



COMPANY: **Apple, Inc.**
COUNTRY: **China**
ASSESSMENT DATE: **08/12/13**
MONITOR: **Openview Service Limited**
PRODUCTS: **Electronics [of all types, including software and other content]**
PROCESSES: **Other**
NUMBER OF WORKERS: **4711**
NUMBER OF WORKERS INTERVIEWED: **132**
ASSESSMENT NUMBER: **AA0000000312**

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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.

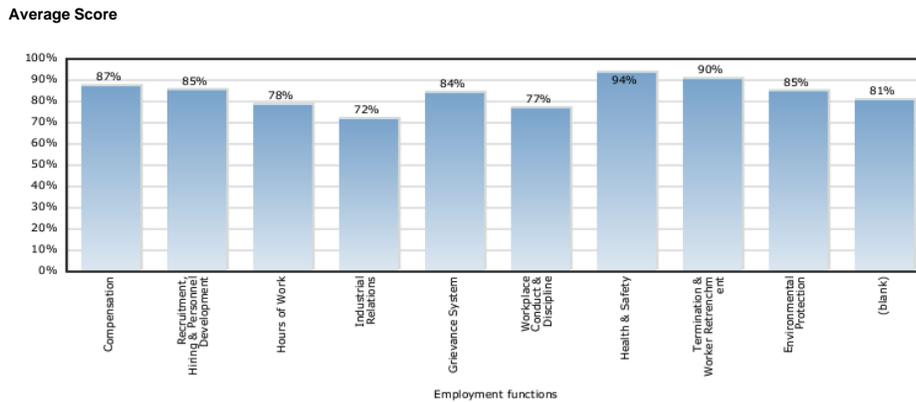
Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

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 constituted 20% of total production areas: Building C1: 8% of 1st floor; Building C2: 46% of 1st floor, 3% of 2nd floor; Building C3: 1% of 1st floor, 28% of 2nd floor.

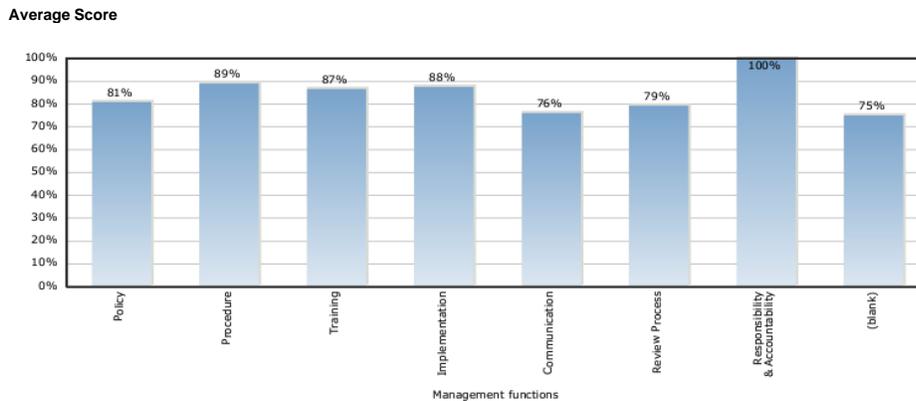
Score by Employment Function

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



Score by Management Function

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



Score Summary

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

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	80%	72.73%	66.67%	50%	66.67%	58.33%	90.91%	75%	85.71%	71.78%
Procedure	94.47%	90.91%	77.5%	38.24%	87.5%	61.11%	100%	99.74%	100%	83.27%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	50%	33.33%	66.67%	66.67%	75%	75%	100%	100%	100%	74.07%
Training	85.6%	95.93%	84.62%	93.75%	95%	71.05%	95%	96.86%	87.5%	89.48%
Implementation	89.09%	91.82%	74.44%	73.08%	91.67%	87.5%	100%	93.74%	81.63%	87%
Communication	83.33%	90%	60%	50%	75%	75%	87.5%	82.5%	50%	72.59%
Aggregate Score	83.21%	82.1%	75.7%	67.39%	84.4%	75.43%	96.2%	92.55%	86.41%	

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
Employment Relationship	13	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication General/Documentation and Inspection Administration of Hours/Production and Incentive Schemes Industrial Relations 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
Freedom of Association and Collective Bargaining	7	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 Right to Collective Bargaining/Good Faith
Harassment and Abuse	2	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties
Hours of Work	4	General Compliance Hours of Work Rest Day Maintenance of Reasonable Levels of Staff Exceptional Circumstance/Overtime Explanation
Health, Safety and Environment	1	General Compliance Health, Safety, and Environment

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The number of disabled workers is below the legal requirement (1.5% of total workforce.) The local law allows the factory to contribute to the employment security fund in lieu of employing disabled workers. However, it was noted that the factory did not pay the legally mandated employment security fund contributions.

Local Law or Code Requirement

China Labor Law, Regulations on the Employment of Persons with Disabilities, Articles 8 and 9; FLA Workplace Code (Nondiscrimination Benchmark ND.2; Employment Relationship Benchmark ER.3)

Root Causes

1. The internal monitoring system does not provide in-depth controls for checking on possible issues in the Recruitment, Hiring, & Personnel Development process.
2. Management lacks awareness of the FLA Workplace Code and Benchmarks.
3. 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.
4. Due to the absence of a regular review process, there is a lack of knowledge regarding amendments and updates to laws and regulations.
5. These issues have not been brought to the attention of the factory management during previous external audits.

Recommendations for Immediate Action

1. Factory management should immediately pay the employment security fund contributions for 2012.

COMPANY ACTION PLANS

1. Immediate Action: 1. Define the special recruitment policy for disabled workers. 2. Clearly define the position requirements in terms of a workers' ability. 3. Continue to contribute to the disabled worker employment security fund (as done since 2013) in the event there are not enough disabled workers employed. Sustainable Action: 1. CSMC to align its supplier code of conduct (COC) and supporting guidelines with FLA's Workplace Code and Compliance 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 Environmental (HSE) team to identify the possible positions that are suitable for disabled workers. 4. Provide trainings to HR and supervisors on 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 40% 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 regular job positions from temporary, auxiliary or substitute job positions. As a result, most agency (dispatch) workers are currently working in regular positions alongside permanent workers.
2. 3% of interviewed workers reported that brokers or labor dispatch agents charged them a hiring fee. Most of the interviewed dispatch workers did not know whether or not labor dispatch companies paid for their social insurance during their probation period.

