



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 09/27/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 1500

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding the Social Insurance Contribution Base 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

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The factory does not provide specific training to supervisors on national laws, regulations, or any of the Employment Functions.
2. The factory does not provide training for the relevant HR personnel and administrative staff on Workplace Conduct & Discipline.
3. The factory does not provide ongoing training to workers on any of the Employment Functionsexcept for Health & Safety.
4. The orientation training provided to new workers is not adequate. It does not cover Environmental Protection Furthermore, workers do not receive a copy of the workplace rules or written documentation that substantiates any of the topics covered during orientation.
5. The factory does not update the training module on a regular basis for any of Employment Functions, except for the Health & Safety training.
6. The factory does not provide any ongoing training to workers to raise or broaden their skills for career advancement.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17.1, ER.17.3, ER.27, and ER.28)

#### COMPANY ACTION PLANS

##### 1. -Root Cause

The company is newly established, and its training system needs to be improved. Except for normal training form, the forms of supervisors' training are various, such as external trainings by the government or client, conference, broadcast, notice, and oral

publicity etc. However, these forms are not all in the training plan, and the records are incomplete.

#### -Action Plan

We will improve the procedure of training, meanwhile, Employment Functions, the laws and regulations will be all included in the training plan. The records of various trainings will be kept well.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Finding 1. Factory had arranged the laws and regulations training for HR person. In May 18th,2017, factory arranged HR person about external labor law training. Finding 2. Factory established the workplace conduct& Discipline procedure YL/LZ/EB/01, the training will be arranged on August, 2017

#### 2. -Root Cause

The training system of the new company needs to be improved. Although all of the orientation trainings have been in plan, and the records are kept well, the ongoing trainings are mostly in the forms of morning meeting, broadcasting and bulletin. The records are kept incompletely.

#### -Action Plan

1. We will improve the procedure of training. 2. The ongoing trainings of Employment Functions will be all included in the training plan. 3. The records of various training will be kept well.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory arranged the financial training on May 19,2017 Factory arranged the Chemical training to the person who contacted with chemical on June 9,2017. From March to September, factory arrange the skill training for the key workers monthly.

#### 3. -Root Cause

1. The content of Environmental Protection is involved in the orientation training, which is incomplete. 2. The factory has provided the workers with employee manual, which includes the training content. So we do not give the training documentation out separately.

#### -Action Plan

1. The HR Department will update the content about Environmental Protection in orientation training immediately.  
2. The HR Department has prepared the written documents of orientation training and the employee manual for the new employees. If there was any update, the HR Department will arrange retraining and provide the workers with the written document.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had updated the training material of the new workers. The new material will be effected from July, 2017. Now for the new workers, factory had distributed the employee manual to the new workers and kept the distribution record.

#### 4. -Root Cause

The training system of the new company needs to be improved. The training module for Employment Function has been set up shortly, so we have not yet updated it.

#### -Action Plan

We will update the training module on a regular basis for Employment Function and keep the record.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had established the some training module about employment function, such as financial, skill training and chemical training.

#### 5. -Root Cause

According to the need of position, our company has provided ongoing train to some types of job. However, the scope and the intensity are deficient.

#### -Action Plan

According to the needed skills of different position, the HR Department will arrange the relative trainings. The further ongoing training will be provided, which depends on personal level.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory arranged the training to the assembly line workers about working skills. For all the key workers, there is a monthly skill training.

6. 1. Factory had arranged the laws and regulations training for HR person.

In May 18th,2017, factory arranged HR person about external labor law training.

2. Factory established the workplace conduct& Discipline procedure

YL/LZ/EB/01, the training will be arranged on August, 2017

3. Factory arranged the financial training on May 19,2017. Factory arranged the Chemical training to the person who contacted with chemical on June 9,2017.

From March to September, factory arrange the skill training for the key workers monthly.

4. Factory had updated the training material of new employee. Factory provided orientation for new employees with updated training material which has the content about environmental protection since Jul 2017.The employee manual also had been provided to workers.

5. Factory had established the some training module about employment function, such as financial, skill training and chemical training.

6. Factory arranged the training to the assembly line workers about working skills. For all the key workers, there is a monthly skill training.According to the needed skills of different position, the HR Department will arrange the relative trainings.

