



COMPANIES: Chenfeng Group
COUNTRY: China
ASSESSMENT DATE: 04/27/16
ASSESSOR: FLA China
PRODUCTS: Apparel
NUMBER OF WORKERS: 1581

FLA Comments

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

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.

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	Violations
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Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has hired 12 disabled workers who make up 0.47% (12 out of 2534 workers) of the total workforce, which falls short of the legal requirement that at least 1.5% of the total workforce be comprised disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers, as allowed under the local law, this practice carries the risk of discrimination based on FLA benchmarks.
2. Since August 26, 2015 the factory has had a six month probation period, which is in line with local requirements; however, it exceeds the maximum of three months as per the FLA Workplace Code and Benchmarks.
3. The factory has set clear criteria for performance reviews; however, the formal appraisal does not include 95% of the production workers. Furthermore, even for the workers who are covered by the performance review, workers do not have access to their evaluations and the right to provide feedback on them.

Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities (2007), Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.29.1; Compensation Benchmark C.3)

Root Causes

1. The factory management reported that few candidates with disabilities apply for jobs, and that non-local disabled persons do not count towards the 1.5% threshold, which limits the pool of eligible candidates.
2. Factory management did not take the FLA Benchmarks into consideration when setting the probation period. The factory's parent

company has yet to provide training on the FLA benchmarks for factory management.

3. The factory management believes that the workload will be a heavy burden if the annual performance review were to cover all production workers (2534 employees at the time of assessment).

Recommendations for Immediate Action

Change all existing workers' probation periods to three months; revise the maximum probation period to three months.

FLA's Recommendations for Sustainable Improvements

1. Assess the manufacturing process and identify positions for different kinds of disabled workers. Post these positions in the recruitment advertisements. Identify an organization that works with disabled people to find jobs; organizations to consider are the China Disabled Persons Federation and its subsidiary the China Disabled Persons Federation Employment Service and Administration Center.

(<http://www.cdcpf.org.cn/>)

2. The factory's parent company (FLA affiliate) to provide training on FLA benchmarks for factory management and HR staff at regular intervals.

3. Conduct an annual performance review for all production workers, and maintain the performance review documentation on site.

4. Enhance internal monitoring of implementation of probation period and performance review policy/procedures.

COMPANY ACTION PLANS

1. The HR dept. evaluates the production process together with the factory, in order to set different suitable positions for different kinds of disabled workers, and posts these positions in the recruitment advertisement. The company cooperates with local organizations which are related with disabled persons, like Jintan Disabled Persons' Federation, to attend special job fair direct at disabled persons.

2. Ongoing trainings on FLA codes and benchmarks have been provided for related staff. From May 2016, the probation period in the labor contract has been revised from 6 months to 3 months.

3. The factory conducts annual performance assessment for the workers once a year. This assessment result is the basis of employees' career promotion.

4. The company conducts annual CSR internal audit in the factory to monitor implementation condition.

Planned Completion Date

08/30/17

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : May 2016, the probation period in the labor contract has been revised from 6 months to 3 months.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not pay into the legally required Housing Provident Fund for any of the workers.

2. 100% of the workers are covered with work-related injure insurance. However, only 47% of the workers are covered by unemployment, pension, medical, and maternity insurance. Furthermore, among them, 89% of the workers contribute at a lower base rather than their actual earning, e.g. one worker earns a monthly wage of CNY 5557 (USD 846.98) and contributed CNY 204 (USD 31.09) to the pension insurance; however, based on the local law and the worker's actual wage, the worker should have contributed CNY 444.56 (USD 67.76). Additionally, the factory only provides limited training to workers on the social insurance system through the orientation training.

3. The factory's orientation training material states that workers who take unpaid leave for more than 15 days must pay both the individual and company contribution for all five types social insurance if the individual is enrolled in social insurance instead of equal contribution by employer and employee, which violates local law. However, no such case over the past months was observed at the time of assessment.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Notice on Adjustment of Social Insurance Contribution Base of Jintan County (2015); Regulation on the Housing Provident Fund Management (2002), Article 15; FLA Workplace Code (Employment Relationship Benchmark ER.22)

Root Causes

1. The factory considers social insurance contribution as a financial burden. Additionally, the workers also find the social insurance contributions burdensome, and prefer the "New Rural Insurance System", which costs less than, but is not a substitute for the legally mandated insurance. The "New Rural Insurance System" is designed for rural workers, mainly farmers and costs far less than the regular social insurance system depending on different regions.

2. Many workers prefer higher disposable income in the short-term, and choose not to contribute to social insurance.
3. Local governments can advance their interests by using the cost-savings associated with local variances in social insurance contributions as incentives for attracting business. As a result, the local governments typically do not monitor and strictly enforce compliance in this area.
4. Factory management can better secure production schedule/target if workers apply for less unpaid leave, therefore, undertaking both individual and company social insurance payments for workers is considered leverage by the factory management to influence workers.

Recommendations for Immediate Action

Remove the policy requiring workers who take unpaid leave for more than 15 days to cover the payment of both individual and factory insurance payments. Ensure all the social insurance is paid by both the factory and individual, as per legal requirements.

