



COMPANY: **Apple, Inc.**
COUNTRY: **China**
ASSESSMENT DATE: **08/05/13**
MONITOR: **Openview Service Limited**
PRODUCTS: **Electronics [of all types, including software and other content]**
PROCESSES: **Other**
NUMBER OF WORKERS: **31706**
NUMBER OF WORKERS INTERVIEWED: **389**
ASSESSMENT NUMBER: **AA0000000311**

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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.

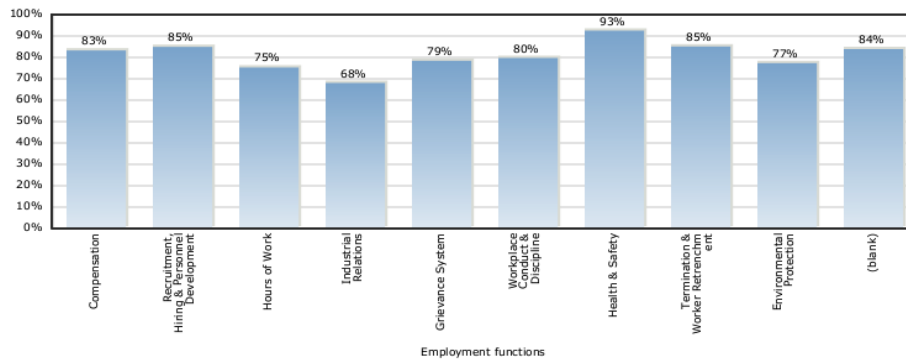
Factory Profile

Limitations on Physical Access to Some Production Areas: The assessment team checked all FLA-affiliated company production areas (Buildings F4, F5, and F7), except for the sections mentioned below. Due to Apple's new and ongoing product development, Apple restricted the FLA assessment team's access in certain areas (mentioned below). As a result of these restrictions, this report does not cover any observations/findings/recommendations for these restricted areas. Restricted areas and their percentages: Building F4: 10% of 1st floor, 8% of 3rd floor Building F5: 6% of 1st floor, 5% of 2nd floor, 12% of 3rd floor, and 12% of 4th floor Building F7: 40% of 3rd floor Total: 6% of total production areas

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.

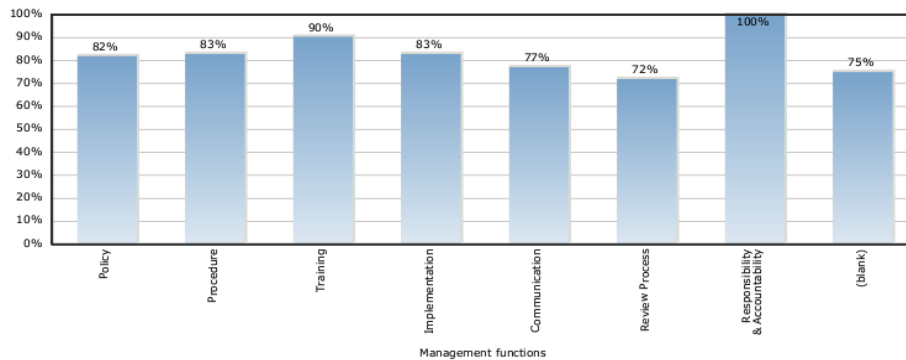
Average Score



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.

Average Score



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	Aggregate Score
Policy	90%	63.64%	66.67%	50%	66.67%	41.67%	90.91%	87.5%	85.71%	71.42%
Procedure	94.47%	81.82%	57.5%	32.35%	56.25%	61.11%	100%	99.73%	63.64%	71.87%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	50%	33.33%	66.67%	66.67%	25%	75%	50%	75%	100%	60.19%
Training	85.6%	95.93%	92.31%	81.25%	90%	97.37%	95%	95.68%	93.75%	91.88%
Implementation	84.44%	83.11%	72.22%	65.38%	83.33%	81.82%	63.46%	91.86%	69.69%	77.26%
Communication	83.33%	90%	55%	50%	75%	100%	80%	82.5%	50%	73.98%
Aggregate Score	83.98%	78.26%	72.91%	63.66%	70.89%	79.57%	82.77%	90.32%	80.4%	

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 Voluntary Wage Deductions
Child Labor	1	Young Workers Identification System
Employment Relationship	15	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication General/Documentation and Inspection 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/Training Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures Recruitment and Hiring/Employment Agency Recruitment Practices Recruitment and Hiring/Employers Agreement with Employment Agencies
Forced Labor	1	Freedom in Employment
Freedom of Association and Collective Bargaining	8	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 Facilities for Worker Representatives Right to Collective Bargaining/Good Faith
Harassment and Abuse	3	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties Discipline/Verbal Abuse
Hours of Work	5	General Compliance Hours of Work Annual Leave Rest Day Forced Overtime/Exceptional Circumstances Exceptional Circumstance/Overtime Explanation
Health, Safety and Environment	4	General Compliance Health, Safety, and Environment Machinery Safety, Maintenance and Workers Training Use of Personal Protective Equipment Chemical Management and Training

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The job application form includes a question regarding marital status, which might lead to discrimination during the recruitment process.
2. Currently, only one disabled worker works in the factory; in lieu of employing disabled workers, management contributes to the employment security fund. Per local law, disabled workers should constitute 1.5% of the total workforce.

Local Law or Code Requirement

FLA Workplace Code (Nondiscrimination Benchmarks ND.2 and ND.4; Employment Relationship Benchmarks ER.1 and ER.3)

Root Causes

1. While these practices are in line with local law and regulations, they are in violation of FLA standards.
2. Regulations on the Employment of Persons with Disabilities, Article 9 allows employers to contribute to the employment

- security fund in lieu of hiring disabled workers.
- 3. The internal monitoring system does not provide in-depth controls for checking on possible quality issues in Recruitment, Hiring & Personnel Development documentation.
- 4. Management lacks awareness that some types of personal information requested on job application forms can lead to discrimination.
- 5. 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.
- 6. These issues have not been brought to the attention of factory management during external audits.

Recommendations for Immediate Action

- 1. Factory management should remove any questions pertaining to marital status from its current job application form.

COMPANY ACTION PLANS

1. Immediate Action: HR is to revise the job application form and indicate that "marital status" and "blood type" should only be filled out after one's employment contract has been signed. Sustainable Action: 1. HR instructed all applicants to fill out "marital status" and "blood type" of the job application form after the employment. 2. HR updated the recruitment process. Employees do not need to fill out these 2 questions before interviewing. They can answer the 2 questions after signing contracts. 3. Communicate the updated recruitment process to HR and labor agents and train them accordingly. 4. HR team has been monitoring the on-site recruitment process and regularly check related documentation. 5. This topic is included in CSR's internal audit. Planned the audit in September.

Action plan status: Planned

Planned completion date: 07/31/14

2. Immediate Action: 1. Define the special recruitment policy for disabled workers. 2. Try to clearly define the position requirements in terms of a worker's ability. Sustainable Action: 1. QSMC is to align to the Supplier Code of Conduct (COC) and the supporting guidelines in FLA's Workplace Code and Benchmarks in terms of disabled worker recruitment. 2. Enhance the internal monitoring system to provide in-depth controls for checking on possible quality issues in Recruitment, Hiring & Personnel Development documentation. 3. Engage Health, Safety, and Environment (HSE) team to identify the possible positions that are suitable for disabled workers. 4. Provide trainings to HR and supervisors on the updated COC and policies.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.2

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

The following issues were observed with respect to workers hired via labor agencies (labor dispatch companies):

- 1. Although approximately the two-thirds of the total workforce was hired via labor agencies and has been widely assigned throughout the production lines, it was observed that management did not distinguish between regular job positions and temporary, auxiliary or substitute job positions; therefore, most agency (dispatch) workers are currently working in regular positions alongside permanent workers.
- 2. Some of the interviewed workers reported that they are vocational school students. However, the factory does not have a system to identify these students and regulate their working hours and conditions with respect to legal requirements.
- 3. 80% of interviewed workers reported that they had been charged a hiring fee by brokers or labor dispatch agents; 30% of interviewed dispatch workers did not know whether or not labor dispatch companies paid for their social insurance during their probation period.
- 4. Several workers from the factory's different material suppliers were observed on FLA-affiliated company's production lines. They wear different uniforms and provide support for production; however, there is no system in place to control the employment relationship that these workers have with the factory.
- 5. Some non-production related operations like cleaning, meal service, and waste handling have been outsourced to external service providers; however, there is currently no system in place to monitor the working conditions of the contract workers who work for these service providers.

Local Law or Code Requirement

China Labor Contract Law, Article 66; FLA Workplace Code (Employment Relationship Benchmarks ER.6 and ER.13)

Root Causes

1. Increased use of agency (dispatch) workers has become an endemic phenomenon across China due, in part, to the absence of a clearly defined limitation on the number of dispatch workers that can be employed by factories. Although some of the liabilities have been passed onto employers as a result of amendments to China Labor Contract Law regarding dispatch worker use, there are still ambiguities in the legal framework. For example, there was a recent attempt to impose a limit on the maximum share of dispatch workers in the total workforce for a given employment unit, but it has not come into effect.
2. The amendments to China Labor Contract Law only came into force July 1, 2013, meaning that many employers are either unaware of the change or have not had time to bring their internal procedures in line with these amendments. Also, local authorities lack the resources to monitor and enforce the new requirements.
3. By employing dispatch workers, employers can bypass many of the obligations involved in recruiting regular workers, e.g., severance payment, social insurance, bonuses/allowances. Employers usually prefer to use dispatch workers because it enhances flexibility and is cost effective. Due to uncertainties in their production schedules (e.g., changes in deadlines/order quantities, delays in raw material arrival) employers often resort to using dispatch workers to adjust for fluctuations in production volume.
4. As the factory is not the direct employer of these dispatch workers, management believes that all issues associated with the working conditions of such workers are the sole responsibility of the labor agencies.
5. As is the case with dispatch workers, management believes that issues regarding the employment conditions of workers hired through the subcontractor or the contractor companies are not their concern, since the factory is not actual employer of these workers.
6. Due to the absence of a periodic review process, there is a lack of knowledge regarding amendments and updates to laws and regulations.
7. It appears that the factory lacks systems to manage and control the working conditions of workers from five different labor dispatch companies, subcontractor, and contractor companies.

Recommendations for Immediate Action

1. Factory management should immediately send a formal notification to its labor agencies that clearly states that all fees associated with the recruitment of workers are prohibited.

COMPANY ACTION PLANS

1. Immediate Action: 1. Inquire with the local labor bureau regarding the definitions of the criteria for the three categories of positions (temporary, replaceable, assistant). 2. Revise the recruitment plan to align with the defined dispatch positions to meet the set limit of dispatch workers that can be recruited. 3. Increase and develop new channels of recruiting workers to meet production needs. Sustainable Action: 1. Align the recruitment policy with the updated dispatch law. 2. The current focus is the definition of the existing period and adjustments related to legal updates. 3. Set up a monthly channel of inquiry with the labor bureau. 4. Management should define a complete job description for all job positions throughout the production lines. The nature of the regular, temporary, auxiliary or substitute job positions shall be clearly identified in accordance with legal requirements. Furthermore, remuneration policy for dispatch workers should be reviewed to ensure that dispatch workers who do the same work as regular workers receive the same remuneration (not only the basic salary, but also bonuses, subsidies, and allowances, etc.). 5. QSMC has been included in the Apple process for controlling the use of dispatch workers aiming to comply to applicable laws at the time the window period closes.

Action plan status: Planned

Planned completion date: 02/28/16

2. Immediate Action: 1. HR is to notify all labor dispatch companies that they are not to illegally charge any worker and increase their monitoring of recruitment practices. 2. Conduct a survey regarding agent discharge fees during worker interviews at the time of hire. Workers need to confirm in writing whether or not agents charged them fees. 3. Ensure labor agents have paid social insurance for all workers in full. Inform dispatch workers on their social insurance enrollment. Request labor agents to enhance their communication to workers regarding all benefits they are entitled to. Inform workers of these benefits and the payroll information, so that they can understand them. Sustainable Action: 1. Factory is to revise its workplace standards, recruitment policy, and supporting procedures to make sure that there are no fees associated with the recruitment of workers, including both dispatch and subcontractor workers. 2. Factory should update its procedures on the management of labor dispatch companies, subcontractor, and contractor companies. Updated procedures should include at least the points listed below: a) Timely and full provision of social insurance schemes; b) Timely payments of social security premiums; c) Timely and full compensation; d) No hiring fees and/or deductions associated with recruitment procedures; e) Identification of interns/vocational students; f) That minimum registered capital requirements are met for dispatch worker agencies; g) That registration and business licenses for dispatch worker agencies, subcontractors, and contractors are valid. 3. Optimize the HR and CSR resources to ensure the full implementation of updated standards and regular management to labor agents.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : No students or student workers are employed in the facility. 1. Factory revised its workplace standards, recruitment policy, and supporting procedures to make sure that there are no fees associated with the recruitment of workers, including both dispatch and subcontractor workers. 2. Factory updated its procedures on the management of labor dispatch companies, subcontractor, and contractor companies. Updated procedures including the points listed below: a) Timely and full provision of social insurance schemes; b) Timely payments of social security premiums; c) Timely and full compensation; d) No hiring fees and/or deductions associated with recruitment procedures; e) Identification of interns/vocational students; f) That minimum registered capital requirements are met for dispatch worker agencies; g) That registration and business licenses for dispatch worker agencies, subcontractors, and contractors are valid. 3. Restructured and optimized the HR and CSR resources. More resources allocated to ensure the full implementation of updated standards and regular management to labor agents.

3. Immediate Action: 1. Refine and implement subcontractor identification procedures. 2. Define the liability and risk management scope of both QSMC and subcontractor. Sustainable Action: Get aligned with FLA standards on the management of this category of workers, and the development of management systems as follows: 1. Develop subcontractor management procedures. 2. Implement the subcontractor identification procedures, which include the identification of the company name, the nature of the work, and the duration of the work. 3. Implement on-site management procedures for subcontractors. Assign responsible staff members to be in charge of on-site subcontractor management. 4. Develop and deliver trainings to all on-site subcontractors and their employees. 5. Regular on-site observation and sample monitoring. Set up a grievance channel to receive reports on any risks or noncompliances.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : 1. Developed subcontractor management procedures. 2. Implemented the subcontractor identification procedures, including the identification of company name, nature/condition of work, and duration of work. 3. Implemented on-site management procedures for subcontractors. Assigned responsible staff members to be in charge of on-site subcontractor management. 4. Developed and delivered trainings to all on-site subcontractor and its employees. 5. Conducted regular on-site observation and sample monitoring. Set up grievance channel to receive report on risks or noncompliance.

4. Immediate Action: 1. Set up the working condition monitoring process for non-production subcontractors. 2. Assign responsible staff the duty of monitoring. Sustainable Action: Get aligned with FLA standards on the management of this category of workers and the development of management system as follows: 1. Develop subcontractor management procedures. 2. Implement the subcontractor identification procedures, including the identification of company name, the nature of the work, and the duration of the work. 3. Implement on-site management procedures for subcontractors. Assign staff members responsible for on-site subcontractor management. 4. Develop and deliver trainings for all on-site subcontractors and their employees. 5. Regular on-site observation and sample monitoring. Set up a grievance channel to receive reports on any risks or noncompliances.

Action plan status: Planned

Planned completion date: 12/31/14

5. Sustainable Action: 1. Factory is to update its procedures on the management of labor dispatch companies, subcontractor, and contractor companies. Updated procedures should include at least the points listed below: a) Timely and full provision of social insurance schemes; b) Timely payments of social security premiums; c) Timely and full compensation; d) No hiring fees and/or deductions associated with recruitment procedures; e) Identification of interns/vocational students; f) That minimum registered capital requirements are met for dispatch worker agencies; g) That registration and business licenses for dispatch worker agencies, subcontractors, and contractors are valid. 2. Optimize HR and CSR resources to ensure the full implementation of updated standards and regular management to labor agents.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : 1. Communication with labor agents' owner on the updated policy. 2. Conduct site monitoring of agent recruitment. 3. Provide survey paper to newly employed workers. 1. Factory updated its procedures on the management of labor dispatch companies, subcontractor, and contractor companies. Updated procedures included the points listed below: a) Timely and full provision of social insurance schemes; b) Timely payments of social security premiums; c) Timely and full compensation; d) No hiring fees and/or deductions associated with recruitment procedures; e) Identification of interns/vocational students; f) That minimum registered capital requirements are met for dispatch worker agencies; g) That registration and business licenses for dispatch worker agencies, subcontractors, and contractors are valid. 2. Restructured and optimized the HR and CSR resources. More resources allocated to ensure the full implementation of updated standards and regular management to labor agents.

FINDING NO.3

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Although 2,575 young workers (between 16 and 18 years of age) had general health examinations in early July 2013 and management has provided related documentation, it was observed that there is no tracking system in place to ensure that young workers' health examinations are performed on a timely basis.

Local Law or Code Requirement

Circular of the Ministry of Labor on Issuing the Provision on Special Protection for Juvenile Workers, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.14; Child Labor Benchmark CL.6)

Root Causes

1. There is a lack of detailed written procedures on Recruitment, Hiring & Personnel Development in general and on managing and tracking the young workers in particular. Although there is a Health & Safety policy and a supporting procedure in place, there is no reference to initial health checks at the time of hire.
2. This issue has not been brought to the attention of factory management during previous external audits.
3. Due to the absence of a periodic review process, there is a lack of knowledge regarding updates to laws and regulations.
4. There is an absence of an effective internal monitoring process.
5. The factory's current HR resources are insufficient to manage and control young workers' health examinations on a regular basis.
6. Management lacks awareness of FLA Workplace Code and Benchmarks.
7. The H&S Committee is not active and, due to the absence of elected worker representatives, there is no active worker participation.
8. There is a lack of cooperation/coordination between HR and EHS departments in vital areas, such as written procedures for Recruitment, Hiring & Personnel Development.

Recommendations for Immediate Action

1. To ensure young workers' health examinations are conducted within the legally required timeframe, management should review the health examination status of all current young workers and conduct examinations for those whose examinations are overdue.

COMPANY ACTION PLANS

1. Immediate Action: Set up tracking system to monitor the health exam progress. Juvenile workers are to be identified in the system and monthly notifications are to be sent out to the staff responsible for the name list, which includes everyone who is entitled to the health exams in the current month. Sustainable Action: 1. Update policy that all employed juvenile workers are to arrange health exams with either facility or dispatch company depending on the recruitment channel. Ensure all juvenile workers have arranged health exams on a timely basis. 2. Set up a monitoring process of juvenile workers' health exam status, including documentation and exam records. Work together with HSE team to set up the online monitoring system. 3. Arrange training on the updated processes for both labor agents and recruitment staff in the HR department. 4. Internal

monitoring is to include checking on the young workers' health exam status. CSR department is to conduct regular inspections of the dispatch company to gain oversight into the implementation of the juvenile workers' health exams.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : Set up a HR management system with a function to identify young workers. 1. Updated policy is that all employed juvenile workers are to arrange health exams, by either facility or dispatch labor company, depending on the recruitment channel. All juvenile workers are to have arranged health exams on a timely basis. 2. Set up monitoring process of juvenile worker health exam status, including documentation and exam records. Worked together with EHS team to set up the online monitoring system. 3. Arranged training of updated process to labor agent and recruitment staff in HR department. 4. Internal monitoring included the checking of young worker health exam status. CSR department conducted regular inspection of dispatch company to gain oversight into the implementation of juvenile worker health exams.

FINDING NO.4

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. A review of employment contracts determined that there are 6 employment units with independent business licenses located within the same compound; all of them are a subsidiaries of the supplier's parent company. Regular workers from these 6 employment units are often transferred between units; however, the employer status in the workers' employment contracts is not renewed to reflect these transfers. For example, 750 employees were transferred from one subsidiary to another while their labor contracts were not updated to reflect the change of employment unit as required by law.

Local Law or Code Requirement

China Labor Contract Law, Article 17; FLA Workplace Code (Employment Relationship Benchmark ER.2)

Root Causes

1. This is a common issue, especially for the electronics industry, as factories are typically separated into different employment units (subsidiaries) within the same compound producing for different brands. Depending on the production volume, management transfers workers to the factory that needs support, without changing employment contracts accordingly. This practice provides a level of flexibility in the use of the workforce. Workers are actually performing the same tasks without change in their working conditions, wages or benefits.
2. This issue has not been brought to the attention of the factory management during previous external audits.
3. Due to the absence of a periodic review process, there is a lack of knowledge regarding updates to laws and regulations.
4. There is an absence of an effective internal monitoring process.
5. The factory's current HR resources are insufficient to manage and control the transfer of workers between different employment units.
6. Although it is a legal requirement, the implementation of this regulation is weak due to the government's lack of resources for monitoring and training activities.

COMPANY ACTION PLANS

1. Immediate Action: 1. QSMC had initially signed employment contracts with new workers under the name of Tech-Front which hired 13.5% of workers. Now new workers will sign a Tech-Com employment contract, which hired 79.4% of worker (Apple NB6 is in Tech-Com and this will solve this for all workers on the Apple line) and will correct most wrong contracts. 2. For workers who were transferred from Apple line to Apple line, renew their contracts before transferring them to [Factory name #3]. 3. If working location in the contracts is not identical with the actual site workers are to be transferred to, the transfer will not be activated in the system. Sustainable Action: 1. Responsible department is to further study the laws and then update company policy regarding such transfers. 2. Update policy on contract renewals for transfers. Check that there is point in the contract establishment procedure to cross check the place of work before contracts are signed. 3. Designate staff members to be in charge of contract updates and renewals. 4. Training on the updated worker transfer procedures should be provided to all HR staff, supervisors, and regular workers. 5. Management should update the current HR procedures to

ensure that local law requirements related to the transfer of workers between different employment units are followed and that contracts are renewed on a timely basis.

Action plan status: Planned

Planned completion date: 09/30/14

FINDING NO.5

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The career path and personnel development procedure for Grade 9 (entry-level) workers is incomplete. There is no specific personnel development map or training on career path and personnel development for these workers. More than 60% of the total workforce is Grade 9.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.28 and ER.29)

Root Causes

1. Most management representatives do not consider this to be an important issue due to the fact that the workers are entry-level workers.
2. The factory's current HR resources are insufficient to manage and control the personnel development of all workers.
3. These issues have not been brought to the attention of factory management during previous external audits.
4. It is not a legal requirement for companies in China to prepare a personnel development plan and career path for their workers.

COMPANY ACTION PLANS

1. Immediate Action: 1. The training team within the HR department is to develop and fine-tune the career development path for Grade 9 workers. Sustainable Action: 1. Set up employee career development policy. 2. Define an employee promotion roadmap and career development channels. 3. Keep investing in current employee clubs to offer opportunities for workers to obtain various types of expertise. 4. Communicate the available channels and resources to workers. 5. An employee development plan is to be included in the management review. Define targets to make sure the employee development path aligns with company development. 6. Management and elected worker representatives should review the current personnel development procedures, especially those regarding Grade 9 workers. During this review, the points listed below should be evaluated: a) Compliance with specific legal/code requirements; b) Identification of targets for each stage of personnel development; c) Training needs; d) Eligibility criteria for participation; e) Voluntary nature of personnel/skills development trainings; f) Proper compensation if training takes place during working hours. 7. Personnel development training for Grade 9 workers should be conducted in order to make workers aware of existing opportunities and requirements for advancement to the next level within the factory; all training records should be maintained.

Action plan status: In Progress

Planned completion date: 08/31/14

Progress update: 08/13/14 : 1. Set up employee career development policy. 2. Defined the employee promotion roadmap and career development channels. 3. Investment maintained in current employee clubs to offer opportunities to workers to obtain various types of expertise. 4. Communicated the available channels and resources to workers. 5. Employee development plan is included in management review, set target to make employee development path align with company development. 6. The personnel development procedures, especially those for Grade 9 workers are reviewed by management, including the points listed below: a) Compliance with specific legal/code requirements; b) Identification of targets for each stage of personnel development; c) Training needs; d) Eligibility criteria for participation; e) Voluntary nature of personnel/skills development trainings; f) Proper compensation if training takes place during working hours; 7. Conducted personnel development training for Grade 9 workers to make workers aware of existing opportunities and requirements for advancement to the next level within the factory; training records maintained.

FINDING NO.6

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a trade union under the ACFTU (All China Federation of Trade Unions) that was established October 19, 2011. However, there are neither records on file that indicate that any elections have been held nor any written operational procedures that pertain to such elections.
2. Factory management automatically enrolls all workers as trade union members without workers' consent. About 80% of the interviewed workers do not know whether they are members of the trade union or not. Factory management pays the union dues rather than the workers themselves.
3. Instead of being elected by workers directly, 232 union representatives were nominated by supervisors from each department.
4. Although 11 out of the 29 Union Committee members are workers (others are supervisors and managers), 2 interviewed committee members did not even know they were Union Committee members.
5. The factory does provide a meeting room for the union upon request, but there is no designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.
6. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA) and 80% of the interviewed workers were completely uninformed about the content of the CBA.
7. Disciplinary rules stipulate that the factory sanctions workers who are involved in an "illegal" strike. However, since China Labor Law does not recognize any "legal" strikes, all strikes are by definition "illegal" and therefore are sanctionable by the factory.

Local Law or Code Requirement

Trade Union Law of the People's Republic of China, Article 46; FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.26; Freedom of Association Benchmarks FOA.2, FOA.4, FOA.5, FOA.10, FOA.11, and FOA.22)

Root Causes

1. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.
2. Chinese law does not recognize strikes and factory management stated that this is the reason that current disciplinary rules sanction workers' involvement in strikes.
3. It is a very common practice in China for factory management to pay union dues on behalf of the workers.
4. The factory does not have a progressive disciplinary system in place that is backed up with comprehensive disciplinary policy and supporting procedures that correspond with FLA Workplace Code and Benchmarks.
5. It is not a legal requirement to provide workers with a copy of the CBA.
6. Management lacks awareness on the importance and benefits of having worker representation and participation in different facets of factory operations.
7. These issues have not been brought to the attention of factory management during previous external audits.
8. The chairman and committee members of the trade union are not full-time trade union representatives and spend about only 30% of their time on trade union-related work. For example, the chairman is the Associate Manager of the General Affairs department.
9. Since they have received no training, committee members do not have sufficient knowledge of their roles and responsibilities.

COMPANY ACTION PLANS

1. Immediate Action: 1. The elections were done, but no paper records were maintained at that time. Advise the union to save all paper records in future union activities. 2. Management should revise existing disciplinary rules so that they are in line with FLA Workplace Code and Benchmarks and remove the article on sanctions against workers' involvement in a strike from their disciplinary procedures. Sustainable Action: 1. As an overall improvement on the implementation of Industrial Relations policy and procedures, enable workers to consult with and provide input to management. At a minimum, revise the policy so that it includes the points listed below: a) A commitment to worker-management communication that enables workers to consult with and provide input to management; b) The right of workers to establish and join organizations of their own choosing and to bargain collectively; c) Workers' right to participate in strikes; d) Even though the rights to freedom of association, strikes, and collective bargaining are restricted under Chinese law, the employer should nevertheless commit itself to not obstruct the development of alternative means of worker association; e) Commitment to non-discrimination and equal treatment of unions and other worker representative structures. At a minimum, the revised procedures should include points listed below: a) A clear and transparent system of worker and management communication that enables workers to consult with and provide input to management; b) A mechanism that allows workers to report freedom of association-related issues confidentially; c) Guidelines to respect workers' rights to organize, establish, and join organizations of their own choosing and bargain collectively; d) A process that ensures the prevention of anti-union violence, discrimination, or employer interference when workers exercise their right to freedom of association and collective bargaining; e) If the rights to freedom of association and collective bargaining are restricted under law, a process that will enable workers to explore alternative means of worker association and collective bargaining; f) Procedure to respect workers' right to strike; g) The steps that must be taken when various types of disputes arise, including strikes, work stoppage, and other major industrial actions, and the persons responsible for executing and supervising those steps; h) Guidance regarding situations that would require notification and involvement of the authorities; i) The steps or mechanism(s) for notifying the workforce of the outcome of a dispute settlement process; j) A system to document minutes of meetings and other forms of negotiation; k) Steps to ensure compliance with the terms of the collective bargaining agreement. 2. Provide trainings on the revised policy and procedures to workers, elected worker representatives, and management representatives. 3. Develop an election process that enables workers to select their own representatives without management interference or participation. It is recommended for FLA-affiliated company's representatives to observe the election process. 4. Provide a proper working space for union representatives to carry out their daily tasks and meetings, equipped with the necessary furniture and office stationary.

Action plan status: Planned

Planned completion date: 12/31/14

2. Immediate Action: 1. Communicate this to workers at the time of hire. 2. Ensure workers understand that at the time of hire they can choose to either join or not join the union. Sustainable Action: 1. A chapter about union operation was added into orientation, so that workers can get to know the union and its membership. 2. Define this in the policy that allows workers' right to quit the union. 3. QSMC has updated its policy to reflect that the union affiliation is on a voluntary basis from the outset. Workers have the right to either join or not join.

Action plan status: Planned

Planned completion date: 12/31/14

3. 1. Nominations should be from the production line in the future so workers can freely nominate themselves or fellow workers, without management interference. Their original department elected current union representatives. 2. The union is to save a written record of the coming elections.

Action plan status: Planned

Planned completion date: 12/31/14

4. Immediate Action: 1. All union members are part time, not full time. Will apply to VP and higher management for relevant resources and approval regarding setting up a meeting room. Sustainable Action: 1. Factory will study relevant standards to update and align policy. 2. Factory will nominate a representative to work with the trade union to make resources available as required. 3. Communicate to trade union and its members regarding the facilities available to them. 4. Factory will reference and align to FLA Workplace Code and Benchmarks regarding industrial relations.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : Factory will reference and align to FLA Benchmarks on developing industrial relations.

5. Immediate Action: 1. Create and post announcements. 2. Push this information out to workers and progressively increase workers' awareness of the CBA. 3. Notify workers of the CBA communication channel at the time of hire. Sustainable Action: 1. Make lasting announcement. 2. Regularly check that workers sign the notice ("for your information" confirmation) at the time

of hire.

Action plan status: Planned

Planned completion date: 07/31/14

6. Immediate Action: 1. Modify the terms of the Employee Handbook: Page 23, No.12 of Chapter 8, Section 10. Sustainable Action: 1. Designated staff members to review the Employee Handbook and other policy documents every time there are updates and renewed information. 2. Track and update applicable laws and standards to make sure that company policy is aligned.

Action plan status: Planned

Planned completion date: 08/31/14

7. Provide trainings on the revised policy and procedures to workers, elected worker representatives, and management representatives.

Action plan status: Planned

Planned completion date: 09/30/14

FINDING NO.7

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. 30% of interviewed workers complained about the abusive attitudes of certain supervisors. It was reported that these supervisors often shout at workers, usually when workers made minor mistakes. Consequently, workers are discouraged from openly communicating with their supervisors. For example, some workers mentioned that they were afraid to give their resignation to their supervisors for fear that it would be denied.

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmark H/A.5)

Root Causes

1. Since there is no progressive disciplinary system in place, disciplinary actions are, in most instances, at the discretion of the supervisors; this creates tension between workers and supervisors.
2. The factory does not have a progressive disciplinary system in place that is backed up with comprehensive disciplinary policy and supporting procedures that correspond with FLA's Workplace Code and Benchmarks.
3. Management lacks awareness on the potential benefits of a progressive disciplinary system.
4. This issue has not been brought to the attention of factory management during previous external audits.
5. There is no internal audit procedure to monitor workplace conduct and discipline-related issues on a periodic basis.
6. Supervisors were promoted from among production workers; they have not received any specific training on their roles and responsibilities regarding workplace conduct and discipline.
7. Several interviewed supervisors mentioned that they are sometimes overwhelmed by ongoing stress related to production, which adversely affects their interaction with workers from time to time.

Recommendations for Immediate Action

1. Management should take immediate steps to stop all types of verbal abuse committed by supervisors.

COMPANY ACTION PLANS

1. Immediate Action: 1. Morale Support Team (MST) had started to distribute the employee termination form directly instead of just the line master. 2. Supervisors have been trained to sign employee resignation tables on time. Sustainable Action: 1. Increase training to supervisors, expand training topics, and conduct effectiveness evaluations on a regular basis. 2. Set up effective communication channels for workers to raise issues related to complaints to direct line managers. 3. Increase

on-site surveys by MST. 4. Conduct on-site observations on a regular and irregular basis.

Action plan status: In Progress

Planned completion date: 05/31/14

Progress update: 08/13/14 : 1. Expanded training topics and increased training frequency. Conducted effectiveness evaluation on a regular basis. 2. Set up effective communication channels for workers to raise issues related to complaints to direct line manager. 3. Increased on-site surveys by MST. 4. Conduct on-site observation on a regular and irregular basis.

FINDING NO.8

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers can raise grievances through a variety of channels, including the HR department, the General Affair department, the Moral Support Team and direct supervisors. However, the grievance procedure only outlines the grievance channels and processes through the HR department.
2. The grievance procedure requires workers to provide their names in the grievance report; it does not state that it is possible for workers to raise grievances anonymously, if they so choose.
3. FLA-affiliated company has not provided channels for workers to contact the company directly and confidentially. Workers were not aware of any such channels.
4. Copies of the grievance procedure were not posted in the vicinity of the complaint boxes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

Root Causes

1. There is no effective internal audit procedure to monitor grievance system-related issues on a periodic basis.
2. Management developed and established many different grievance channels in order to improve the quality and effectiveness of current grievance and communication channels between workers and management, but did not update the existing grievance procedures accordingly.
3. Due to the lack of communication and coordination between parties and clear guidelines on roles and responsibilities, the involvement of different departments in the current grievance handling system creates confusion.
4. Workers lack awareness of the current grievance system due to: a) the absence of an effective training program and b) fear of retaliation, as current procedures require them to identify themselves on lodged complaints if the complaints are to be evaluated.
5. There are insufficient training opportunities for different department representatives involved in the current grievance-handling process.
6. There is no worker representation or worker integration in the current grievance system; as a result, workers lack trust in the system.
7. Management lacks awareness on the importance of an effective grievance system within the factory.

COMPANY ACTION PLANS

1. Immediate Action: 1. Establish all available grievance channel procedures in writing. Sustainable Action: 1. HR is to review and align with other concerned departments to consolidate every channel related to receiving workers' reports and is to be responsible for handling these reports. 2. Provide trainings to all employees regarding the updated policy. 3. Enhance the process of policy alignment, setup, updating, and rules of issuance.

Action plan status: Planned

Planned completion date: 08/31/14

2. Immediate Action: Develop anonymous grievance procedures to ensure that workers can report without identifying

oneself and that such reports are accepted and processed. Sustainable Action: 1. Revise the policy that accepts anonymous grievances. 2. Provide trainings to all employees on the updated policy. 3. Develop investigation procedures and necessary investigating tools to handle anonymous reports. Provide trainings to responsible staff on the usage of tool. 4. Communicate the handling progress and results of grievances to workers.

Action plan status: Planned

Planned completion date: 08/31/14

3. Immediate Action: QSMC is to align with Apple on the policy regarding communicating the COC to all employees Sustainable Action: 1. Encourage worker elections and make sure worker representatives are placed on the Grievance Handling Committee to provide: a) active worker representation and b) involvement in decision-making processes regarding the evaluation of grievances and complaints. 2. Provide trainings to elected worker representatives and encourage them to provide active worker representation and involvement on: a) decision-making processes about grievance-related issues and b) the evaluation of reported complaints. Minutes of meetings held between management and worker representatives should be communicated to workers. 3. Set up a worker hotline and post related posters in prominent places in both production areas and dormitory buildings. 4. Distribute Clearvoice's contact information to workers during SR audits.

Action plan status: Planned

Planned completion date: 08/31/14

4. Immediate Action: 1. Post the updated grievance procedures at each complaint box. 2. Regularly conduct on-site check regarding availability of the posted procedures. Sustainable Action: 1. Study and align with FLA and customer standards on worker grievances. Renew the internal grievance and complaint procedure accordingly. 2. Develop procedure on the notification and posting of communication channels. 3. Develop mailbox management procedures. 4. Provide trainings to responsible staff regarding updated policy and procedures. 5. Develop monitoring procedures and ensure the R&R's of monitoring is clearly defined, and implement regular monitoring. 6. Communicate the renewed policy and procedures to workers to encourage them to report via these channels. 7. Provide timely feedback to workers on their grievances; all records of workers' complaints as well as the feedback provided, should be filed and maintained.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.9

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory had obtained written permission to adopt a Cumulative Working Hours System effective from September 1, 2012 to August 31, 2013; however, working hours exceeded the legal overtime limit stipulated in the Cumulative Working Hours System. A review of time records from September 1, 2012 to August 6, 2013 reveals that 21% of the workforce exceeded the annual limit of 2,432 hours permitted under the Cumulative Hours Working System. These workers worked between 2,641 and 2,816 hours between September 1, 2012 and August 6, 2013.
2. The majority of workers worked 60 hours or less per week (regular hours plus overtime) in 80% of the work weeks between August 2012 and July 2013; however, this was not the case during the peak season. For example, 18 – 58% of the workforce worked more than 60 hours and up to 84 hours per week in November and December 2012 and January, March, May, and July 2013.
3. All workers, except for a few exceptions, received the required 24 consecutive hours of rest in a 7-day period in 7 months between August 2012 and July 2013. However, 12 – 43% of the workforce did not receive the required rest day during the remaining 5 months of the peak season (November and December 2012; March, May, and July 2013).

Local Law or Code Requirement

The Instruction on the Implementation of the China Labor Law, Article 65; FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.2)

Root Causes

1. Although Chinese law places strict working hours limits on employers, the limits are not effectively enforced.
2. The factory's current HR resources are inadequate to manage and control working hours limits to be within both local law

and FLA code requirements.

3. It was observed that: a) production plans go beyond the 60-hour limit in cases of rush orders from clients and b) there are no safeguards in place to prevent workers from working more than 60 hours a week or to ensure workers are provided 1 day off within a 7-day work period.
4. There is no regular analysis of hours of work, with a view to progressively reducing excessive hours of work.
5. The high worker turnover rate results in decreased levels of productivity and efficiency, which, in turn, requires workers to work more hours to be able to meet production targets.
6. The FLA-affiliated company's Sourcing and Social Compliance teams are not working closely enough with the supplier to identify and address the possible reasons behind excessive OT.
7. Seasonality in production order volume causes capacity planning problems.

Recommendations for Immediate Action

1. Management should ensure that workers receive 1 day off for every 7-day period as per local law and FLA Workplace Code and Benchmarks.

COMPANY ACTION PLANS

1. Immediate Action: Control and reduce working hours, ensure good records are being kept of working hour statistics to make sure work hours meet the limit regulated by law or FLA standards. Sustainable Action: 1. Enhance the working hour monitoring system to record any abnormal situations. 2. Production plan is to be reviewed regularly by assigned monitoring team. 3. Set a working hour cap in the system when planning production. 4. Keep the records, e.g. email regarding any abnormal situation that requires urgent overtime exceeding limits, e.g., a customer needs workers to work overtime.

Action plan status: Planned

Planned completion date: 12/31/14

2. Immediate Action: Control and reduce working hours, ensure good records are kept of working hour statistics to make sure work hours meet the limit regulated by law or by FLA standards. Sustainable Action: 1. Enhance the working hour monitoring system to record any abnormal situations. 2. Production plan is to be reviewed regularly by assigned monitoring team. 3. Set a working hour cap in the system when planning production. 4. Keep the records, e.g., email regarding any abnormal situation that requires urgent overtime that exceeds limits, e.g., a customer needs workers to work overtime.

Action plan status: Planned

Planned completion date: 12/31/14

3. Immediate Action: Control and reduce working hours, ensure good records are kept of working hour statistics to make sure work hours meet the limit regulated by law or by FLA standards. Sustainable Action: 1. Enhance the working hour monitoring system to record any abnormal situations. 2. Production plan is to be reviewed regularly by assigned monitoring team. 3. Set a working hour cap in the system when planning production. 4. Keep records, e.g., email regarding any abnormal situation that requires urgent overtime that exceeds limits, e.g., a customer needs workers to work overtime. 5. Control the number of consecutive working days to be no more than 6.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.10

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on review of payroll and time records from August 2012 to July 2013, workers from production line G25 worked 0.5 hours on April 17 and 18, 2013 and July 16, 2013; then they were instructed to stop production and rest, due to either a material problem or machinery breakdown. The factory swapped those 3 days with other rest days, but did not pay the workers for the 0.5 hour of work at the overtime premium rate.
2. It was noted that some workers clock out 30 – 58 minutes after the shift and some workers clock in 30 – 40 minutes before

the shift. It is not clear if the workers engaged in any production-related activities during these times. Facility should improve their time recording system to prevent loss of payment when workers work before or after normal shift.

3. Sick leave payment practice is not in line with local law requirements. Based on review of payroll records; sick leave policy and records; and management interviews, it was noted that the factory paid sick leave according to workers' length of service. For workers who have been at the factory for less than 2 years, the factory just paid 60% of the basic wage as sick leave payment (RMB 45.5 per day), although it should be 80% of the legal minimum wage (RMB 60.7 per day).
4. Factory's sick leave policy provides that non-hospitalized sick leave may not exceed 20 days in 1 year, or else workers would need to apply for casual leave or annual leave. However, through review of the payroll and sick leave records, it was found that the factory actually paid workers who had more than 20 days of non-hospitalized sick leave. The factory had not revised the sick leave policy to bring it in line with actual practice.
5. Document review and management interviews revealed that resigned workers' wages were not paid in a timely manner (on the last workday), but were instead paid on the regular payday (the 5th of each month).
6. There was a practice of having morning and afternoon meetings before the end of July 2013 (last audit by the FLA-affiliated company). These meetings took place about 10 minutes before the official start time; this time was not treated as time worked and was not compensated accordingly.

Local Law or Code Requirement

The Opinion of the Ministry of Labor on Several Questions Concerning the Implementation the China Labor Law, Article 59; The Interim Provisions on the Payment of Wages, Article 9; FLA Workplace Code (Compensation Benchmarks C1, C4, and C7; Hours of Work Benchmarks HOW.16 and HOW.19)

Root Causes

1. Most of these issues have not been brought to the attention of factory management during previous external audits.
2. Management lacks awareness of FLA Workplace Code and Benchmarks.
3. The factory's current HR resources are insufficient to manage and control compensation to be in line with local law and code requirements.
4. Due to the absence of a periodic review process, there is a lack of knowledge regarding updates to laws and regulations. As a result, factory management was not aware of the correct calculation for sick leave payment.

Recommendations for Immediate Action

1. Factory should ensure that resigned workers collect all wages on their last work day as required by local law.
2. Factory should pay the production line G25 workers arrears at the overtime premium rate for the unpaid half hour work they worked on April 17 and 18 and July 16.
3. Factory should implement a system to ensure that all working hours are controlled compensated fully.
4. The employer should start paying workers' sick leave in accordance with local law, i.e., no less than 80% of the legal minimum wage.

COMPANY ACTION PLANS

1. Immediate Action: 1. Check with workers to make sure all working hours are properly paid in cases where they were swapped. 2. Repay the workers who are subject to the swapped overtime, but were not adequately paid. Check and make sure all working hours are properly paid. Sustainable Action: 1. Current hours of work and compensation policy and procedures should be improved to make sure that they are in line with both local law and FLA Code and Benchmarks. 2. Department managers, supervisors, worker representatives and workers are to be trained on enhanced hours of work and compensation policy and procedures. 3. The effectiveness of the trainings and communication procedures should be checked periodically to gauge workers' awareness on wages and benefits. 4. An effective internal monitoring procedure should be established to keep track of morning and afternoon meetings, work-related meetings, early arrivals, late departures, etc., to ensure that all these activities are considered "working hours" and paid accordingly.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : 1. Current policy and procedures of hours of work and compensation were improved to make sure that they are in line with local law. 2. Department managers, supervisors, worker representatives, and workers were trained on enhanced hours of work and compensation policy and procedures. 3. The effectiveness of the trainings and communication procedures were checked periodically to gauge workers' awareness on wages and benefits. 4. Established an internal monitoring procedure to keep track of morning and afternoon meetings, work-related meetings, late

departures etc., to ensure that all these activities are considered “working hours” and paid accordingly.

2. Immediate Action: 1. Control the attendance time to within 15 minutes. 2. Compensate workers if these hours are related to work, instead of personal matters. Sustainable Action: 1. Develop an attendance control procedure to clearly define the activities related to work. 2. Set up a system to disable attendance records that are 15 minutes before or after the normal shift time. 3. Department managers, supervisors, worker representatives, and workers are to be trained on enhanced hours of work and compensation policy and procedures. 4. The effectiveness of the trainings and communication procedures should be checked periodically to gauge workers’ awareness on wages and benefits. 5. An effective internal monitoring procedure should be established to keep track of morning and afternoon meetings, work-related meetings, early arrivals, late departures, etc., to ensure that all these activities are considered “working hours” and paid accordingly.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : 15 minutes attendance policy reiterated. Regular monitoring to on-site implementation. 1. Developed attendance control procedure to clearly define the activities related to work. 2. Set up in system to disable the attendance records that are 15 minutes before or after the normal shift time. 3. Department managers, supervisors, worker representatives, and workers were trained on enhanced hours of work and compensation policy and procedures. 4. The effectiveness of the trainings and communication procedures were checked periodically to gauge workers’ awareness on wages and benefits. 5. Internal monitoring procedure was established to keep track of morning and afternoon meetings, work-related meetings, late departures, etc., to ensure that all these activities are considered “working hours” and paid accordingly.

3. Immediate Action: Factory is to pay sick leave (the higher of 60% of basic wage or 80% of minimum wage) as per legal requirements and the relevant training shall be provide for the entire workforce. Sustainable Action: 1. Policy has been revised and complemented. 3. Communicate and train the relevant department. 4. Conduct a sample check of payroll in the system on a regular basis.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 08/13/14 : Changed back to In Progress as retroactive pay needs to be further verified.

4. Immediate Action: Modify page 17 of the Employee Handbook, which is about non-hospitalized sick leave; delete the upper limit value of 20 days. Sustainable Action: 1. Further study relevant laws and regulations. Review documents so they align with laws and standards. 2. Communicate with and train all employees on the updated handbook.

Action plan status: Planned

Planned completion date: 08/31/14

5. Immediate Action: QSMC modified the employee resignation form. Sustainable Action: QSMC is to consult with the resigned workers; QSMC will pay the wages on the regular payday. If the workers do not agree, QSMC will pay them in cash that day. The agreement will be in writing.

Action plan status: Planned

Planned completion date: 12/31/14

6. Immediate Action: Production leaders are required to stop this practice and to improve site management immediately. Sustainable Action: 1. Develop an attendance control procedure to clearly define the activities related to work. 2. Set up a system to disable attendance records that are 15 minutes before or after the normal shift time. 3. Department managers, supervisors, worker representatives, and workers are to be trained on enhanced hours of work and compensation policy and procedures. 4. Set up a complaints report telephone so workers can report at any time. 5. The effectiveness of the trainings and communication procedures should be checked periodically to gauge workers’ awareness on wages and benefits. 6. An effective internal monitoring procedure should be established to keep track of morning and afternoon meetings, work-related meetings, early arrivals, late departures, etc., to ensure that all these activities are considered “working hours” and paid

accordingly.

Action plan status: Completed

Planned completion date: 04/01/14

Progress update: 08/13/14 : Communicated the policy throughout the factory. Regular on-site inspection and correction of misconduct ongoing. 1. Developed attendance control procedure to clearly define the activities related to work. 2. Set up in system to disable the attendance records that are 15 minutes before or after the normal shift time. 3. Department managers, supervisors, worker representatives, and workers were trained on enhanced hours of work and compensation policy and procedures. 4. Set up a complaints report telephone so that workers can report at any time. 5. The effectiveness of the trainings and communication procedures were checked periodically to gauge workers' awareness on wages and benefits. 6. Established an internal monitoring procedure to keep track of morning and afternoon meetings, work-related meetings, early arrivals, late departures, etc., to ensure that all these activities are considered "working hours" and paid accordingly.

Completion date: 04/01/14

FINDING NO.11

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Before July 8, 2013, the factory had a practice of posting all disciplinary actions with the names and ID numbers of the related workers on the notice boards. Factory management has recently discontinued this practice.
2. Some disciplinary rules in the employee handbook are not reasonable or detailed enough. For example, a warning is given to workers who return to the dormitory after 22:30, and a written warning is given to workers who use motorcycles without proper authorization.
3. Factory's current disciplinary procedure includes different monetary fines as a form of disciplinary action. For example:
 - a. Workers have to apply for 0.5 hour of casual leave if they are late for work by more than 3 minutes; otherwise, it would be treated as an absence for the entire work day.
 - b. Workers need to register their work time manually if they forget to swipe their time card; if a worker registers work time manually more than twice a month, 0.5 hour of casual leave will be deducted from his or her wage. If the worker fails to register work time manually after failing to swipe a time card, it is treated as an absence and the worker is not compensated for the work day.

Local Law or Code Requirement

China Labor Law Article 50; FLA Workplace Code (Harassment and Abuse Benchmarks H/A.2 and H/A.6)

Root Causes

1. While these practices are in line with local law and regulations, they are in violation of FLA Workplace Code and Benchmarks.
2. Problems regarding unreasonable disciplinary rules have not been brought to the attention of factory management during previous external audits.
3. Although there are strict laws and regulations in place against monetary fines and deductions, the implementation of these regulations is weak due to the government's lack of resources for monitoring and training activities. As a result, monetary fines and deductions are very prevalent in China.
4. The factory does not have a progressive disciplinary system in place that is backed up with a comprehensive disciplinary policy and supporting procedures that correspond with FLA Workplace Code and Benchmarks.
5. Management lacks awareness of the potential benefits of a progressive disciplinary system and positive incentives.
6. There are no elected worker representatives; hence, there is no worker representation or involvement in either: a) the preparation of workplace conduct and disciplinary rules or b) the decision-making processes on disciplinary actions.

Recommendations for Immediate Action

1. Factory should immediately cease the practice of posting the names and ID numbers of workers who have been subject to disciplinary action.
2. Factory should immediately cease the practice of imposing monetary fines/deductions as a disciplinary measure.

COMPANY ACTION PLANS

1. Immediate Action: QSMC has completed the modification that they will not post names and ID numbers of the related workers on the notice boards. Sustainable Action: 1. Align with standards to renew the policy. Provide education and training to managers and communicate this to workers so that they understand their rights. 2. Set up a grievance channel to receive any reports. The moral care team on-site will be responsible to receive and handle related worker reports.

Action plan status: In Progress

Planned completion date: 08/15/13

Progress update: 08/13/14 : The policy was updated and no names posted where there was disciplinary action. This practice was done before the audit. 1. Aligned with standards to renew the policy. Provided education and training to managers, and communicated this to workers so they understand their rights. 2. Set up a grievance channel to receive any reports. The moral care team on-site collected worker reports regularly.

2. Immediate Action: Revise the handbook to remove the terms of warning for such cases. Renew the discipline procedure accordingly. Sustainable Action: 1. Workplace conduct and discipline-related issues should be closely monitored during the affiliated-brand's audits. 2. Management should revise the workplace conduct, discipline policy, and related procedures to prevent: a) the posting of names and ID numbers of workers who are subject to disciplinary actions and b) the arbitrary implementation of disciplinary actions. 3. At a minimum, the revised procedures should include the following details: a) A clear definition of the factory's principles and rules for workplace conduct and discipline; b) A commitment to respect the legal framework/code requirements; c) Prohibition of any form of harassment and abuse; d) Prohibition of monetary fines and penalties; e) A commitment to a progressive disciplinary system and reasonable disciplinary practices; f) A statement that policy and procedures are applicable to all levels and positions within the factory; g) Protection and consideration of special categories of employees; h) Commitment to transparent and consistent disciplinary practices; i) Commitment to non-discrimination; j) Reference to the grievance system and its appeal procedures. 4. Revised procedures should be communicated to all employees, including managerial staff, workers, and supervisors, through ongoing trainings and postings on notice boards. 5. An election should be held, without management interference, to elect worker representatives to the Disciplinary Committee. 6. Elected worker representatives are to be placed on the Disciplinary Committee to provide: a) active worker representation and b) involvement in decision-making processes regarding workplace conduct, including disciplinary actions against workers. 7. An effective internal monitoring procedure should be established to prevent recurrence of this practice and to ensure the successful implementation of written policy and procedures. 8. The FLA-affiliated company is recommended to organize training in order to raise suppliers' knowledge and awareness of FLA Workplace Code and Benchmarks.

Action plan status: In Progress

Planned completion date: 02/28/14

Progress update: 08/13/14 : Handbook updated with the mentioned clauses deleted.

3. Immediate Action: 1. QSMC's rules were that workers have to apply for 0.5 hour of casual leave if they are late for work by more than 3 minutes; otherwise, it would be treated as an absence for 0.5 hour instead of the entire work day. 2. QSMC has modified its policy to: if workers are late for work by 4 minutes to 29 minutes, their salary will be deducted by the number of minutes. If they are late for more than 0.5 hour, they will be treated as casual leave for every 0.5 hour. 3. QSMC has modified its policy to: only if a worker manually registers work time less than 5 times, they will be warned. 4. All above modifications will be posted. Sustainable Action: 1. Workplace conduct and discipline-related issues should be closely monitored during the affiliated-brand's audits. 2. Management should revise the workplace conduct, discipline policy, and related procedures to prevent: a) the posting of names and ID numbers of workers who are subject to disciplinary actions and b) the arbitrary implementation of disciplinary actions. 3. At a minimum, the revised procedures should include the following details: a. A clear definition of the factory's principles and rules for workplace conduct and discipline; b. A commitment to respect the legal framework/code requirements; c. Prohibition of any form of harassment and abuse; d. Prohibition of monetary fines and penalties; e. A commitment to a progressive disciplinary system and reasonable disciplinary practices; f. A statement that policy and procedures are applicable to all levels and positions within the factory; g. Protection and consideration of special categories of employees; h. Commitment to transparent and consistent disciplinary practices; i. Commitment to non-discrimination; j. Reference to the grievance system and its appeal procedures. 4. Revised procedures should be communicated to all employees, including managerial staff, workers, and supervisors, through ongoing trainings and

postings on notice boards. 5. An election should be held, without management interference, to elect worker representatives to the Disciplinary Committee. 6. Elected worker representatives are to be placed on the Disciplinary Committee to provide: a) active worker representation and b) involvement in decision-making processes regarding workplace conduct, including disciplinary actions against workers. 7. An effective internal monitoring procedure should be established to prevent recurrence of this practice and to ensure the successful implementation of written policy and procedures. 8. FLA-affiliated company is recommended to organize training in order to raise suppliers' knowledge and awareness of FLA Code and Benchmarks.

Action plan status: Completed

Planned completion date: 02/28/14

Progress update: 08/13/14 : New version of handbook issued with all the unreasonable rules updated and communicated to workers. 1. Workplace conduct and discipline-related issues are monitored during the affiliated-brand's annual audit. 2. Revised the workplace conduct, discipline policy, and related procedures to prevent: a) the posting of names and ID numbers of workers who are subject to disciplinary actions and b) the arbitrary implementation of disciplinary actions. The revised policy/procedure included the following details: a) A clear definition of the factory's principles and rules for workplace conduct and discipline; b) A commitment to respect the legal framework/code requirements; c) Prohibition of any form of harassment and abuse; d) Prohibition of monetary fines and penalties; e) A commitment to a progressive disciplinary system and reasonable disciplinary practices; f) A statement that policy and procedures are applicable to all levels and positions within the factory; g) Protection and consideration of special categories of employees; h) Commitment to transparent and consistent disciplinary practices; i) Commitment to non-discrimination; j) Reference to the grievance system and its appeal procedures. 3. Communicated the revised procedures to employees including managerial staff, workers, and supervisors, through regular trainings and postings on notice boards. 4. An election should be held, without management interference, to elect worker representatives to the Disciplinary Committee.

Completion date: 02/28/14

FINDING NO.12

TERMINATION AND RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Although the written resignation procedures do not include such a requirement, it was observed that the implementation of the resignation process requires approval from different levels of management. This creates the risk of workers bypassing this system and leave the factory without prior notice, sacrificing their outstanding wages in so doing.

Local Law or Code Requirement

Employment Contract Law Article 37; FLA Code (Employment Relationship Benchmark ER.32)

Root Causes

1. Lower and middle management believe that the cumbersome resignation process helps to reduce the high turnover rate by discouraging workers from resigning.
2. The prolonged resignation process is a common practice in the electronics industry.
3. This issue has not been brought to the attention of factory management during external audits.
4. Lower and middle managers lack awareness of the supplier's current resignation procedures, due to the absence of an effective training plan.
5. There is a lack of an effective internal monitoring process.

Recommendations for Immediate Action

1. Factory should immediately start following written procedures and end the prolonged resignation process, with its numerous pre-approval requirements, in order to allow workers to leave the factory through normal procedures and collect all wages in a timely manner.

COMPANY ACTION PLANS

1. Immediate Action: 1. Morale Support Team has started to distribute the employee resignation forms, instead of line master. 2. Supervisors have been trained to sign it in time. Sustainable Action: 1. Raise production level awareness regarding providing a more comfortable working environment for workers. 2. Provide trainings to both lower and middle-level managers, including supervisors, on factory's current termination and retrenchment policy and procedures. 3. Establish an effective internal monitoring procedure to prevent recurrence of this practice and to ensure the successful implementation of written policy and procedures.

Action plan status: Completed

Planned completion date: 08/31/14

Progress update: 08/13/14 : Provided training to workers on the resignation channel. Resignation procedures are centralized via morale support team to collect application that goes to HR. 1 Conducted the awareness enhancing activities at the production level to provide more comfortable working environment for workers. 2. Provided trainings to both lower and middle level managers, including supervisors, on factory's current termination and retrenchment policy and procedures. 3. Established internal monitoring procedure to prevent recurrence of this practice and to ensure the successful implementation of written policy and procedures.

Completion date: 12/31/14

FINDING NO.13

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salaries are not enough to cover all their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. The Chinese electronics industry currently does not provide wages that allow for the fulfillment of basic needs plus a discretionary income.
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.
3. This issue has not been brought to the attention of factory management during previous external audits.

COMPANY ACTION PLANS

1. Immediate Action:

1. Conduct worker survey to collect workers' feedback and information on living expenses.

Sustainable Action:

1. Conduct worker survey regularly to collect workers' feedback and information on living expenses.
2. Identify and analyze basic living expenditures that comprise living costs.
3. Ensure the company wage policy is strictly following the local minimum wage regulations, make efforts to provide possible conveniences to make workers' lives easier, which can eventually reduce the living cost within the campus.
4. Quanta plans to take the FLA online Fair Wage self-assessment.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.14

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The risk assessment for occupational hazard control in the construction project was not completed for Q-BUS buildings. Some extension projects, including a testing lab where some hazardous chemicals are in use, were not included in the assessment.
2. There were significant quality issues in the risk assessment for occupational hazard control in Buildings F4, F5, and F7:
 - a. There was no lab analysis of chemical ingredients, especially against volatile organic compounds (VOCs), to determine the scope of occupational hazards where Material Safety Data Sheets (MSDS) were incomplete/missing;
 - b. The risk assessment for occupational control did not assess the protective mask effectiveness against VOCs in the working environment. Most of the protective masks currently in use were not certified, as per legal requirements.
3. 50% of the MSDS for chemical substances in use were incomplete or had unreliable information about chemicals, ingredients, and chemical composition.
4. The scope of indoor air quality testing was not compliant with the local authority's requirements. The testing scope missed several significant occupational hazards.
5. Indoor air quality testing report for 2012 indicated that IPA (isopropyl alcohol) was not detectable in any of the 16 testing samples in Building F5; however, this did not reflect the actual exposure levels in the open working environment, as there is no local exhaust ventilation provided, although IPA is widely in use.
6. The chemical storage sections in production areas are not totally isolated from offices and rest areas.
7. Some flammable/toxic substances were stored under chairs, on desk, and under assembly lines.
8. The emergency shower and eyewash in the chemical warehouse were not designed for easy access and use in case of emergency.
9. The maximum storage limit for the chemicals stored were not clearly defined for the chemical warehouse or on-site chemical cabinets. There is only a height limit at the chemical warehouse.
10. There is no extraction system provided for the heat seal packaging machines, which adversely effects the air quality in the working environment.

Local Law or Code Requirement

Prevention and Treatment of Occupational Diseases Law, Articles 17, 18 and 36; Regulation for Chemical Usage Safety in Work Place, Article 27; Health Standard for Design of Industrial Enterprises Article 5.1.1; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.7, HSE.9, HSE.10, and HSE.14; Employment Relationship Benchmark ER.31)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety (H&S) system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the Employee Health and Safety (EHS) Committee and of the methodology and tools used for internal audits and routine Health, Safety and Environmental (HSE) inspections, along with absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on the EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Quality issues associated with workplace environmental measurements are quite common in China, as most service providers are not doing measurements and reporting in line with international standards.
5. Although it is a legal requirement, chemical suppliers usually do not provide complete MSDS, unless they are specifically asked to by their clients.
6. The risk analysis report does not cover all of the factory's risks and hazards and elected worker representatives do not participate in this process.

Recommendations for Immediate Action

1. The risk assessment for occupational hazard control in construction project for Q-BUS 5 buildings should be completed.
2. All flammable or toxic substances that are currently stored under chairs, on desk, or under assembly lines should be stored in chemical safety cabinets.

COMPANY ACTION PLANS

1. Immediate Action: Complete risk assessment for occupational hazard control. Sustainable Action: 1. Establish procedure for occupational hazard control assessment. 2. Conduct the risk assessment when there are new occupational hazards according to the procedure. Renew the internal risk analysis according to the new occupational hazard control assessment and to provide training on the new risk analysis results for eligible workers/staff. 3. Review and enhance tools to deliver effective inspections. 4. Establish a compliance review process and regularly conduct reviews.