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; in part, this is due to the absence of a clearly defined limitation on the number of dispatch workers that can be used by factories. Although some amendments have been made regarding dispatch worker use in factories and recent changes in China Labor Contract Law mean that some of the liabilities have been passed onto employers, 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. Employers prefer to use dispatch workers because it enhances flexibility and is cost effective. Due to uncertainties in their production schedules (changes in deadlines/order quantities, delays in raw material arrival, etc.), employers often resort to using dispatch workers to adjust for fluctuations in production volume. Also, by employing dispatch workers, employers can bypass many of the obligations involved in recruiting regular workers, e.g., severance payment obligations, social security benefit obligations, payment of bonuses/allowances.
4. Suppliers have not yet been informed about the FLA requirement that prohibits all kind of fees associated with employment of regular and dispatch (agency) workers.
5. As the factory is not the direct employer of the dispatch workers, management believes that all issues associated with the dispatch workers' working conditions are the responsibility of the labor agencies.
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 the factory lacks the systems to manage and control the employment of workers from 7 different labor dispatch companies, subcontractors, 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 local labor bureau to define 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. Current focus is the definition of the existing period and adjustments made to any update in the law. 3. Set up a monthly channel of inquiry to 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, the 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. CSMC 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: 02/28/14

2. Immediate Action: 1. HR is to notify all the labor dispatch companies not to illegally charge any worker and increase their monitoring of labor agents' recruitment practices. 2. Conduct 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, subcontractors, 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:	Completed
Planned completion date:	12/31/14
Progress update:	08/13/14 : 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 has updated 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. 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.
Completion date:	07/24/14

FINDING NO.3

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory employed 101 young workers (between 16 and 18 years of age) between August 2012 and July 2013. Although all young workers were transferred out of FLA-affiliated company's production lines by the end of July 2013, the factory did assign them overtime work, in violation of the local law, while they were employed. It was noted that the monthly overtime of young workers ranged from 2.5 – 136.5 hours in October 2012 and from 8 – 15.5 hours in July 2013.
2. The factory employed 13 student workers in February 2013 as interns, but arranged overtime work for them. The overtime for interns ranged from 1 – 20.5 hours in February 2013. All interns had resigned from the factory as of February 22, 2013.

Local Law or Code Requirement

Regulations on Labor Protection in Jiangsu Province, Article 31; Provisions on Internship of Secondary Vocational School Students, Article 5; FLA Workplace Code (Employment Relationship Benchmark ER.14; Child Labor Benchmarks CL.4 and CL.8)

Root Causes

1. Current factory procedures on Recruitment, Hiring & Personnel Development and Hours of Work do not prohibit overtime work for young workers and interns.
2. These issues were not brought to the attention of factory management during previous external audits.
3. Although Jiangsu province is the only province in China with overtime work restrictions for young workers, most employers in the region believe that it is an unfair practice that limits their competitiveness. In fact, all interns resigned in February as soon as they were told that they were not allowed to work overtime; they left for factories in the region that allow interns and juvenile workers to perform overtime work.
4. Local authorities lack the resources to monitor and enforce the hours of work limits of interns and juvenile workers.
5. Due to the absence of a periodic review process, there is a lack of knowledge regarding updates to laws and regulations.
6. There is an absence of an effective internal monitoring process.
7. Management lacks awareness of FLA Workplace Code and Benchmarks.

COMPANY ACTION PLANS

1. Immediate Action: 1. Control and reduce working hours, make good records of working hour statistics to make sure the working hours meet the limits regulated by law or related standards. 2. System has been set so that young workers cannot work overtime. Sustainable Action: 1. Young workers' management policy should include all risk identification and control methods. Provide trainings on young worker management policy to supervisors. 2. Recruit procedure to identify student

workers. 3. Enhance the CSR team monitoring system by checking OT work every week. 4. Enhance production line management and ensure full implementation.

Action plan status: Planned

Planned completion date: 12/31/14

2. Immediate Action: 1. Control and reduce working hours, make good records of working hour statistics to make sure the working hours meet the limits regulated by law or related standards. 2. System has been set so that student workers cannot work overtime. Sustainable Action: 1. Student workers' management policy should include all risk identification and control methods. Provide trainings on student worker management policy to supervisors. 2. Recruit procedure to identify student workers. 3. Enhance the CSR team monitoring system by checking OT work every week. 4. Enhance production line management and ensure full implementation.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.4

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. Almost 80% 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. Based on management interview, this issue is not considered a priority due to the fact that these 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 the factory management during previous external audits.
4. There is no active worker representation system in place; therefore, workers were not actively involved in the development of personnel/skills development plans.
5. 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 to Grade 9 workers. Sustainable Action: 1. Set up employee career development policy. 2. Define the 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. Employee development plan is to be included in management review. Define target to make employee development path align 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: Completed

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. Made communication of 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 and include 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.
Completion date:	07/24/14

FINDING NO.5

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); however, there are neither records on file that indicate that any election has 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 or not they are members of the trade union. Factory management pays the union dues rather than the workers themselves.
3. Instead of being elected by workers directly, all 102 union representatives were nominated by management from each department. Only 39 of them are production workers; the rest consist of managerial staff.
4. Although 3 out of the 9 Union Committee members are production workers (the rest being supervisors and managers), these workers were elected from among 10 candidates who were nominated by management from each department.
5. Although workers have access to electronic copies of the Collective Bargaining Agreement (CBA) through the "information classrooms" (computer rooms for workers) in the dormitory areas: a) workers are not provided a hard copy of the CBA and b) 90% of the interviewed workers are completely uninformed about the content of the CBA. (During the assessment, factory management uploaded electronic copies of the CBA to the Personal Information Checking system in canteen areas.)
6. In terms of the disciplinary rules, the factory sanctions workers who are involved in a strike (Workplace Rules Article 8.6).

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 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. Based on interviews, it appears management is not fully aware of 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 the factory management during previous external audits.
8. Since they have received no training, both union representatives and committee members have no 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 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; 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 include 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 CBA. 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.

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 the union's operation was added to orientation, so that workers get to know the union and its membership. 2. Define how workers both join and quit the union in the policy. 3. Quanta has updated its policy to reflect that the union affiliation is on a voluntary basis from the outset. Workers have the right to choose to either join or not join.

Action plan status: Planned

Planned completion date: 12/31/14

3. Immediate Action: Nominations should be from the production line so workers can freely nominate themselves or fellow workers, without management interference. Their original department elected current union representatives. Sustainable Action: 1. The current union representatives were elected by the original department. 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. Line masters and managers are also employees and are qualified to attend the union meetings and be elected as union representatives/Union Committee members. 2. The interviewed workers who are also Union Committee members were busy with their own work and did not attend union meetings; therefore, they did not know their roles and responsibilities as Union Committee members.