FLA's Recommendations for Sustainable Improvements

1. Discuss social insurance issues internally, and externally with the buyer companies to develop a detailed and pragmatic action plan with the final goal of 100% coverage for the five types of social insurance, as well as Housing Provident Fund. In addition, ensure that all contributions are in line with actual earnings.
2. Train the workers on the social security system, the Housing Provident Fund, and the corresponding benefits.
3. Communicate the HR policy updates to the workforce.
4. Enhance internal monitoring of the implementation of social benefits.

COMPANY ACTION PLANS

1. For the moment the factory has no plan for Housing Provident Fund.
2. The factory will discuss social insurance issues internally with related departments, and externally with the customers to develop a detailed and pragmatic action plan to reach the final goal of 100% coverage for the five types of social insurance within 5 years. At present, according to local policy, the workers still contribute social insurance fees according to universal standard, instead of actual wage.
3. The policy which requires workers who take unpaid leave for more than 15 days to cover the payment of both individual and factory insurance payments, has already been removed out of the employees' manual. Actually the factory never put this policy into implementation. As long as the worker is on-the-job, no matter how many leave days and what kind of leave, the worker needs only to cover the individual part. The factory has trained the workers and management as for the undated policy and procedure.

Planned Completion Date

08/30/21

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : The policy which requires workers who take unpaid leave for more than 15 days to cover the payment of both individual and factory insurance payments, has already been removed out of the employees' manual.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Untaken annual leave is paid at the minimum wage instead of workers' actual earnings, violating local law. In practice, 194 workers have received such payment based on the monthly minimum wage (1460 CNY – USD 223). However, all their average monthly wages (ranging from 3000 to 4000 CNY – USD 458 to 610) are higher than the minimum wage, for example one worker's average monthly wage is 4000 CNY (USD 611) with the untaken annual leave for one day accumulating to 183 CNY (USD 28) based on worker's actual wage; however, this worker is currently compensated with 68 CNY (USD 11) for untaken annual leave for one day. Workers are not aware of the factory's illegal calculation practice regarding annual leave.
2. The factory does not have a policies and procedures to track the indoor temperature in the oven area. Thus, the factory runs the risk that during summer time the oven area's temperature might rise above 33 celcius, which legally requires the factory to provide the High-temperature Allowance (CNY 200 – USD 30 per month from July to September 2015) to those who work in the oven area. There are six workers stationed in the oven area.
3. The wage structure for workers is a combination of piece-rate and monthly wage, including overtime payment. Workers acknowledge that the monthly wage consisted of basic monthly wage, overtime wage and production bonus. However, they did not understand the link between the piece-rate and the production bonus. In general, the workers did not fully understand the wage structure.

Local Law or Code Requirement

Regulations on Employees' Paid Annual Leave (2007), Article 11; Notice on High Temperature Allowance in summer (2011), FLA Workplace Code (Compensation Benchmark C.17.1.3; Employment Relationship Benchmarks ER.16 and ER.22; Hours of Work Benchmark HOW.14)

Root Causes

1. Factory management does not have adequate knowledge of the laws regarding annual leave payment and high-risk temperature area requirements.
2. Factory management did not see the risk of high temperature in the oven area, as the rest of the production area is air-conditioned.
3. Factory management trained workers on the wage structure. However, they only briefly introduced the wage structure, instead of explicitly going through all the items listed on the pay slip. Furthermore, all the interviewed workers expressed they care more about the total net wage than the way their wages are calculated.

Recommendations for Immediate Action

Retroactively pay the difference between the workers actual earnings and the minimum wage for untaken annual leave.

FLA's Recommendations for Sustainable Improvements

1. Allocate more resources in the HR department, and dedicate time for supervisors to enhance the orientation and ongoing training in order to improve knowledge on all fringe benefits and wage structure. Implement a system to ensure training is effective for supervisors.
2. Train workers on the online research system installed on the production floor for wages, fringe benefits and others, once it working. Implement a system to ensure training is effective for workers. Consider implementation of worker integration by having the worker representative structure review the wage structure and develop additional training material so that workers can more easily understand the wage structure.
3. Install temperature meter in the oven area to constantly monitor the indoor temperature, and pay workers the High-temperature Allowance if the temperature reaches or surpasses 33 centigrade.
4. Update the internal risk assessment report by adding potential High Temperature working conditions.
5. Enhance internal monitoring of the implementation of fringe benefits payment.

COMPANY ACTION PLANS

1. The company will pay 300% of workers' daily wage as the annual leave wage for the workers. Afterwards, the company will ensure the workers to take all deserved annual leave days in time.
2. The factory has considered the oven area to be a high temperature working area. Every summer, the factory will pay these workers the High-temperature Allowance according to regulation.
3. The content about wage structure has been enhanced in the orientation and ongoing training, to ensure the workers are clear about each element in the wage structure.
4. The company continues to conduct annual internal audit in every factory to monitor the implementation of fringe benefits payment.