Action plan status: Completed

Planned completion date: 01/19/17

Completion date: 12/20/18

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. There are no written policies and procedures on Personnel Development, including policies and procedures that encourage ongoing training to raise or broaden workers' skills for career advancement and policies and procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements.

2. The factory does not conduct performance reviews for any of the workers.

3. The factory only employs two disabled workers, which is a violation of local legal requirements that state that at least 1.5% of the total workforce should be comprised of disabled workers. There are 1,673 workers in the factory; therefore, there should be at least 25 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.

##### Local Law or Code Requirement

The Regulations of Employment for Disability Person, Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3, ER.28.1, and ER.29.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

### COMPANY ACTION PLANS

1. -Root Cause

1. Although the new company has made the policies and procedures on Personnel Development, the content is incomplete. 2. The company carries out the mechanism of internal recruitment every year to build the platform for fair personnel development. In this way, we select the management among the general workers. But the procedures on performance reviews is incomplete.

-Action Plan

1. Although the new company has made the policies and procedures on Personnel Development, the content is deficient, such as the ongoing training to raise or broaden workers' skills for career advancement. The HR department will review the material of this aspect and complete the deficient parts. Meanwhile, the records will be kept.

2. The company carries out the mechanism of internal recruitment every year to build the platform for fair personnel development. We select the management among the general workers. But the records on performance reviews is incomplete. The HR department will start to keep the complete records immediately.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 01/19/17

2. 1. There were six disabled workers during the onsite assessment. "Only two disabled workers" is inconsistent with the fact. 2. Our company has contributed to the Employment Security Fund in lieu of employing disabled workers according to the local law. Furthermore, we are willing to employ disabled workers, but the number of disabled candidates is small.

-Action Plan

The HR Department will evaluate the appropriate positions for the disabled workers during the production process, which will be appeared in the recruitment advertisement. And we will cooperate with the agencies helping the disabled to look for job.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had contacted the local federation of disabled persons and publish the advertisement for disabled person. The disabled employee had increased to 9 workers.

3. 1,2. Factory has made policies and procedures on Personnel Development. Factory planned to make policy and procedure on Performance Review, and now this project is in process of making detailed review standard of management, and will be finished before the end of 2020. Once this project is finished, factory will share with customer immediately.

3. The HR Department had evaluated the appropriate positions for the disabled workers during the production process, which will be appeared in the recruitment advertisement. And factory cooperated with the agencies helping the disabled to look for job. Now The disabled employee had increased to 9 workers.

Action plan status: In progress

Planned completion date: 01/19/17

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

The factory has not developed policies and procedures on the review process to ensure that updates are made according to local law and FLA Workplace Code requirements. As a result, the factory has not conducted an internal review of the policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, ER.30.2, and ER.31.1)

### COMPANY ACTION PLANS

#### 1. -Root Cause

The new company has developed the policies and procedures on review process, which is incomplete. And we also made the annual review plan, but the planned review date is after the FLA onsite auditing, so we did not provide the related record.

-Action Plan

The CSR group of the company will complete the relative policies and procedures on the review process. The company conducts an internal review of CSR every year. The CSR group will monitor the execution.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update:

2. Factory already added the content about prevent action plan into internal audit procedure. Factory did the internal audit on July, 2017.

Action plan status: Completed  
Planned completion date: 01/19/17  
Completion date: 03/31/18

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not provide all five types of legally mandated social insurance to all workers. For example, the factory only provided all five types of legally mandated social insurances to 1,650 out of 1,673 (98.6%) workers in August 2016. Furthermore, the factory only provides commercial accident insurance to 3 employees (valid from May 25, 2016 to May 24, 2017). These three employees are retired workers who were re-hired to work as technicians. Because they were previously retired, these workers cannot participate in the social insurance system.
2. The factory does not provide social insurance based on workers' actual wages. For 90% of workers, the factory calculates its contributions based on the local minimum contribution base of CNY 2900 (USD 388.25) rather than the workers actual monthly wages which range from CNY 2,902 (USD 388.52) to CNY 7,535 (USD 1,008.78).
3. The factory only contributes to the legally required Housing Provident Fund for 263 out of 1,673 workers (15.7%).
4. The factory calculates paid annual leave based on the number of years workers have been employed by factory rather than by their cumulative years of working experience prior to and including the factory as required by law. The factory currently gives workers five days of annual leave; however, approximately 20% of workers are eligible for more than the five days of factory-provided annual leave based on their cumulative working experience, and around 8% of workers are eligible for 10 days of annual leave.

