



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: China

ASSESSMENT DATE: 11/02/16

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Apparel

NUMBER OF WORKERS: 300

## 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: Policies & Procedures (Macro)

##### Finding Explanation

1. There are no policy or procedures regarding Personnel Development or performance reviews.
2. There are no proper grievance procedures established. For example, the factory will not reply to anonymous complaints and there is no principle of non-retaliation against workers who make complaints. There are no procedures for workers to appeal the disciplinary action or a requirement to record all warnings and disciplinary actions.
3. Health & Safety procedures do not contain the following: the protection against retaliation for workers who raise health and safety concerns; steps on how to ensure the safe evacuation of all personnel, visitors, contractors, service providers, special categories of workers, and children in childcare facilities; procedures for confined spaces; or guidance documents for external contractors or service providers.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.25.3.1, ER.27.1, ER.28.1, ER29.1, ER.30.1, ER.31.2)

#### COMPANY ACTION PLANS

1. 06/12/19:

1-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel Development or performance reviews.They consider to check output, productivity, quality, technology, safety and work attitude of all employees at

the end of every year. Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them. This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019.

1-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related training to all employees, and keep the training records.

**-Root Cause**

The factory is located in countryside and the educational level of the management is limited. The policies and procedures that they made are oversimplified and incomplete. However, the factory has made the policies on personnel promotion and the mechanism of internal recruitment. Many excellent workers are promoted as the management every year.

**-Action Plan**

1. The HR department will complete the policies and procedures on personnel development and performance review immediately.
2. The HR department will give training on these policies to communicate with workers.

Planned Completion Date 12/31/17

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	03/13/18 : Factory hadn't establish the Personnel Development or performance reviews procedure 04/07/17 : Improveing as plan

**2. Finding 2: Worker Communication**

**Details**

**-Root Cause**

Due to the rural location and the limited educational level of the management, policies and procedures of the factory are oversimplified and incomplete. However, the factory has established the grievance procedures. The workers could complain through telephone and manager mailbox etc. The factory has replied to the complaints.

**-Action Plan**

1. The HR department will complete the policies and procedures on grievance and reward & punishment by adding the requirements of replying to anonymous complaints, the principle of nonretaliation, the procedures for workers to appeal the disciplinary action and a requirement to record all warnings and disciplinary actions.
2. The HR department will communicate the new procedures with workers by training.

Action plan status:	Completed
Planned completion date:	03/19/17
Progress update:	03/13/18 : 1. Factory had established the grievance procedures. Added the requirements of replying to anonymous compliants and non retaliation against workers who make complaints. 2. Factory had established the disciplinary procedures, added the requirement of labor union will record the all the disciplinary records. 3. The training had been arranged on 2017.5.15 04/07/17 : Improveing as plan
Completion date:	05/31/17

**3. -Root Cause**

The factory did not have an adequate consideration of Health & Safety procedures which is incomplete.

**-Action Plan**

1. The HR department will complete Health & Safety procedures by adding the following: the protection against retaliation for workers who raise health and safety concerns; steps on how to ensure the safe evacuation of all personnel, visitors, contractors, service providers, special categories of workers, and children in childcare facilities; procedures for confined spaces and guidance documents for external contractors or service providers.
2. The HR department will communicate the updates with workers by training.

Planned Completion Date  
12/31/17

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	03/13/18 : Factory hadn't updated the H&S procedure 04/07/17 : Improveing as plan

# SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Training (Macro)

### Finding Explanation

1. There is no skill-based training provided for new workers.
2. There is no specific training for the relevant supervisors on Recruitment, Hiring, & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection.
3. There is no specific training on maintenance safety provided for workers with maintenance responsibilities.
4. There is no ongoing training for workers on Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection.
5. There is no training on Workplace Conduct provided to the relevant HR personnel and administrative staff.
6. There is no training for workers on procedures concerning the provision of first aid.
7. There is no training provided to the relevant persons regarding confined spaces.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15.2, ER.17.1, ER.17.3, ER.27.2, and ER.28.2; Health, Safety and Environment Benchmark HSE.6 and HSE.14)

## COMPANY ACTION PLANS

### 1. -Root Cause

The factory has provided the skill-based training to new workers, but the records were not kept well.

