



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 09/21/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 400

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. Workers are not provided ongoing training on any of the Employment Functions except Health & Safety.
2. Supervisors are not provided specific training on national laws or any of of the Employment Functions.
3. The orientation training provided to new workers does not cover Personnel Development.
4. The orientation training on Industrial Relations is very limited; it only covers the workers' right to join or not to join a union, without interference from their employer.
5. The factory includes one of its buyers' Code of Conduct on Environment Protection in the orientation training, however, the training content is very general and therotical. As a result, the workers interviewed could not understand the measures that need to be taken or what their roles are.
6. The orientation training on Grievance System only covers two of the channels for grievance submission (the suggestion box and speaking with a supervisor) and does not cover the resolution process in depth.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. Finding 1 -

H&S manager will conduct the test and have report updated before the current one expired.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR had set up 2017 yearly training program, including monthly orientation training provided by HR (which covers wage, working hour, industrial relations, workplace disciplines , environmental protection policy, etc), quarterly training to supervisors by HR and workers provided by supervisors. The training lasts for one hour in general. 2. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisor and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.
Completion date:	08/08/17

2. Finding 2 -

1. HR will collect the national laws regarding all Employment Functions and train the supervisors.
2. Management team will review the training section regularly if it is operating as required.

Planned Completion Date

12/25/18

Action plan status:	In progress
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updates the regulations regarding employment functions every year, and created a list of regulations, under completing the list; 2. On Apr 14 2017, HR manager provided training to HR staff regarding employment functions, such as social law, labor contract law, Labor law,etc. In Jun 2017, HR manager also explain the regulations on health and safety.

3. Finding 3 -

1. HR will update the current orientation training materials by adding Personal Development;
2. Train new workers as per updated training content.
3. Management team will review the training section regularly if it is operating as required.

Planned Completion Date

12/25/18

Action plan status:	In progress
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. Factory set up a double-channels personal development mechanism, including the steps for the first line workers to be promoted to junior technical , senior technical. But all is under perfecting; 2. From the orientation training in Mar 2017, new workers after on board would be explained procedures they can be promoted and the requirements for the promotion; But the training was not including the personal development mechanism yet.

4. Finding 4 -

1. HR will update the current orientation training materials by adding Industrial Relations as per law and FLA standard;
2. Train new workers as per updated training content.

Planned Completion Date

12/25/18

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : From Jul 2017, industrial relations is included in the orientation training, explained how workers can use the collective contract/bargaining right to promote the relations with factory.
Completion date:	08/08/17

5. Finding 6 -

1. HR will update the current orientation training materials by adding Grievance System including the resolution process as per law and FLA standard;
2. HR will train workers/supervisor/management for the update;
3. Management team will review the training section regularly if it is operating as required.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the Grievance Procedure on Dec 26 2016 by adding the procedure how to handle grievance, including non-official grievance (by oral), official way and anonymous way ; 2. From Apr 2017, HR added training content of the grievance procedure in orientation training. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisor and Supervisors to workers on Apr

Completion date: 07/24/17

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate its policies and procedures on any of the Employment Functions with the general workforce on an ongoing basis, except for Health & Safety. While there is an orientation process during which all new hires are informed of some of the factory's rules and practices, there is no follow-up to communicate updates.

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

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1 ER.25, ER.27, and ER.32; Compensation Benchmark C.17)

COMPANY ACTION PLANS

1. Finding 1 -

1. HR will update the communication content including all current and updated Employment Functions.

2. The policies and procedures regarding Employment functions will be informed to general workforce by multi-ways, such as orientation training, refreshing training, Update training, Posting in Notice Board.

3. Management team will review the training section regularly if it is operating as required.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated grievance procedures and posted the procedure nex to suggestion box; 2. A systematical procedure is under establishment for the communication for the new/updated policy/procedure with workers.

2. Finding 2 -

1. HR will establish procedure to communicate updated factory rules ,policies, procedures regarding all Employment Functions as per regulations and FLA by collecting suggestions/advices/feedbacks from workers and consider their input in decision-making.

2. HR will train the workers and management on the newly updated communication procedure.

3. Management team will review the procedure regularly if it is operating as required.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not conduct periodic reviews of its policies and procedures for any of the Employment Functions. All of the factory's policies and procedures were established in 2011 and 2012; none have been reviewed or revised since.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. HR will establish periodic review procedure to review all Employment Functions policies and procedure;
2. Management Team conduct annual review on the policies and procedures.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory set up an annual management review procedure that when there is update for the regulations ,othe situations to review the policy and procedure of employment functions , General manager will be the host for the review; 2. The annual review will be held by the end of 2017.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory's Recruitment process poses a risk of discrimination. The online job advertisement requires that applicants for the warehouse officer position be female and between 20 and 40 years old, which is consistent with actual employment. Furthermore, the job application forms for all positions require applicants to provide information regarding age, gender, ethnic group, and marital status.
2. The factory does not employ any disabled workers, which is a violation of the legal requirement stating that at least 1.5% of the total workforce should consist of disabled workers. Additionally, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers. (Note: There are seven people with disabilities listed on the factory's roster, however, none of them actually work at the factory. The factory pays them a basic wage on a monthly basis in lieu of contributing to the Employment Security Fund).
3. The factory does not have written policies and procedures on performance reviews that outline the steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements; additionally, the factory does not conduct performance review for workers.
4. Although the factory has procedures on promotions, workers' promotions are based on the supervisors' general judgment, not a formal appraisal based on clear criteria. In addition, there are no procedures on demotion or job reassignment.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Regulations on the Employment of Persons with Disabilities (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.3.2, ER.29.1, and ER.30; Non-Discrimination Benchmark ND.1, ND.2.1, and ND.4.1)

Recommendations for Immediate Action

Remove gender and age requirements from all job advertisements; additionally, remove the question on gender, age, marital status, and ethnic group from all job application forms. Ensure that employment decisions are made based solely on candidates' qualifications and abilities.

COMPANY ACTION PLANS

1. Finding 1-

1. HR will delete the articles in recruitment process posing risk of age discrimination as per national laws (16 years old or above); Stop requiring workers to provide information regarding age,gender, ethnic group and marital status in job application form.
2. Management team will review the recruitment process and material if any discrimination practices.
- 3.Updated training will be provided to HR and management

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR deleted the articles in the recruitment process and recruitment Advertisement that possessed discriminations. 2. HR created a format sample for the reference of candidates to fill the Recruitment Format, in which age, gender, race, marrige status and other information no relating to job capability are not required to fill. And non of these info was collected before their enrollment since Mar 2017. 3. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisiro and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

Completion date: 07/24/17

2. Finding 2 -

1. HR will review the positions that will be suitable for disabled workers;

2. Encourage disabled workers to participate to work in the position suitable to them, factory will provide necessary work skill for them to work. Also adding " candidates with disabilities is welcome to apply for jobs" in the job advertisement when the positions are suitable for disabilities.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

3. Finding 3 -

1. HR will establish performance review policies and procedure gradually, including job grading, prohibiting discrimination, providing written feedback and compliance with legal requirements.

2. Factory will conduct training of performance review for workers, supervisor and management;

3. Management team will review the performance review is going on under requirements.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

4. Finding 4 -

1. HR will improve the procedure and criteria of promotion gradually as well as inviting workers to join the update, then will set up procedures for job reassignment and demotion;

2. Factory will conduct review the procedure and criteria regularly if fair enough and executing effectively.

3. Training will be provided to relevant workers afterwards.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. 53% of the factory's workers are not covered by the legally required Housing Provident Fund. All workers who do contribute to the Housing Provident Fund contribute based on the minimum contribution level (CNY 1860 (USD 278.92) per month) rather than their actual earnings, as legally required. All of these workers' wages are higher than the minimum contribution level.

2. The factory does not make a reasonable effort to ensure that workers understand their compensation, including how wages are calculated and what bonuses they are entitled to. For instance, the factory's procedures on Compensation state that the wage structure is "Basic Wage + Overtime Premium + Bonus"; however, the procedures do not indicate how to calculate the basic wage and the bonus. In practice, the different departments and different positions have different basic wages, although the compensation procedures do not indicate this. In addition, bonuses are determined by supervisors without clear and transparent indicators/criteria and workers are never informed of how bonuses are calculated.

Local Law or Code Requirement

Regulation on the Housing Provident Fund Management (2002), Article 15; FLA Workplace Code and Benchmarks (Employment Relationship Benchmarks ER.16.1, and ER.22; Compensation Benchmarks C.1, C.10, and C.17)

COMPANY ACTION PLANS

1. Finding 1-

1. Factory top management team will discuss the plan for house funding together with trade union. The expected discussion will be held in Sep 2018.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory is contributing the house funding for workers gradually, and planning to increase at 5% monthly; In Apr 2017, there were 123 workers enrolled house funding, 145 for May 2017 and 156 for Jun 2017. currently there is about 280 workers in the factory,

more than 55.7% of workers are contributed to house funding,

2. Finding 2-

1. HR will detailize the compensation structure including the procedure for bonus;
2. Factory will enhance the training and ongoing for workers regarding compensation calculation as well as posting the procedure in Notice Board. Ensure workers understand the wage elements in the structure.

Planned Completion Date

12/25/17

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR is working on the bonus system details that how bonus to be released. The bonus will be relating to personal performance ,such as quality defect rate.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory calculates its social insurance contributions based on the minimum contribution level (CNY 2586 (USD 387.79) per month) rather than workers' actual earnings, as legally required. Approximately 60% of the workers' wages are higher than the minimum contribution base.
2. According to the HR administrative handbook and worker interviews, the factory does not take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law.
3. The factory calculates workers' unused annual leave payments based on the minimum wage instead of workers' actual wages, as legally required.
4. The factory does not have a paid prenatal care policy so that pregnant workers can visit the doctor during their pregnancies, as legally required. The factory had four pregnant workers at the time of the assessment, and during worker interviews two of them told assessors that they received prenatal care on a Sunday so that their wages are not affected.

Local Law or Code Requirement

Social Insurance Law of PRC, Article 60; Zhejiang Province Pension Insurance Regulations (2008), Article 9; Implementation Measures of Employees' Paid Annual Leave (2008), Articles 4, 10, 11; Special Rules on the Labor Protection of Female Employees (2012), Article 6; FLA Workplace Code and Benchmarks (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1 and HOW.11; Compensation Benchmark C.1 and C.10; Non-Discrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Calculate social insurance contributions based on workers' actual wages, as required by law.
2. Provide paid annual leave to all workers based on their cumulative working experience (working age).
3. Compensate workers unused annual leave payments based on their actual wages.
4. Establish and implement a prenatal care policy and communicate it to workers.

COMPANY ACTION PLANS

1. Finding 1-

1. The factory will discuss social insurance issues internally with related departments including trade union in 2018. At present, according to local policy, the workers still contribute social insurance fees according to universal standard, instead of actual wage.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. As per local social insurance policy , factory raised the contribution base from RMB 2586 to RMB 2819.3 which was effective from Jun 2017 and much closer to worker's actual salary. 2. Factory will follow the government's guideline to raise the contribution base accordingly.

2. Finding 2 -

1. Update HR administrative handbook by adding taking workers' external seniority into account for calculating annual leave if worker can provide relating documents as per law requirements.
2. Updated training will be provided to workers afterwards.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the leave and holiday regulation on Jun 1 2017. In the new policy, new workers can enjoy at least 5 days annual leave if she/he can provide documents to prove her/his external seniority within 3 months after onboard. 2. HR created form to record the external seniority of workers. Currently, there is no new workers provided external seniority document yet. 3. The training for the update was provided to new workers. HR provided the training to supervisor in quarterly training and supervisor to their line workers accordingly.
Completion date:	07/24/17

3. Finding 3 -

- 1.HR will update the payment rules for annual leave for unused annual leave by paying based on workers actual wages as per law requirements. Ensure workers' unused annual leave are paid as legally required.
2. Updated training will be provided to workers afterwards by HR.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the leave and holiday regulation on Jun 1 2017, revised the payment for untaken annual leave paid on the basis of workers' actual leave in past 12 months. 2. The training for the update was provided to new workers. HR provided the training to supervisor in quarterly training and supervisor to their line workers accordingly. 3. Currently, there is no untaken annual leave for workers yet and factory is encouraging workers to take all annual leave.
Completion date:	06/25/17

4. Finding 4 -

1. HR will establish paid prenatal care policy to ensure pregnant workers can visit doctor if necessary.
2. HR will train workers for the update.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the leave and holiday regulation on Jun 1 2017. In the new policy, the prenatal care or examination will be counted as normal working hours with payment for pregnant workers. 2. The training for the update was provided to new workers. HR provided the training to supervisor in quarterly training and supervisor to their line workers accordingly. 3. So far, no pregnant workers take the prenatal leave. They said they would like to do prenatal on Sundays so they have the family to company them.
Completion date:	06/01/17

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. At the time of the assessment, the knitting department had 108 workers (34% of the total workforce); the other departments, including yarn winding, pressing, etc. had 212 workers (66% of total workforce).

a. The knitting department's monthly overtime ranged from 20 to 56 hours with an average of 38 hours. The legal limit of 36 overtime hours per month was exceeded in the months of Oct 2015, Jan 2016, and June, July, and Aug 2016.

b. The other departments' monthly overtime exceeded the legal limit of 36 hours per month in the past 12 months; the average was 40 hours while the maximum was up to 64 hours in June of 2016 .

2. The factory obtained a Cumulative Working Hours System Waiver (CWHS), which allows for 216 overtime hours per person: ((36 overtime hours/month) x 6 months) in the first half of the year and a 216 overtime hours per person ((36 overtime hours/month) x 6 months) in the second half of the year. During the first six months of the year, workers in the knitting department worked 180 overtime hours on average; however, workers in other departments worked an average of 264 overtime hours, which exceeds the CWHS limits. During the second six months of the year, up until the time of assessment (September 20, 2016), workers in the the knitting department have worked, on average, 80 overtime hours; workers in the other departments have worked an average of 126 hours (on average 45 overtime hours/month). There is a risk that the factory will exceed the CWHS limits by the end of the year at this rate.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 41; FLA Workplace Code and Benchmarks (Hours of Work Benchmarks HOW.1 and HOW.8.1)

Recommendations for Immediate Action

1. Ensure working hours do not exceed the legal overtime limits, including the CWHS.
2. The FLA affiliated Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

1. Finding 1-

Management team will discuss and set up the working hour control plan internally to reduce the working hours gradually to meet law and FLA requirements.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. On May 30 2017, the management team from each department of factory held a meeting to discuss how to reduce and control the working hours. The result is that it is difficult to reduce the working hour due to the production status and order fluctuations. Factory decided to start set up overtime working plan monthly and publish to workers, representative of workers would sign on if they agree with the plan. 2. The monthly overtime working hour is about 32-62 hours.

2. Finding 2 -

1. Management team will discuss and set up the working hour control plan internally to reduce the working hours gradually to meet law and FLA requirements.

2. Management team will review the plan if it is practical for implementation.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. On May 30 2017, the management team from each department of factory held a meeting to discuss how to reduce and control the working hours. The result is that it is difficult to reduce the working hour due to the production status and order fluctuations. Factory decided to start set up overtime working plan monthly and publish to workers, representative of workers would sign on if they agree with the plan. 2. The monthly overtime working hour is about 32-62 hours, weekly total working hours is about 52 hours.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

Termination payouts are paid on the 20th day of the month, at the same time as regular wage payments. According to local law, termination payouts should be paid within five days of the termination of employment.

Local Law or Code Requirement

Regulation on Wage Payment of Zhejiang Province (2010), Article 15; FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.32; Compensation Benchmark C.1)

Recommendations for Immediate Action

Pay termination payouts to workers within five days of the termination of employment, as legally required.

COMPANY ACTION PLANS

1. Finding 1 -
 1. HR will revise the policy for termination payouts as per local law.
 2. Management team will regularly check to track the remediation progress.
 3. Updated training to workers will be provided afterwards by HR.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the Wage System on Dec 26 2016, in the new policy, the payment for resigned workers would be paid within 5 working days after the termination of employment. 2. The training for the update was provided to new workers. HR provided the training to supervisor in quaterly training and supervisor to their line workers accrdingly. 3. From Mar 2017 up to Aug 8 2017, there were 80 workers resigned, and all of them were paid within 5 working days after the termination.
Completion date:	08/08/17

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory's procedures on Workplace Conduct & Discipline include several unreasonable articles:
 - a. If employees are late or leave more than 30 minutes early, the factory will deduct four hours' wages from workers' paychecks.
 - b. If employees are absent for three consecutive days or nine days in a month, the factory will terminate their employment and request that employees compensate the factory one-month's wages.However, according to interviews with workers and management, these articles are not actually implemented.
2. Although the factory's procedures require a management review and third party signature for written warnings, neither of these requirements are implemented.
3. Although the factory's procedures require disciplinary actions to be witnessed by a third party during imposition, this requirement is not implemented.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.27.2.1, and ER.27.4; Harassment or Abuse Benchmark H/A.2)

Recommendations for Immediate Action

Remove all mentions of monetary fines and deductions from the Workplace Conduct & Discipline procedures. Ensure that no workers have to pay monetary fines and deductions as part of the disciplinary system.

COMPANY ACTION PLANS

1. Finding 1 -
 1. HR will delete the unreasonable articles in the documents and host ongoing training for workers and management;
 2. Management team will review the Workplace Conduct & Discipline regularly to ensure the compliance of law and FLA requirements.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR deleted the articles in Workplace Conduct & Discipline ; 2. The training for the update was provided to new workers. HR provided the training to supervisor in quaterly training and supervisor to their line workers accrdingly.
Completion date:	06/25/17

2. Finding 2 -
 1. HR will add the management review and third party signature in the written warnings;
 2. The update practice will be distributed to workers and management.
 3. Management team will track the remediation regularly.

Action plan status:	Completed
Planned completion date:	02/09/17

date:

Progress update: 03/13/18 : 1. HR updated the recording format for written warnings,by adding management review and third party signatures. 2. The training for the update was provided to new workers. HR provided the training to supervisor in quaterly training and supervisor to their line workers accrdingly. 3. So far, no workers violate the discipline , no one receive written warnings.

Completion date: 07/24/17

3. Finding 3 -

1. HR will add the management review and third party signature in the written warnings;
2. The update practice will be distrubited to workers and management.
3. Management team will track the remediation regularly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated the recording format for written warnings,by adding management review and third party signatures. 2. The training for the update was provided to new workers. HR provided the training to supervisor in quaterly training and supervisor to their line workers accrdingly. 3. So far, no workers violate the discipline , no one receive written warnings.

Completion date: 07/24/17

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. According to factory management, the factory provides three channels for workers to lodge complaints: speaking directly with supervisors, telephone numbers of managers, and a suggestion box. However, according to worker interviews, employees are only informed of two channels: the suggestion box and their supervisors. Workers were not aware that they could call their managers and did not have access to their phone numbers. In addition, not all of the workers interviewed understand the grievance resolution process.
2. There is only one suggestion box in the factory, which is located in the entrance to the canteen. This setup does not ensure enough privacy for workers to feel comfortable using this channel. Additionally, the grievance procedures are not posted next to the suggestion box, so workers do not understand the grievance resolution process.
3. The factory does not record the verbal grievences workers raise to their supervisors. Only one grievance from the suggestion box has been recorded since 2012.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.16.1, ER.25.2, and ER.25.3.2)

COMPANY ACTION PLANS

1. Finding 1 -

1. HR will host ongoing training to workers to make sure everyone understands all complaint channels and grievance resolution process.
2. HR will provide on-going training to workers to make sure the procedure and policy is well understood.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated the Grievance procedure for workers on Dec 26 2016, by adding the grievance resolution process, including non-official grievance (by oral), official way and anonymous way ; 2. From Apr 2017, HR added training content of the grievance procedure in orientation training. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisro and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

Completion date: 07/24/17

2. Finding 2 -

1. HR will change the location for suggestion box and ensure the privacy for workers and will post the updated grievance procedures are not posted next to the suggestion box.
2. Management team will review practice regularly
3. The new location of the suggestion box will be informed to workers during the training

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR set up suggestion box next to the rest room on each floor of the production building where privacy is secured), and posted the updated grievance procedure, the phone number of HR and GM; 2. Supervisors provides seasonly training on the update on the grievance ; 3. HR randomly interview workers if they understand the update. As per interview result, worker know where to raise their grievance.
Completion date:	07/24/17

3. Finding 3 -

- 1.HR will establish verbal grievance procedure to record the verbal grievance and create a form to record the verbal grievance.
2. HR will train workers, supervisor and managements for the update, make sure supervisor and management record the verbal grievance and grievance resolution process. accordingly.
- 3.Management team will review practice regularly.

Action plan status:	Completed
Planned completion date:	02/09/17
Progress update:	03/13/18 : 1. HR updated the Grievance procedure for workers on Dec 26 2017, by adding the grievance resolution process, including non-official grievance (by oral), official way and anonymous way ; 2. From Apr 2017, HR added training content of the grievance procedure in orientation training. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisor and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017. 3. Workshop supervisor started to record the oral grievance from Jun 2017. So far, there were 2 cases of oral grievance, the process were well recorded by covering the grievance content and the resolutions.
Completion date:	07/24/17

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory's parent company has a trade union that was established in 2012 under the ACFTU (All China Federation of Trade Unions). The present union committee is currently serving its second term (they were re-elected in 2015). Three union representatives from the factory are on the parent company's union committee (there are 12 committee members in total), however, all three are factory management staff (human resource manager, human resource officer, and production supervisor) who were self-appointed, not elected by workers.
2. The factory does not provide a dedicated office space or other facilities for the union to exercise their daily work.
3. The Collective Bargaining Agreement (CBA) is neither posted nor provided to workers. As a result, none of the interviewed workers are aware of the CBA.
4. The factory has a policy on Freedom of Association, but not Industrial Relations. Furthermore, the factory does not have procedures on Industrial Relations and Freedom of Association, including a dialogue mechanism between management and workers.
5. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the 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

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.16.2, and ER.25; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.15)

COMPANY ACTION PLANS

1. Finding 1 -

1. Chairman of Trade union in factory revised the election procedures, make sure the representatives are elected by workers democratically.

2. At present, re-election will be completed, all committee members will be elected by workers democratically.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Chairman of Trade union in factory updated the election procedures that ensure representatives are elected by workers democratically, other than assigned by management team. 2. In Nov 2016, factory had a democratical election for election, 7 representative were elected by votes of workers.

Completion date: 11/21/16

2. Finding 2 -

1. Factory provide dedicated workplace to trade union to ensure they can exercise their daily work.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. A dedicated office is set up for trade union 's usage.

Completion date: 08/08/17

3. Finding 3 -

1. Factory will learn the The Collective Bargaining Agreement artcles.

2. When a CBA is signed between factory and workers, the agreement will be posted and provided to workers.

3. HR will deliver training for basic knowledge regarding CBA.

Planned Completion Date

12/25/18

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Trade union signed collective contract with factory, will communicate the content with workers; 2. Quarterly training to supervisors by HR and workers provided by superevisors. The training lasts for one hour in general. 3. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to superviso and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

4. Finding 4 -

1. HR, together with the input of workers, will revise policy on Freedom of Association by adding the procedure for Industrial Relations and Freedom of Association, setting up dialogue mechanism between management and workers.

2. Management team will review the remediation progress regularly

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

5. Finding 5 -

1. HR and trade union committee members will learn the articles of Trade Union and International Labor Organization and post the relating articles to workers. Training on these will be delivered to workers.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have a dedicated area to store hazardous waste. Instead, the factory disposes of hazardous waste in the general industrial waste area.

2. Old fluorescent tubes (hazardous waste type 29) are not disposed of by a licensed waste handler.

3. Two of the grinding machines in the maintenance room on the fourth floor of the production building are leaking machine oil.

4. The factory's Environmental Protection procedures do not enable workers to raise environmental concerns or include protections for

workers who allege environmental violations.

Local Law or Code Requirement

Prevention and Control Law of Environmental Pollution, Solid Waste, Articles 52 and 57; FLA Workplace Code (Employment Relationship Benchmarks ER.31.2.4 and 31.2.6; Health, Safety & Environmental Benchmarks HSE.1, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Set up a dedicated area to store hazardous wastes.
2. Arrange for licensed waste handler to dispose of hazardous waste in accordance with legal requirements. Maintain the disposal records on-site.
3. Clean up the machine oil leaks in the maintenance room on the fourth floor and install a secondary container to collect future leaks from the grinding machines. Ensure that the machines are regularly maintained and repaired if necessary.

COMPANY ACTION PLANS

1. Finding 1 -

1. Factory will set up a dedicated storage for hazardous chemicals;
2. HR will train working on the update , ensure the proper disposal of hazardous chemicals;
3. Management team will review regularly if the practice is excuted as required.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory separate a dedicated area to store hazardous waste. 2. Training provided to relevant workers by safety supervisor on Apr 17 2017 and they understand the requirements. Safety supervisor plans to provide refresh training semi-annually.

Completion date: 04/17/17

2. Finding 2 -

1. Factory will source a licensed waster handler;
2. HR will train working on the update , ensure the proper disposal of hazardous chemicals;
3. Management team will review regularly if the practice is excuted as required.

Planned Completion Date

12/25/17

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR is sourcing a qualified contractor for the collection, now there is one candidate, after verify their qualification, factory will sign the contract with it.

3. Finding 3 -

1. Factory will set up secondary containers for the leaking machines.
2. HR will train working on the update;
3. Management team will review regularly if the practice is excuted as required.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory set up a secondary container to prevent the leaking machines. 2. Training provided to relevant workers by safety supervisor on Apr 17 2017 and they understand the requirements. Safety supervisor plans to provide refresh training semi-annually.

Completion date: 04/17/17

4. Finding 4 -

1. Factory will update the Environmental Protection procedures to encourage workers to raise their concerns, specially adding the protections for workers who allege environmental violations;
2. HR will train working on the update;
3. Management team will track the remediation progress regularly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated the Accident Reporting, Investigation and Handling Procedure(effective on Dec 26 2017) , which encourages workers to raise enveironmental concerns or any other violations. For those who reports the issues are not be discriminated or limited for their personal development and protected. 2. Orientation training and quarterly training to supervisors by HR and workers provided by superevisors. The training lasts for one hour in general. 3. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to superviso and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has contracted a licensed institution to conduct the legally required annual inspection of the fire-fighting equipment (fire alarm, sprinkler system, fire hydrants, etc), however, the inspection only covered the production area. The dormitory building was not inspected.
2. Almost none of the smoke detectors in the dormitory are functional as a result of dead batteries.
3. The fire alarm system in the dormitory is not battery-powered, increasing the risk of alarm failure during a fire emergency.
4. The majority of the sprinkler heads in the knitting department on the fourth floor of the production building are covered in dust and lint, which may negatively affect their ability to function in the case of an emergency.

Local Law or Code Requirement

PRC Fire Protection Law (1998) Amendment (2009) Article 16-3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5.1, HSE.5.3, HSE.13, and HSE.25)

Recommendations for Immediate Action

1. Commission a licensed institution to conduct an annual inspection of all fire-fighting equipment on the factory premises, including both production and dormitory areas.
2. Recharge and/or repair the smoke detectors in the dormitory building to ensure functionality.
3. Install a battery-powered fire alarm system in the dormitory to replace the existing alarm system.
4. Regularly clean the sprinkler heads in the knitting department on the fourth floor of the production building to ensure they are free of dust/lint.

COMPANY ACTION PLANS

1. Finding 1 -

1. Factory will resign the contract with annual inspection of the fire-fighting equipment, adding annual check for dormitory building.

3. Management team will track the remediation progress regularly.

Planned Completion Date

12/25/17

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory will resign the contract of annual inspection of the fire-fighting equipment which the inspection for dormitory will be included in Oct 2017. 2. Currently, safety supervisor checks fire-fighting equipment monthly.

2. Finding 2 -

1. Factory had changed all the battery for smoke detectors.

2. Factory will regularly inspect smoke detectors to ensure they functions well all the time.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. The equipment staff changed all batteries for the smoke detectirs, and all are functioning well; 2. Dormiory supervisor will checks the function of smoke detector weekly by visual and will change them once there is abnormitory.

Completion date: 08/08/17

3. Finding 3 -

1. Factory will rebuild the alarm system in dormitory by adding back-up electrical supply to ensure alarm system functions in any emergency cases.

2. Monthly check on the alarm system will be conducted by Equipment Dept.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory set up back-up battery for fire alarm in the dormitory, the back-up battery is runing normal. 2. Device staff

checks the back-up battery monthly and record the result.

Completion date: 08/08/17

4. Finding 4 -

1. Factory will clean the fire -fighting equipment regularly including the sprinkler heads. Equipment Dept will regularly check the cleanness of the fire -fighting equipment.
2. Management in production workshop and factory management will spot check the maintenance weekly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Workshop cleaners cleaned the sprinkler heads on the 4F. And the cleaners will clean the sprinkler heads weekly. 2. The sprinkler heads are clean now.

Completion date: 08/09/17

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has arranged for a licensed technical service institution to conduct an Assessment of the Current Condition of Occupational Disease Hazards, however, the assessment only covered the knitting department rather than all production areas. There is a risk of high noise levels in the pressing department where new pressing machines were installed but not covered.
2. The factory does not provide pre-job and pre-departure occupational health examinations for workers who are exposed to noise and dust; only 16.8%(18 out of 107) eligible workers receive on-job occupational health examinations.
3. Workers exposed to occupational disease hazards are not informed in writing about the specific occupational disease hazards they will be exposed to.
4. Two yarn-winding workers were wearing normal masks instead of dustproof masks. Although the factory has dustproof masks in stock, they only provide regular masks to the workers.
5. At the time of factory tour, it was observed that 10 fans in the automatic pressing workshop have been installed in a way that poses a risk to workers' safety. Workers could collide with the fans when passing through the workshop. No precautionary measures have been taken.
6. The factory is not taking proactive steps to reduce repetitive-motion stress/injuries. They do not provide ergonomic breaks and although all chairs have a backrest, 90% of chairs are not adjustable in height. As a result, workers have to bring their own tailor-made "booster seats" to adapt their workstations.
7. Workers in the knitting department are not provided with chairs or a rest area for their short break.
8. Workers who regularly lift heavy objects are not trained on proper lifting techniques or provided with lifting belts. In a random check of five packs in the material warehouse, the weights ranged from 18.5kg-38.7kg. According to national regulations, the maximum weight for an adult male to lift should not exceed 15kg. Without proper training and supportive Personal Protective Equipment (PPE) this poses a risk of bodily strains and injury.

Local Law or Code Requirement

Physical Lift Weight Limit GB12330-90, Article 3; Law of Prevention and Control of Occupational Diseases (2016), Articles 22, 26, 33, and 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.7, HSE.13, and HSE.17)

Recommendations for Immediate Action

1. Arrange for a licensed technical service institution to conduct an assessment of the current condition of occupational disease hazards for all production areas.
2. Provide pre-job and pre-departure occupational health examinations for workers who are exposed to occupational disease hazards, as per legal requirement.
3. During the new worker induction process, inform workers in writing about the specific occupational disease hazards they will be exposed to.
4. Provide dustproof masks (instead of regular masks) to yarn-winding workers.
5. Relocate the 10 fans in the automatic pressing workshop to ensure workers' safety.

COMPANY ACTION PLANS

1. Finding 1 -

1. Factory will conduct Assessment of Occupational Disease Hazards for Knitting Dept and pressing dept.
2. Training will be delivered to enhance the risk management.
3. Management team will regularly check if the practice is effectively executed.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factor invited third party to conduct Assessment of the Current Condition of Occupational Disease Hazards to all department from Apr 13-15 2017, including the pressing machine newly installed area. 2. As per result, all the occupational disease hazards are in compliance with local standard and under controlled.

Completion date: 04/17/17

2. Finding 2 -

1. Factory will conduct occupational health check for pre-job, onjob and pre-departure workers.
2. Management team will regulary check if the practice is effectively executed.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR arranges pre-job health check for workers who will be recruited to the occupational hazardous position within one month. So far they are 39 new workers joined the hazardous. 2. From Apr 25-27 2017, there were 93 workers were sent for on-job occupational health check. there were no contraindication for the occupational disease. 3. For the workers who left the occupational hazardous positions, since the on-job examination for them was conducted within 90 days, so no pre-departure examination were arranged for them (so far 24 workers resign

Completion date: 08/09/17

3. Finding 3 -

1. Factory will create written occupational hazard notifications to each related worker with their confirmation signatures and alert relating posts in workshops.
2. Post the PPE wearing and occupational hazard warning in weaving workshop.
3. Training on occupational disease hazard will be delivered to related workers as well as in orientation training for new workers.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Occupational hazard notices were posted in weaving workshop on 4F and yarn-winding workshop on 1F. 2. HR added the articles regarding occupational hazard that workers might be exposed to, and workers who signed the contracts were well informed. For the existing workers, HR provided with written occupational hazard notifications to each related worker with their confirmation signatures and alert relating posts in workshops. 3. From Apr 2017, HR added training content of the occupational hazard in orientation training. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisor and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

Completion date: 07/24/17

4. Finding 4 -

1. Factory provides dustproof masks for workers. Will enhance the training on properly utilization of PPE;
2. Factory also will try to source more comfortable mask with the same protection functions..

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. There is one workers working in yarn-winding workshop who was provided dustproof mask.

Completion date: 08/08/17

5. Finding 5 -

1. The fans are equipped in non-evacuation passaways. As per production playout and space, the fans are in the best place by taking account both cooling down in summer and safety.
2. Factory will post Warning sign to remind passby to avoid collide to the fans.
3. Will discuss internally if any better plan for this.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory had levered down the position of the fan to the height around 1.2 meters, paint the fan with light yellow inks, marked the floor beneath of the fan and posted "mind your head" on the fan. So the workers will not hit into the fan.

Completion date: 08/09/17

6. Finding 6 -

1. There adjustable chairs in some workshops. Factory equip different type of chairs according to the need of workshop. The chairs

in packaging Dept are designed for the actual operation.

2. Management team will discuss the future plan for upgrading the chairs if necessary.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. The workers who work in the inspection workshop and pressing workshop (about 50 workers) were provided with adjustable chair. For other workers, factory provide with ergonomic breaks to reduce repetitive-motion stress/injuries

Completion date: 08/09/17

7. Finding 7 -

1. Factory will provide a rest area in knitting dept with sufficient chairs. Workers in knitting dept had been informed that they can rest there if necessary.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : There were chairs in the office of the knitting area on 4F. And workers understand that they can take rest there when in need.

Completion date: 06/25/17

8. Finding 8 -

1. There are 3 transportation tools in factory, the heavy goods will be loaded and transported by machines, not to apply manpower.

2. Factory will train the loading workers how to lift heavy objects. And purchase PPE if necessary.

3. Will purchase lifting belts in case workers need it.

Planned Completion Date

12/25/18

Action plan status: Scheduled

Planned completion date: 02/09/17

FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no eyewash station or alarm system in the chemical storage area where at least eight Mobile DTE machine oil barrels (208 Liters each) are stored and workers transfer the oil to smaller containers.

2. The factory has a confined space (the fire-fighting water tank), which needs to be regularly maintained and cleaned. Workers who must enter the confined spaces only have a limited understanding of how to do so safely; they have not been provided with formal training on the relevant standard operating procedure (SOP) and there is no confined-space warning sign or SOP posted near the confined space. Appropriate rescue equipment is not available at the factory.

3. There are two fixed ladders (at least three meters high) installed in the fire-fighting water tank area (on the top of production building), however, neither of them is equipped with handrails or fall protection.

4. The factory was unable to provide the original building safety inspection report at the time of the assessment; instead, only a copy was provided for the assessors to review. Additionally, the factory could not provide the legally required building safety filing/registration form.

5. Assessors observed a number of obvious cracks in the walls, weight-bearing columns, and beams in the production building. This poses a risk to the building's structural safety.

6. The factory's Health & Safety (H&S) procedures do not enable workers to raise H&S concerns or include protections for workers who allege H&S violations.

Local Law or Code Requirement

Law of Prevention and Control of Occupational Diseases (2016), Article 25; Regulation on Quality Management of Construction Project, Article 49; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.31.2.4, and 31.2.6; Health, Safety & Environment Benchmarks HSE.5, HSE.6.1, HSE.9, HSE.14, and HSE.25)

Recommendations for Immediate Action

1. Install an eyewash station and alarm system in the chemical storage area. Train the relevant workers on how to use the eyewash station.

2. Post a warning sign and SOP near the confined space (fire-fighting water tank). Train the relevant workers on how to work safely in a confined space.

3. Install handrails/fall protection on the ladders on the roof.

4. Obtain and maintain the original building safety inspection report and filing/registration forms.

5. Arrange for a licensed institution to evaluate the structural integrity of the production building. Establish and implement a repair plan according to the evaluation results.

COMPANY ACTION PLANS

1. Finding 1 -

1. Factory will purchase eye washing station for chemical storage area;
2. Factory will maintain the station regularly.
3. Factory will add fire alarm in chemical storage, HR will provide training to relevant workers accordingly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory equipped eye washing device in the chemical warehouse, and post the maintenance record and user manual; The device is running well; 2. Alarm and emergency phones were installed next to the chemical warehouse .

Completion date: 08/10/17

2. Finding 2 -

1. Factory will create and post SOP beside the water tank; Provide safety training for all the workers and ensure they know about safety attentions of their own posts, to avoid accidents.
2. Factory will purchase rescue equipment for water tank.
3. Management team will track the remediation progress regularly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory created SOP for water tank and posted SOP in the entry . 2. Training was provided to relevant workers on Jun 22 2017 on the SOP. 3. There were ladders in the water tank if any emergency happens.

Completion date: 08/09/17

3. Finding 3 -

Factory will source the company to set up handrails for the ladders.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. The ladders had been equipped for the water tank.

Completion date: 08/09/17

4. Finding 5 -

1. Factory had contracted a licensed third party to conduct building safety inspection and the conclusion is as following: the tilt of the main structure complies with the specification of regulations, will not affect the safety of the main structure.
2. As per suggestion in the report, Factory will repair the cracks and monitor the settlement.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory invited Zhejiang Handa Testing company (with qualification) to inspect the safety of the building, the assessment result indicates that the cracks would not affect the safety of the building ; 2. Factory repaired the cracks.

Completion date: 06/25/17

5. Finding 6 -

1. Factory will update the H&S procedures to encourage workers to raise their concerns, specially adding the protections for workers who allege environmental violations;
2. HR will train workers on the update;
3. Management team will track the remediation progress regularly.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated the Accident Reporting, Investigation and Handling Procedure(effective on Dec 26 2017) , which encourages workers to raise safety concerns or any other violations. For those who reports the issues are not be discriminated or limited for their personal development and protected. 2. Orientation training and quarterly training to supervisors by HR and workers provided by supervisors. The training lasts for one hour in general. 3. The latest training held were on Apr 15 2017 and Jul 10 2017 by HR to supervisors and Supervisors to workers on Apr 24 2017 and Jul 11-24 2017.

Completion date: 08/08/17

6. Finding 4 -

1. The original document had been missed due to the personnel replacement. Factory will try to obtain the original building safety inspection report and filling form.

Planned Completion Date

12/25/17

Action plan status: In progress

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory is in the waiting list to get the original document.

FINDING NO.16

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not keep food samples for 48 hours in case of food poisoning, as legally required.
2. The factory records injuries when workers use the first aid kit, but there is no system to track/analyze injury records and to establish preventive measures. The factory also does not track/analyze illness records.
3. In a random check of four first aid kits, one was not fully stocked; one item (gauze) was missing.

Local Law or Code Requirement

Regulation on Hygienic of Food Industry and Delivery Unit of Group Meals (2005), Article 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.6, and HSE.22)

Recommendations for Immediate Action

Keep food samples for at least 48 hours in accordance with local law.

COMPANY ACTION PLANS

1. Finding 1 -

1. Factory will keep food samples for 48 hours as per national requirements and record them;
2. Management team will spot check for the remediations.
3. HR will provide updated training to relevant staff

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. Factory equipped with a dedicated fridge to store food samples for 48 hours. 2. HR provided training to canteen staff on Jul 14 2017 regarding the requirements.

Completion date: 07/24/17

2. Finding 2 -

1. The factory continues to maintain all the injury records. The company will establish a system to analyze the records and create preventive measures.
2. HR will provide updated training to all workers.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR updated the Accident Reporting, Investigation and Handling Procedure (effective on Dec 26 2016), created occupational injury analysis and analyze monthly. 2. There was no injuries so far.

Completion date: 08/09/17

3. Finding 3 -

1. HR will enhance the management of first aid kit by regularly check the supply in the kit. Re-fill the kit in time.

Action plan status: Completed

Planned completion date: 02/09/17

Progress update: 03/13/18 : 1. HR created checking form to record the first aid medicine and record is maintained monthly.

Completion date: 08/09/17