##### Local Law or Code Requirement

The PRC Labor Law, Articles 72 and 73; The Housing Fund Management Regulation, Articles 15 and 17; The Worker Paid Annual Leave Regulation, Article 2; FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Hours of Work Benchmarks HOW.1, HOW.11, HOW.12, HOW.13, and HOW.14; Compensation Benchmarks C.1, C.6, and C.10)

##### Recommendations for Immediate Action

1. Provide legally mandated insurance to all workers.
2. Calculate social insurance contributions based on workers' actual monthly wage.
3. Provide annual leave to all workers based on their cumulative working experience, as required by local law.

### COMPANY ACTION PLANS

#### 1. -Root Cause

The social insurance has covered all the workers, but individual workers cannot participate in the social insurance system, because they could not supply all personal documents for contributing to social insurance or they have not yet withdrawn insurance from the original company. Such problems cannot be completely eliminated.

#### -Action Plan

The HR Department will confirm when the workers could provide all personal documents for contributing to social insurance. We will urge the related workers to submit their personal documents or withdraw insurance from the original company after entry, and help them to participate in the social insurance system ASAP.

Planned Completion Date  
06/22/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had made the social insurance confirmation form for new workers to fill, to ensure their social insurance account can transfer to factory in time. Now 1918 of 1940 employees had participate the social insurance.

#### 2. -Root Cause

1. The workers think that contributing to Housing Provident Fund will increase their financial burden. They want to earn more disposable income every month.2. The new company is with a greater financial pressure, but will try best to improve the problem.

#### -Action Plan

The company has set up the plan on Housing Provident Fund, but achieving the 100% coverage will increase the financial burden of the new company. So we cannot complete the correction in a short term. The deputy general manager and the HR Department will have a further discussing when make the annual plan.

Planned Completion Date

12/31/26

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : The factory contributes to the housing provident fund for 346 out of 1940 workers. For the plan, the first step is for the on site employee, they will join the housing provident fund after 1 year , for the management, they will join the housing provident fund after 3 months .

#### 3. -Root Cause

1. The workers think that contributing social insurance based on actual wages will increase their financial burden. They want to earn more disposable income every month. What's more, the workers who participate in the new rural endowment insurance are unwilling to attend social insurance. We have managed to persuaded all the workers to contribute to social security. 2. The new company is with a financial stress, but we will try best to improve the problem.

#### -Action Plan

The company has held internal discussing with the deputy general manager and the HR Department. And we will also discuss with the external client to set up a specific and practical action plan, which guarantees to achieve the target of 100% after five years. According to the local condition, the contributions are based on the unified base standard rather than the workers actual monthly wages.

Planned Completion Date

12/31/26

Action plan status: Scheduled

Planned completion date: 01/19/17

#### 4. -Root Cause

The company is newly established, whose procedures and policies on annual leave are incomplete. However, as we all know about the workers' actual cumulative years of working experience, we have defined and paid annual leave.

#### -Action Plan

The HR Department will revise policies and procedures on annual leave according to the Provision on Employee Annual Paid Leave. As we all know about the workers' actual cumulative years of working experience, we have defined and paid annual leave. In addition, the HR Department will make the trace information table of employee annual leave, and make statistics every year.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 01/19/17

5. 1. Factory had made the social insurance confirmation form for new workers to fill, to ensure their social insurance account can transfer to factory in time. Now 1918 of 1940 employees had participate the social insurance. The HR Department will confirm when the workers could provide all personal documents for contributing to social insurance. We will urge the related workers to submit their personal documents or withdraw insurance from the original company after entry, and help them to participate in the social insurance system ASAP.

2. Most employees of factory would like factory to provide social insurance based on the local minimum contribution base, because they thought their net salary would be lower if factory provides social insurance based on the actual monthly wage. Factory will make a plan to provide training on knowledge of social insurance and help them enhance the understanding of social insurance. Moreover, it not only means that employees' net salary would be reduce if social insurance is paid based on employees' actual monthly wage, but also means that labor cost of factory would be increased substantially. Factory planned to complete the project of providing social insurance based on employees' actual monthly wage in five years, however, it will take time for factory to consider all things and make a detailed long-term plan. Factory will share with customer immediately once a detailed long-term plan was completed.

3. Under the current situation of unpredictable international market and substantially increased labor cost and manufacturing cost, it is really change for factory to provide housing provident fund for all employees due to . Factory planned to complete the project of housing provident fund in 10 years, however, it will take time for factory to consider all things and make a detailed long-term plan. Factory will share with customer immediately once a detailed long-term plan was completed. Factory already began to provide housing provident fund for those employees who worked in factory more than 6 years since Sept 2018.

4. Factory already made the annual leave application tracking form and used it to track employees annual leave condition of 2017.

Action plan status: In progress

Planned completion date: 01/19/17

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Between September 2015 and August 2016, monthly overtime hours for 80% of the general workforce (workers in all departments) exceeded the legal limit of 36 hours per month, ranging from 36.5 to 79 hours per month.
2. The factory's production plan regularly includes 57 hours per week (40 regular hours plus 17 overtime hours), however, workers can refuse this overtime without issue.

##### Local Law or Code Requirement

The PRC Labor Law, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1.1 and HOW.8.1)

##### Recommendations for Immediate Action

1. Ensure that workers do not work more than the legal limit of 36 hours of overtime per month.
2. Do not include overtime in production planning.
3. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and, to help the factory address its excessive hours issue, coordinate accordingly on the following topics: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

### COMPANY ACTION PLANS

#### 1. -Root Cause

During the early period, the new company need to build the solid foundation. According to the actual production status, the factory cannot meet the legal requirement of working hour completely.

#### -Action Plan

1. The company will do best to control the working hours per week and receive order based on the production capacity. We will reserve enough time for production and make the production plan reasonably. Improve the productivity and optimize production mode by taking full advantage of advanced production equipment. Meanwhile, we will take use of the development of template and simplification of process to achieve the all-round improvement of productivity.
2. The company will cooperate with the external client to make a specific and practical plan. The inner production department will discuss with CSR or HR department to make feasible production plans to make sure the production plan not include regular overtime. Meanwhile, we will implement strictly following the FLA Workplace Code and Responsible Production Code of Conduct.

Planned Completion Date

12/31/19

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory increase the productivity about 10-15% by improving about 7-8% production moulds

2. 1. The company will do best to control the working hours per week and receive order based on the production capacity. We will reserve enough time for production and make the production plan reasonably. Improve the productivity and optimize production mode by taking full advantage of advanced production equipment. Meanwhile, we will take use of the development of template and simplification of process to achieve the all-round improvement of productivity.
2. The company will cooperate with the external client to make a specific and practical plan. The inner production department will discuss with CSR or HR department to make feasible production plans to make sure the production plan not include regular overtime. Meanwhile, we will implement strictly following the FLA Workplace Code and Responsible Production Code of Conduct.

Action plan status: In progress

Planned completion date: 01/19/17

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED



## FINDING TYPE: Communication & Worker Involvement (Macro)

### Finding Explanation

1. The factory does not effectively or comprehensively communicate its policies and procedures and possible updates to the general workforce and management staff for any of the Employment Functions, except for Health & Safety. Furthermore, the factory has not developed a plan to communicate future updates or legal revisions to the workforce and management staff.
2. The policies and procedures posted on a bulletin board near the entrance to the production area are not complete. They do not include the policies and procedures on Recruitment & Hiring and Termination & Retrenchment.
3. All supervisors and workers interviewed by assessors had a rough understanding of the factory's policies and procedures, however, they were not fully aware of all the policies and procedures, including the hiring policy, compensation package and legal benefits, grievance channel, grievance tracking system, and the appeals procedure for disciplinary actions.
4. The worker integration component is missing for all Employment Functions. The factory has not established procedures to receive worker input or feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.
5. The factory never arranges consultation meetings with workers or union representative before management reaches their final decisions on layoffs.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, ER.27.3, ER.29, ER.30.2, and ER.32; Compensation Benchmark C.17)

## COMPANY ACTION PLANS

### 1. -Root Cause

The policies and procedures on worker communication of the new company is incomplete.

#### -Action Plan

1. HR department is responsible for communication and adjusting the training plan according to the updates or revisions. The ways of communication are various, such as the direct communication with the management, the hotline, suggestion box, HR working in the workshop, daily meeting etc.
2. Keep well the record of each communication.
3. The result will be followed up and fed back by the HR department.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory established the communication procedure , YL/LZ/ER/09, Effective date 2016/10, the communication channels included worker representative, supervisor and HR department. Factory also kept the communication record from the workers.

Completion date: 06/14/17

### 2. -Root Cause

We have published all policies and procedures. But the bulletin board is too limited to post all policies and procedures at the same time.

#### -Action Plan

1. The factory has publicized all policies and procedures. But the bulletin board is too limited to post all policies and procedures at the same time. The policies and procedures on Recruitment & Hiring and Termination & Retrenchment will be continuously posted on a bulletin board near the entrance to the production area.
2. The HR Department has kept all original documents of the publicized policies and procedures, which are always available to the workers.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory posted the Recruitment & Hiring and Termination & Retrenchment in the rest room.

Completion date: 06/14/17

### 3. -Root Cause

The training quality did not achieve the desired effect, which still needs to be improved.

#### -Action Plan

The HR Department will enhance trainings of the policies and procedures on grievance and improve the training efficiency, which will be evaluated, followed up and fed back through the internal review.

Planned Completion Date  
12/31/19

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory established the communication procedure , but haven't finished the training for all the employee

#### 4. -Root Cause

The company is newly established. There was no trade union or workers' representative when made the policies and procedures. So The worker integration component is missing. However, the company has communicated the policies and procedures with the workers by training and publicity.

#### -Action Plan

The HR Department will revise policies and procedures and implement them with the trade union. We will also enhance the trainings to motivate the workers' participation in the creation of policies and procedures.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Now worker representative had participate the meeting about the procedure established. And worker representative also the channel about grievance channel.

Completion date: 06/14/17

#### 5. -Root Cause

The procedure on layoff is missing the content of consulting with workers or union representative, which needs to be improved. But the company has never had a layoff.

#### -Action Plan

The HR Department will complete the procedures on layoff right now according to the Labor Law and the Reduction of Staff for Economic Reasons Provisions. The trade union is responsible for monitoring the implementation and reminding the HR department of updating the relative documents.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had established layoff plan, YL/LZ/ER/10, Effective date 2016/10, had the regulation about the worker representative should participate the layoffs case. Till now, there is no lay off case in factory.

Completion date: 06/14/17

#### 6. 3. Factory already provided training on communication procedure to all employees in Aug 2017.

Action plan status: Completed

Planned completion date: 01/19/17

Completion date: 08/31/17

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The factory has a trade union under the ACFTU (All-China Federation of Trade Unions) that was established in 2015. However, there are neither records on file that indicate that any elections have been held nor any written operational procedures that pertain to such elections.
2. Factory management automatically enrolls all workers as trade union members without workers' consent. About 90% of the interviewed workers do not know whether they are members of the trade union or not. Factory management pays the union dues rather than the workers themselves.
3. According to interviews with management and union representatives, the representatives are not elected by workers. Instead, factory management appoints them.
4. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All-China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated

administrative agreements.

### Local Law or Code Requirement

The PRC Labor Union Law, Article 8; FLA Workplace Code (Employment Relationship Benchmark ER.2 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, and FOA.11)

## COMPANY ACTION PLANS

### 1. -Root Cause

1. The trade union of our company was established in 2016, not in 2015. The record of the report is wrong. 2. We have the written operational procedures on election. The workers' representative candidate were recommended and elected by all workers, but some of the electoral records are incomplete.

### -Action Plan

1. HR department will add the item of keeping all electoral records into the operational procedures. The training will be provided to the relative workers.
2. The trade union will keep the complete electoral records.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : On August, 2016, factory arranged the anonymous elections , and elected 52 worker representatives. Factory kept the election records.

Completion date: 06/14/17

### 2. -Root Cause

The trade union was established in the month of FLA onsite audit. Factory management did not automatically enroll all workers as trade union members. The workers join the union freely. Due to the small number of trade union members, the workers did not know whether they are trade union members or not. The factory has not paid the union dues since the trade union was established in September 2016.

### -Action Plan

1. HR department will optimize orientation training to guarantee the workers to know the trade union members and activities etc. In addition, the trade union will make them understand these by normal trainings and communication.
2. The workers will join the trade union freely according to the Labor Union Law. The union dues will be paid as the legal requirement.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : 1.Factory established trade union on September, 2016 and approved by ACFTU.300 employees volunteered to join the trade union. 2. The factory continued to promote more members to join the trade union.

Completion date: 06/14/17

### 3. Finding 3 - Election of the Representatives

#### Details

#### -Root Cause

The representatives were elected through two-round elections.The first round is that each workshop recommended the proper workers according to the number and the standards of candidates, then all the workers elected the candidates by voting or show of hands. The second round is that the company printed the candidates on the paper,and elected the final representatives by all the workers. Because the record of the first round were made in each workshop, some records were not kept well.The auditor did not require to provide all records at that time.

#### -Action Plan

All representatives of trade union were democratically elected. The trade union will keep well records of the basic election and continuously guarantee the workers' right of independent vote.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : On August, 2016, factory arranged the anonymous elections by all the workers , and elected 52 worker representatives. Factory kept the election records.

Completion date: 06/14/17

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

The factory's Workplace Conduct & Discipline policy and procedures do not include an appeals process or require a third party witness to be present during the imposition of disciplinary actions. Therefore, neither is implemented in practice.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.4)

### COMPANY ACTION PLANS

#### 1. -Root Cause

The procedures on reward and punishment include requiring a third party witness to be present, which is lack in other procedures.

#### -Action Plan

The procedures made by the HR Department on reward and punishment include requiring a third party witness to be present that is lack in other procedures. The HR Department will revise the Workplace Conduct & Discipline policy and procedures with the trade union and complete the training material. Then training on the updates will be provided to the workers.

#### Planned Completion Date

12/22/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : The discipline procedure already included the worker representative need to present during the imposition of disciplinary actions. The training will be arranged on August,2017.

2. The discipline procedure already included the worker representative need to present during the imposition of disciplinary actions. The training had be arranged on August,2017. The procedures made by the HR Department on reward and punishment include requiring a third party witness to be present that is lack in other procedures. The HR Department had revised the Workplace Conduct & Discipline policy and procedures with the trade union and complete the training material.

Action plan status: Completed

Planned completion date: 01/19/17

Completion date: 08/23/17

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory did not obtain an occupational disease hazard assessment report before beginning operations in 2015. It has never conducted an assessment of the current condition of occupational disease hazards, as legally required.
2. The factory has not provided seated workers with chairs that are adjustable and have backrests, in order to minimize workers' injuries. The factory also does not provide standing workers with anti-fatigue mats.
3. The factory does not train loading workers on lifting techniques or provide loading workers with lifting belts.

#### Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17 and 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.17.1, and HSE.17.2)

### COMPANY ACTION PLANS

#### 1. -Root Cause

The company has conducted an assessment of the current condition of occupational disease hazards. During the process of establishing, the new company has conducted various assessments, which kept by different departments. So we did not provide it timely.

#### -Action Plan

We will provide the current condition of occupational disease hazard assessment report right now. We will conduct the occupational disease examination and protection according to the report of assessment.

Action plan status:	Completed
Planned completion date:	01/19/17
Progress update:	02/09/18 : Factory had renew the occupational protected procedure, and got the assessment of the current condition of occupational disease hazards report.
Completion date:	06/14/17

## 2. -Root Cause

The workers' seated stools are designed for ergonomics. The height of the stools are matched with the sewing machine. The stools designed with twisted curves can help relieve fatigue. Considering the work nature and efficiency, we did not choose chairs with backrests. We have provided the stools for standing workers, but we did not provide the anti-fatigue mats. Due to the large number of workers, we may have a financial pressure to improve it at once.

### -Action Plan

The workers' seated stools are designed for ergonomics. The height of the stools are matched with the sewing machine. The stools designed with twisted curves can help relieve fatigue. The Equipment Department will provide the chairs with backrests and mats according to the appropriate positions.

