on-site and are also available in Chinese in other forms to the workers.

Action plan status: Planned

Planned completion date: 03/08/16

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no fire alarm system installed at the power generator room, and the diesel tank is not segregated from the power generator.
2. One exit door (next to the yarn winding area) on the 4th floor of the production building does not open in the direction of evacuation.

Local Law or Code Requirement

Code of Design on Building Fire Protection and Prevention GB50016-2006, Articles 5.4.3 (clauses 3 & 4) and 7.4.12; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

Recommendations for Immediate Action

1. Install a fire alarm system at the power generator room, and separate the diesel tank from the power generator.
2. Change the opening direction of the exit door.

COMPANY ACTION PLANS

1. 1. The factory must identify by name and title, and clearly define, the specific managers who will ensure that a qualified third-party firm: 1) installs; 2) conduct documented maintenance of, and 3) regularly conduct documented tests of, an new emergency/fire alarm system with distinctive alarm sound in the power generator room. Also, please relocate the diesel tank, to a safe, secure and properly ventilated/cooled location that also is a safe distance from the power generator. Please send us alarm system photos, and photographs of the new location of the diesel tank, once installed.

Action plan status: Planned

2. 2. The factory must identify the manager or team that will ensure that: 1) all existing emergency exit doors are replaced with side-hinged type doors, that swing outwardly and in the direction of travel, consistent with local regulations; 2) all sliding or hanging doors must be replaced; 3) no locks or locking mechanisms must be on/near any exit (doors should be equipped with panic bars with audible alarms (see example).

Action plan status: Planned

Planned completion date: 03/01/16

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's current occupational health examination system only implements pre-job and on-the-job examination for the eligible workers; however, it lacks pre-departure occupational health examinations.
2. The electrician has not been provided with adequate Personal Protective Equipment (PPE): safety helmet and belt. Additionally, the electrician's job risk is not covered in the internal risk assessment report.
3. At noisy work sites, such as knitting department, the factory posted signs indicating the required PPE (ear plugs); however, this kind of sign is insufficient. The warning sign explanations need to indicate the categories, consequences, prevention, and emergency treatment measures for occupational health issues.
4. No signs are posted to indicate confined spaces (i.e. fire water pool) although it is included in the factory's written procedure on confined spaces.
5. There is no Standard Operation Procedure (SOP) and warning sign posted at the compressed air gun area.

Note: There are no reports available for the pre-assessment of occupational hazards and the assessment of effects of occupational hazards control, prior to the acceptance check of the construction project, which are legally required. The reports cannot be retroactive to obtained, as the factory has formally started production. For the period of ongoing production, the factory has arranged for a licensed service provider to conduct the current situation assessment for occupational hazards, which is considered as a remediation by FLA.

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Articles, 17, 18, and 36; 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, Article 15; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, and HSE.14.3)

Recommendations for Immediate Action

1. Implement pre-departure occupational health examinations for eligible workers.
2. Provide adequate PPE (safety helmet and safety belt) for the electrician. Update the internal risk assessment sheet to include the electrician position, and train the electrician on the updated risk assessment result.
3. Post the correct warning sign at the knitting department. Subsequently, communicate about the sign to the affected workers.
4. Conduct internal assessments to identify all the confined spaces, and post warning signs and safety instructions. Train eligible workers on the safety instructions and confined space procedures.
5. Post a warning sign and SOP at the compressed air gun area, and train eligible workers about it.

COMPANY ACTION PLANS

1. 1. Management to implement pre-departure occupational health examinations, based upon a new written procedure, with related documentation, for all eligible workers.

Action plan status: Planned

Planned completion date: 03/09/16

2. 2. Management to provide adequate PPE (safety helmet and safety belt) for the electrician. Update the internal risk assessment sheet to include the electrician position, and conduct documented PPE training of the electrician on the updated risk assessment result. The factory also must install related PPE posters in Chinese.

Action plan status: Planned

Planned completion date: 03/09/16

3. 3. Management to post the correct/appropriate PPE required usage sign in Chinese in the knitting department. Subsequently, the factory should conduct documented training about the PPE and the sign to the affected workers.

Action plan status: Planned

Planned completion date: 03/09/16

4. 4. Management to conduct formal, periodically scheduled internal assessments with all personnel to identify all the confined spaces, created confined space procedures and post related warning signs and safety instructions about them in Chinese. The factory must have a credentialed/expert person or 3rd party firm conduct documented training of affected/at risk workers on the safety instructions and confined space procedures.

Action plan status: Planned

Planned completion date: 03/09/16

5. 5. Management to post a warning sign in Chinese about, and a formal new Standard Operating Procedure (SOP) in, for and at the compressed air gun area, and conduct documented training for affected, at risk and eligible workers about it.

Action plan status: Planned

Planned completion date: 03/09/16

6. 1. The factory must identify the person who will: 1) ensure, by implementing a documented personal protective equipment ("PPE") use incentive/award/reward system, that its workers: a) are provided the appropriate PPE; e.g. anti-dust respirator, helmet, safety belt, etc. and b) properly wear/use the PPE including earplugs and facemasks required by their specific workplace conditions; 2) conduct documented training session forcefully emphasizing risks and harms of failing to wear/properly use, PPE and 3) post posters, in Chinese, in each workplace showing the necessary and proper use of PPE for each worker (please see Article 37 of Law of the People's Republic of China on Production Safety). The factory must send to us photographs to us showing that/documented evidence that workers are provided and NOW use the anti-dust respirators.

Action plan status: Planned

Planned completion date: 03/09/16

7. 2. Management must conduct a documented comprehensive risk assessment of the workplace to determine if hazards are present, or are likely to be present. The risk assessment should include an evaluation of all workplace positions, identification of risk areas, including confined spaces, etc. Based on its results, the factory must identify the team who will develop and effectively implement a documented action plan aimed at minimizing occupational risks in the workplace. Please share with us the risk assessment results and action plan(s) and supporting evidence.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.14

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The existing separation between the male and female toilet stalls, which are right next to each other, has a 12cm gap from the ground. (Note: Tan FLA also identified this issue affiliated company through its internal audit in early of September of

2015. The factory has renovated one of the separations which was submitted for company review, and the factory is awaiting the feedback)
2. There is no food sampling, which the factory is required to keep for 48 hours against the risk of food poisoning.
 3. Not all canteen staff wear masks when serving meals; additionally, no dedicated training on canteen hygiene rules is provided to canteen staff.
 4. Although the drinking water is tested once per year, no maintenance records are available to demonstrate that the filters of the boiling water dispensers are replaced regularly.

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.19, HSE. 20, HSE.22, and HSE.23)

Recommendations for Immediate Action

1. Fully separate the male and female toilets.
2. Keep food samples for 48 hours, in accordance with local law.
3. Ensure that canteen staff wear masks when serving meals, and are trained on the hygiene rules.
4. Regularly replace the filters on the drinking water dispenser, and keep the maintenance records on-site.

COMPANY ACTION PLANS

1. 1. Management to ensure that there is no gap between the stalls of the male and female toilets.

Action plan status: Planned

Planned completion date: 03/09/16

2. 2. Management to ensure canteen employees keep/maintain food samples for at least 48 hours, in accordance with local law. Also, ensure that canteen staff wear masks when serving meals, and are trained on the hygiene rules.

Action plan status: Planned

Planned completion date: 03/09/16

3. 3. Management to ensure that water filters are regularly tested/replaced according to a formal written procedure, with a related inspection and replacement log, and keep the maintenance records on-site.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.15

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The chairs (wooden benches) provided to workers are not ergonomically designed to minimize bodily strains. For instance, there are no backrests, they are not adjustable, and about 30-40% of workers brought own cushions to sit on the bench.
2. There are some posters regarding how to sit properly available at the workplace; however, there is no instruction to guide workers how to properly lift goods. Additionally, workers who lift goods are not trained on proper lifting techniques, increasing the risk of bodily strain.
3. The factory has taken a partial efforts to reduce workers repetitive/constant motions, i.e. allowing quality inspection workers who are required to stand have 10-15 minute ergonomic breaks; however, anti-fatigue mats are not provided for standing workers.
4. The factory records illnesses but there is no system to track and analyze the illness records to prevent health risks.
5. There are two fixed ladders installed at the fire pool area; however, neither of them have handrails.

Local Law or Code Requirement

COMPANY ACTION PLANS

1. 1. 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 plans. 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. Please send us a schedule and diagram showing the 1) number of mats to be installed and 2) the number and location of the ergonomic chairs that will be provided to the workers. 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.

Action plan status: Planned

Planned completion date: 03/22/16

2. 2. The factory must identify the manager who will ensure handrails are installed in the fire water pool area.

Action plan status: Planned

Planned completion date: 03/09/16

FINDING NO.16

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing from almost all Employment Functions except for compensation as this subject was discussed in workers and management meetings from time to time for policy/procedure making. Generally, factory has not established and implemented procedures to include workers' input/feedback on the creation, implementation, and revision of its policies and procedures. Therefore, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16, and ER.32.1)

COMPANY ACTION PLANS

1. 1. Management to establish a formal written process that would result in workers being consulted during the creation, review and update of factory's policies and procedures. Furthermore, management to ensure workers, supervisors, and managers are aware of the workers' integration process.

Action plan status: Planned

Planned completion date: 03/09/16