



**COMPANY: Chenfeng Group**  
**COUNTRY: China**  
**ASSESSMENT DATE: 07/28/14**  
**MONITOR: FLA Assessor Team (China)**  
**PRODUCTS: Apparel**  
**PROCESSES: Full [= full package]**  
**NUMBER OF WORKERS: 415**  
**NUMBER OF WORKERS INTERVIEWED:**  
**ASSESSMENT NUMBER: AA0000000479**

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding social insurance have not been agreed to 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.

## What's Included in this Report

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# Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## Glossary

**De minimis:** A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

**Facility performance:** how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

**Fair labor standards:** the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

**Employment life cycle:** all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

**Code violation:** failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

**Employment Functions:** The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

**Management functions:** violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

**Finding:** indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

### Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

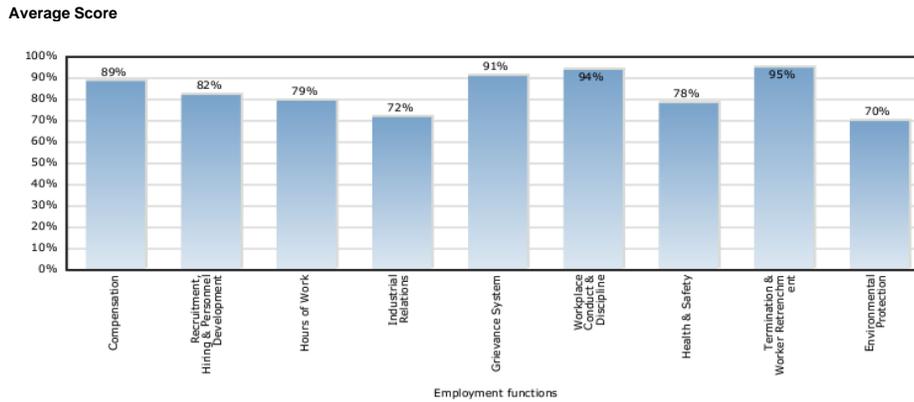
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

**Company action plan**: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

# Factory Profile

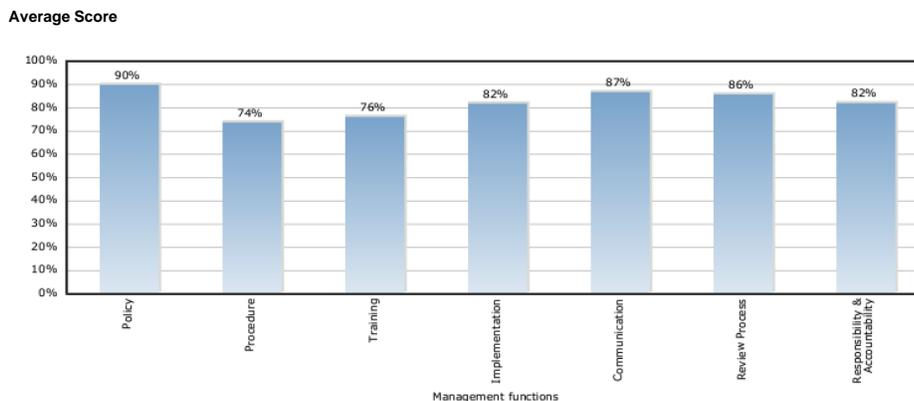
## Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



## Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



## Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	100%	100%	80%	75%	100%	100%	100%	100%	66.67%
Procedure	82.76%	100%	55.56%	23.53%	88.89%	100%	100%	78.79%	46.88%
Responsibility & Accountability	86.17%	79.25%	86.17%	72.33%	79.25%	79.25%	79.25%	72.33%	72.33%
Review Process	100%	100%	100%	100%	100%	100%	100%	100%	0%
Training	78.57%	100%	100%	0%	66.67%	75%	100%	72%	75%
Implementation	87.82%	83.67%	81.54%	76.67%	100%	100%	100%	77.55%	61.96%
Communication	83.33%	87.5%	95%	50%	75%	100%	100%	78.13%	50%

## Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	2	General Compliance Compensation Workers Awareness and Understanding of Compensation
Employment Relationship	14	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Timing and Completeness Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures
Forced Labor	1	Freedom of Movement/Workers Ability to Terminate
Freedom of Association and Collective Bargaining	6	General Compliance Freedom of Association Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces
Hours of Work	4	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Rest Day
Health, Safety and Environment	10	General Compliance Health, Safety, and Environment Ventilation/Electrical/Facility Installation and Maintenance Machinery Safety, Maintenance and Workers Training Ergonomics Food Preparation Dormitory Facilities Notification and Record Maintenance Permits and Certificates Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

# Findings and Action Plans

## FINDING NO.1

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory did not hire disabled workers and did not pay into the Employment Security Fund for the disabled. According to the law, disabled workers should make up 1.5% of the total workforce.
2. There was a repeated probation term for workers returning for employment; returning employees should not be subject to additional probation terms in the same workplace.
3. The criteria and procedures for performance review, promotion, demotion, and job reassignment are not well developed.

##### Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; Regulation on the Employment of the Disabled of Jiangsu Province (2006), Article 4; Labor Contract Law of PRC (2008), Article 19; FLA Workplace Code (Employment Relationship Benchmarks ER.3, ER.29.1, and ER.30.1; Nondiscrimination Benchmarks ND.1 and ND.2)

##### Root Causes

1. The local government does not strictly enforce compliance related to employment security fund for disabled. In addition, as the type and severity of disability is an important factor for deciding if a candidate is suitable for the workplace/task to which they will be assigned, factory finds it difficult to recruit eligible disabled workers at times.
2. HR personnel are not familiar with article 19 of labor law requirements on probation. This issue was not brought to factory management before.
3. The promotion opportunity is very limited in the factory. Traditionally, workers are typically promoted by supervisor recommendation. So far this approach, which lacks detailed criteria and process, has been considered more effective in practice by the factory management.

### COMPANY ACTION PLANS

1. Establish policies and procedures for performance review, promotion and demotion .Conduct specialized training about the hiring procedures for all the in-service management.
- 2.Take an active part in the recruiting activities for the disabled organized by local governmental agencies.
- 3.Create an archival repository for the dimission staff. When signing new employment contracts with any worker, the factory can check if he or she has previously worked in the factory. Enhance internal oversight of the labor contracts. The factory will not subject the workers who have previously worked in the same workplace to a second probation period.
- 4.Develop policies and procedures for performance review, promotion and demotion and make sure they are in line with FLA Workplace Code and Benchmarks.
- 5.Conduct training for all workers, supervisors, and management on the new policies and procedures.
- 6.The company conducts annual CSR internal audits and tracks the performance.
- 7.Planned to hire disabled workers to 1.5% of the total workforce before 26/02/2016.

**Action plan status:** In Progress

**Planned completion date:** 10/24/14

**Progress update:** 06/19/15 : 1.Policies and procedures for performance review, promotion and demotion have been established.The factory has conductd specialized training about the hiring procedures for all the in-service management. 2.The factory has created an archival repository for the dimission staff. When signing new employment contracts with any worker, the factory can check if he or she has previously worked in the factory. Enhance internal oversight of the labor contracts. The factory will not subject the workers who have previously worked 3.The factory has conducted training for all workers, supervisors, and management on the new policies and procedures.

## FINDING NO.2

## COMPENSATION

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. Regarding social insurance, the following noncompliances were identified:
  - a) The factory has not paid for the social insurance of all workers; around 83% of workers are not covered with pension, unemployment, medical, and maternity insurances.
  - b) The social insurance contribution base was not aligned with workers' actual earnings as per local law. The factory calculates the contribution base according to the minimum contribution standards, even though most workers' actual earnings are higher.
  - c) The factory incorrectly informed the workers that their contributions to social insurance were optional and at the discretion of workers.
2. The factory did not pay into the housing provident fund for workers as per local law.

#### Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Social Insurance Contribution Base Notice of Kunshan City (2013) No.11; Regulation on the Housing Provident Fund Management (2002), Article 15; Regulation on the Housing Provident Fund Management in Suzhou (2006), Article 8; FLA Workplace Code (Employment Relationship Benchmark ER.18 and ER.22; Compensation Benchmarks C.1 and C.17.1.3)

#### Root Causes

1. The employer considers the contributions to social insurance and housing provident fund financially burdensome.
2. The Chinese social insurance system is under development; subsequently, the process of transferring insurance between provinces is still complicated. More than 95% of employees are migrant workers. However, they are not provided adequate support and assurance from either the local government or their employer regarding the transfer of their pension funds back to their hometowns. As a result, most workers prefer to receive a higher disposable income now, instead of receiving the long-term benefits associated with social insurance; therefore, they opt to either contribute partially to social insurance or not at all.
3. Local governments have not been effectively monitoring or enforcing compliance with social insurance laws.

## COMPANY ACTION PLANS

1. 1 Provide training about social insurance for all the workers and the management. Put up the posters about social insurance and popularize relevant knowledge.

2 100% of the employees in this factory are migrant workers and most of them have joined the agricultural insurance in the hometown, so they are not willing to join the social insurance. The factory has formulated a 4-year insurance plan. According to the plan, the rate of joining insurance will reach 25% at the end of 2014, 50% at the end of 2015, 75% at the end of 2016, and 100% at the end of 2017.

The HR manager of HQ is responsible for the improvement of the 4-year insurance plan. The factory manager is responsible for implementing the plan. Every year, the HR department will check the performance according to the plan before December every year. The company will conduct CSR internal audit every year and track the insurance performance.

3 At present, there is no action plan to address housing fund issue.

**Action plan status:** In Progress

**Planned completion date:** 12/31/17

**Progress update:** 06/19/15 : The factory has provided training about social insurance for all the workers and the management. Put up the posters about social insurance and popularize relevant knowledge.

## FINDING NO.3

## COMPENSATION

### FINDING TYPE: Sustainable Improvement Required

## Finding Explanation

1. The factory did not make a reasonable effort to ensure that workers understand the incentive systems and bonuses they are entitled to. For instance:
  - a) For workers in the cutting positions, it was found during the review process of workers' performance bonuses that supervisors have the right to determine how much of a bonus workers can receive. Supervisors claimed that workers were given bonuses based on their production performance (e.g., quality), but no written criteria and performance records were utilized in the review process. Based on interviews, workers are not aware of how their bonuses were calculated.
  - b) For workers in the sewing positions, although there is bonus criteria related to workers' output, most employees were not knowledgeable about the actual rules.
2. The factory does not take workers' external seniority (previous job experience prior to employment at the factory) into account when calculating annual leave. The factory's benefits policy is missing this component and the workers lack awareness on this fringe benefit.

## Local Law or Code Requirement

Implementation Measures of Employees' Paid Annual Leave (2008), Articles 4 and 5; FLA Workplace Code (Employment Relationship Benchmarks ER.16.1 and ER.22.1; Hours of Work Benchmark HOW.11; Compensation Benchmarks C.1 and C.17)

## Root Causes

1. Supervisors are granted strong authority on bonus allocation and deduction without a systematic oversight mechanism and performance evaluation criteria.
2. The factory thinks of the current approach as a more efficient way of incentivizing the workforce and finds establishing a detailed procedure cumbersome.
3. Management considers full compliance with annual leave laws disruptive to production planning and financially burdensome.

## **COMPANY ACTION PLANS**

1. 1. The company will redefine a clear written criterion on the performance bonus calculation for cutting position and provide training for workers and the management.
2. Enhance the training on wages and performance bonus calculation in the new employee orientation training.
3. Enhance the training on paid annual leave for all workers.
- 4 The employees are required to provide previous job experience on the Employees' Information Registration Sheet when they enter the factory.If they provide, the factory will admit their external seniority and calculate the days of paid annual leave according this.
5. The company conduct annual CSR internal audit and track the performance.

**Action plan status:** Completed

**Planned completion date:** 11/24/14

**Progress update:** 06/19/15 : 1. The company has redefined a clear written criterion on the performance bonus calculation for cutting position and provided training for workers and the management. 2. The factory has enhanced the training on wages and performance bonus calculation in the new employee orientation training. 3. The factory has enhanced the training on paid annual leave for all workers. 4 The employees are required to provide previous job experience on the Employees' Information Registration Sheet when they enter the factory.If they provide, the factory will admit their external seniority and calculate the days of paid annual leave according this.

**Completion date:** 11/24/14

## **FINDING NO.4**

## **HOURS OF WORK**

**FINDING TYPE:** Immediate Action Required

## Finding Explanation

1. The factory's hours of work arrangement requires workers to work 12 days consecutively and then take 2 days off ("12+2" module). As a result:
  - a) workers do not receive at least 24 consecutive hours of rest in every 7-day period;
  - b) weekly hours exceed 60 hours, reaching up to 70 hours;
  - c) between February 2014 and July 2014, monthly overtime exceeded 36 hours, with most workers averaging 80 hours of overtime per month. The highest monthly overtime recorded was 92 hours in June 2014.
  - d) (Note: Workers receive the overtime premium rate for work performed on the 7<sup>th</sup> day.)
2. The employee handbook and orientation training materials do not cover hours of work. During orientation training, workers were only informed of their work shifts; they were not informed of the legal requirements regarding hours of work.

### **Local Law or Code Requirement**

Labor Law of PRC (1995), Articles 38 and 41 and FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1.3 and HOW.2; Forced Labor Benchmark F.7.5)

### **Root Causes**

1. The factory's production planning requires excessive overtime and 12 consecutive working days.
2. This system has been used for several years; many workers are comfortable with this arrangement because they prefer 2-day weekends.
3. Since workers' basic wages are low, most of them rely on overtime premiums to earn more income; workers receive the overtime premium rate for work performed on the 7<sup>th</sup> day as part of the "12+2" arrangement.
4. The factory does not include the legal limits of hours of work in the orientation training for 2 reasons: a) the current practice is in breach of local law and b) to avoid potential objections from employees.

### **Recommendations for Immediate Action**

1. Ensure that workers have at least 1 day-off in every 7-day period and that the weekly hours do not exceed 60 hours as consistent with the FLA Workplace Code and Benchmarks.

## **COMPANY ACTION PLANS**

1. The factory has already abolished the former "12+2" module and changed to 1 day-off in every 7-day period after the National Day in 2014.
2. Reasonably arrange the orders and production plans. Conduct irregular supervision on the overtime working condition at the factory.
3. To revise the current materials of new employee orientation training and start to implement from 28 Feb. 2015.
4. The company conduct annual CSR internal audit and track the performance.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	10/06/14
<b>Progress update:</b>	06/19/15 : 1. The factory has already abolished the former "12+2" module and changed to 1 day-off in every 7-day period since 6th Oct 2014. 2. The factory has arranged the orders and production plans reasonably . Irregular supervision on the overtime working condition has been conducted at the factory. 3.The current materials of new employee orientation training have been revised and have implemented since 28 Feb. 2015.
<b>Completion date:</b>	10/06/14

## **FINDING NO.5**

### **INDUSTRIAL RELATIONS**

#### **FINDING TYPE: Sustainable Improvement Required**

#### **Finding Explanation**

1. Management occupied all of the Trade Union Committee member positions, including that of the trade union chairman. The

trade union chairman is the corporate Environmental, Health and Safety (EHS) manager from headquarters, instead of the factory. Based on interviews, workers are not aware of the union chairman and the union election. Additionally, there are no union representatives at the factory.

2. Workers are not provided with copies of the collective bargaining agreement (CBA). However, this document is posted around the factory.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.12)

### **Root Causes**

1. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the 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.
2. Management is aware of the FLA benchmark on CBAs and has posted the CBA throughout the factory. However, management finds it resource intensive to provide all employees with copies of the CBA. Additionally, management is not legally required to provide workers with a copy of the CBA.

## **COMPANY ACTION PLANS**

1. Before electing worker's representative of the Union, notice will be posted in the bulletin of the factory, informing the workers they have the right to elect themselves or someone of their coworkers as the workers representatives.
2. It is the marginal election. Workers elect their representatives in their working team.
3. The representatives shall include workers, technicians and factory management personnel.
4. The elected worker representatives will elect the workers' committee members.
5. The workers' committee members list will be posted at public bulletin for a week. If there's not any dissent made, the name list is effective.
6. HR department will provide the training of the rights, obligations and the election procedure of Labour Union to the workers once per year.
7. The current labor union in Kunshan factory was established in 2013 and the tenure is five years. In 2018 the union will revise the election procedure according to FLA's requests.

**Action plan status:** In Progress

**Planned completion date:** 02/24/15

**Progress update:** 06/19/15 : 1. The election procedure mentioned in the action plan is the one that all the factories of Chenfeng Group are implementing currently. 2. HR department has planned to provide the training of the rights, obligations and the election procedure of Labour Union to the workers once per year.

## **FINDING NO.6**

### **GRIEVANCE SYSTEM**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. Employees are only aware of the reporting channel (and contact information, where applicable) to use to lodge grievances, but not the procedure in its entirety (e.g., the timeline and the feedback mechanism for the handling of the grievance.) The

grievance procedure is written and kept on file by management. However, this document is not posted around the factory or communicated through other means. As a result, workers are not fully informed on factory's grievance procedures.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relations Benchmarks ER.16 and ER.25.3.2)

### **Root Causes**

1. Workers and line supervisors settled many grievances directly and verbally; therefore, management thought it would be enough to inform workers on different reporting channels without communicating the entire grievance procedure.

## **COMPANY ACTION PLANS**

1. Post current grievance procedure at the factory.
2. Conduct training on current grievance procedure for all workers twice a year.
3. Provide regular training for the HR staff, supervisors and so on.
4. The company conduct annual CSR internal audit and track the performance.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	11/24/14
<b>Progress update:</b>	06/19/15 : 1. The factory has posted current grievance procedure at the workplace. 2. The factory has conduct training on current grievance procedure for all workers. 3. The factory has provide regular training for the HR staff, supervisors and so on.
<b>Completion date:</b>	11/24/14

## **FINDING NO.7**

### **ENVIRONMENTAL PROTECTION**

#### **FINDING TYPE: Sustainable Improvement Required**

#### **Finding Explanation**

1. Emissions from the boilers and kitchen have not been tested; therefore, it is not possible to verify that their air emission quality meets legal limits.
2. The factory has not maintained hazardous waste disposal records for disposing of rags contaminated by hazardous chemicals, toner cartridges, fluorescent tubes, waste chemicals, etc.
3. According to the factory's Environmental Impact Assessment (EIA), sanitary wastewater is discharged to surface water after treatment. However, according to a recent statement from the local Environmental Protection Office (town-level), sanitary wastewater is discharged through a municipal pipe. Additionally, the factory has no test report for sanitary wastewater. The inconsistency between the official documents and the lack of a test report make it impossible to verify if the wastewater discharge is in compliance with the legal requirement.
4. According to the factory's procedure on chemical waste management, chemical waste containers are required to be disposed of by either suppliers or recycling. However, according to legal requirements, this type of waste is to be disposed by an authorized handler.

### **Local Law or Code Requirement**

Water Pollution Prevention and Control Law of the PRC (2008), Articles 21 and 22; Law of Environmental Protection, PRC, Article 26; Law on Prevention and Control of Environmental Pollution by Solid Wastes (2004), Article 59; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

### **Root Causes**

1. Management is not familiar with local legislation or regulations.
2. The factory does not have an effective system to track historical information regarding the wastewater discharge facility.
3. There is insufficient and outdated internal monitoring on environmental protection matters and document review.
4. The local government does not strictly enforce environmental protection.
- 5.

## COMPANY ACTION PLANS

1. Contact the environmental monitoring institution and apply for a quality test for the sanitary wastewater and the emissions from the boilers of the factory.
2. Obtain the test report of the boiler emissions, and then apply for pollutant discharging permission from the local environmental protection bureau.  
This year, the factory will monitor and test the air emission of kitchen, and ensure to reach the standard.
3. Sign a recycling agreement of hazardous waste with an authorized handler and the hazardous waste will be disposed together in compliance when collected to a certain number.
4. Obtain the test report of the wastewater and waste air, and then apply for pollutant discharging permission from the local environmental protection bureau.
5. The corporate HSE department enhance the document review mechanism and conducted training for the factory level HSE staff to implement strictly according to the corporate environment protection policies and procedures.
7. The factory enhance the internal inspection on all the environmental risks in the factory and formulate corresponding preventive plans.
8. The corporate HSE department conduct training for the factory level HSE staff to increase their awareness and knowledge on environmental risks and protection matters.

**Action plan status:** Completed

**Planned completion date:** 01/24/15

**Progress update:** 06/19/15 : 1. The factory is applying for a quality test, and the environmental monitoring institution is planning to conduct a quality test for the sanitary wastewater of the factory. 2. The factory is applying for a quality test, and the environmental monitoring institution is planning to conduct a quality test for the emissions from the boilers of the factory. The factory has monitored and tested the air emission of kitchen to reach the standard. 3. The factory plan to obtain the test report of the boiler emissions at first, and then apply for pollutant discharging permission from the local environmental protection bureau. 4. The company has signed a recycling agreement of hazardous waste with an authorized handler and the hazardous waste will be disposed together in compliance when collected to a certain number. 5. After obtaining the test report of the wastewater and waste air, the factory will apply for pollutant discharging permission from the local environmental protection bureau. 6. The corporate HSE department has enhanced the document review mechanism and conducted training for the factory level HSE staff. The factory level HSE staff is required to implement strictly according to the corporate environment protection policies and procedures. 7. The factory has enhanced the internal inspection on all the environmental risks in the factory and controlled the most serious ones. The factory has also formulated corresponding preventive plans. 8. The corporate HSE department has conducted training for the factory level HSE staff to increase their awareness and knowledge on environmental risks and protection matters.

**Completion date:** 01/24/15

## FINDING NO.8

### HEALTH AND SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. There is no annual inspection conducted by an authorized institution on the fire fighting equipment.
2. There is no emergency light in the fabric warehouse on the first floor.
3. The width of 3 emergency evacuation paths is too narrow in the sewing line area on the second floor of the production building.
4. The emergency assembly area between the 2 production buildings is not located within a safe distance of the production building.

##### Local Law or Code Requirement

PRC Fire Protection Law (1998) Amendment (2009) Article 16; Code of Design on Building Fire Protection and Prevention GB50016-2006 Articles 5.3.14, 11.3.4, and 5.3.1; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5.1

and 5.3)

### **Root Causes**

1. Conducting an annual inspection by the authorized institution for fire fighting equipment is considered costly by management.
2. The internal monitoring is not sufficient or conducted strictly, as headquarter-level EHS staff has irregularly implemented the monitoring.
3. The layout of the sewing lines has been in place for a long time; management considers it too cumbersome to rearrange them.
4. The factory-level EHS staff has insufficient knowledge of the evacuation assembly area requirements.

### **Recommendations for Immediate Action**

1. Seek an authorized institution to conduct an inspection of the firefighting equipment.
2. Install an emergency light in the fabric warehouse on the first floor.
3. Make sure the width of 3 emergency evacuation paths is in line with legal requirements.
4. Reposition the emergency assembly to an area that is a safe distance from the production building.

## **COMPANY ACTION PLANS**

1. Contact an authorized institution to conduct an inspection of the firefighting equipment in the factory.
2. The emergency light in the fabric warehouse on the first floor has already been installed.
3. The box for semi-finished clothing beside the pillar at the emergency evacuation path has already been removed. The width of three emergency evacuation paths has been in line with legal requirements.
4. The emergency assembly has been repositioned to the basketball court which is a safe distance from the production building.
5. The authorized institution has conducted an inspection of the firefighting equipment in the factory this year.

**Action plan status:** Completed

**Planned completion date:** 12/31/14

**Progress update:** 06/19/15 : 1. The factory is contacting authorized institution to conduct an inspection of the firefighting equipment in the factory. 2. The emergency light in the fabric warehouse on the first floor has already been installed. 3. The box for semi-finished clothing beside the pillar at the emergency evacuation path has already been removed. The width of three emergency evacuation paths has been in line with legal requirements. 4. The emergency assembly has been repositioned to the basketball court which is a safe distance from the production building. 5. The authorized institution has conducted an inspection of the firefighting equipment in the factory this year.

**Completion date:** 12/31/14

## **FINDING NO.9**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. There are no first aid kits in the dormitory.
2. Food samples were not kept for 48 hours, as per local requirement.
3. The factory did not maintain any illness records.

#### **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 and Environment Benchmarks HSE.3.2, HSE.22.1, and HSE.25.1.1)

#### **Root Causes**

1. The internal monitoring of first-aid kits was not well implemented.
2. The canteen staff was not trained on the food-sampling procedures.

3. The factory lacks the awareness that maintaining and analyzing illness records would help with identifying preventive measures.

### **Recommendations for Immediate Action**

1. Provide first-aid kits in the dormitory.
2. Keep food samples for 48 hours.

## **COMPANY ACTION PLANS**

1. Provide first-aid kit in the dormitory.
2. Keep the food samples in the canteen for 48 hours. Provide trainings about laws and regulations of dietetic hygiene for the canteen staff and relevant factory administrators. Monitor the implementation of the food sampling procedures to ensure dietetic safety.
3. Start to maintain the illness records of workers and conduct annual analysis and summary.

**Action plan status:** Completed

**Planned completion date:** 11/24/14

**Progress update:** 06/19/15 : 1. The factory has provided first-aid kit in the dormitory. 2. The food samples in the canteen have been kept for 48 hours according to the standard. Trainings about laws and regulations of dietetic hygiene have been conducted for the canteen staff and relevant factory administrators. Monitoring on the implementation of the food sampling procedures has been enhanced to ensure dietetic safety. 3. The factory now start to maintain the illness records of workers and conduct annual analysis and summary.

**Completion date:** 11/24/14

## **FINDING NO.10**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. Not all the workers who need personal protection equipment (PPE) have been provided with it. For example, safety belts have not been provided for electricians and maintenance staff. There is insufficient PPE (e.g., lack of protective goggles) in the hazardous waste and chemical storage room.
2. There was no ventilation in the hazardous waste and chemical storage room. Hazardous wastes and chemicals are not labeled.
3. Based on the physical observation, standard operating procedures (SOP) and safety instructions are not in place at most of the workstations.
- 4.

#### **Local Law or Code Requirement**

Law of Prevention and Control of Occupational Diseases, Article 23; Code of Practice for Selection of PPE GB11651-2008, Article 6.1, Sheet 3, A09 and A14; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.7, HSE.9.1, HSE.13, and HSE.14.3)

#### **Root Causes**

1. Management has not been aware of the importance of risk in the auxiliary departments of maintenance, electric, and storage.
2. HSE staff at the factory-level lack knowledge and expertise on this topic.
3. The factory was under the impression that their machines for garment production had a low safety risk. Since the operators had been trained, the factory did not see the need to post SOPs or safety instructions near machinery.

### **Recommendations for Immediate Action**

1. Provide suitable and adequate PPE for workers exposed to hazards (safety belts for electricians and maintenance staff; protective goggles for workers who work in the hazardous waste and chemical storage room).
2. Install a ventilation system in the hazardous waste and chemical storage room.
3. Label and segregate different hazardous waste and chemicals.
4. Post SOPs and safety instructions near machinery where needed.

## COMPANY ACTION PLANS

1. Provide safety belts for the electricians and maintenance staff. Provide acid proofing gloves, aprons, and protective goggles in the chemical storage room. Conducted training for factory HSE staff to improve their ability of recognizing HSE risks.
2. Hazardous chemicals are not involved in the factory. Relevant staff will be responsible for opening the windows in the chemical storage room regularly to make sure air can flow and be fresh.
3. Label and segregate different hazardous waste and chemicals.
4. Post SOPs and safety instructions near machineries where needed.

**Action plan status:** Completed

**Planned completion date:** 11/24/14

**Progress update:** 06/19/15 : 1. Safety belts have been provided for the electricians and maintenance staff. Acid proofing gloves, aprons, and protective goggles have been equipped in the chemical storage room. The corporate HSE department has conducted training for factory HSE staff to improve their ability of recognizing HSE risks. The HSE staff has improved abilities of recognizing the environmental and OHS risks and improved protecting abilities. 2. Hazardous chemicals are not involved in the factory. Relevant staff will be responsible for opening the windows in the chemical storage room regularly to make sure air can flow and be fresh. 3. The factory has labeled and segregated different hazardous waste and chemicals. 4. The factory has posted SOPs and safety instructions near machineries where needed.

**Completion date:** 11/24/14

## FINDING NO.11

### TRAINING

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory's orientation training does not include freedom of association. In addition, there is no ongoing training or communication for any of the Employment Functions.
2. There is no supervisor training on the: a) existing policies or procedures; b) national law; and c) the FLA Workplace Code and Benchmarks.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16, ER.17, and ER.27.2)

##### Root Causes

1. There is no mechanism to balance production needs with training needs.
2. Currently, most training is delivered by headquarters, instead of by factory staff.
3. Training for supervisors is mainly focused on production rather than social compliance. The factory does not fully recognize the benefits of supervisor training on social compliance; therefore, they do not allocate enough resources to it.

## COMPANY ACTION PLANS

1. Add in Employment Functions and Freedom of Association in the orientation training.
2. Integrate supervisor training into the training program, including existing policies and procedures, FLA Workplace Code and

Benchmarks, and relevant national laws.

3. The company will conduct annual CSR internal audit and track the performance.

**Action plan status:** Completed

**Planned completion date:** 11/24/14

**Progress update:** 06/19/15 : 1. The factory has added in Employment Functions and Freedom of Association in the orientation training. 2. The factory has integrated relevant training into the training program.

**Completion date:** 11/24/14

## FINDING NO.12

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. None of the chairs in the production areas have proper backrests to support workers' lower backs.

##### Local Law or Code Requirement

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

##### Root Causes

1. Management has basic awareness of the benefits of ergonomic improvements; however, it is reluctant to implement ergonomic improvements due to cost implications.

### COMPANY ACTION PLANS

1. Conduct an ergonomics risk analysis for the factory.
2. Conduct training about ergonomics for the workers.
3. Ergonomically-designed chairs are planned to be provided for workers in the later half year of 2015.

**Action plan status:** In Progress

**Planned completion date:** 12/31/15

**Progress update:** 06/19/15 : 1. HSE staff has conducted an ergonomics risk analysis for the factory, finding that ergonomic risks exist in some posts in packaging, loading and unloading area. The chairs for the workers also can't meet the requirement of ergonomics. 2. The factory HSE staff have conducted training about ergonomics for the workers in packaging area and finished goods warehouse. (Handling postures, Standards of body's weight load and so on ) 3. Ergonomically-designed chairs are planned to be provided for workers in the first half year of 2015.