### -Action Plan

1. The HR department will continue to provide skill-based training to new workers.
2. The records will be kept completely.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : 1. Factory had made the annual training plan, and plan to do the orientation training monthly. Now factory had arranged orientation training in March and April, the next orientation training will be arranged in September

04/07/17 : Improveing as plan

### 2. 06/12/19:

- 2-1. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related training to all employees, and keep the training records.
- 2-2. Factory conducts noisy inspection according to environment protective inspection report every year, and the result shows that noisy is controlled in a good condition. Factory also has internal environment protective management system, and obtains ISO 14001 certificate. Factory management keeps on working to protect environment and not make serious environmental impact. Factory will provide training on Environmental Protection to supervisors and keep training records.

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### -Root Cause

The factory has made the annual training plan. Although the trainings on employment relationship has been given to the relevant supervisors, the training content is incomplete.

### -Action Plan

1. The HR department will improve the annual training plan.
2. The HR department will provide the training for the relevant supervisors on Recruitment, Hiring, & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection immediately.
3. The complete records will be maintained.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion 03/19/17

date:

Progress update: 03/13/18 : Factory had made the annual training plan, and plan to make the training to the management about Recruitment, Hiring, & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection in September- December.

04/07/17 : Improveing as plan

### 3. -Root Cause

The training on maintenance safety provided for workers with maintenance responsibilities were provided by the external equipment company, which did not contain in the annual training plan. So the training records were not kept.

#### -Action Plan

- 1.The training on maintenance safety will be added in the annual training plan that will be conducted timely.
2. The records will be kept completely.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory arrange the training to the two maintenance workers on March 16th about the SOP, machine safety, PPE and machine maintenance.

04/07/17 : Improveing as plan

Completion date: 03/31/17

### 4. -Root Cause

The training plan did not contain the training regarding confined spaces.

#### -Action Plan

1. The HR department will complete the annual training plan.
2. The HR department will establish the policies on confined spaces. The trainings on confined spaces will be provided to the relevant persons .
3. The HR department will maintain all training records.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 03/13/18 : 1.Factory established the confined spaces procedure, posted on the confined sapces. 2. Factory arranged the training on 3/16 to the two maintenance workers.

04/07/17 : Improveing as plan

Completion date: 03/31/17

### 5. 06/12/19:

4-1. Factory conducts noisy inspection according to environment protective inspection report every year, and the result shows that noisy is controlled in a good condition. Factory also has internal environment protective management system, and obtains ISO 14001 certificate. Factory management keeps on working to protect environment and not make serious environmental impact.Factory will provide training on Environmental Protection to supervisors and keep training records.

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#### -Root Cause

The factory has given the training to the new workes on Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection.When there was any update, we will provide the training to the general workes. The ongoing tarinings were not updated on a regular basis.

#### -Action Plan

1. The HR department will improve the annual training plan.
2. The ongoing trainings on Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection will be updated on a regular basis.
3. The HR department will maintain all training records.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory had arranged the training to sewing workshop 1-5 about Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, for the other process and management it plan to finished by 12/31

04/07/17 : Improveing as plan

6. 06/12/19:

5-1. Factory will provide training on Workplace Conduct & Discipline to the relevant HR personnel and administrative staff and keep the training records.

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-Root Cause

The factory has made the annual training plan. Although the trainings on Workplace Conduct has been provided to the relevant HR personnel and administrative staff, the training content is incomplete.

-Action Plan

1. The HR department will improve the annual training plan.
2. The trainings on Workplace Conduct will be provided to the the relevant HR personnel and administrative staff immediately.
3. The HR department will maintain all training records.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory plan to arrange the training by November, 2017 about HR personnel and administrative staff.

04/07/17 : Improveing as plan

7. -Root Cause

The training on first aid has been provided to the first aiders, which were not for all workers.

-Action Plan

1. The HR department will improve the annual training plan.
2. The trainings on first aid will be provided to the general workers.
3. The HR department will maintain all training records.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory plan to arrange the training by November, 2017 about the first aid training

04/07/17 : Improveing as plan

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not properly or effectively communicate policies and procedures and their updates to the general workforce across all Employment Functions.
2. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input and/or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25.1, ER.27.3, ER.29.1.1, ER.30.2, and ER.32.5)

### COMPANY ACTION PLANS

1. 6/12/19:

1-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel Development or performance reviews.They consider to check output, productivity, quality, technology, safety and work attitude of all employees at the end of every year.Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them. This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019.