Planned Completion Date

08/30/17

Action plan status:

In progress

Planned completion date:

09/21/16

Progress update:

09/09/16 : 1. The factory has established a tracking sheet of employees' annual leave information to monitor if the workers have taken all deserved annual leave days timely. 2. The factory has considered the oven area to be a high temperature working area.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Factory's production planning is based on 55.5 hours/week since February 2016, which means 15.5 hours overtime per week on a regular basis. From April 2015 to January 2016, the production plan was based on 58 hours/week. The factory includes overtime as a general practice into production planning.
2. Workers did not receive at least 24 consecutive hours of rest in every seven-day period twice before or after a relatively long public holiday over the past year in 2015: For instance, 90% of the workers worked consecutively from 4 September 2015 to 12 September 2015 due to the world anti-fascist war memorial day. Another case occurred in late January; 71% of the workers worked consecutively from 25 January 2016 to 3 February 2016 prior to Chinese New Year.
3. In the late January of 2016, 71% of the workers worked 70 hours per week, exceeding the FLA limit of 60 hours per week.
4. During the last year in 2015, 100% of the workers' monthly overtime working hour ranged from 42 hours to a maximum of 92 hours, with an average of 74 hours. The factory has a Cumulative Working Hours System (CWHS) waiver valid from June 2015 to June 2016. The CWHS waiver allowed for a total of 432 overtime hours in 12 months; however, workers worked 679 overtime hours from July 2015 to March 2016, exceeding the CWHS waiver limit. The highest monthly overtime (92 hours) occurred in April 2015.
5. Currently, the only pregnant worker in the factory worked eight hours per day during her seventh month of pregnancy. However,

according to local law, workers who have been pregnant for more than 28 weeks are entitled to one-hour rest.

Local Law or Code Requirement

Labor Law of PRC, Articles 38 and 41; Special Rules on the Labor Protection of Female Employees, Article 6; Special Rules on the Labor Protection of Female Employees of Jiangsu Province, Article 9; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1.3, HOW.2, and HOW.8.3; Non-discrimination Benchmark ND.8)

Root Causes

1. Factory management is implementing a four-year (2016-2019) working hour reduction plan, reducing weekly working hours from 58 to 49 hours. At the time of the assessment, it is based on 55.5 hours per week for the 2016 plan. Thus, that still means an average of 62 hours of overtime per month.
2. Most workers accept overtime as a way to increase their income.
3. The central government publishes a holiday schedule, which often combines some holidays with working days for an extended holiday, using subsequent Saturdays and Sundays to make up for the lost working days. Factory management prefers to offer an extended holiday for workers, especially during Chinese New Year, considering that 50.5% of the workers are not local.
4. Factory management does not have a good command of the local law regarding pregnant workers. Furthermore, their understanding of the one-hour-rest requirement it is just the lunch hour (one hour).

Recommendations for Immediate Action

1. Ensure that workers' weekly hours meet the FLA limit of 60 hours per week.
2. Ensure workers have at least 24 consecutive hours rest in every 7 day period.
3. Ensure workers do not work more than 36 hours OT per month. Develop a plan to annually decrease 2-3 weekly hours for the upcoming years in order to implement a production strategy that does not include overtime on a regular basis.
4. Ensure pregnant worker more than seven months pregnant receive an additional one-hour rest per day during working time; therefore, applicable workers should only work 7 hours per day.

FLA's Recommendations for Sustainable Improvements

1. Train HR staff, managers, supervisors, and workers on the local regulations regarding pregnant workers. Implement a mechanism to ensure the training is effective.
2. Enhance internal monitoring of fringe benefits for pregnant workers.
3. Develop a feasible production plan with CSR/HR management and business management together with the FLA affiliated company. Ensure that the production plan does not include overtime on a regular basis and implement FLA Principles of Fair Labor & Responsible Production, specifically Principle 8. The FLA affiliate Company's Sourcing and Social Compliance team together with the factory's CSR/HR management team should accordingly coordinate on the topics mentioned below to help the factory address the 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. Steps that factory management must follow if OT is inevitable (steps for how to communicate with the parent company's Sales, Production and Social Compliance teams);
 - d. Clear guidelines on calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - e. Establish a tracking system regarding the status of pregnant workers and ensure the confidentiality. Afterwards, train the relevant staff members on the purpose and implementation of the system.
 - f. Implement an effective internal monitoring procedure to ensure that working hours are within legal limits.

COMPANY ACTION PLANS

1. The company is making efforts together with the factory to reduce working hours gradually within three years, in order to meet local laws and FLA requirements.
2. The factory work together with CSR and HR dept. to create feasible production plan, and ensure regular overtime working hours are not included in the production plan. The factory implements the production plan strictly according to FLA fair labor and responsible production practice code of conduct.
3. The company has established a policy to track the situation of pregnant workers and put into practice. The factory informs the workers during the orientation training that: When the workers are sure that they are pregnant after check, they should submit the Pregnancy test report to the factory HR department for record; The HR staff track according to the report regularly every month. If the pregnancy period is 28 weeks, the HR staff should report to the supervisor and the factory manager to monitor the worker not to work overtime and should rest one hour during work time every day.
4. The company conducts annual internal audit to track the remediation progress.