Action plan status: Planned

Planned completion date: 12/31/14

5. Immediate Action: 1. Create and post announcements. 2. Push this information to workers and progressively increase worker awareness of the CBA. 3. Notify workers of the CBA communication channel at the time of hire.

Sustainable Action: 1. Make lasting announcements. 2. Regularly check that workers sign of 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 24, No.6, Chapter 5, Section 8. Sustainable Action: 1. Designated staff are to review Employee Handbook and other policy documents every time there are updates or renewals. 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

FINDING NO.6

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. Although a confidential grievance channel was established between FLA-affiliated company and factory workers via a service provider, workers appear unaware of this complaint channel. There are no hotline posters posted in prominent places throughout the factory and dormitory buildings to explain how workers can raise and follow-up on complaints.
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. These issues have not been brought to the attention of factory management during previous external audits.
2. There is no effective internal audit procedure to monitor grievance system-related issues on a periodic basis.
3. 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.
4. 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.
5. Workers do not make effective use of the current grievance system due to: a) the absence of an effective training program and b) lack of anonymity, as current procedures require workers to identify themselves when lodging a complaint.
6. There are insufficient training opportunities for different department representatives involved in the current grievance handling process.
7. There is no worker representation or worker integration in the current grievance system; as a result, workers lack trust in the system.
8. 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 of receiving workers' reports, and be responsible for handling these reports. 2. Provide trainings for all employees on the updated policy.

3. Also enhance the process of policy alignment, set up, update, and rules of issuance. 4. Distribute Clearvoice contact information to workers during SR audits.

Action plan status: Planned

Planned completion date: 08/01/14

2. Immediate Action: Develop the anonymous grievance procedures to ensure workers can report without identifying oneself, and such reports are accepted and processed. Sustainable Action: 1. Revise the policy that accepts anonymous grievances. 2. Provide trainings for all employees on the updated policy. 3. Develop investigation procedures and necessary investigating tools to handle the anonymous reports. Provide trainings for responsible staff on the usage of the tool. 4. Communicate handling progress and results to workers. 5. Distribute Clearvoice contact information to workers during SR audits.

Action plan status: Planned

Planned completion date: 08/31/14

3. Immediate Action: Align with Apple on the policy of communicating the COC to all employees. COC 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 worker hotline and post posters in prominent places in both production areas and dormitory buildings. 4. Distribute Clearvoice 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. Conduct a regular on-site check that the posted procedures are available. Sustainable Action: 1. Study and align with FLA and customer standards on worker grievances. Renew the internal grievance and complaint procedures accordingly. 2. Develop procedures regarding the notification and posting of communication channels. 3. Develop mailbox management procedures. 4. Provide trainings for responsible staff on the updated policy and procedures. 5. Develop monitoring procedures and ensure that the R&R's of monitoring is clearly defined and regular monitoring is implemented. 5. Communicate the renewed policy and procedures to workers to encourage them to report via these channels. 6. Provide timely feedback to workers on their grievances; all records of workers' complaints as well as the feedback provided, should be filed and maintained. 7. Distribute Clearvoice contact information to workers during SR audits.

Action plan status: Planned

Planned completion date: 08/31/14

FINDING NO.7

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 between July 1, 2012 and June 31, 2013. However, working hours exceeded the legal overtime limit stipulated in the Cumulative Working Hours System. A review of time records revealed that between 1.7% and 15% of the total workforce exceeded the quarterly overtime limit of 108 hours during the 1st and 2nd quarters of 2013. Furthermore, during the peak season within the 3rd and 4th quarters of 2012, almost 50% of the total workforce exceeded the quarterly limit. The highest quarterly overtime was 245.5 hours in the 4th quarter of 2012.
2. 92% of the workers worked 60 hours or less per week (regular hours plus overtime) between April and July 2013. However, this was not the case during the peak season: 66% of the workforce worked more than 60 hours and up to 80 hours per week on average from October to December 2012.
3. The majority of the workforce (91.1%) received the required 24 consecutive hours of rest in a 7-day period between January and July 2013. This was not the case in peak season. For example, in the 3rd and 4th quarters of 2012, respectively, 25% and 62% of the total workforce did not receive the required 1 day off per every 7-day period. The longest consecutive working period was 16 days in the 4th quarter of 2012.

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. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. Although Chinese law places strict limits on hours of work, the limits are not effectively enforced.
3. The factory's current HR resources are inadequate to keep working hours within limits set forth by local law and FLA Workplace Code and Benchmarks.
4. 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.
5. There is no regular analysis of hours of work, with a view to progressively reducing hours of work.
6. 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.
7. 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 hours of work.
8. 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, make good records of working hour statistics to make sure the working hours meet the limits regulated by law or standards. Sustainable Action: 1. Enhance the working hour monitoring system to record any abnormal situations. 2. Production plans to be reviewed regularly by assigned monitoring team. 3. Set a working hours cap in the system when planning productions. 4. Keep the records e.g., email any abnormal situations 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, make good records of working hour statistics to make sure working hours meet the limits regulated by law or standards. Sustainable Action: 1. Enhance the working hour monitoring system to record any abnormal situations. 2. Production plans to be reviewed regularly by assigned monitoring team. 3. Set a working hour cap in the system when planning productions. 4. Keep the records e.g., email any abnormal situations 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

3. Immediate Action: 1. Control and reduce working hours, make good records of working hour statistics to make sure working hours meet the limits regulated by law or standards. 2. Control the consecutive work days so no more than 6 days of consecutive work are planned. 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 productions. 4. Keep the records e.g., email any abnormal situations that requires urgent overtime exceeding 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.8

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Sick leave payment practice is not in line with local law requirements. Based on a review of payroll records, sick leave policy, and records, and management interviews, it was noted that Grade 9 (entry level) workers are paid just 60% of their basic wage (their basic wage is the legal minimum wage) during sick leave, although they should be paid no less than 80% of minimum wage as per local law. As a result, since January 2013, Grade 9 workers have been paid RMB 45/day for their sick leave whereas, according to the law, sick leave payments should not be less than RMB 54/day.
2. Factory does not control clock-in and clock-out times before and after shifts. For example, it was noted that some workers clock-out up to 44 minutes after the shift and some workers clock-in up to 35 minutes before the shift.