1-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related training to all employees, and keep the training records.

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-Root Cause

The factory has communicated the procedures and policies on employment relationship and the updates with workers. And the ways are various like publicity and training etc. But many aspects of implementation were incomplete and the records were not kept well.

-Action Plan

In addition publicity, the future updates on employment function will be communicated with workers by broadcast, conference and training etc. to ask for the workers' opinions and improve continually.

Planned Completion Date

12/31/17

Action plan status: In progress

Planned completion date: 03/19/17

Progress update:

03/13/18 : Factory hadn't established the employment function procedure, plan to finish it by 2017/10

04/07/17 : Improveing as plan

2. -Root Cause

Although the factory has not established specific procedures to request and/or receive workers' input and/or feedback regarding the creation, implementation, and updating of its policies and procedures, actually many innovative ways of production are proposed by the workers, the records were incomplete.

-Action Plan

The HR department will establish the procedures with other departments to request and/or receive workers' input and/or feedback regarding the creation, implementation, and updating of its policies and procedure.

Planned Completion Date

12/31/17

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 06/12/19:

Factory establishes procedure of how to make a policy. The policy shows that factory need to post new/updated policy in workshop. All employees could read and give feedback to management. Once got the feedback, management will take it into consideration after review and modify the policy if need. Factory will keep related records which shows worker integration if there is new policy or updated policy.

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03/13/18 : Factory hadn't established the employment function procedure, plan to finish it by 2017/10

04/07/17 : Improveing as plan

Completion date: 03/15/19

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

The factory does not conduct a periodic review and update of policies and procedures for any of the Employment Functions.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, ER.31.1, ER.31.2)

### COMPANY ACTION PLANS

1. 06/12/19:

1. Factory will update policy of Health&Safety and Environmental Protective,and add the content of review procedure and standard into policy.

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-Root Cause

The policies and procedures on review are incomplete, which need to be improved immediately.

#### -Action Plan

The CSR group and the HR department 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: 03/19/17

Progress update: 03/13/18 : Factory hadn't established the employment function procedure, plan to finish it by 2017/10

04/07/17 : Improveing as plan

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. According to the social insurance contribution records for September 2016, 127 out of 268 (47%) eligible workers were not covered by any type of insurance. In addition, the factory uses the local minimum base of RMB 2628 (USD 379) to calculate the contribution for workers' social insurance for every worker instead of actual earnings. The average wage of workers in this facility is RMB 3000 (USD 433).
2. The factory has not enrolled any workers into the legally required Housing Provident Fund.
3. Based on the information provided by factory management, the factory did not contribute to the social insurance bureau from June to August 2016. The factory provided a document which showed an agreement with the social insurance bureau for a deferred payment.

##### Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 73; Regulation on the Housing Provident Fund Management, Article 19, Article 20; FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Compensation Benchmarks C.1 and C.10)

##### Recommendations for Immediate Action

Provide all eligible workers with all five legally mandated insurances and calculate contributions based on workers' actual earnings.

### COMPANY ACTION PLANS

1. 06/12/19:

1-1. Most employees of factory knows that if the social insurance contributions based on their workers' actual wages, it will result to their net wage reduced. That's why employees choose to pay social insurance based on local minimum requirement. Factory plans to provide training on social insurance to all employees and help them more understand local law of social insurance. For those employees who are willing to contribute social insurance based on actual wages, factory will do it as their willing. Factory plans to completed this project in following 5 years, and ensure all employees' social insurance contributions are based on actual wages in future.

#### -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, there are more workers who participate in the new rural endowment insurance unwilling to attend social insurance. The factory has managed to persuaded all the workers to contribute to social security. 2. The company has a financial stress, but we will make plan to improve the problem.

#### -Action Plan

The company will hold internal discussions with the 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 could guarantee to achieve the target of 100% after five years. According to the local condition, the contributions are basesd on the unified base standard rather than the workers actual monthly wages.

Planned Completion Date

12/31/22

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : In August 2017, 172 out of 283 (61%) workers joined the social insurance. The base is the local minimum base.

2. 06/12/19:

2-1. Most employees of factory are local residents who already has own house or bought house. To contribute housing fund will result their net wage reduced, so they rejected to contribute housing fund. Factory plans to provide training on housing fund to all employees and help them more understand local law of housing fund. For those employees who are willing to contribute housing fund, factory will do it as their willing. Factory plans to completed this project in following 7 years, and ensure all employees contribute housing fun in future.