Action plan status: Planned

Planned completion date: 07/31/14

2. Immediate Action: 1. Implement an analysis of chemical ingredients. 2. Replace the masks with certified masks. Sustainable Action: 1. Establish a procedure for PPE management and add the requirement of buying certified PPE. 2. When the new PPE is purchased, notify EHS so that they can check it out. 3. Develop a TPA lab quality review process. 4. EHS is to conduct regular inspection in the procedure implementation. Develop a process to report the inspection results.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : PPE management procedure completed. 1. Established procedure for PPE management and added the requirement of purchasing only certified PPE. 2. Set up the process of notifying EHS to check and approve new PPE when it is bought. 3. EHS conducted regular inspection of the procedure implementation. Developed process to report the inspection results.

3. Immediate Action: Update chemical list and complete MSDS. Sustainable Action: 1. Update chemical purchase flow, and add EHS signing it to control the chemical MSDS. 2. Implement chemical purchase signing and assure the vendor provides complete MSDS. 3. EHS is to set up MSDS standards according to FLA recommendations and to do a routine inspection of the chemical MSDS control. 4. To update procedure of chemical management.

Action plan status: In Progress

Planned completion date: 05/30/14

Progress update: 08/13/14 : 1. Updated chemical purchase flow and added obtaining EHS signatures into the chemical MSDS control. 2. Implemented chemical purchase signing and assure the vendor provides complete MSDS. 3. EHS has set up MSDS standards, according to FLA recommendation, and does routine inspections of the chemical MSDS control. 4. Updated chemical management procedures and provided trainings to responsible staff in 3 level safety training.

4. Immediate Action: Add lead in indoor air quality annual testing. Sustainable Action: 1. Add lead annual indoor testing plan. 2. Implement indoor testing according to the plan and the actual situation. 3. EHS is to conduct regular inspection in the indoor testing implementation. 4. Update the occupational hazard list.

Action plan status: In Progress

Planned completion date: 02/28/14

Progress update: 08/13/14 : 1. Completed annual testing for lead. 2. Implemented indoor air testing according to the plan and the actual situation. 3. EHS conducted regular inspections in the indoor testing implementation. 4. Updated the occupational hazard list.

5. Immediate Action: Before implementing the indoor air quality test, review the vendors' qualifications. Sustainable Action: 1. Establish SOP for indoor air quality tests. 2. Implement indoor air quality testing. 3. EHS is to conduct regular inspections regarding the indoor testing implementation.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Completed annual testing for lead. 2. Implemented indoor air testing according to the plan and the actual situation. 3. EHS conducted regular inspections in the indoor testing implementation. 4. Updated the occupational hazard list.

6. Immediate Action: Store related solvents within a cabinet in order to avoid contact with temporary office staff. This improvement action will be implemented after Apple agrees to it. Sustainable Action: 1. Establish and enhance the procedure for chemical management. 2. EHS conduct regular inspection of chemical management and report inspection results.

Action plan status: Planned

Planned completion date: 04/30/14

7. Immediate Action: Put the flammable/toxic substances in explosion-proof cabinet immediately. NB6 FA completed the improvement. Sustainable Action: 1. Establish and enhance the procedure for chemical management. 2. EHS is to conduct regular inspection of chemical management.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Established and enhanced the procedure for chemical management. 2. EHS conducted regular inspections of chemical management.

8. Immediate Action: Install new emergency shower and eyewash in chemical warehouse. Sustainable Action: 1. Add the setup of emergency shower and eyewash into the chemical warehouse standards. 2. Develop shower and eyewash installation standards according to FLA recommendations and install emergency shower and eyewash accordingly when there is a chemical warehouse.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Added emergency shower and eyewash into the chemical warehouse standards. 2. Developed shower and eyewash installation standard according to FLA recommendations and installed emergency shower and eyewash accordingly at chemical warehouse.

9. Immediate Action: 1. The maximum storage limit for the chemicals room had been clearly defined and posted the provisions on the spot. 2. Calculate the maximum storage capacity in the workshop (the amount is one day's 110%) and mark it on the explosion-proof cabinet. Sustainable Action: 1. Establish and enhance the procedure for chemical management. 2. EHS is to conduct regular inspection of chemical management and report inspection results.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established and enhanced the procedure for chemical management. 2. EHS conducted regular inspections of chemical management and reported inspection results.

10. Immediate Action: Install an extraction system for the heat seal packaging machines. Sustainable Action: 1. Install an extraction system when there is new heat equipment. 2. EHS is to conduct regular inspection of heat equipment management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established SOP of installing an extraction system when there is new heat

FINDING NO.15

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Chemical protective gloves and respirators were not included in the main personal protective equipment (PPE) list. On the other hand, paper-active carbon masks without PPE accreditation were included in the list.
2. The factory could not provide records for respirator purchasing and cartridge replacement over the past year.
3. Several problems with the selection, effective use, and proper storage of PPE in the factory were observed:
 - a. Different type of respirators and paper masks in use in printing/stencil cleaning section;
 - b. Only 1 set of protective gloves in printing/stencil/cleaning section;
 - c. Workers were not effectively using their laser-safety glasses;
 - d. Safety shoes are not provided to workers working in transpallet and forklift movement areas;
 - e. Some PPE is in use for no apparent reason. For example, the standard operating procedure (SOP) on the 2nd floor of Building F7 required workers to use carbon facemasks with carbon filters, without indicating any related occupational hazard. Operators and supervisors working in this section could not explain why they should use these masks or what the involved risks are;
 - f. Problems with storage conditions of PPE (e.g., respirators were found lying around, instead of being stored away in a closet to avoid contamination of the filters);
 - g. Fabric gloves are largely in use within the production area, where cleaning chemicals are in use despite potential risk of skin absorption.

Local Law or Code Requirement

Prevention and Treatment of Occupational Diseases Law, Articles 17, 18, and 36; Regulation for Chemical Usage Safety in Work Place, Article 27; Health Standard for Design of Industrial Enterprises Article 5.1.1; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.7, HSE.8, and HSE.14)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on the EHS Committee nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Management is not well informed about the possible legal and financial consequences of work accidents and occupational diseases.
5. There is lack of detailed and reliable measurement reports for hazardous ambient factors (noise measurement, monitoring VOC, thermal comfort conditions, indoor air quality, dust, vibration, non-ionizing radiation) measurement reports.
6. There is unreliable or missing information on current MSDS.
7. Workers' awareness on the importance of using PPE is low.
8. The Risk Analysis report does not cover all of the factory's risks and hazards. Elected worker representatives did not participate in this process.

COMPANY ACTION PLANS

1. Immediate Action: 1. Provide qualified masks to employees. 2. Modify PPE management procedures and add gloves and respirators in the document. Sustainable Action: Enhance procedure for PPE management so that it includes the following: a) PPE selection and purchasing procedure should be revised and all H&S Committee members (including elected worker representatives) should actively participate in the selection process; b) Workers should be trained to raise their awareness on the importance of PPE use; positive incentives to encourage PPE use (e.g., employee of the month) could be useful; c) EHS Committee should check all PPE in use with respect to the results of the workplace environment measurements and the revised risk assessment study. The primary concern of the EHS Committee should be to reduce/isolate possible risks at their source through engineering studies, rather than relying on PPE use as the first resort; d) Factory should develop and implement an effective internal monitoring system together with the EHS Committee to ensure that PPE-related issues are evaluated on a regular basis and the results are shared with management through EHS Committee.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : Enhanced procedure for PPE management includes the following: a) PPE selection and purchasing procedure revised to include all EHS Committee members (including production worker members) and participate in the selection process; b) Workers are provided training to raise their awareness on the importance of PPE use; c) EHS team should check all PPE in use with respect to the results of the workplace environment measurements and the revised risk assessment study. The primary concern should be to reduce/isolate possible risks at their source through engineering studies, rather than relying on PPE use as the first resort; d) Factory should develop and implement an effective internal monitoring system together with the EHS Committee to ensure that PPE-related issues are evaluated on a regular basis and the results are shared with management through EHS Committee.

2. Immediate Action: Update PPE management procedure and clear how to save the purchase and payment records.
Sustainable Action: Same with PA in item 1.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : Enhanced procedure for PPE management includes the following: a) PPE selection and purchasing procedure revised to include all EHS Committee members (including production worker members) and participate in the selection process; b) Workers are provided training to raise their awareness on the importance of PPE use; c) EHS team should check all PPE in use with respect to the results of the workplace environment measurements and the revised risk assessment study. The primary concern should be to reduce/isolate possible risks at their source through engineering studies, rather than relying on PPE use as the first resort; d) Factory should develop and implement an effective internal monitoring system together with the EHS Committee to ensure that PPE-related issues are evaluated on a regular basis and the results are shared with management through EHS Committee.

3. Immediate Action: 1. Review PPE using actual situations and define type in the PPE management procedure. 2. Provide a pair of gloves for each operator that works on these posts. 3. Train workers on how to use the laser-safety glass. 4. a) Use an automatic guided vehicle to replace parts of the current hydraulic drive. Hydraulic car usage has been reduced by 90% now. b) Forklift drivers are to wear safety shoes; hydraulic vehicle operators are to wear safety shoes. 5. Update the SOP according to the actual situation. 6. Install PPE box at the entrance of the plate washing room, chemical storage room, and at the explosion-proof cabinet. 7. Replace the fabric gloves with rubber gloves, providing them to operators who do the cleaning job. Sustainable Action: Same with PA for item 1.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : Enhanced procedure for PPE management includes the following: a) PPE selection and purchasing procedure revised to include all EHS Committee members (including production worker members) and participate in the selection process; b) Workers are provided training to raise their awareness on the importance of PPE use; c) EHS team should check all PPE in use with respect to the results of the workplace environment measurements and the revised risk assessment study. The primary concern should be to reduce/isolate possible risks at their source through engineering studies, rather than relying on PPE use as the first resort; d) Factory should develop and implement an effective internal monitoring system together with the EHS Committee to ensure that PPE-related issues are evaluated on a regular basis and the results are shared with management through EHS Committee.

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

Following fire safety issues were observed:

1. Electrical panels in the compressor rooms were overheated and posed a fire hazard. Covers of these panels were left open in order to cool them down with electrical fans.
2. The temporary warehouse on the 1st floor of Building F5 did not meet the basic fire safety requirements, due to the wrong type of fire extinguisher selection. CO2 type fire extinguishers were placed in areas where Type A fire risk exists.
3. 1 fire extinguisher and 1 fire hose were blocked by temporarily stored materials at top floor. (Note: This was remediated on the second day of the assessment.)
4. The main aisle on the 2nd floor of F7 was too narrow for forklifts and passengers due to the temporarily stored materials/products along the aisles. (Note: This was remediated on the second day of the assessment.)
5. Some emergency assembly areas in the factory and dormitory buildings were not clearly marked.
6. Some emergency assembly areas in production areas were occupied by trucks. (Note: This was remediated on the second day of the assessment.)
7. Some emergency assembly areas in the factory are not located within in a safe distance of the buildings.
8. Fire hydrant keys and portable hoses were not located in easily accessible areas that are close to fire hydrants.
9. There are no fire extinguishers located in the motorbike parking area.
10. There are no preventive measures taken against potential accidental discharge or drips in areas where high voltage equipment/machinery and electrical panels are placed in sprinkler protection areas.
11. It was observed that some heat guns were being used near combustible materials and substances on the 2nd floor of Building F7.
12. Workers, supervisors, and floor managers do not know the locations of sprinkler shut-off valves in their departments.
13. There is no system in place for conducting regular pressure tests of the sprinkler system and fire pumps.
14. Workers, supervisors, and floor managers do not know the emergency shutdown process for their departments.
15. Responsible staff lacks knowledge of fire detection, the alarm system, and the sprinkler system.
16. Some fire detectors in Building F4 were set to "pre-alarm."
17. Emergency illumination is insufficient and needs to be improved in the factory-owned dormitory.

Local Law or Code Requirement

Rules for Fire Safety Management in Warehouses, Article 46; Code for Design of Building Fire Protection and Prevention (GB50016-2006), Article 3.8.2; Fire Prevention Law of the People's Republic of China, Article 28; Code for Design of Extinguisher Distribution in Buildings, Article 6.1.1; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.5, HSE.6, and HSE.25; Employment Relationship Benchmark ER.31)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Management is not well informed about the possible legal and financial consequences of work accidents and occupational diseases.
5. There is no effective system for controlling fire safety precautions on a regular basis.
6. Workers' awareness of fire safety precautions is low.
7. The Risk Analysis report does not cover all of the factory's risks and hazards and elected worker representatives did not participate in this process.

Recommendations for Immediate Action

1. Electrical panels in the compressor rooms should be checked with a thermal camera and all hotspots, such as overheated connections, should be detected and maintained.
2. Fire detectors that are set to "pre-alarm" in different sections of Building F4 should be cleaned and re-activated.
3. Heat-gun use areas should be cleared of combustible materials and flammable substances.

COMPANY ACTION PLANS

1. Immediate Action: Exhaust waste heat generated from the running compressor runs to outside by heat exchanger, and the construction has been completed now. (Done) Sustainable Action: 1. Establish fire precaution procedures for fire safety management. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Planned

Planned completion date: 01/28/14

2. Immediate Action: Replaced suitable fire extinguisher immediately. (Done) Sustainable Action: 1. Review and update the fire extinguisher equipped in plant. 2. EHS is to conduct regular inspections of fire extinguisher. 3. Establish a guideline for the types of fire extinguishers to be used and the locations where they are to be placed. 4. Provide EHS staff with training on these guidelines.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : Fire extinguisher replaced.

Completion date: 01/28/14

3. Immediate Action: Remove blocking materials immediately. (Done) Sustainable Action: 1. Review and update procedure for fire fighting equipment management, including on-site fire hazard control and implement fire safety management. Include this topic in the EHS training and provide the training to applicable staff. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : All blocks removed and conduct regular inspection. 1. Reviewed and updated procedures for fire fighting equipment management. 2. EHS conducted regular inspections of fire safety management.

Completion date: 01/28/14

4. Immediate Action: Remove the materials immediately. Sustainable Action: 1. Enhance procedure for fire safety management including on-site fire hazard control and implement fire safety management. Include the topic in the EHS training and provide the training to applicable staff. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : Aisle block removed and kept clear. 1. Enhanced procedures for fire safety management including on-site fire hazard control and implement fire safety management. 2. EHS conducted regular inspections of fire safety management.

Completion date: 01/28/14

5. Immediate Action: According to the new national standard of fire acceptance, the curtains are movable and less than 2500 m², no need to declare to local government. Provide written response from authority of the exemption Sustainable Action: 1. Revise an internal standard that defines which circumstances need to be declared. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Planned

Planned completion date: 01/28/14

6. Immediate Action: Factory had set emergency assembly point before the audit; installed emergency assembly point after the audit at the dormitory. (Done) Sustainable Action: 1. Establish procedure for fire safety management. Include the

emergency assembly point in the EHS training and provide training to applicable staff. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : Factory had set emergency assembly point before the audit; installed emergency assembly point after the audit at the dormitory. 1. Established procedures for fire safety management. 2. EHS conducted regular inspections of fire safety management.

Completion date: 01/28/14

7. Immediate Action: Remove the trucks from the emergency assembly areas in production areas. Sustainable Action: 1. Establish procedure for Emergency Preparedness management. Include the topic in the EHS training, providing training to applicable staff. 2. Implement Emergency Preparedness management. 3. EHS is to conduct regular inspections of Emergency Preparedness management.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : The trucks are removed and area kept clear. 1. Established procedures for Emergency Preparedness management and implemented. 2. EHS conducted regular inspections of Emergency Preparedness management.

Completion date: 01/28/14

8. Immediate Action: According to FLA standards, extend the distance to 1.5 times of the higher building. Sustainable Action: 1. Define emergency assembly setup standards according to FLA recommendations. 2. Incorporate the standards into fire safety management. 3. EHS is to conduct regular inspection of fire safety management.

Action plan status: In Progress

Planned completion date: 03/10/14

Progress update: 08/13/14 : 1. Defined the standards for emergency assembly setup according to FLA recommendations. 2. Incorporated the standards into fire safety management. 3. EHS conducted regular inspections of fire safety management.

9. Immediate Action: Put fire hydrant keys and portable hoses around the plant and near fire hydrants. Sustainable Action: 1. Establish procedure for Emergency Preparedness management and include the use of fire hydrants/fire hoses in EHS training. 2. Implement Emergency Preparedness management. 3. EHS is to conduct regular inspection of Emergency Preparedness management.

Action plan status: Planned

Planned completion date: 01/28/14

10. Immediate Action: Put fire extinguishers in the motorbike parking area. Sustainable Action: 1. Establish procedures for fire safety management. 2. Implement fire safety management. 3. EHS is to conduct regular inspections of fire safety management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for fire safety management. 2. Implemented fire safety management. 3. EHS conducted regular inspection of fire safety management.

11. Immediate Action: Remove the showerheads that are installed above the forklift charging area in the warehouse. Sustainable Action: 1. Establish procedures for electrical safety management. 2. Enhance the procedure for electrical safety management and include the update procedure in EHS training. 3. EHS is to conduct regular inspections of electrical safety management.

Action plan status: Planned

Planned completion date: 01/28/14

12. Immediate Action: 1. Install separate ventilation and isolation tank. 2. Install the heat gun. Sustainable Action: 1. Establish procedure for fire safety management. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for fire safety management. 2. EHS conducted regular inspections of fire safety management.

13. Immediate Action: Sign posted on the door to inform all employees. Sustainable Action: 1. Establish procedure for fire safety management. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for fire safety management. 2. EHS conducted regular inspections of fire safety management.

14. Immediate Action: QSMC does a fire test (including the pressure test of sprinkler and pumps) each month and there were reports for the tests. Sustainable Action: 1. Establish procedure for fire safety management. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Planned

Planned completion date: 01/28/14

15. Immediate Action: Train the authorized staff on the emergency shutdown process. Sustainable Action: 1. Establish procedure for EHS training. 2. Add this content to 3-level safety training. 3. EHS is to conduct regular inspections of emergency management.

Action plan status: Planned

Planned completion date: 04/30/14

16. Immediate Action: Train the authorized staff on fire detection, the alarm system, and the sprinkler system. Sustainable Action: 1. Develop operation procedures and implement them in EHS training. 2. Hold training regularly to ensure authorized staff has full knowledge.

Action plan status: In Progress

Planned completion date: 03/10/14

Progress update: 08/13/14 : 1. Developed operation procedures and implemented them in EHS training. 2. Conducted the training regularly to ensure that authorized staff has full knowledge of them.

17. Immediate Action: Regularly check the fire detector central control system and reset the detectors that show "malfunction." Sustainable Action: 1. Enhance the procedure for fire safety management, including the fire detection

maintenance standard process. 2. Include the updated procedure in EHS training and provide training to applicable staff. 3. EHS is to conduct regular inspections of fire safety management.

Action plan status: Planned

Planned completion date: 01/28/14

18. Immediate Action: QSMC had installed the emergency illumination according to local standards and obtained the permit from local government. Sustainable Action: 1. Establish the illumination standard procedure and incorporate into fire safety management. 2. EHS is to conduct regular inspections of fire safety management.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : The illumination has been installed. 1. Established illumination standard procedures and incorporated them into fire safety management. 2. EHS conducted regular inspections of fire safety management.

Completion date: 01/28/14

FINDING NO.17

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Following ergonomic issues were observed:
 - a. Chairs are not adjustable;
 - b. Chairs do not have the proper backrest to support the lower back;
 - c. No removable armrests on chairs;
 - d. No back supports on stools;
 - e. Chairs and stools are made of uncomfortable material (they are not made of breathable, non-slip material);
 - f. Problems with the height, width, and area of the workstation;
 - g. Workers are hunching or leaning during production process;
 - h. Uncomfortable body postures;
 - i. The use of pneumatic tools and equipment is creating vibration issues;
 - j. Not all standing workers use anti-fatigue mats;
2. Workers do not receive ergonomics training.

Local Law or Code Requirement

Health Standard for Design of Industrial Enterprises Articles 6.4.4.1 and 6.4.4.2; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.17, and HSE.20)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Management is not well informed about the possible legal and financial consequences of work accidents and occupational diseases.
5. The Risk Analysis report does not cover all of the factory's risks and hazards. Elected worker representatives were not included in this process.
6. There is a lack of an effective training and internal monitoring process.
7. Management lacks knowledge of the potential benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of work accidents and Musculoskeletal Disorders.

COMPANY ACTION PLANS

1. Immediate Action: Develop an ergo project and improve the conditions. Sustainable Action: 1. Establish procedures for ergonomic management. 2. Conduct an ergonomic risk assessment to identify relevant risks. 3. An annual training plan should be prepared for EHS staff and elected EHS worker representatives to improve their knowledge and skills on detecting and managing potential risks. 4. Develop and implement an effective internal monitoring system with the EHS Committee to ensure that ergonomic issues are evaluated on a regular basis and the results are shared with management through EHS Committee.

Action plan status: Planned

Planned completion date: 07/30/14

2. Immediate Action: Provide training on the ergonomic risks for workers. Sustainable Action: 1. Establish procedure for ergonomic management. 2. Add ergonomic management in 3-level safety training.

Action plan status: Planned

Planned completion date: 04/30/14

FINDING NO.18

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Number of first aid kits in production and dormitory areas is insufficient.
2. First aid kits are kept locked; as a result, it takes time to find the responsible worker to unlock them.
3. Following hygiene issues were observed in the kitchen and canteen areas:
 - a. There were no fly screens at kitchen or food storage areas;
 - b. No antibacterial mats at the entrance of the kitchen;
 - c. No hand sanitizer in the kitchen;
 - d. There is no system for food sampling to keep 72-hour food history;
 - e. Some kitchen and canteen workers were wearing bracelets and rings.
4. All medicine in health units is kept at room temperature at the moment, although some medication might need to be refrigerated.
5. There is no documented system in place for regular sanitation and maintenance of drinking water dispensers and filtering system.
6. Most accident investigation reports did not reflect the root cause analysis and remediation plans to prevent recurrence of such accidents.

Local Law or Code Requirement

Regulation on Lawful Reporting, Investigation and Handling of Production Accident; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.6, HSE.22, HSE.23, and HSE.25)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. FLA-affiliated company is in the process of aligning its Supplier COC and supporting Guidelines with FLA Workplace Code and Benchmarks; therefore, suppliers have not yet been informed of FLA requirements.
4. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
5. Management is not well informed about the possible legal and financial consequences of accidents and occupational diseases.
6. Kitchen and canteen operations are outsourced to a service provider contractor and not properly monitored during internal audits.
7. The Risk Analysis report does not cover all of the factory's risks and hazards. Elected worker representatives did not participate in this process.
8. There is lack of an effective training and internal monitoring process.

9. The classification of work accidents and the responsibility for maintaining their records are not clearly defined in local law.

Recommendations for Immediate Action

1. It is recommended to have 1 first aid kit for each 100 workers in production and dormitory areas.
2. First aid kits should be kept unlocked in order to prevent prolonged response time in case of an emergency.

COMPANY ACTION PLANS

1. Immediate Action: Install more first aid kits in production and dormitory areas. First aid kits are added according to the ratio and measures provided to ensure easy access. Sustainable Action: 1. Establish procedures for first aid kit management. 2. EHS is to conduct regular inspections of first aid kit management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for first aid kit management. 2. EHS and the doctor conducted regular inspections of first aid kit management.

2. Immediate Action: QSMC advocated first aid treatment by the responder, and posts the first aid providers and phone number near the first aid kits. Sustainable Action: 1. Establish procedure for first aid kit management. 2. EHS and doctor are to conduct regular inspections of first aid kit management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedure for first aid kit management. 2. EHS and the doctor conducted regular inspections of first aid kit management.

3. Immediate Action: 1. Install fly screens at kitchen and food storage areas. 2. Install antibacterial mats at the entrance of the kitchen. 3. Complement hand sanitizer immediately. 4. Establish procedures for food sampling. 5. Remove bracelets and rings immediately. Sustainable Action: 1. Set up and enhance kitchen sanitary conditions, establish procedures for kitchen sanitary management. Provide more trainings to kitchen staff on the enhanced procedures. 2. EHS is to conduct regular inspections of kitchen management.

Action plan status: Planned

Planned completion date: 01/28/14

4. Immediate Action: Install a freezer to store this medicine. Sustainable Action: 1. Establish procedures for medicine management. 2. Doctor is to conduct regular inspections of medicine management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for medicine management. 2. Doctor conducted regular inspections of medicine management.

5. Immediate Action: QSMC has a system for the regular sanitation and maintenance of drinking water dispensers and filtering system. Sustainable Action: 1. Establish procedures for drinking water management, implement a tracking mechanism so every dispenser can be tracked and tested. 2. Post the documents regarding tests and equipment maintenance on the equipment. 3. EHS is to conduct regular inspection of drinking water management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : QSMC has set up a system for the regular sanitation and maintenance of

drinking water dispensers and filtering system.

6. Immediate Action: Complete analysis and improvement action data for accidents. Sustainable Action: 1. Update procedure for accident management. 2. Add root cause analysis and improvement data in accident investigation reports. 3. Take an accident investigation and analysis training to all EHS.

Action plan status: Planned

Planned completion date: 05/30/14

FINDING NO.19

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There were significantly loud noises caused by compressed air leaks and by some conveyors in assembly areas due to potential bearing failures, which should be eliminated/controlled by timely maintenance and engineering controls.
2. Some warning signs (e.g., hot surface warning signs) are missing or not prominently displayed in risk areas.

Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene Article 6.1.6; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1 and HSE.11; Employment Relationship Benchmark ER.31)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. FLA-affiliated company is in the process of aligning its Supplier COC and supporting Guidelines with FLA Workplace Code and Benchmarks; therefore, suppliers have not yet been informed of FLA requirements. The management lacks awareness of FLA Workplace Code and Benchmarks.
4. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
5. Management is not well informed about the legal and financial consequences of work accidents and occupational diseases.
6. The Risk Analysis report does not cover all of the factory's risks and hazards. Elected worker representatives did not participate in this process.
7. There is lack of an effective training and internal monitoring process.

COMPANY ACTION PLANS

1. Immediate Action: Repair compressed air leaks and conveyors immediately. Sustainable Action: 1. Revise any existing equipment maintenance procedure. Provide trainings to applicable staff on the updated procedures. 2. EHS is to conduct regular inspections of repair management. 3. Update the risk analysis to include the noise caused by improper maintenance of equipment.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : .

2. Immediate Action: Repost the broken and missing warning signs immediately. Sustainable Action: 1. Revise any existing sign management procedure and provide trainings to applicable staff on the new and update procedures. 2. EHS is to conduct regular inspections of warning sign management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : .

FINDING NO.20

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Vehicle safety inspection of service provider company's vehicles was not included in the current vehicles management procedure.
2. The maximum loading limit was not clearly indicated on forklifts. (Note: This was remediated during the assessment.)
3. It was observed that freight elevators are also being used as personnel lifts.
4. There was a potential risk of falling in the dispatch and waste separation areas, as workers are working on trucks without any protective precautions.
5. Unbalanced and/or overloaded trucks were observed in the factory compound.
6. Some trucks were not in good condition (worn-out tires, no reverse gear siren, damage from previous accidents, etc.).
7. The temporary extension cables for cooling fans in compressor rooms were not in good condition. They were worn out and fixed with tape at places.
8. Grounding connections between cover and panel were missing on some electrical panels; there is also no system in place for regular control of residual current circuit breakers (RCCB or otherwise known as GFCIs).
9. Some electrical panels were blocked with temporarily stored materials. (Note: This was remediated during the assessment.)
10. The list of special equipment that need guards was not maintained.

Local Law or Code Requirement

Regulation for Punching Safety Management, Article 8; Production Safety Law Article 37; Health Standard for Design of Industrial Enterprises Article 5.1.1; Code of Design of Manufacturing Equipment Safety and Hygiene Article 6.1.6; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.11 and HSE.14; Employment Relationship Benchmark ER.31)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on EHS Committee nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Management is not well informed about the possible legal and financial consequences of work accidents and occupational diseases.
5. Risk Analysis report does not cover all of the factory's risks and hazards.
6. A contractor does waste handling operations; therefore, management did not think that workers hired by the contractor should be included in the risk assessment report.
7. There is lack of an effective training and internal monitoring process.

COMPANY ACTION PLANS

1. Immediate Action: Add vehicle condition requirement into the outside vehicles management procedures. Sustainable Action: GA is to conduct regular inspection of outside vehicles management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Added vehicle condition requirements into the outside vehicles management

procedures. 2. GA conducted regular inspections of outside vehicles management.

2. Immediate Action: Post loading limit signs on forklifts. Sustainable Action: 1. Establish procedure for warning sign management. 2. EHS is to conduct regular inspections of warning sign management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for warning sign management. 2. EHS conducted regular inspections of warning sign management.

3. Immediate Action: Stop using freight elevators as personnel lifts. Sustainable Action: 1. Post the warning words on the freight elevators to avoid the workers using them. 2. EHS is to conduct regular inspections of elevator safety.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Posted the warning words on the freight elevators to keep workers from using them. 2. EHS conducted regular inspections of elevator safety.

4. Immediate Action: Post "beware of falling" and height limit signs. Sustainable Action: 1. Add the falling risk to the training document and train the workers who work at the dispatch and waste separation areas. 2. EHS is to conduct regular inspections of high work management. 3. Provide PPE against risk of fall and check in EHS regular inspection.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Added the falling risk to the training document and trained the workers who work at the dispatch and waste separation areas. 2. EHS conducted regular inspections of height work management.

5. Immediate Action: Post height limit signs at packaging materials' recycling area. Sustainable Action: 1. Add vehicle condition requirement into the outside vehicles management procedures. 2. Implement outside vehicles management. 3. GA is to conduct regular inspections of outside vehicles management.

Action plan status: Planned

Planned completion date: 01/28/14

6. Immediate Action: 1. Check the vehicle registration and vehicle conditions when they enter. 2. Add the vehicle condition daily check at packaging materials' recycling area. Sustainable Action: 1. Add vehicle condition requirement into the outside vehicles management procedures. 2. Implement outside vehicles management. 3. GA is to conduct regular inspections of outside vehicles management.

Action plan status: Planned

Planned completion date: 01/28/14

7. Immediate Action: Remove the damaged cooling fans. Sustainable Action: 1. Establish procedures for electrical safety management. 2. Develop tools for electric connection safe handling and implement electrical safety management. 3. EHS is to conduct regular inspections of electrical safety management.

Action plan status: Planned

Planned completion date: 04/30/14

8. Immediate Action: Repair the grounding connections. Sustainable Action: 1. Establish procedures for electrical safety management. 2. Develop tools for electric connection safe handling and implement electrical safety management. 3. EHS is to

conduct regular inspections of electrical safety management.

Action plan status: Planned

Planned completion date: 04/30/14

9. Immediate Action: Remove the stored materials. Sustainable Action: 1. Establish procedures for electrical safety management. 2. Develop tools for electric connection safe handling and implement electrical safety management. 3. EHS is to conduct regular inspections of electrical safety management.

Action plan status: Planned

Planned completion date: 01/28/14

10. Immediate Action: Update the special equipment inventory in a timely manner. Sustainable Action: 1. Establish procedures for special equipment management. 2. Implement special equipment management. 3. EHS is to conduct regular inspections of special equipment management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedures for special equipment management and effected. 2. EHS team conducts regular inspection of special equipment management.

FINDING NO.21

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. 2 superficial cracks were identified in the dormitory building. Other cracks were observed at staircases of top floors in the production buildings.
2. Potential effects of vibrating machines, such as pneumatic pumps, are not included in the current risk assessment report.

Local Law or Code Requirement

Production Safety Law Article 37; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1 and HSE.25)

Root Causes

1. Although the factory has obtained an OHSAS 18001 certificate, and the Health & Safety system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
4. Management is not well informed about the possible legal and financial consequences of work accidents and occupational diseases that may occur.
5. Both the factory and dormitory buildings are new; therefore, management did not think that structural safety might be an issue.
6. Risk Analysis report does not cover all of the factory's risks and hazards. Elected worker representatives did not participate in this process.
7. There is lack of an effective training and internal monitoring process.

COMPANY ACTION PLANS

1. Immediate Action: Repair cracks immediately. Sustainable Action: 1. Establish a plan for building structure management

and maintenance. 2. Implement building structure management and maintain management. 3. EHS is to conduct regular inspections of structure management and maintenance.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established plan for building structure management and maintenance. 2. Implemented building structure and maintenance management. 3. EHS conducted regular inspections of structure management and maintenance.

2. Immediate Action: Carry out the assessment for load/weight bearing risk. Sustainable Action: 1. Establish procedures for risk assessment of vibrating machines. 2. Implement risk assessment of vibrating machines. 3. EHS is to conduct regular inspections regarding risk assessment of vibrating machines. 4. Provide training on the bearing risk assessment to applicable EHS staff.

Action plan status: Planned

Planned completion date: 04/30/14

FINDING NO.22

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Environmental impact assessment of Buildings F4, F5, and F7 of Dagong (NB6) have not been updated to reflect the drastic increase in production capacity and workforce.
2. Management has not performed environmental impact assessments for the 3 rented dormitory buildings located outside the factory compound and 2 warehouse buildings within the factory compound.
3. The factory has no procedures for regular inspection of the underground diesel tank. The following issues were observed:
 - a. No protective barriers placed around the filling point (Note: This was addressed during the assessment.);
 - b. No secondary containment;
 - c. Missing warning signs;
 - d. No precautions against potential drips/overflow during filling process.
4. Although there is a drainage system for oil-contaminated water coming out of dryers, air tanks, and compressors, there are many leaks in the pipes. Furthermore, this contaminated water is directly discharged to the sewer system, instead of being processed through an oil separator and delivered to a waste management company.
5. No color-coding for different drainage lines.
6. Solid waste is not properly separated at the source; as a result, there is mixed solid waste at the waste collection and storage areas. Also, some labels for indicating the type of the waste, collection date, maximum storage limit, etc., were missing at the waste separation and storage areas.
7. There is no indication of separate collection and treatment or proper disposal of contaminated process water generated from the stencil cleaning process.
8. The waste management plan does not include some hazardous waste like used machine oil/ batteries/ printer cartridge, etc., and therefore needs to be revised.

Local Law or Code Requirement

China Environmental Impact Assessment Law, Article 24; China Law of Prevention and Treatment of Water Pollution, Article 29; Regulation for Safety of Dangerous Chemicals, Article 16; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

Root Causes

1. Although the factory has obtained ISO 14001 and ISO 14064 certificates, and the environmental management system is well developed (as far as written policy and procedures are concerned), the implementation of the system is not effective in many areas. This is due to the ineffectiveness of the EHS Committee and of the methodology and tools used for internal audits and routine HSE inspections, as well as the absence of an effective review process.
2. Most of the interviewed managerial staff mentioned that these issues have not been raised during previous external audits.
3. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers

- to actively participate in ongoing EHS efforts.
4. There is no system for conducting periodic assessments of the environmental issues in the factory.
 5. These issues have not adequately addressed during previous external audits, which have focused on documentation, providing both inadequate information and guidance on environmental requirements and standards.
 6. EHS staff is trying to deal with all environmental-related issues rather than collaborating with the EHS Committee.

COMPANY ACTION PLANS

1. Immediate Action: Environmental impact assessment (EIA) to be renewed. Sustainable Action: 1. Establish procedures for environmental impact assessment. 2. Implement environmental impact assessment. 3. EHS is to conduct regular inspections of environmental impact assessment.

Action plan status: Planned

Planned completion date: 07/01/14

2. Immediate Action: This job was in processing when carrying out the audit and QSMC will continue to follow. Sustainable Action: 1. Establish procedures for environmental impact assessment. 2. Implement procedures for environmental impact assessment. 3. EHS is to conduct regular inspections of environmental impact assessment.

Action plan status: Planned

Planned completion date: 03/10/14

3. Immediate Action: 1. Install railings around injection port to avoid damages. 2. Install the secondary containment. 3. Post the warning signs immediately. 4. Install a leak-proof cement platform. Sustainable Action: 1. Establish underground diesel tank standards and provide training to responsible staff. 2. EHS is to conduct regular inspections of underground diesel tank management.

Action plan status: In Progress

Planned completion date: 01/28/14

Progress update: 08/13/14 : .

4. Immediate Action: Clean the leaks and repair the pipe. Sustainable Action: 1. Install the oil-water separator to avoid the leaks. 2. Implement the oil-water separator. 3. GA is to conduct regular inspections of oil-water separator management.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Installed the oil-water separator to avoid leaks. 2. GA team conducted regular inspections of oil-water separator management.

5. Immediate Action: Post the signs to distinguish different drainage lines. Sustainable Action: 1. Establish procedures for water management. 2. Implement water management. 3. GA is to conduct regular inspections of water management. 4. Update procedures for water management and provide trainings to responsible staff accordingly.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : .

6. Immediate Action: Re-do company general waste classification criteria. Sustainable Action: 1. Establish hazard waste storage standards and improve all waste storage, according to the standards and provide training to applicable staff. 2. EHS is to conduct regular inspections of waste storage management.

Action plan status: Planned

Planned completion date: 01/28/14

7. Immediate Action: Collect wastewater immediately and store in the wastewater tank. Sustainable Action: 1. Establish procedures for waste water management. 2. Treat wastewater as hazardous waste. 3. EHS is to conduct regular inspections of wastewater management.

Action plan status: In Progress

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Established procedures for wastewater management. 2. Waste liquid classified and treated as hazard waste. 3. EHS conducted regular inspections of wastewater management.

8. Immediate Action: Add machine oil/ batteries/ printer cartridge to hazardous waste management plan. Sustainable Action: 1. Update the procedures for hazardous waste management. 2. Update hazardous waste list when there is new hazardous waste. 3. Set up waste management plan every year.

Action plan status: Planned

Planned completion date: 01/28/14