Local Law or Code Requirement

Regulations on Wage Payment of Jiangsu Province, Article 27; Regulations on the Employment of Disabled, Articles 8 and 9; FLA Workplace Code (Hours of Work Benchmarks HOW.16 and HOW.18)

Root Causes

1. Most of these issues have not been brought to the attention of the factory management during previous external audits.
2. The factory's current HR resources are insufficient to manage and control compensation in line with local law and code requirements.
3. 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 implement a system to ensure that all working hours are controlled and overtime premiums are paid to any worker that clocks in/out beyond the 15-minute window.
2. 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. Factory to pay sick leave (the higher of 60% of basic wage or 80% of minimum wage) as per legal requirements and relevant training shall be provided for the entire workforce. 2. CSMC has updated and paid 80% of their basic wages during sick leave; this does not violate local law. Sustainable Action: 1. Policy had been revised and complemented. 2. Communicate the policy to and train the relevant department. 3. Do a sample payroll check in the system on a regular basis.

Action plan status: In Progress

Planned completion date: 09/26/14

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

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. 15 Sustainable Action: 1. Develop attendance control procedures that clearly define the activities related to work. 2. Set up the 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 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: Completed

Planned completion date: 12/31/13

Progress update: 08/13/14 : The attendance is control within 15 minutes. 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: 12/31/13

FINDING NO.9

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Although the factory has a disciplinary record form that requires workers who received disciplinary measures to sign, that form is not used regularly. Some workers did not sign disciplinary records.
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. The implementation of some disciplinary actions is not consistent with the factory's disciplinary policy and procedures. For example, security guards who receive disciplinary actions need to sign a letter of "self-criticism". This is inconsistent with the factory's disciplinary rules.
4. Factory practices monetary fine. The current practice is to deduct 30-minutes of wages if workers are more than 3 minutes late. Also, if a worker forgets to swipe their time card, they are required to register attendance manually and get system approval from the supervisor. If such a mistake happens more than twice in a month, the worker is subject to a deduction of 0.5 hour of wages.

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. These practices, except for monetary fine for late attendance, 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 the 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 are 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. Management lacks awareness of FLA Workplace Code and Benchmarks.
4. The factory does not have a progressive disciplinary system that is backed up by 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 imposing monetary fines/deductions as a disciplinary measure.

COMPANY ACTION PLANS

1. Immediate Action: 1. Factory's punishment process is that: the worker who made a mistake writes down what they did and signs (special cases based on witness or physical evidence), according to factory's policy, workers will receive disciplinary measures, then it will be announced to all. 2. Factory will add a step in the process: every department will make sure the worker who received disciplinary measures signs the disciplinary records. Make sure everyone knows what kinds of disciplinary measures they will receive. If the evidence is obvious, disciplinary measures will be given to workers, even if they do not want them and cannot sign for them. Sustainable Action: 1. Develop a feedback process that allows workers to complain, question, provide testimony or disagree with any posed disciplinary action. Also, create a process to re-visit any disciplinary action that has been given. 2. Communicate the updated processes to all employees.

Action plan status:	Completed
Planned completion date:	08/31/14
Progress update:	08/13/14 : 1. Feedback process developed that allows worker to complain, question, provide testimony or disagree with any posed disciplinary action. 2. Also, factory has set up the process to re-visit any disciplinary action that has been taken. 3. Communicated the updated process to all employees. 4. Increased the monitoring of implementation.
Completion date:	07/24/14

2. Immediate Action: The CSMC dormitory management policy has been revised and it was announced to all workers and staff that the factory will not punish workers who return to the dormitory after 22:30 anymore. The factory will modify this article when they revise the Employee Handbook. Sustainable Action: 1. When updating disciplinary rules, the factory should take workers' interests and feelings into account. 2. Union or Union Committee members will participate in the design process of disciplinary rules, including views on collected assessments. 3. Provide trainings of the updated policy to the workers who live in the dormitory. 4. The CSR team should approve any updates made to the policy. CSR team is to regularly review and assess these policies.

Action plan status: Planned
Planned completion date: 08/28/14

3. Immediate Action: The manager was told on 8/16 that signing a letter of "self-criticism" is forbidden and that this situation should not happen again. Sustainable Action: 1. Strictly follow factory's disciplinary policy and procedures; other measures may not be used. 2. Factory will continue to publicize this policy in the newcomer training.

Action plan status: Planned
Planned completion date: 08/31/14

4. Immediate Action: 1. CSMC modified its policy to: If workers are late for work by 4 minutes to 29 minutes, their salary will be deducted by those minutes. If they are late for more than 0.5 hours, they will be treated as casual leave by every 0.5 hours. 2. The policy mentioned above had been posted. Sustainable Action: 1. Revised procedures should be communicated to all employees, including managerial staff, workers, and supervisors, through ongoing trainings and postings on notice boards. 2. 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. 3. 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: 01/01/14
Progress update: 08/13/14 : CSMC had modified the policy to: Only if a worker manually registers work time less than 5 times will they be warned.

FINDING NO.10

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all 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 the 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 join the wage self-assessment program held by FLA.

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.11

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The risk assessment for occupational hazard control in the construction project was not completed in Buildings C1 and C2. This should have been completed during the pilot production phase.
2. There were significant defects in the risk assessment for occupational hazard control in Building C3:
 - a. Only 9 major chemicals were included in this assessment. Several significant occupational hazards were not identified in the risk assessment for occupational hazard control (e.g., organic tin, methanol);
 - b. 16 out of 25 chemicals with significant occupational hazards were not included in the risk assessment scope;
 - c. There was no lab analysis of chemical ingredients, especially volatile organic compounds (VOCs), to determine the scope of occupational hazards when Material Safety Data Sheets (MSDS) were incomplete.
3. 80% of the MSDS for chemical substances in use were incomplete or had unreliable information about chemicals, ingredients, or the chemical composition of the contents.
4. The factory did not maintain a complete and effective chemical inventory list. As a result, the following chemicals were not included on the inventory list: PSC-001, R22, HFC-134a, and CONTRAFLUX.
5. Hot-bar machines are generating high noise levels due to their use of compressed air and pneumatic systems. Workers in that section, however, are not using earplugs. These areas were not identified as risk areas in the recent risk assessment report.
6. Only dust, isopropyl alcohol (IPA), cyclohexane, xylene were identified as occupational hazards and measured annually. The other 10+ occupational hazards were not monitored or measured (e.g. organic tin, methanol).
7. The local exhaust ventilation pipes were not used or maintained properly. This has an adverse effect on indoor air quality.
8. The scope of indoor air quality testing was not compliant with local authority's requirements. The testing scope missed several significant occupational hazards and the report does not include important information (product, number/type of machines running during the test, raw material detail, etc.) that may have a direct effect on test results.
9. Emergency shower and eyewash stations are located outdoors. Employees who need to use these facilities run the risk of freezing.
10. The maximum storage limits for stored chemicals were not clearly defined for chemical warehouse or on-site chemical cabinets. The chemical warehouse only has a height restriction.

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 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 this 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 managerial staff interviewed mentioned that these issues were not 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 aware of possible legal and financial consequences of work accidents and occupational diseases.
 5. Quality issues associated with workplace environmental measurement are quite common in China, as most of the service providers are not doing measurements and reporting in line with international standards.
 6. Although it is a legal requirement, chemical suppliers usually do not provide complete MSDS unless they are specifically asked to by their clients.
 7. The risk analysis report does not cover all hazards and risks in the factory 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 Buildings C1 and C2 should be completed.

COMPANY ACTION PLANS

1. Immediate Action: 1. The risk assessment for occupational hazard control in Buildings C1/C2 is ongoing by the third party. 2. Do 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 provide training on the new risk analysis results for eligible workers/staff. Sustainable Action: 1. Establish procedures for occupational hazard control assessment. 2. Implement occupational hazard control assessment by qualified DRI. 3. EHS is to conduct regular inspections regarding procedure implementation. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 04/30/14

2. Immediate Action: 1. All the chemicals will be assessed for occupational hazard control in Buildings C1/C2. 2. All the chemicals will be assessed for occupational hazard control in Building C3 in the next round. 3. Carry out analysis of chemical ingredients by third party. Sustainable Action: 1. Enhance change management in entering chemicals. Not only included in OH assessment report, and set up process of regular review and update of assessment report to including the change of chemicals. 2. Establish procedures to control the quality of OH assessment report. 3. Establish procedures for occupational hazard control assessment. 4. Implement occupational hazard control assessment by qualified DRI. 5. EHS is to regularly conduct inspections of procedure implementation. 6. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 10/30/15

3. Immediate Action: 1. Update chemical list and complete MSDS. 2. Make sure that the format/information of MSDS is in line with legal requirements (16-item list). Sustainable Action: 1. Update chemical purchase flow and add that EHS is to sign it to control the MSDS of chemicals. 2. Implement chemical purchase signing and assure that the vendor provides complete MSDS. 3. EHS is to do routine inspection of the chemical MSDS control. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 10/28/14

4. Immediate Action: Factory updated the chemical inventory for those chemicals in September 2013. Sustainable Action: Do real-time updates on the chemical inventory.

Action plan status: Completed

Planned completion date: 10/28/14

Progress update: 08/13/14 : Established the process to ensure real time update of chemical inventory.

Completion date: 07/24/14

5. Immediate Action: Took the related engineering measures in September 2013; they are lower than standards now. Sustainable Action: 1. Enhance the waste noise risk analysis. 2. Take the project measures to the machines that make noise frequently. 3. Ensure that the waste noise is lower than standards. 4. Enhance change management of both produce and technology, 5. Conduct EHS and IE reviews.

Action plan status: Completed

Planned completion date: 10/28/13

Progress update: 08/13/14 : The noise is controlled and within limits. 1. Enhanced the waste noise risk analysis, took the project measures to the machine which make noise frequently, ensuring that the waste noise is lower than standard. 2. Enhanced the change management of production and technology, added EHS and IE review.

Completion date: 10/28/13

6. Immediate Action: A third party has supplementarily monitored this. Sustainable Action: Identify the occupational hazards and measure them annually.

Action plan status: Completed

Planned completion date: 11/28/13

Progress update: 08/13/14 : Monitoring for all hazard factors completed. Identified the occupational hazards and measured annually.

Completion date: 11/28/13

7. Immediate Action: Factory has fixed ventilation pipes and ensured that they are normal. Sustainable Action: 1. Public works and EHS teams will audit this daily and it will be fixed immediately if it does not work. 2. Enhance audit and communication between EHS and public work teams and keep records. 3. Train workers to report EHS questions.

Action plan status: Completed

Planned completion date: 04/30/14

Progress update: 08/13/14 : Factory has fixed ventilation pipes and ensured that they are normal. 1. Public works and EHS team audited daily. It was fixed immediately if it did not work. 2. Enhanced audit and communication between EHS and workers, kept record. 3. Training provided to workers to report EHS problems.

Completion date: 04/30/14

8. 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 plan and actual situation. 3. EHS is to regularly conduct inspections of indoor testing implementation. 4. Conduct program performance reviews and evaluations. 5. Add lead and other risk factors as identified in risk assessment, such as VOCs in air quality annual testing. Total 9 risk factors are to be newly added to the test.

Action plan status: Completed

Planned completion date: 11/28/13

Progress update: 08/13/14 : Lead was included in the air quality test. The tests include VOCs and were completed.

Completion date: 11/28/13

9. Immediate Action: Install new emergency shower and eyewash in chemical warehouse. Sustainable Action: 1. Revise procedures for chemical management. 2. Implement chemical management. 3. EHS is to conduct regular inspections of chemical management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 06/30/14

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

Completion date: 06/30/14

10. Immediate Action: 1. The maximum storage limit for the chemicals' room had been clearly defined and provisions were posted on the spot. 2. Calculate the maximum storage of the explosion-proof cabinet. Sustainable Action: 1. Revise procedures for chemical management. 2. Implement chemical management. 3. EHS is to regularly conduct inspections of chemical management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 11/28/13

Progress update: 08/13/14 : The maximum storage limit for the chemicals' room had been clearly defined and provisions were posted on the spot. 1. Established and enhanced the procedures for chemical management. 2. EHS conducted regular inspections of chemical management and reported inspection results.

Completion date: 11/28/13

FINDING NO.12

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Several issues with the selection, effective use and proper storage of personal protective equipment (PPE) in the factory were observed:

1. Safety shoes are not provided to the workers working in transpallet and forklift movement areas.
2. Some PPE is used communally.
3. Problems with on-storage conditions of PPE (e.g., respirators were observed lying around, instead of being stored away in a closet to avoid contamination of the filters).
4. Fabric gloves are largely in use within the production area, where cleaning chemicals are in use, despite a 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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not 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 aware of 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 hazards and risks in the factory. Elected worker representatives did not participate in this process.

COMPANY ACTION PLANS

1. Immediate Action: 1. Use automatic guided vehicle to replace parts of the current hydraulic drive. Hydraulic car usage has been reduced by 90% now. 2. Forklift drivers wear safety shoes, hydraulic vehicle operators wear safety shoes. 3. Regular management of PPE and enhance checks. 4. All PPE storage is to be in the appointed area and the environment is to be maintained tidy. 5. Provide workers with rubber fingerstalls. Sustainable Action: 1. Establish procedure for PPE management. 2. Implement PPE management. 3. EHS is to regularly conduct inspections of PPE management. 4. Conduct program performance reviews and evaluations. 5. Enhance propaganda; basic level manager; and EHS checks. Estimate the suitable sum and provide it in a timely manner.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : Enhanced procedure for PPE management, including 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.

Completion date: 01/28/14

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

The following fire safety issues were observed:

1. Electrical panels in the fire alarm panel rooms were overheated and posed a fire hazard. The panel covers were left open in order to cooled them down with electrical fans.
2. It was observed that some CO2 type fire extinguishers were placed in warehouse areas where there are Type A (fires involving flammable solid materials) fire risks.
3. Fire hydrant keys and portable hoses were not located in easily accessible areas that are close to fire hydrants.
4. 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.
5. Workers, supervisors and floor managers do not know the locations of sprinkler shut-off valves in their departments.
6. There is no system in place for conducting regular pressure tests of the sprinkler system and fire pumps.
7. Workers, supervisors and floor managers do not know the emergency shutdown procedures for their respective departments.
8. Responsible staff lacks knowledge of fire detection, alarm and sprinkler system.

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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not 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 aware of possible legal and financial consequences of work accidents and occupational diseases that may occur.
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 hazards and risks in the factory and elected worker representatives did not participate in this process.

Recommendations for Immediate Action

1. Electrical panels in the fire alarm panel room should be checked with a thermal camera and all hotspots, such as overheated connections, should be detected and maintained.
2. Hydrant keys and portable hoses should be located close to fire hydrants.

COMPANY ACTION PLANS

1. Immediate Action: Put an air conditioner in the room to prevent excessive heat and add the thermal detector in regular inspections. Sustainable Action: 1. Establish procedures for fire safety management. 2. Implement and provide training to EHS and responsible staff on fire safety management. 3. EHS is to regularly conduct inspections of fire safety management. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 01/28/14

2. Immediate Action: Only equip dry powder fire extinguishers in the chemical warehouse. Sustainable Action: 1. Improve identification of fire types. 2. Regularly check fire extinguishers. 3. Store the materials (chemicals, goods, etc.) in the dedicated areas. 4. Any changes should be monitored and suitable fire extinguishers shall be placed accordingly.

Action plan status: Planned

Planned completion date: 01/28/14

3. Immediate Action: Put fire hydrant keys and portable hoses near the fire hydrants. Sustainable Action: 1. Establish procedures for Emergency Preparedness management. 2. Implement Emergency Preparedness management. 3. EHS is to regularly conduct inspections of Emergency Preparedness management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established and implemented procedure for Emergency Preparedness management. 2. EHS conducted regular inspections of Emergency Preparedness management.

Completion date: 01/28/14

4. Immediate Action: 1. Remove the related showerheads. 2. Remove the sprinkler in forklift charging area. 3. Apply waterproof seals to panel boxes. Sustainable Action: 1. Establish procedures for electrical safety management. 2. Implement electrical safety management. 3. EHS is to regularly conduct inspections of electrical safety management. 4. Conduct program performance reviews and evaluations. 5. Install hoods in forklift charging area. Equip waterproof seals on electrical panels.

Action plan status: Planned

Planned completion date: 06/30/14

5. Immediate Action: 1. Sign posted on the door to inform all employees. 2. CSMC does a fire test (including a pressure test of the sprinkler and pumps) each month and there were reports for these tests. Sustainable Action: 1. Establish procedures for fire safety management. 2. Implement fire safety management. 3. EHS is to regularly conduct inspections of fire safety management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established and implemented procedure for fire safety management. 2. EHS conducted regular inspections of fire safety management and planned program performance review and evaluation.

Completion date: 01/28/14

6. Immediate Action: Train the authorized staff on the emergency shutdown process. Sustainable Action: 1. Establish procedures for emergency management. 2. Implement emergency management. 3. EHS is to regularly conduct inspections of emergency safety management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 04/30/14

Progress update: 08/13/14 : 1. Established and implemented procedure for emergency management. 2. EHS conducted regular inspections for fire safety management and planned program performance review and evaluation.

Completion date: 04/30/14

7. Immediate Action: Train the authorized staff on fire detection, the alarm system, and the sprinkler system. Sustainable Action: 1. Establish procedures for fire safety management. 2. Implement fire safety management. 3. EHS is to regularly conduct inspections of fire safety management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established and implemented procedure for fire safety management. 2. EHS conducted regular inspections for fire safety management and planned program performance review and evaluations.

Completion date: 01/28/14

FINDING NO.14

HEALTH AND 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 backrests 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.
 3. Only 50% of the personnel have received pre-employment occupational health check-ups.

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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not 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 aware of possible legal and financial consequences of work accidents and occupational diseases that may occur.
5. The Risk Analysis report does not cover all hazards and risks in the factory. 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. Implement ergonomic management. 3. EHS is to regularly conduct inspections of ergonomic management. 4. Conduct program performance reviews and evaluations. 5. Establish procedures for ergonomic management. 6. Conduct ergonomic risk assessment to identify relevant risks.

Action plan status: Planned

Planned completion date: 08/30/14

2. Immediate action: Develop training course according to identified risks and provide the training to workers. Sustainable actions: 1. Establish procedures for ergonomic management. 2. Implement ergonomic management. 3. EHS is to regularly conduct inspections of ergonomic management. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 04/30/13

3. Immediate action: All persons who work in hazardous position have received pre-employment occupational health check ups. Sustainable action: 1. Set a buffer period for pre-employment occupational health check ups (1 month is suitable). 2. Identify hazardous position and arrange check ups in advance. 3. Arrange internal monitoring and reviews.

Action plan status: Completed

Planned completion date: 08/30/14

Progress update: 08/14/14 : 1. Set up buffer period for pre-employment occupational health check up for 1 month, all new hires completed health exam in 1 month. 2. Identified hazard positions and arrange checks in advance.

Completion date: 07/24/14

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The number of first aid kits in the production and dormitory areas is insufficient.
2. First aid kits are kept locked; as a result, it takes time to find the worker with the key to unlock them.
3. The following hygiene issues were observed in the kitchen and canteen areas:
 - a. No insect screens in the kitchen and food storage areas.
 - b. No antibacterial mats at the entrance of the kitchen.
 - c. No hand sanitizer in the kitchen.
4. All medicine in health units is kept at room temperature, although some medication might require refrigeration.
5. There is no documented system in place for the 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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not raised during previous external audits.
3. The management lacks awareness of FLA Workplace Code and Benchmarks.
4. 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.
5. Kitchen and canteen operations are outsourced to a service provider contractor and are not thoroughly monitored during internal audits
6. The Risk Analysis report does not cover all hazards and risks in the factory. Elected worker representatives did not participate in this process.
7. There is a lack of an effective training and internal monitoring process.

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: 1. Install more first aid kits in production and dormitory areas. 2. CSMC advocated first aid treatment by the responder; post the first aid providers and phone numbers near the first aid kits. Sustainable Action: 1. Establish procedures for first aid kit management. 2. Implement first aid kit management. 3. EHS is to regularly conduct inspections of first aid kit management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 07/30/14

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.

Completion date: 07/30/14

2. Immediate Action: 1. Install fly screens in kitchen and food storage areas at all times. 2. Install antibacterial pool at the entrance of the kitchen at all times. 3. Provide hand sanitizer immediately. Sustainable Action: 1. Implement kitchen

management. 2. EHS is to regularly conduct inspections of kitchen management. 3. Conduct program performance reviews and evaluations. 4. Set up and enhance kitchen sanitary conditions and establish procedures for kitchen sanitary management. 5. Provide more trainings to kitchen staff on the enhanced procedures.

Action plan status: Completed
Planned completion date: 10/30/13
Progress update: 08/13/14 : All mentioned sanitary equipment installed.
Completion date: 10/30/13

3. Immediate Action: Install a freezer to store the medicine. Sustainable Action: 1. Establish procedures for medicine management. 2. Implement medicine management. 3. EHS is to regularly conduct inspections of medicine management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed
Planned completion date: 10/30/14
Progress update: 08/13/14 : 1. Established procedure for medicine management. 2. Doctor conducted regular inspections of medicine management.
Completion date: 07/24/14

4. Immediate Action: CSMC has a system for regular sanitation and maintenance of drinking water dispensers and filtering system. Sustainable Action: 1. Establish procedures for drinking water management. 2. Implement drinking water management. 3. EHS is to regularly conduct inspections of drinking water management. 4. Conduct program performance reviews and evaluations. 5. Implement a tracking mechanism so every dispenser can be tracked and tested.

Action plan status: In Progress
Planned completion date: 10/30/13
Progress update: 08/13/14 : CSMC has a system for regular sanitation and maintenance of drinking water dispensers and filtering system.

5. Immediate Action: Complete analysis and improvement action data for accidents. Sustainable Action: 1. Establish procedures for accident management. 2. Implement accident management. 3. EHS is to regularly conduct inspections of accident management. 4. Conduct program performance reviews and evaluations. 5. Conduct an accident investigation and analysis training for all EHS staff. 6. Provide training on the investigation results to the applicable workers to prevent accidents.

Action plan status: Planned
Planned completion date: 04/30/14

FINDING NO.16

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There were significantly loud noises caused by compressed air leaks in assembly areas, which should be eliminated or mitigated through timely maintenance and engineering measures.
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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not 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 aware of possible legal and financial consequences of work accidents and occupational diseases that may occur.
5. The Risk Analysis report does not cover all hazards and risks in the factory. Elected worker representatives did not participate in this process.
6. There is a lack of an effective training and internal monitoring process.

COMPANY ACTION PLANS

1. Immediate Action: Immediately repair compressed air leaks. Sustainable Action: 1. Establish procedures for repair management. 2. Implement repair management. 3. EHS is to regularly conduct inspections of repair management. 4. Conduct program performance reviews and evaluations. 5. Revise the equipment maintenance procedure and provide trainings to applicable staff on the updates. 6. Update risk analysis to include the noise caused by improper maintenance of equipment.

Action plan status: Planned

Planned completion date: 04/30/14

2. Immediate Action: Immediately repost the broken and missing warning signs. Sustainable Action: 1. Establish procedures for warning sign management. 2. Implement warning sign management. 3. EHS is to regularly conduct inspections of warning sign management. 4. Conduct program performance reviews and evaluations. 5. Revise the warning sign management procedure. 6. Provide trainings to applicable staff on the updates.

Action plan status: Planned

Planned completion date: 04/30/14

FINDING NO.17

HEALTH AND 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. There is no maximum height warning sign placed on flyover compressed air lines located between production buildings and compressor room that pose a risk for truck/lorry crash.
3. It was observed that freight elevators are also being used as personnel lifts.
4. Grounding connections between cover and panel were missing on some electrical panels; also there is no system in place for regular control of residual current circuit breakers (RCCB or otherwise known as GFCIs).
5. The list of special equipment that needs 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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
- 2. Most of the managerial staff interviewed mentioned that these issues were not 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 aware of possible legal and financial consequences of work accidents and occupational diseases that may occur.
- 5. Risk Analysis report does not cover all hazards and risks in the factory.
- 6. The lack of an effective training and internal monitoring process.

Recommendations for Immediate Action

- 1. Issues pertaining to electrical safety, powered motor vehicles and machine guards should be closely monitored during external audits.
- 2. FLA-affiliated company should align its current policy, procedures and COC with FLA Workplace Code and Benchmarks.
- 3. Risk Analysis report should be revised through joint efforts of the following participants:
 - a. External Consultant and/or Brand Social Compliance Department Representatives;
 - b. Factory Manager;
 - c. HR Manager;
 - d. Person Responsible for Social Compliance;
 - e. Elected EHS Worker Representatives;
 - f. Maintenance Department Representative;
 - g. Workplace Doctor.
- 4. Annual training plan should be prepared for HSE staff and elected EHS worker representatives to improve their knowledge and skills on detecting and managing potential risks.
- 5. Factory should develop and implement an effective internal monitoring system together with the EHS Committee to ensure that ergonomic issues are evaluated on a regular basis and the results are shared with management through the EHS Committee.
- 6. Worker representatives should be elected to the EHS Committee. Worker participation in ongoing EHS efforts should be promoted by implementing a system for collecting feedback from workers and facilitating their participation in Risk Assessment studies.
- 7. A vehicle safety inspection of service provider company’s vehicles should be included in the current vehicle management procedures.
- 8. Cabin design and overall safety measures of freight elevators should be checked to make sure that they are suitable for use as personnel lifts.
- 9. Grounding connections for electrical panels and covers should be provided and a test procedure should be prepared and implemented to control for residual current circuit breakers (RCCB or otherwise known as GFCIs).
- 10. A list of machines that need guards should be prepared and updated regularly.
- 11. Maximum height warning label should be placed in prominent location at the flyover compressed air pipes located between production buildings and compressor room. Furthermore, additional speed bumpers should be placed at the both ends of the truck route beneath these pipes.

COMPANY ACTION PLANS

- 1. Immediate Action: Add vehicle condition requirements into the outside vehicles management procedures. Sustainable Action: 1. Implement outside vehicle management. 2. EHS is to regularly conduct inspections of outside vehicles management. 3. Conduct program performance reviews and evaluations.

Action plan status:	Completed
Planned completion date:	04/30/14
Progress update:	08/13/14 : 1. Added vehicle condition requirement into the outside vehicle management procedure. 2. GA conducted regular inspections of outside vehicle management.
Completion date:	04/30/14

- 2. Immediate Action: Factory has controlled vehicle driving routes. Trucks and lorries are not allowed to drive into this area; therefore, there is no risk of a crash. Otherwise, we have posted maximum height warning signs. Sustainable Action: 1. Post the maximum height warning signs when building new flyover. 2. Arrange regular internal monitoring.

Action plan status:	Planned
Planned completion date:	01/28/14

- 3. Immediate Action: Stop using freight elevators as personnel lifts. Sustainable Action: 1. Establish procedures for elevator

safety management. 2. Implement elevator safety management. 3. EHS is to regularly conduct inspections of elevator safety management. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 01/28/14

4. Immediate Action: Repair the grounding connections. Sustainable Action: 1. Establish procedures for RCCB/GFCIs management. 2. Implement RCCB/GFCIs management. 3. EHS is to regularly conduct inspections of RCCB/GFCIs management. 4. Conduct program performance reviews and evaluations.

Action plan status: Planned

Planned completion date: 06/30/14

5. 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 regularly conduct inspections of special equipment management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/28/14

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

Completion date: 01/28/14

FINDING NO.18

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Superficial cracks were identified in the upper floors of production buildings.
2. The potential effects of vibrating machines, such as pneumatic vacuum 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 obtained an OHSAS 18001 certificate, and the H&S system is well developed (as far as written policy and procedures are concerned), the implementation of this 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, along with absence of an effective review process.
2. Most of the managerial staff interviewed mentioned that these issues were not 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. Both the factory and dormitory buildings are new; therefore management did not think structural safety posed a significant risk.
5. Risk Analysis report does not cover all hazards and risks in the factory. Elected worker representatives did not participate in this process.
6. There is lack of an effective training and internal monitoring process.

COMPANY ACTION PLANS

1. Immediate Action: Repair cracks immediately. Sustainable Action: 1. Establish procedures for building structure management and maintenance. 2. Implement building structure management and maintenance. 3. EHS is to regularly conduct

inspections of building structure management and maintenance. 4. Conduct program performance reviews and evaluations.

Action plan status:	Completed
Planned completion date:	01/28/14
Progress update:	08/13/14 : 1. Established plan for building structure management and maintenance. 2. Implemented building structure management and maintenance management. 3. EHS conducted regular inspections of structure management and maintenance.
Completion date:	01/28/14

2. Immediate Action: Carry out the assessment for load/weight bearing risks. Sustainable Action: 1. Establish procedures for risk assessment of vibrating machines. 2. Implement risk assessment of vibrating machines. 3. EHS is to regularly conduct inspections of risk assessment of vibrating machines. 4. Conduct program performance reviews and evaluations.

Action plan status:	Completed
Planned completion date:	05/15/14
Progress update:	08/13/14 : 1. Established procedure for risk assessment of vibrating machines. 2. EHS conducted regular inspections of vibrating machines management and planned program evaluations.
Completion date:	05/15/14

FINDING NO.19

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Although there is a drainage system for oil-contaminated water that is discharged from 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.
2. No color-coding for different drainage lines.
3. Solid waste is not properly separated at the source. As a result, there is a mix of solid waste at waste collection and storage areas. In addition, some labels indicating the type of the waste, collection date, maximum storage limit, etc. were missing from the waste separation and storage areas.
4. It was observed that there is no standard operating procedure (SOP) for turning off the compressed air and lights in the workstations when they are not in use.
5. There is no indication of separate collection and treatment or proper disposal of contaminated water generated from the stencil cleaning process.
6. The filters in the 960S stencil washing machine had not been regularly replaced since December 2012, which require monthly and/or quarterly replacements.
7. The waste management plan does not include some kinds of hazardous waste (e.g., waste oil, batteries, printer cartridges) 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 managerial staff interviewed mentioned that these issues were not 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. Despite the presence of an Energy Committee that is making efforts for improving energy efficiency (e.g., switching to LED illumination, using inverters), it was observed that there are no regular energy audits. There are still many areas to improve such as tracing air leakages, unnecessarily illuminated areas, thermal imaging for potential isolation or electrical wiring issues, ultrasound controls for air system, replacing pneumatic machinery-equipment with electric powered alternatives, among others.
 5. Management is not aware of possible legal and financial consequences of work accidents and occupational diseases that may occur.
 6. There is no system for conducting periodic assessments of the environmental issues in the factory.
 7. These issues have not adequately addressed during previous external audits, which have focused on documentation, providing inadequate information and guidance on environmental requirements and standards.
 8. EHS staff is trying to deal with all environmental-related issues rather than collaborating with the EHS Committee.

COMPANY ACTION PLANS

1. Immediate Action: Clean the leaks and repair the pipes. Sustainable Action: 1. Install the oil-water separator to avoid leaks. 2. Implement an oil-water separator. 3. EHS is to regularly conduct inspections of oil-water separator management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 06/30/14

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.

Completion date: 06/30/14

2. Immediate Action: Post signs to distinguish different drainage lines. Sustainable Action: 1. Establish procedure for water management. 2. Implement water management. 3. EHS is to regularly conduct inspections of water management. 4. Conduct program performance reviews and evaluations. 5. Revise the water management procedure to distinguish the drainage lines. 6. Provide trainings on the renewed procedures.

Action plan status: Planned

Planned completion date: 01/28/14

3. Immediate Action: Re-do company general waste classification criteria. Sustainable Action: 1. Establish procedures for waste management. 2. