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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 the 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.

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

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.

**Uncorroborated Risk of Noncompliance**: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).
Score by Employment Function

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

Score by Management Function

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

Score Summary

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

FINDING NO.1

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation
Factory management and employee interviews corroborated that the factory has not provided training on Recruitment, Hiring & Personnel Development, Wages & Benefits, Hours of Work, Termination & Retrenchment for HR personnel and supervisors. In addition, ongoing training for regular employees is not provided on Wages & Benefits, Hours of Work, Termination & Retrenchment, and Industrial Relations.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.15.2, and ER.17)

Root Causes
i) Factory management is not aware of the: a) new FLA benchmarks and requirements and b) benefits of effective training;
ii) Factory has not created a training plan and developed the relevant training materials;
iii) Factory has not seen the need to expand the list of topics already covered by the current training activities, which are sporadic;
iv) Absence of a mechanism to harmonize production needs with training needs.

COMPANY ACTION PLANS
1. The company has recruited a new Training Assistant, Miss Hu, to make the new training plan, update training materials, evaluating the efficacy of training. 2. According to the training plan, periodic trainings will be provided to the workers (the training content; Workplace conduct and Discipline, chemicals, PPE, safety knowledge etc.); 3. Training materials (PPT) was posted on bulletin boards.

### Finding No.2

**RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

**Finding Type:** Sustainable Improvement Required

**Finding Explanation**

Review of factory regulations and labor contracts found that employees signed a 3-year contract that provides for an extended probation period of 6 months. This is in compliance with the local legal requirements; however, based on FLA benchmarks, the probation period limit is to not exceed 3 months.

**Local Law or Code Requirement**

FLA Workplace Code (Compensation benchmark C.3)

**Root Causes**

i) The factory’s current operations were in compliance with the Chinese Labor Contract Law which allows for an extended probation period of up to 6 months in 3-year employment contracts;

ii) Factory management was not aware of FLA’s limits for the probationary periods.

**Company Action Plans**

1. The factory is actually having 6 month probation for the workers because of following reasons: 1) According to the local law requirement, maximum of 6 months probation period is allowed on signing 3-year contract. 2) The factory can have a longer time period to evaluate worker’s suitability for the job. 3) The worker has more flexibility in deciding whether to stay in the factory or not because they can resign without 1-month prior notice during the probation period.

### Finding No.3

**COMPENSATION**

**Finding Type:** Immediate Action Required

**Finding Explanation**

i) Payroll review indicated that wages were paid on the 22nd day of each pay period; therefore, it was corroborated that for the past year, there has been a systematic delay of 15 days in the payment of wages. However, the local law requires that payday is no later than the 7th day after the last pay period.

ii) According to factory policy, female employees are provided 90 days of paid maternity leave benefit, instead of the 98-day benefit.
days as per legal requirement.

iii) Per factory regulations review and employee interviews, each employee is only be paid for a maximum of 2 sick days leave per month; however, the local law does not stipulate a time limitation on the period of sick leave;

iv) Factory does not provide 100% of social insurance coverage on a systematic basis. For example, according to the October 2012 social insurance payment receipt provided by factory management, all 900 employees were provided injury and medical insurance; 109 out of 900 employees were provided pension insurance; 3 were provided unemployment insurance; and 10 were provided maternity insurance.

**Local Law or Code Requirement**
Regulations of the Shenzhen Municipality on the Wage Payment to Employees, Article 11; Special Provisions on Labor Protection for Female Employees, Article 7; Medical Treatment Period Provision of Corporation Employee Illness or Non Work-Related Injury, Article 3; China Labor Law, Article 73; FLA Workplace Code (Compensation benchmarks C.1 and C.4; Hours of Work benchmark HOW.16)

**Root Causes**

i) Under the current wage calculation system, the factory has to spend more than 7 days to calculate the wages of the previous month;

ii) The factory is misinformed about the Shenzhen Municipality Regulations on Wage Payment to Employees, Article 11;

iii) The factory is not aware of the updated local law regarding the paid maternity leave benefit;

iv) Chinese Social Insurance Law requires that all employees receive 5 types of social insurance, namely, pension, medical, maternity, work-related injury, and unemployment insurances. However, only local Shenzhen employees can claim unemployment insurance benefits. Employees from other provinces would not be able to claim their unemployment benefits, even if they were registered and paid up;

v) Many employees do not demand social insurance, as they believe they will not be able to transfer funds to their hometowns;

vi) The social insurance system is under development and local governments have not been strictly monitoring and enforcing compliance.

**Recommendations for Immediate Action**
Ensure that there is timely payment of wages in accordance with local regulations.

**COMPANY ACTION PLANS**

1. For salary calculation, the factory has to confirm with the HR department for every worker’s attendance in each month and to confirm with the production department for the monthly output by worker. It may take a long time period to come up with an accurate result. The factory is now trying to speed up the calculation process in order to issue the payment at an earlier time. 2. The factory has already adjusted the maternity leave from 90 days to 98 days. 3. The factory will remove the time limitation for the period of sick leave. 4. In order to invite more workers to participate in the social insurance program, the factory will implement a more comprehensive training for the new & the current workers to better inform them about their benefits in the social insurance program.

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<td>Progress update:</td>
<td>10/30/14 : Follow up on 30/7/2014: Item 1: No further progress. Item 2&amp;3: Factory regulation was updated and notice of change was posted in the factory in 2013. Item 4: Due to the request from local government, 5% increase of coverage in social insurance was noted in 2014. Internal communication was conducted on a regular basis to persuade a higher percentage of employees to register with social insurance.</td>
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**FINDING NO.4**

**HOURS OF WORK**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

i) In the production department, 30% of employees exceeded the 2,432 hours yearly work limit, under the Cumulative Hours Working Approval, valid from July 1, 2011 to June 30, 2012. The maximum cumulative hours of work for a representative sample of employees reached 2,480 hours from October 1, 2011 to June 30, 2012.

ii) Time record review corroborated that, during the past year, most workers were not provided with 1 rest day in every 7-
day period. For example: a) in February, August, and November 2012, 30% of workers did not have 1 day off in every 7-day period and b) from October to December 2011 and in January, April, May, June, July, September, and October 2012, 90% of employees were not provided 1 day off in every 7-day period.

iii) Record review corroborated that the hours of work for about: a) 30% of employees in April and November 2012 and b) 90% of employees in the production department exceeded FLA’s 60 hours per week limit in October to December 2011 and January, February and May to October 2012; with a maximum of 90.5 hours a week in July 2012.

Local Law or Code Requirement
Instruction on the Implementation of the China Labor Law, Article 65; China Labor Law, Article 38; FLA Workplace Code (Hours of Work benchmarks HOW.1, HOW.1.1, HOW.1.3, and HOW.2)

Root Causes
i) Inadequate preparation for dealing with production orders means staffing levels may be out of sync with production volumes, leading to excessive hours of work;
ii) Not enough buyer oversight to identify and address possible reasons behind excessive overtime;
iii) Workers have the perception that their regular shift is 10 hours a day, plus overtime;
iv) There are no regular analyses on hours of work, with a view towards progressively reducing excessive hours of work.

Recommendations for Immediate Action
i) Management is to ensure that workers have 1 day off for every 7-day work period;
ii) Retroactively provide workers who are owed any days off, with pending rest days, in accordance with local regulations.

COMPANY ACTION PLANS
1. In order to lower the OT hours as well as to have 1 day off in every week, the factory is currently putting effort in the following areas: a. Increase workforce – maintain output with less working hours b. Machinery automation – use less workers for the same procedures c. Consultancy Programs – studies & suggestions from consultants to increase productivity d. Technical training – increase the skill level of the workers e. Capacity Control – closely communicate with the customers if the capacity is too full in a certain period and persuade customer to spread out the delivery

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<td>Progress update:</td>
<td>10/30/14: Follow up on 30/7/2014: A working hours tracking system had been implemented in 2014. The HR department monitors the daily overtime for every employee. Reminder would be given to line managers if overtime for any worker reaches the monthly limit and a proper explanation is needed if any worker's overtime exceeded the limit.</td>
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FINDING NO.5

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation
i) No written procedure on how to regulate workplace conduct and disciplinary measures.
ii) Disciplinary system does not allow workers to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action is being imposed.
iii) No clear guidance on dealing with supervisor conduct, including sanctions against supervisors that misuse the disciplinary system.
iv) Based on disciplinary actions record review, some workers did not sign the written disciplinary actions against them.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship benchmarks ER.27.2, ER.27.3.3, and ER.27.4; Harassment or Abuse benchmark H/A.11)

Root Causes
i) HR staff does not have enough technical knowledge to develop a workplace conduct/discipline system;
ii) Management lacks awareness of FLA's Workplace Code and Benchmarks;
iii) Management does not see the need to formalize workplace conduct /discipline policies and procedures.

COMPANY ACTION PLANS
1. The Workplace Conduct & Disciplinary procedure will be amended to have a more comprehensive content. 2. Appeal system will be included in the conduct & disciplinary procedure. 3. The factory has increased the number of suggestion box from 1 to 3. 4. The personnel department has special complaints telephone and email; 5. General manager has special complaints mobile phone lines, employees can communicate directly with the general manager;

FINDING NO.6

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation
i) Factory does not monitor and kitchen oil, the wastewater, the ambient noise level and the air emissions from the power generator as required by the local law;
ii) Factory does not use a licensed company for the disposal of hazardous waste, such as rugs containing machine oil or chemicals, waste lamps, batteries, ink boxes.
iii) The hazardous waste storage area is not well managed: a) no secondary containment was available, b) no covers have been installed to prevent exposure to sunlight or rain, c) no fire fighting equipment has been provided, d) no warning signs have been posted, and e) no eye washing or shower facility has been equipped.

Local Law or Code Requirement
The China Law of Prevention and Treatment of Air Pollution, Article 36; The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 57 and Article 58; The Standard for Pollution Control on Hazardous Waste Storage GB 18597-2001, Article 6.2.4; FLA Workplace Code (Health, Safety, and Environment benchmarks HSE.1 and HSE.4)

Root Causes
i) Factory does not have a procedure for obtaining updated laws and regulations on environmental protection;
ii) Factory does not have an internal audit/inspection system to identify the environmental risks in daily production activities;
iii) Management does not have technical knowledge on handling environmental issues.

Recommendations for Immediate Action
Factory management is to use a licensed disposal company to handle hazardous waste.

COMPANY ACTION PLANS
1. The chemical storage of the top floor has been removed and all chemicals have been transferred to a dedicated area with secondary container. 2. Secondary container will be added to prevent leakage of in the power generator room. 3. Eye washing has installed in the chemical storage/ usage areas. 4. Training & case studies will be provided to workers regarding the PPE usage

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Progress update: 10/30/14: Follow up on 30/7/2014: No significant improvement was noted. The equipment for chemical and fire safety had been set up but awareness of workers on chemical safety was still low. Training regarding environmental procedure to all employees was scheduled to be conducted in August 2014. Relevant training material was provided at the day of visit.
FINDING NO.7

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation
i) Factory does not have the Construction Acceptance Certificate for the office and dormitory building, as required by the local authority.
ii) An additionally constructed workshop on the top of the production building that is about 300 square meters was used as an “edge painting” workshop; however, there were no Fire Safety Inspection and Construction Acceptance Certificates, as required by the local authority.
iii) Factory’s canteen did not have a valid certificate for food preparation, as required by the local authority.

Local Law or Code Requirement
Construction Law of the People’s Republic of China, Article 61; China Fire Prevention Law, Article 13; China Law on Food Safety, Article 29; FLA Workplace Code (Health, Safety, and Environment benchmarks HSE.1, HSE.4, and HSE.22)

Root Causes
i) As the premises are rented, factory management has not exercised any due diligence to ensure that all legally required certificates have been obtained by the owner of the premises;
ii) No procedures in place for updating all permits/certificates required by local law.

COMPANY ACTION PLANS
1. i) There is still no Construction Acceptance Certificate for the office and dormitory building, ii) Due to the massive cost for reapplication of the fire safety inspection and Construction Acceptance Certificates for the extra workshop at the top of the production building, the factory failed to proceed. It was advised that factory seek a consulting firm to inspect the fire safety and construction of the workshop to at least reduce the risk of accident. iii) A Hygiene certificate for factory’s canteen (valid until 2016), as required by the local authority, was provided.

Action plan status: Planned
Planned completion date: 06/01/14

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation
i) Only 1 evacuation stairway in the 4-story office building, which is about 250 square meters on each floor. There are around 35 employees on the 2nd floor; therefore, according to local law, there must be 2 emergency exits/routes.
ii) No fire alarm system was installed in the office building.
iii) 1 evacuation stairwell was blocked by some wooden boards on the 4th and 5th floors of the dormitory building.
iv) The factory did not conduct a fire drill for the night shift; consequently, 10 employees from the cutting workshop who work the night shift were not included in fire drills.

Local Law or Code Requirement
The Fire Safety of Building Design Regulation (GB50016-2006), Article 3.7.2; The China Fire Prevention Law, Article 16; FLA Workplace Code (Health, Safety and Environment benchmark HSE.5)

Root Causes
i) Factory management is to ensure that the number of employees in the office is in accordance with the legal limitation of 20 per floor; otherwise, they are to construct an additional emergency evacuation stairway in the office building;
ii) Factory management is to install a fire alarm system in the office building;
iii) Factory should remove the wooden boards from the evacuation stairway at once and strengthen worker training in order to keep evacuation aisles and stairs unblocked at all times.

COMPANY ACTION PLANS
1. 1. Another emergency exit has been added in the 2nd floor of the office building. 2. Fire Alarm system will be installed in the office building. 3. A dedicated security staff will perform daily check on the dormitory to prevent any issue related to fire
FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation
i) Chemical storage room on the top floor has not been equipped with a secondary container to prevent spills.
ii) Generator room has not been equipped with a secondary container around the diesel oil tank to prevent soil contamination in case of spill or leakage.
iii) Some chemical containers were not clearly marked with safety labels.
iv) No eye washing or shower facility was installed in the chemical storage/usage areas.
v) Factory does not take measures to prevent unauthorized entry into the chemical warehouse or diesel oil tank/generator room.
vii) Factory does not inspect their diesel oil tank periodically and does not keep inspection records accordingly.

Local Law or Code Requirement
The Regulation for Safety of Dangerous Chemical, Article 16; The Regulation of Chemical Safety Usage in Workplace, Article 19; The China Law of Prevention and Control of Occupational Diseases, Article 23; The Law of the China on Work Safety, Article 37; FLA Workplace Code (Health, Safety, and Environment benchmarks HSE.8 and HSE.9)

Root Causes
i) No chemical program has been properly implemented to address all risks/issues regarding chemical management;
ii) Management is not aware of: a) the consequences to workers’ health that can result from the lack of chemical management practices and b) the legal consequences of work accidents or occupational diseases;
iii) Workers were reluctant to wear personal protective equipment (PPE), as they felt uncomfortable wearing it;
iv) Training for the proper use of PPE is ineffective;
v) Lack of effective monitoring of the implementation of both chemical safety and PPE policies and procedures.

Recommendations for Immediate Action
i) Factory management is to install secondary containment for all chemical storage, including the diesel oil storage tank;
ii) All chemical containers should be labeled with the content information and safety warnings;
iii) Unauthorized entry should be prohibited in the chemical storage area.

COMPANY ACTION PLANS
1. i. All chemicals have been transferred from the chemical storage of the top floor to a dedicated area with secondary container. ii. Secondary container will be added n the power generator room. iii. No chemical container without hazardous label was identified. The factory should keep close monitoring the chemical safety in production area to avoid accident. iv. Eye washing has installed in the chemical storage/usage areas. v. The workers awareness on chemical safety was still needed to improve. It was noted that some workers entered the chemical storage area without permission vii. Training & case studies will be provided to workers regarding the PPE usage.

Action plan status: Planned
Planned completion date: 06/01/14
HEALTH & SAFETY

FINDING NO.10

FINDING TYPE: Immediate Action Required

Finding Explanation
i) Not all sewing machines were installed with needle guards; high-speed sewing machines, such as computerized sewing machines, were not equipped with protective eye shields.
ii) The warning labels on some sewing machines are not in the local language of workers.
iii) The wood shelves and 1 steel stairway used in the warehouse were about 1.8 meters high, but no protective railing has been installed.
iv) Ladders that lead to the roof of the production building have not been equipped with a protective cage.

Local Law or Code Requirement
The Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6 The Law of the China on Work Safety, Article 28; The Safety Requirements for Fixed Steel Ladders and Platform - Part 3; FLA Workplace Code (Health, Safety, and Environment benchmark HSE.14)

Root Causes
i) Low management awareness of the benefits of proper machine guarding and safety devices;
ii) No effective oversight system to address health and safety risks related to machine guarding and safety devices;
iii) Lack of training to ensure workers understand the importance of machine guarding and associated risks;
iv) Related HSE staff does not have adequate technical knowledge on fall protection;
v) Absence of a procedure for workers to report machine guarding/safety device issues.

Recommendations for Immediate Action
i) Factory is to install needle guards on all sewing machines and install protective eye shields on high-speed sewing machines;
ii) Factory is to translate the warning labels on the sewing machines into the languages spoken by workers;
iii) Factory is to install protective railings on the steel stairways and the storage shelves;
iv) Factory is to install a protective cage on the ladders to the roof of the production building.

COMPANY ACTION PLANS
1. i. Needle guards will be installed on all sewing machines. ii. Relevant warning sign in Chinese will be posted. iii. Handrail has been installed on the steel stairway. iv. Protective cage will be installed at the top floor.

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<td>Progress update:</td>
<td>10/30/14 : Follow up on 30/7/2014: iv: A fence was installed on the ladder and the roof of the building. It was suggested to the factory that more safety bars should be added to minimize the risk of accident. In addition: 1) Comprehensive machine safety and workers safety training for all workforces were conducted in March 2014. 2) The internal monitor was assigned by the factory manager to conduct a regular patrol and report to HR department in the production area every day.</td>
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FINDING NO.11

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation
Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement
FLA Workplace Code (Compensation benchmark C.1.3)

Root Causes
i) The Chinese apparel industry currently does not provide wages that allow for the fulfillment of basic needs plus a
ii) There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.

COMPANY ACTION PLANS
1. 1. Shenzhen minimum wage standard is in the leading position in whole China. 2. Factory will continuously improve productivity in order to provide better benefits to the workers.

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FINDING NO.12

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation
FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement
FLA Workplace Code (Freedom of Association benchmark FOA.2)

COMPANY ACTION PLANS
1. 1. Factory has set up Employees Activities Committee. 2. There are around 30 members (production workers, office staff and management) in the Committee. 3. The Committee facilitates extra-curricular activities and collect employees' opinions. 4. The factory had set up the Workers' Committee, holding regular meetings with the minutes kept. From the workers' committee routines and selection records, the representatives were selected from workers, without management interference, and their purview is not confined to extra-curricular activities.

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