Planned Completion Date

12/30/19

Action plan status: In progress

Planned completion date: 09/21/16

Progress 09/09/16 : 1. The company has established a policy to track the situation of pregnant workers and put into practice. The factory informs

update: the workers during the orientation training that: When the workers are sure that they are pregnant after check, they should submit the Pregnancy test report to the factory HR department for record; The HR staff track according to the report regularly every month. If the pregnancy period is 28 weeks, the HR staff should report to the supervisor and the factory manager to monitor the worker not to work overtime and should rest one hour during work time every day.

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

Verbal warnings (the first level of the factory's disciplinary actions) are not recorded.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.3)

Root Causes

The factory management did not see the necessity of recording verbal warnings, as they consider such warnings a reminder.

FLA's Recommendations for Sustainable Improvements

1. Establish a documentation system to record and track all disciplinary actions.
2. Train HR staff and the supervisors on the updates and ensure they record all the verbal warnings. Implement a mechanism to ensure the training is effective.
3. Enhance the internal monitoring of the implementation of discipline policies and procedures.

COMPANY ACTION PLANS

1. The factory will establish a written system to manage oral warning. Create a sheet for the workshop managers to record the oral warnings.
2. Train the management and the workers about this system.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1.The factory has established a written system to manage oral warning. A detailed sheet has been created for the workshop managers to record the oral warnings. 2. The company has trained the management and the workers about this system.

Completion date: 08/30/16

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory provides five channels for workers to lodge complaints: speaking directly with supervisors, telephone numbers of managers and union the chairman, suggestion box, wechat (social mobile text/voice message communication service in China), and email. In the worker interviews, employees are aware of the channels of directly speaking with supervisors, the posted telephone numbers, and suggestion box; however, workers are not familiar with wechat and email. In addition, the workers do not fully understand the grievance resolution process.
2. The factory did not record all verbal grievances raised by workers with their supervisors.

Local Law or Code Requirement

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

Root Causes

1. During worker interviews, workers are satisfied with the factory's working conditions, and they do not have many concerns to raise with management; therefore, they do not pay attention to grievance system.
2. Management considers it onerous to record all verbal grievances from workers to their supervisors.

FLA's Recommendations for Sustainable Improvements

1. Train HR staff and supervisors on the grievance recording system. Implement a mechanism to ensure the training is effective.
2. Train workers on the variable grievance channels and grievance resolution process. Implement a mechanism to ensure the training is effective.
3. Conduct internal monitoring of implementation of grievance policies and procedures.

COMPANY ACTION PLANS

1. The company enhances the training about grievance policy and procedure for all the workers.
2. The company enhances the training about grievance policy and procedure for the management and enhances the record system of oral grievance issues.
3. The company conducts annual internal audit to the factory and track the remediation progress.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/05/16 : 1. The company has enhanced the training about grievance policy and procedure for all the workers. 2. The company has enhanced the training about grievance policy and procedure for the management and enhances the record system of oral grievance issues.

Completion date: 08/30/16

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union established in 1985 under the ACFTU (All China Federation of Trade Unions). This is the sixth trade union committee at the time of assessment. Before January 2012, the factory automatically enrolled new workers as the trade union members; afterwards, the workers who want to join the trade union need to sign the "Do you want to voluntarily join the trade union?" column in the "Employee Information Registration Form." However, 80% of the interviewed workers did not know if they are members of the trade union, and did not know who are the worker representatives.
2. The factory pays the union dues on behalf of all trade union members.
3. The 10 union committee members only consists of factory management staff.
4. The Collective Bargaining Agreement (CBA) is available on the electrical "Employee Inquiry" System on the production floors. However, none of the interviewed workers are aware of the CBA.

Local Law or Code Requirement

FLA Workplace Code and Benchmarks (Employment Relationship Benchmark ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.12)

Root Causes

1. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.
2. In the course of hiring, workers need to sign several documents, leading to workers not paying attention to details. In addition, there is insufficient communication from HR and the trade union for new workers regarding the union application form.
3. The factory considers the management as the main organizer in the trade union. The dominance of the trade union by management is a common practice in Chinese factories.
4. The factory considers the payment of union fees on behalf of trade union members as a benefit to workers, and this practice does not violate local law.
5. The factory management is aware of FLA Workplace Code requirements regarding the CBA, since FLA assessors communicated it to them during past assessments. The factory management considers that they have already made the necessary effort, as they make the CBA available in the "Employee Inquiry System.", which is an electronic platform that workers can access for information related to Social Responsibility Policy, Employee Handbook, Grievance System, Procedure of Production Planning Management, Social Insurance Policy,

FLA's Recommendations for Sustainable Improvements

1. Clearly communicate to workers the purpose and content of all papers signed at hiring. Ensure that workers understand trade union membership and activities through regular training and communication channels. Implement a mechanism to ensure the training is effective.
2. The trade union should be free of management interference; Cease the practice of paying union dues on workers' behalf.
3. Ensure that the Trade Union Committee comprises worker representatives are freely elected by union members, without management interference. Management should not hold positions on the Trade Union Committee. Worker representatives should be actively involved in the factory's decision-making process.
4. Clearly communicate the content of the CBA to all workers through regular training sessions organized by the union.
5. Have an external service provider train workers, supervisors, and managerial staff on the Trade Unions and Industrial Relations. Implement a mechanism to ensure the training is effective.

COMPANY ACTION PLANS

1. Enhance the orientation trainings; ensure the workers understand trade union membership and activities through regular trainings and communication channels.
2. At the moment, the company continues to pay union fees on behalf of the workers, which is regards as a staff benefit. As a mid-term plan, the company will give enough time to the labor union members to discuss how to solve this issue.
3. All the members in trade union are elected democratically.
4. The copy of CBA has been posted on the factory publicity column. If the workers need, they can go to review anytime they want.
5. Hope to engage with FLA to learn more about local organizations that can support the HQ in understanding collective bargaining and worker representation.

Planned Completion Date

12/30/17

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1.The factory has enhanced the orientation trainings to ensure the workers understand trade union membership and activities through regular trainings and communication channels. 2.The copy of CBA has been posted on the factory publicity column. If the workers need, they can go to review anytime they want.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory obtained the local environmental authority's approval to temporarily store hazardous waste on the factory premise and hazardous wastes are stored in a secure manner at the factory. However, the factory has contracts with two service providers to dispose of hazardous wastes but the permits for both service providers to dispose hazardous waste are expired.
2. Sludge generated by the production waste water treatment facility has not been analyzed/tested to determine its waste category. Currently, the sludge is collected and disposed by the regular waste handler instead of the licensed waste handler for hazardous waste. This poses the risk that the sludge is not disposed in accordance with legal requirements stating that the factory's waste needs to be tested to identify the type of waste and identify the type of disposal. In this case, the factory has not arranged for an inspection of the factory's waste to determine if the waste needs to be disposed by a licensed handler.

Local Law or Code Requirement

Ministry of Environmental Protection PRC, Announcement [2010] No.129 regarding Sludge Waste Category Analysis, Article 2; Prevention and Control Law of Environmental Pollution, Solid Waste, Article 57; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.4, and HSE.9)

Root Causes

1. With the increased need for hazardous waste disposal in the region, factory's contracted service providers do not have enough capacity. As a result, the service providers need to renew their permits with increased capacity from the local authority.
2. Since the factory only produces waste water from apparel laundry, without any dyeing and printing processes, management thought that there is extremely low possible that the sludge is hazardous waste.

Recommendations for Immediate Action

Arrange for licensed institution to test the sludge and demonstrate its waste category, then dispose the sludge in accordance with the

legal requirements.

FLA's Recommendations for Sustainable Improvements

1. Communicate with the existing service providers, and obtained a copy of renewed permits once they are issued by local authority.
2. Look for alternative service providers to dispose hazardous wastes, in case the existing service providers are not able to get the renewed permits in a timely manner.
3. Continue to store the hazardous wastes in a secure manner.
4. Monitor the hazardous waste and sludge disposal at regular intervals.

COMPANY ACTION PLANS

1. The licenses of the two service provider are in the process of examining and approving, which will be approved by Oct 2016.
 - 1.Store the hazardous wastes in proper way.
 - 2.Track the update progress of the two service providers' licenses. Find another alternative service provide.
 - 3.When the service provider's license has been updated, the factory's repair wastes will be transferred.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: Service provider has received new license. We will be able to transfer the wastes through this supplier.

Completion date: 08/10/17

2. 1.The company will consult the local environmental protection administration how to test the washing sludge from the factory. The sludge disposal records will be well maintained.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1.The company has consulted the local environmental protection administration how to test the washing sludge from the factory. 2.The local environmental protection administration has proved that the washing sludge belongs to common solid wastes according to factory's environmental assessment ad production process. 3.The sludge disposal records have been well maintained.

Completion date: 05/15/16

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has contracted a licensed insititation to conduct the legally required annual inspection of the fire fighting equipment; however, the actual inspection has yet to be completed.
2. Almost all of the outdoor fire hydrants are concealed by grass, posing a risk that fire fighters cannot find the fire hydrants in a timely manner, as legally required.
3. No fire-fighting equipment (i.e. fire extinguishers, fire hydrants, fire alarms, emergency lights, evacuation plans and exit signs) is installed at the two 6-story dormitory buildings outside of factory premisis where factory workers and their families live. Additionally, no fire drill has been conducted at these dormitories.

Local Law or Code Requirement

PRC Fire Protection Law (1998) Amendment (2009) Articles 16-3 and 28; Code of Design on Building Fire Protection and Prevention, GB 50016, Articles 8.1.6, 11.3.1 and 11.3.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, and HSE.25.1)

Root Causes

1. Through an internal inspection, the factory identified part of existing fire equipment that need to be repaired or renewed. Thus, the factory has held off on the annual inspection by the licensed institution until the completion of maintenance.
2. Factory focuses on inspecting the indoor fire hydrants, and neglects the outdoor hydrants.
3. The outdoor fire hydrant issue was not identified in previous internal/external audits.
4. The two dormitories outside of factory premisis are located in the local community, the factory believed that the local community/local authority should monitor fire safety at these buildings.

Recommendations for Immediate Action

Post signs at the outdoor fire hydrants to make them easier to find.

FLA's Recommendations for Sustainable Improvements

1. Work with the contracted service provider to conduct an annual inspection of the firefighting equipment as soon as feasible.
2. Install fire equipment (fire alarm, fire hydrants, fire extinguishers and emergency lightings and exit signs), and post evacuation plans at the two 6-story dormitory buildings outside of the factory premises, and conduct fire drills at regular interval.
3. Health, Safety & Environmental Protection (HSE) staff at headquarters should provide sufficient training for factory-level Health, Safety & Environmental Protection staff on fire safety.
4. Headquarters should assist the factory with the implementation of fire safety policies and procedures, and enhance internal monitoring at the factory site and dormitory areas.

COMPANY ACTION PLANS

1. The service provider will conduct an annual inspection of the fire fighting equipment in the factory at the end of 2016.
2. The company will check and test the factory's fire fighting equipment regularly every year.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 1. The service provider will conduct an annual inspection of the fire fighting equipment in the factory at the end of 2016.
2. Factory has cut off the grass to ensure all the outdoor fire hydrants expose and easily to find for using.
3. Factory has installed fire-fighting equipment in the dormitory buildings and conduct the fire drills twice a year.

Completion date: 12/31/16

2. 1. The factory will summarize all the outdoor fire hydrants, and install obvious signs of Ground Fire Hydrant for the fire hydrants which are concealed by grass, so that they can be found easily,
2. The inspection of outdoor fire hydrants will be included in monthly inspection task of the fire equipment, to ensure that they are all in good emergency state.
3. The company will install obvious signs for all the outdoor fire hydrants in all Chenfeng's factories, and put the outdoor fire hydrants inspection into routine inspection task.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1. The factory has summarized all the outdoor fire hydrants, and installed obvious signs of Ground Fire Hydrant for the fire hydrants which are concealed by grass, so that they can be found easily, 2. The inspection of outdoor fire hydrants has been included in monthly inspection task of the fire equipment, to ensure that they are all in good emergency state. 3. The company has installed obvious signs for all the outdoor fire hydrants in all Chenfeng's factories, and put the outdoor fire hydrants inspection into routine inspection task.

Completion date: 07/31/16

3. 1. The factory immediately inspects all the fire safety risks in the dormitory buildings outside of the factory. Install fire extinguishers, fire hydrants, emergency lights, evacuation maps and emergency exit signs.
2. Put the fire safety of these buildings into factory's monitor scope. The factory should conduct monthly inspection to the fire fighting equipment in the buildings and ensure all the equipment is in good situation.
3. Formulate the emergency evacuation plan. The factory will regularly organize fire drills in the buildings.
4. The company conducts trainings for the factory HSE staff to enhance his safety awareness.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 1. The factory immediately inspected all the fire safety risks in the dormitory buildings outside of the factory. Fire extinguishers, fire hydrants, emergency lights, evacuation maps and emergency exit signs have all been equipped. 2. The fire safety of these buildings has been put into factory's monitor scope. 3. According to buildings' actual situation, the emergency evacuation plan has been formulated. The factory will regularly organize fire drills in the buildings.

Completion date: 12/31/16

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory records illnesses, but there is no system to track/analyze illness records.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.3.2)

Root Causes

The factory is unaware of the importance of tracking and analyzing illness records to identify preventive measures.

FLA's Recommendations for Sustainable Improvements

Continue to maintain all illness records, but begin analyzing the records to create preventive measures.

COMPANY ACTION PLANS

1. The factory continues to maintain all the illness records. The company will establish a system to analyze the records and create preventive measures.

Planned Completion Date

12/30/16

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : The factory continues to maintain all the illness records. The company will establish a system to analyze the records and create preventive measures.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not arranged for a licensed service provider to conduct the pre-assessment of occupational disease hazards and assessment of effects of occupational disease hazards control prior to the acceptance check of the construction project, which violates local law. Although the factory arranged for a licensed institution to test the occupational disease hazard factors, the assessment focused on the testing of the exposure level of hazards, rather than identifying and evaluating all types of hazards and preventative measures.

Local Law or Code Requirement

Interim Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Health at Construction Projects (2012), Article 10; Law of Prevention and Control of Occupational Diseases, Article 8; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1)

Root Causes

1. Factory management believed that there was a low risk of occupational hazards since this is a garment factory. Thus, the pre-assessment and assessment of occupational disease hazards control were skipped.
2. Local authority does not strictly enforce the occupational health law. In addition, the local authority does not check the assessment report of occupational disease hazards control prior to the acceptance check of construction projects.

FLA's Recommendations for Sustainable Improvements

1. Arrange for a licensed technical service institution to conduct an assessment of current condition of occupational disease hazards. (Note: The pre-assessment of occupational disease hazards and assessment of effects of occupational disease hazards control prior to the acceptance check of construction project are not retroactive, as the factory has formally started the production).
2. Based on the new assessment report, update the internal risk assessment report, which should be communicated to the HSE staff and applicable workers.
3. Enhance the internal monitoring of the occupational health based on the updated risk assessment report.

COMPANY ACTION PLANS

1. The company will arrange a licensed service provider to conduct assessment for the factory's current occupational disease hazards situation.
2. According to factory's occupational disease hazards assessment report, the company will communicate with the factory HSE staff and relevant workers to control the existing risks.
3. Enhance supervision of factory's onsite HSE situation. Reduce the HSE risks in the workshops and ensure workers' health and safety.

Planned Completion Date

12/30/16

Action plan status:	In progress
Planned completion date:	09/21/16
Progress update:	09/09/16 : 1.The company is communicating with a licensed service provider to conduct assessment for the factory's current occupational disease hazards situation.

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no standard operating procedures (SOP) or safety instructions at the workstation where a compressed air gun is used. Additionally, the compressed air gun is used for cleaning.
2. Factory does not have procedures to identify confined spaces and proper HSE practices when working in confined spaces, as a result, the confined spaces (i.e. wastewater treatment facility and a couple of vessels besides the waste water treatment used for filtering) has not been identified, and no signs or standard operating procedures (SOP) are posted at these areas.
3. At the time of factory assessment, there were no Material Safety Data Sheet (MSDS) or labels available for the cleaning agent "methyl silicone oil" that is used for removing adhesive residue from Teflon conveyor belts on the fusing machines. The factory immediately afterwards provided the missing MSDS and labels.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.9, HSE.10, and HSE.14.3)

Root Causes

1. The compressed air gun is used by workers for cleaning the sophisticated equipment since factory has found another approach like using rag was not effective, and the factory was under the impression that this operation had a low safety risk. As a result, no safety instructions or SOP were created.
2. The operation and maintenance at confined spaces is subcontracted to experienced service providers, so the factory does not see the need to post signs or SOP.
3. The cleaning agent is not used for products, and was therefore overlooked by the factory; as a result, it is not included in the factory's chemical list and internal monitoring.

Recommendations for Immediate Action

1. Create safety instructions and SOP, and post them at the appropriate locations where the compressed air guns are used.
2. Develop procedures to identify confined spaces and proper HSE practices when working in confined spaces, and create safety instructions and SOP for confined spaces and post them at the appropriate locations.

FLA's Recommendations for Sustainable Improvements

1. Train all concerned workers on the safety instructions and SOP for the air guns and confined spaces. Implement a mechanism to ensure the training is effective.
2. Adopt an alternative to clean the production line, rather than using compressed air guns.
3. Health, Safety & Environmental Protection (HSE) staff at headquarters should provide sufficient training for factory-level HSE staff on confined space operating procedures.
4. The factory should update the chemical list to include the cleaning agent "methyl silicone oil," and conduct internal monitoring of chemical management to ensure that all chemicals have relevant MSDS posted.
5. Enhance internal monitoring on the abovementioned Health & Safety issues mentioned above.

COMPANY ACTION PLANS

1. 1. Post SOP beside the compressed gas equipment; Provide safety training for all the workers and ensure them know about safety attentions of their own posts, to avoid accidents.
2. The company will provide trainings for the factory HSE staff and enhance his ability to identify HSE risks, to ensure workers' health and safety.

Action plan status:	Completed
Planned completion date:	09/21/16
Progress update:	09/09/16 : 1. The SOP has been posted beside the compressed gas equipment. The company has provided safety training for all the workers and ensure them know about safety attentions of their own posts, to avoid accidents. 2. The company has provided trainings for the factory HSE staff and enhance his ability to identify HSE risks, to ensure workers' health and safety.

Completion date: 05/15/16

1. The SOP of Confined Spaces (《密闭空间安全操作规程》) and relevant work approval system will be established. The company will train factory HSE staff and operate workers about these procedures. The company will also inform relevant parties (contracted repair service provider) about corresponding safety requirements.
2. Warning sign of confined spaces and the SOP will be posted onsite. The factory will enhance safety supervision for these areas.
3. The company will enhance safety supervision for the factory's confined spaces and ensure safety in production.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: Previous Progress Update
09/09/16 : The SOP of Confined Spaces (《密闭空间安全操作规程》) and relevant work approval system will soon be established. Warning sign of confined spaces and the SOP will be posted onsite.
New Progress update
The SOP of Confined Spaces and relevant work approval system has been established. Warning sign of confined spaces and the SOP has been posted onsite.

Completion date: 10/31/16

3. 1. The factory immediately conducted safety monitor to the use and storage of the methyl silicone oil, and posted labels and MSDS. The factory also provided safety training for the operators.
2. The factory will inspect all the chemicals in all the production process; ensure all the chemicals are in factory's chemical list.
3. The company will provide trainings for factory HSE staff to enhance his ability to identify risks. The management of chemicals will be included into company's annual internal audit scope.

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1. The factory immediately conducted safety monitor to the use and storage of the methyl silicone oil, and posted labels and MSDS. The factory also provided safety training for the operators. 2. The factory has inspected all the chemicals in all the production process; ensure all the chemicals are in factory's chemical list. 3. The company provided trainings for factory HSE staff to enhance his ability to identify risks. The management of chemicals has been included into company's annual internal audit scope.

Completion date: 05/15/16

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

The factory has established a comprehensive training system and has implemented the orientation training, ongoing training and supervisor training on all employment functions. However, the three instances were observed at the time of assessment:

1. The training on social responsible policy (Chefeng Group's workplace standards) is too abstract, so workers are unable to easily understand it.
2. The training on wage structures has not clearly illustrated the relationship between the piece rate and production bonus. None of interviewed workers knew how to calculate the bonus.
3. Workers do not receive written documentation that explains all of the issues covered during orientation. Factory is launching a "Employee Inquiry" system installed on the production floor, which houses the orientation training contents. However, only a few workers are aware of this system.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.16; Compensation Benchmark C.17)

Root Causes

1. The factory training approach does not ensure effective training.
2. The workers care more about on the total wages than the wage structures.
3. The factory thought it would cost too much to distribute training materials to all workers, therefore, factory is launching a "Employee Inquiry" system installed on the production floor, which houses the orientation training contents. However, only a few workers are aware of this system.

FLA's Recommendations for Sustainable Improvements

1. The factory's parent company will work with factory team to improve the training approach. Apply visual training material on social

- responsibility policy in future training. Implement a mechanism to ensure the training is effective.
- 2. Clearly explain workers' wage structures in training, especially about the relationship between the piece rate the bonus.
- 3. Roll out the "Employee Inquiry" system in a timely manner, and communicate the function of this system to workforce.

COMPANY ACTION PLANS

1. 1. The company will make plans to establish a professional factory training team, in order to enhance the workers training, especially the weakness parts. The content and forms of training materials will be rich and different. The forms of training will also be various.
2. The company will revise the current training materials, especially the content about CSR policy and wage structure.
3. When the functions of all modules in Self-inquiry System become reality, the company will provide special training for workers and teach them how to search and use the system, and ensure every workers can use this system.

Planned Completion Date

12/31/16

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : 1. The company has made plans to establish a professional factory training team, in order to enhance the workers training, especially the weakness parts. 2. The company revised the current training materials, especially the content about CSR policy and wage structure.

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory has already conducted periodic reviews of its policies and procedures. However, the factory did not consider the FLA Code and Benchmark related to the probation in reviewing its recruitment policy and revised its probation policy into "the new worker's probation is six months" which violates FLA's benchmark.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

Root Causes

When reviewing its recruitment policy, the HR focused on the legal requirements and forgot to compare the FLA benchmarks.

FLA's Recommendations for Sustainable Improvements

1. The factory's parent company is to provide training on FLA codes and benchmarks for factory HR and managerial staff.
2. The factory management should take the FLA Workplace Code and Benchmarks into consideration when reviewing its policies and procedures since factory's parent company is an affiliate of FLA.

COMPANY ACTION PLANS

1. Enhance the trainings about FLA code of conduct for all the relevant staff; Inform all the factories to revise the probation period in labor contract form six months to three months.(Start from May 2016)

Action plan status: Completed

Planned completion date: 09/21/16

Progress update: 09/09/16 : The factory has enhanced the trainings about FLA code of conduct for all the relevant staff, and informed all the factories to revise the probation period in labor contract form six months to three months.

Completion date: 05/31/16

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

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

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

Root Causes

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

FLA's Recommendations for Sustainable Improvements

1. Establish a procedure that enables workers to consult with and provide input to management.
2. Train all workers, supervisory and managerial positions on the newly created workers' integration procedure. Implement a mechanism to ensure the training is effective.
3. Assign responsibility to HR/CSR Department to take charge of the implementation of the workers' integration procedure and involve the employees in the upcoming document review.

COMPANY ACTION PLANS

1. The HR dept. evaluates the production process together with the factory, in order to set different suitable positions for different kinds of disabled workers, and posts these positions in the recruitment advertisement. The company cooperates with local organizations which are related with disabled persons, like Jintan Disabled Persons' Federation, to attend special job fair direct at disabled persons.
2. Ongoing trainings on FLA codes and benchmarks have been provided for related staff. From May 2016, the probation period in the labor contract has been revised from 6 months to 3 months.
3. The factory conducts annual performance assessment for the workers once a year. This assessment result is the basis of employees' career promotion.
4. The company conducts annual CSR internal audit in the factory to monitor implementation condition.

Planned Completion Date

08/30/17

Action plan status: In progress

Planned completion date: 09/21/16

Progress update: 09/09/16 : May 2016, the probation period in the labor contract has been revised from 6 months to 3 months.