Planned Completion Date  
12/31/18

Action plan status:	Scheduled
Planned completion date:	01/19/17

## 3. -Root Cause

The workload of loading workers in our company is relatively small. We did not know much about lifting belts before. The training to loading workers needs to be completed.

### -Action Plan

1. The training on lifting techniques has been added in the training plan 2017, which will be conducted accordingly.
2. The Administrative Department will purchase lifting belts and provide to loading workers ASAP.

Action plan status:	Completed
Planned completion date:	01/19/17
Progress update:	02/09/18 : Factory had purchased the lifting belts and the related workers put on the belts during the work time.
Completion date:	06/14/17

4. 2. Factory sets chairs with backrest in employees' rest room, so that all employees could have a rest when they feel tired anytime freely. Factory also invited all employees to do work-break exercise with music twice per day to help them release. The chairs in workshop are re-designed and the height could be switch based on employees' demand. The anti-fatigue mats are provided to those standing workers.

Action plan status:	Completed
Planned completion date:	01/19/17
Completion date:	12/20/18

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has a local (isolated) fire alarm system, rather than a centralized, automated fire alarm in the factory area.
2. The factory does not have a backup battery installed for the fire alarm system.
3. Two out of three evacuation doors on the second floor of the canteen building open inwards.

#### Local Law or Code Requirement

The PRC Fire Prevention Law, Article 16; The Fire Safety of Building Design Regulation (GB50016-2014), Article 6.4.11; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1 and HSE.5.1)

#### Recommendations for Immediate Action

1. Install a centralized, automated fire alarm in the factory.
2. Install a backup battery for the fire alarm system.

3. Ensure all evacuation doors open outwards.

## COMPANY ACTION PLANS

### 1. -Root Cause

As the requirement of local fire protection, the design before consignment of fire alarm system was set as single-layer coordinated control, which has finished the acceptance by the local fire department.

### -Action Plan

We have resetted the fire alarm system as entirely coordinated control according to FLA requirement.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had a centralized control room to control the fire equipments. All the buildings now are linked.

Completion date: 06/14/17

### 2. -Root Cause

Our alarm system uses dual power supply, it can replace emergency battery.

### -Action Plan

We have placed the emergency battery according to the FLA requirement.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had installed the backup battery for the fire alarm system.

Completion date: 06/14/17

### 3. -Root Cause

Both sides of this door are canteens, while there are more people than the other side.

### -Action Plan

1. The Equipment Department has installed the multi-door according to the requirement.

2. The Security Section has reviewed all emergency exits of the factory to reduce risk.

3. The Administration Department will monitor the improved result by the internal review every year.

Action plan status: Completed

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had installed the doors open outwards.

Completion date: 06/14/17

## FINDING NO.11

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The policies and procedures on Environment Protection are incomplete and do not include a commitment to minimize environmental impacts with respect to energy, air emissions, water, waste, hazardous materials, and other significant environmental risks.
2. There are no procedures that enable workers to raise environmental concerns or to report environmental emergencies.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.31.2.4, ER.31.2.5, and ER.31.3; Health, Safety & Environment Benchmark HSE.1)

## COMPANY ACTION PLANS

### 1. -Root Cause

As a light industry enterprise, environmental pollution is less. We always rank the Environment Protection as a priority. For example, we use the natural gas, promote to save energy and resources and standardize the management of the chemicals. But we didn't make a commitment.

### -Action Plan

We will make the commitment on Environment Protection immediately and fulfill it strictly.

Planned Completion Date

06/22/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had established the environmental protect procedure, and had the commitment to minimize environmental impacts. The training will be arranged on July,2017.

## 2. -Root Cause

Though the new company has the prodcedures on Environment Protection, the content is incomplete.

## -Action Plan

We will improve the procedures on Environment Protetction and the environmental emergencies reporting program, which will be communicated with the workers by publicity and training.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 01/19/17

Progress update: 02/09/18 : Factory had established the environmental protect procedure and the emergency response plan. The training for the speical workers( down filling position) had been finished.The training for other workers will be arranged on July,2017.

3. 1. Factory had established the environmental protect procedure, and had the commitment to minimize environmental impacts. The training was arranged on July,2017.

2. Factory already provided training on environmental protect procedure and the emergency response plan to all employees in Jul 2017.

Action plan status: Completed

Planned completion date: 01/19/17

Completion date: 08/31/17