**-Root Cause**

The existing conditions of factory can not contribute to the Housing Provident Fund for all workers.

**-Action Plan**

The general manager and the HR Department will have a further discussion when make the annual plan.

**Planned Completion Date**

12/31/22

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	04/07/17 : Improveing as plan

**3. Finding 3: Social Insurance**

**Details**

**-Root Cause**

The local government encourages the garment factory to solve local employment problem. So the social insurance bureau agrees for a deferred payment to reduce the funding pressure.

**-Action Plan**

The factory will execute the local legal provision to contribute to the social insurance bureau timely.

Action plan status:	Completed
Planned completion date:	03/19/17
Progress update:	03/13/18 : From January to July, factory contribute to the social insurance bureau timely.
	04/07/17 : Done
Completion date:	12/31/16

**FINDING NO.6**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE: Hours of Work**

Finding Explanation

1. Based on time records from October 2015 to November 2016, the monthly overtime of approximately 90% of sampled workers exceeded 36 hours per month, the legal maximum. The highest monthly number of overtime hours was 74.5 in October 2015.
2. Based on management interviews, overtime occurs because there are not enough workers.

Local Law or Code Requirement

Article 41 of the Labor Law of the PRC; FLA Workplace Code (Hours of Work Benchmark HOW.1.1, HOW.1.2, HOW.6)

Recommendations for Immediate Action

Ensure that workers' overtime hours do not exceed the statutory limits of 36 hours per month.

**COMPANY ACTION PLANS**

1. 06/12/19:

1/2-1. The company will do best to control the working hours per week and receive orders 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. And we will strengthen skills training for on-the-job staff to improve Competitiveness.

1/2-2. 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. 1/2-3. Employ more skilled workers and try to develop multiple recruitment channels.

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-Root Cause

There are many small factories nearby, the recruitment of competition is fierce. The factory has controlled the week working time in 60 hours. The shorter working time will increase the factory's pressure.

-Action Plan

1. The company will do best to control the working hours per week and receive orders 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.
3. Employ more skilled workers.

Planned Completion Date

12/31/19

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	04/07/17 : Improveing as plan

## 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 on May 12, 2016. Three union representatives were elected by all employees in each department on March 10, 2016. However, none of these nine union representatives are workers (they are all supervisors and managers) and two who were interviewed by assessors did not know that they are representatives. Although all elected worker representatives are identified in the union's records, these records were not readily available to workers or worker representatives.
2. 200 workers are union members without consent; the factory paid union dues on behalf of these workers (the dues were not deducted from workers' wages, the factory itself paid the dues). About 90% of the workers interviewed did not know whether they were members of the trade union or were not aware of the union fee arrangement.
3. The factory does not provide the union with a meeting room or designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.
4. The factory has a Collective Bargaining Agreement (CBA) with the union. However, the factory does not post the CBA on a bulletin board or provide a copy to workers. None of the workers interviewed were aware of the content of the CBA.
5. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

##### Local Law or Code Requirement

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

### COMPANY ACTION PLANS

1. 06/12/19:

1-1. According to local laws and regulations of Labor Union, the members of Labor Union Commission should be approved by by General Union and the General Union is led by the government. And the union representatives could be elected by factory employees and no need to apply for approval of General Union. Labor Union Commission of Haotian factory is already approved by General Union, and the union representatives were elected by all employees of each departments in Apr 2017. Union representatives will be elected every two years. Factory will properly keep all elected documents for refer during next election period.

Please review the attached documents:

Appendix 2 - approval document of Labor Union Commission issued by General Union

Appendix 3 - Appointment notification of union representative

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#### Finding 1: Worker's Representatives

##### Details

##### -Root Cause

The trade union was established in 2016. Many union representatives were workers at that time, and they were gradually promoted as the management. The communication with workers provided by the trade union did not achieve the desired effect, so they were not familiar with the union representatives.

##### -Action Plan

The trade union will follow the legal requirement in general election, and the union representatives will be fairly selected by all the workers. We will publicize and communicate the result with the general workers.

Planned Completion Date

12/31/17

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	04/07/17 : Improveing as plan

#### 2. 06/12/19:

2-1. Labor Union of Haotian factory will make a list of a labor fee arrangement, and communicate with the employees who joined into Labor Union. Factory will properly keep the related records.

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##### -Root Cause

The communication with workers is not enough. Although some workers are willing to join the trade union, they do not have a clear knowledge about specific conditions of the trade union.

##### -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:	03/19/17
Progress update:	03/13/18 : Factory arranged the training on January 12th. The union member know they are union members. The union fee was provided by factory.
	04/07/17 : Improveing as plan
Completion date:	01/31/17

#### 3. -Root Cause

The size of factory is small, and there are few meeting rooms, which are available to the union at any time.

##### -Action Plan

The factory will provide a designated meeting room for the union.

Action plan status:	Completed
Planned completion date:	03/19/17
Progress update:	03/13/18 : Factory provided one office in 4th as meeting room for the union.
	04/07/17 : Improveing as plan
Completion date:	01/31/17

#### 4. 06/12/19:

4-1. Factory already posted the Collective Bargaining Agreement in workshop so that all employees could read it anytime. Factory will also provide training regarding on the collective bargaining agreement to all employees and keep related records.

**-Root Cause**

The factory has publicized the Collective Bargaining Agreement, but the communication with workers is not enough. So we have not drawn the workers' attention.

**-Action Plan**

The factory will strictly follow the legal requirement to encourage workers to participate in making the Collective Bargaining Agreement. The trade union and HR department will publicize and communicate it with the general workers to make them know clearly.

Action plan status: In progress

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory signed the collective bargaining agreement with the trade union on May 20th, 2017, and posted the agreement on the board, and introduced the agreement to all the workers by boardcasting.

04/07/17 : Improveing as plan

**FINDING NO.8**

**SUSTAINABLE IMPROVEMENT REQUIRED**

**FINDING TYPE: Workplace Conduct & Discipline**

Finding Explanation

- 1. A third party witness is not available during disciplinary actions against workers and there is no appeal procedure on disciplinary action exists.
- 2. The factory does not maintain disciplinary records.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationships Benchmark ER. 2, ER.27.3, ER.27.4)

**COMPANY ACTION PLANS**

**1. -Root Cause**

The procedures on reward & punishment have contained the requirement of a third party witness to be present, whose content is incomplete.

**-Action Plan**

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.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory had established the disciplinary procedures, added the requirement of labor union representative should discuss any of disiplinary actions and the appeal procedure

04/07/17 : Improveing as plan

Completion date: 05/31/17

**2. -Root Cause**

Most of the disciplinary actions are vocal critics, so the factory did not maitain the records.

**-Action Plan**

The HR department will complete the procedures on reward & punishment and maintain the disciplinary records.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 06/12/19: 2-1. Factory took immediate action to update content of the disciplinary policy, use the sentence "HR department will record the details of disciplinary or award, and keep the records with personnel documents. Labor Union will monitor the whole process." instead of "HR department will record the details of disciplinary or award, and keep the records together. Labor Union will monitor the whole process." Moreover, Factory updated the form of disciplinary record, and will use it if there is disciplinary or award and keep it in the personnel

documents.  
Please review the attached documents:  
Appendix 4 - updated disciplinary policy  
Appendix 5 - updated form of disciplinary record

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03/13/18 : Factory made the disciplinary record, till now, no disciplinary actions were happened.

04/07/17 : Improveing as plan

Completion  
date: 03/15/19

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. Based on information provided by factory management, the factory does not currently employ any workers with disabilities. The current practice violates the legal requirement and carries the risk of discrimination based on the FLA Workplace Code and Benchmarks.
2. The factory does not conduct performance reviews.
3. Only 25% of positions have written job description, none of the production positions have job descriptions.

##### Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Nondiscrimination Benchmarks ND.1 and ND.2; Employment Relationship Benchmarks ER.1, ER.3, ER.30)

### COMPANY ACTION PLANS

1. 06/12/19:

1-1. The HR Department will review all positions during the production process and try to find out the appropriate positions for the disabled workers. Factory will list those positions on the recruitment advertisement. Meanwhile, Factory also will search the qualified agency which is working on helping the disabled to look for job and discuss with the agency about cooperation opportunity.

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-Root Cause

The factory is located in countryside. Although we has been recruiting the disabled workers, there was no disabled to apply. The factory contributes to the Employment Security Fund in lieu of employing disabled workers according to the local law every year.

-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: 03/19/17

Progress update: 03/13/18 : Factory had registered the demand to hire 5 sewing workers to the local disabled persons. It is still in progress.

04/07/17 : Improveing as plan

2. 06/12/19:

2-1. Factory management are in process of discussing about how to make policy or procedures regarding Personnel Development or performance reviews.They consider to check output, productivity, quality, technology, safety and work attitude of all employees at the end of every year.Factory will build talent echelon team consist of those employees whose score is high and make personnel development plan for them. This policy or procedures regarding Personnel Development or performance reviews will be completed at the end of Dec 2019.

2-2. Once the policy or procedure regarding Personnel Development or performance reviews is completed, factory will provide related training to all employees, and keep the training records.

---

-Root Cause

The company carries out the machanism 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.

**-Action Plan**

The HR department will complete the policies on performance review , arrange the training to all the workers immediately.HR manager will be in charge of the training. After training, HR department will maintain the performance records which will be the basis of personnel development.

Planned Completion Date  
12/31/17

Action plan status: In progress  
Planned completion date: 03/19/17  
Progress update: 04/07/17 : Improveing as plan

**3. -Root Cause**

Because of the limited educational level of the management, the job descriptions made by the management are incomplete.

**-Action Plan**

The management will sort the production positions and remake the job descriptions.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had made the job description and posted the form on site.  
04/07/17 : Improveing as plan  
Completion date: 08/16/17

**FINDING NO.10**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE: Health & Safety**

Finding Explanation

- 1. There is no eye washing facility installed in the spot cleaning area.
- 2. There are electrical control panels blocked by materials in the finishing workshop and the stuffing workshop.
- 3. About 10% of the evacuation plans are posted in the wrong direction in the sewing workshop. Additionally, some important information is not marked in the evacuation plans, such as the location of the fire alarm and first aid kit.
- 4. The factory has never had an occupational hazards pre-assessment or current condition assessment.

Local Law or Code Requirement

Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases, Article 26; General Guide for Safety of Electric User, Article 6.5; Fire Control Law of the People’s Republic of China, Article 16; Regulations of Management and Supervision on Workplace Occupational Health, Article 20; Interim Measures on Supervision and Management of “Three Simultaneities” for Occupational Health of Construction Projects, Article 10; FLA Workplace Code (Health, Safety, and Environment Benchmark, HSE.1, HSE.4, HSE.5.1, HSE.6.1, HSE.9, HSE.13)

Recommendations for Immediate Action

- 1. Install an eye washing facility in the spot cleaning area.
- 2. Keep control panels in the workshops free of obstruction. Regularly monitor for compliance.
- 3. Update emergency evacuation plans to include the necessary information and post accurate evacuation maps.
- 4. Obtain the occupational hazards pre-assessment and current condition assessment from third party assessors, as legally required.

**COMPANY ACTION PLANS**

**1. -Root Cause**

The facorty that is located in countryside has been founded for a long term. The local government has not required the factory to conduct an occupational hazards pre-assessment or current condition assessment.

**-Action Plan**

The factory will look for a qualified third-party company to conduct an occupational hazards current condition assessment and a protection management according to the national regulations.

Planned Completion Date  
12/31/17

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 06/12/19:  
4-1. As factory communicated with qualified third-party company and know that, according to the requirements of "Regulations on the Supervision and Management of Workplace Occupational Health", An employing entity with severe occupational hazards shall invite an occupational health technical service agency with corresponding qualification to conduct the evaluation on occupational hazard factors at least once every three years. The evaluation will be 50 thousand yuan to more than 100 thousands yuan based on different conditions of factories. Moreover, according to "Classified Management Catalogue of Hazardous Risk of Workplace Occupational Health ", the hazardous grade of Apparel Manufacturing is normal, which is required to conduct the evaluation on occupational hazard factors at least once every year. Haotian factory invites qualified third-party to conduct the evaluation on occupational hazard factors every year, the final results all meet the standards and the evaluation report is properly kept by factory.  
The factory will look for a qualified third-party company to conduct an occupational hazards current condition assessment and a protection management according to the national regulations.  
Please review the attached documents:  
Appendix 8 - evaluation report of occupational hazard factors of Haotian Factory

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04/07/17 : Improveing as plan

Completion date: 03/15/19

## 2. -Root Cause

The cleaning workload is small, and they use purified water to wash eyes during daily work. So we did not install eye washing facility in the spot cleaning area.

### -Action Plan

We have installed eye washing facility immediately.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 03/13/18 : Factory had installed the eye washing facility and posted the instruction close the facility.

04/07/17 : Done

Completion date: 08/16/17

## 3.

### -Root Cause

There were few electrical control panels which were not used during the outage in the finishing workshop and the stuffing workshop. But the factory did not post a notice.

### -Action Plan

1. The Security Section has reviewed all electrical control panels to reduce risk and posted all notices beside the panels which are not used. Meanwhile, the blocked problems has been solved. 2. The HR department and the Security Section will give a retraining to the general workers to avoid the non-compliance.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update: 06/12/19:  
2-1. Factory took immediate action to remove the materials around the electrical panels in the stuffing workshop and finishing workshop. Factory EHS team will enhance the regular safety inspection on electrical panels and ensure all electrical panels are in good condition without any stuff.  
Please review the attached documents:  
Appendix 6 - electrical control panels without materials in stuffing workshop  
Appendix 7 - electrical control panels without materials in finishing workshop

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03/13/18 : Factory had adjusted the electrical control panels in the finishing workshop and the stuffing workshop and make sure there are no materials put around the area.

04/07/17 : Done

Completion date: 03/15/19

## 4. -Root Cause

The regulators has a poor sense of responsibility and an ineffective supervision, which caused of the incomplete information and the wrong posted direction.

### -Action Plan

The Security Section has reviewed all evacuation plans and completed the important information and reposted the evacuation plans.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had updated the evacuation plans in the workshop and made the location of the fire alarm and first aid kit.  
04/07/17 : Done  
Completion date: 08/16/17

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. In the sewing workshop, some workstations are blocked by materials, which makes it difficult for workers to evacuate in cases of emergencies.
2. Two out of two emergency exits on the top floor of the building do not have emergency lighting or exit signs.
3. The factory has not posted notices regarding unauthorized entry for confined spaces.
4. There is no fence installed around the opening of the fire water tank.

##### Local Law or Code Requirement

Fire Control Law of the People's Republic of China, Article 28; Code for design of building fire protection and prevention, Article 10.3.5; Code for design of building fire protection and prevention, Article 10.3.1; Code of Fire Prevention for Architectural Design, Article 10.3.4; Safety Requirements for Fixed Steel Ladders and Platform, Part 3 (GB 4053.3-2009); FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.5.1, and HSE 14.3)

##### Recommendations for Immediate Action

1. Ensure all workers' workstations are free of obstruction. Regularly monitor for compliance.
2. Install exit signs and emergency lights above all exits in the factory. Regularly monitor the lights for functionality.
3. Post notices restricting unauthorized entry near confined spaces.
4. Install a fence at the opening of the fire water tank to prevent workers from falling in.

### COMPANY ACTION PLANS

#### 1. -Root Cause

According to the arrangement of production line, the factory has reserved a wide passage beside every worker. But during the onsite audit , there were few workers' workstation blocked by some down jackets.

#### -Action Plan

The production department has corrected the finding immediately and publicized the requirement to the general workers to avoid this non-compliance. Also we will conduct regular inspection.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had made the line on the floor to remind workers not put the material in the safety aisles, and assigned the supervisor to check everyday.  
04/07/17 : Done  
Completion date: 08/16/17

#### 2. -Root Cause

The factory did not set the exits on the top floor of the building as the emergency exits, so we did not installed an emergency lighting or exit signs.

#### -Action Plan

The factory has installed emergency lightings or exit signs according to the related requirements. Also we will conduct regular inspection.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had installed the emergency lighting and exit signs on the top floor.  
04/07/17 : Done

Completion date: 08/16/17

### 3. -Root Cause

The mangement of confined spaces is incomplete.

#### -Action Plan

1. The HR department will complete the procedures for confined spaces.
2. The HR department will publicize the procedures and provide trainings to workers.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update:

03/13/18 : Factory had posted the notice and authorized name list on the confined spaces.

04/07/17 : Improveing as plan

Completion date: 08/16/17

### 4. -Root Cause

Because the fire water tank was on the top floor, which is too hidden to get close. The factory did not install a fence.

#### -Action Plan

The factory will install the fence and post a warning sign.

Action plan status: Completed

Planned completion date: 03/19/17

Progress update:

03/13/18 : Factory had installed the fence around the fire water tank.

04/07/17 : Improveing as plan

Completion date: 08/16/17

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. Some workers in the factory are susceptible to occupational diseases, for example workers who come into contact with chemicals and dust. However, their employment contract does not cover these occupational hazards.
2. Four out of 30 sampled workers have worked at this facility for more than 10 years, these workers have met the requirement for signing an open-ended employment contract with the factory, as stipulated in law. However, these workers are still employed under fixed term employment contracts.

##### Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Article 34; Law of the People's Republic of China on Employment Contract, Article 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.9.3)

##### Recommendations for Immediate Action

1. Communicate to relevant workers the harmful effects, consequences, protective measures and necessary treatment of occupational diseases that might result in the work process and include this information in their employment contracts.
2. Sign an open-ended employment contract with all workers who meet the legal requirements for a such an employment contract.

### COMPANY ACTION PLANS

#### 1. Finding 1: Notice of Occupational Hazards

##### Details

##### -Root Cause

The factory has posted a notice of occupational hazards in the cleaning spot and the down filling rooms, but their employment contract did not cover these occupational hazards.

##### -Action Plan

The HR department has negotiated with the workers and added the explanation of these occupational hazards in employment contract.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had 69 workers contacted with dust and 1 worker contacted chemicals. Factory had signed the occupational hazards notice with the related employee.  
04/07/17 : Done  
Completion date: 08/16/17

## 2. -Root Cause

The factory has orally asked the workers' opinion about signing an open-ended employment contract. The agreed workers has signed the open-ended employment contract, otherwise the factory respected the workers' opinion and continued to sign fixed term employment contracts. But the communication records has not been kept.

## -Action Plan

The factort will adopt the questionnaire form of signing contracts when renewal to respect the views of workers and maintain the written records.

Action plan status: Completed  
Planned completion date: 03/19/17  
Progress update: 03/13/18 : Factory had notified the 54 workers who meet the requirement can sign non-fixed term contracts. Now 13 workers had signed the non-fixed term labor contracts, the rest ones still sign the fixed term labor contracts.  
04/07/17 : Improveing as plan  
Completion date: 08/15/17

## FINDING NO.13

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has not established an ergonomics program. It has not taken any proactive steps to reduce repetitive-motion stress or injuries for workers.
2. The factory has not established a system to track illnesses.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety, & Environment Benchmark HSE.1, HSE.3 and HSE.17.1)

### COMPANY ACTION PLANS

#### 1. 06/12/19:

1-1. Factory already provide chairs with backrest to standing workers so that they could use it during rest hours. Moreover, factory is in process of purchasing anti-fatigue mats, and will provide to standing workers once received. Factory will established the policy or procedure of Ergonomics, and communicated with employees once fished.

Please review the attached documents:

Appendix 9 - chairs with backrest provided for standing workers A&B

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#### -Root Cause

Due to the small scale and the limited financial resources, the factory has purchased a small number of the chairs according to the appropriate positions, and the others will be renewed gradually.

#### -Action Plan

The factory will make the plan to replace the working equipments, such as the chairs according to the suggestion from workers.

Planned Completion Date

12/31/20

Action plan status: In progress  
Planned completion date: 03/19/17  
Progress update: 04/07/17 : Improveing as plan

#### 2. 06/12/19:

2-1. There is no clinic or doctors in factory, and is not available to get the diagnosis records of all employees from hospital. It is difficult for factory to collect information of illness because some employees think it is personnel privacy and don't want to let others know. Based on above information and consider the operability, factory plans to establish illnesses tracking form firstly. If the employee asks for sick leave factory will communicate with them and try to get illness information or diagnosis records which issued by local hospital, then fill into the illness tracking form.

Please review the attached documents:

Appendix 10 - illness tracking form

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-Root Cause

Because of the small scale and the rural location, most workers with ailment in the factory will not go to hospital for treatment, and the workers with serious illness will resign to recuperate. The factory did not have a track record of illnesses.

-Action Plan

The factory will establish a system to track illnesses and communicate it with workers.

Planned Completion Date

12/31/17

Action plan status:	In progress
Planned completion date:	03/19/17
Progress update:	04/07/17 : Improveing as plan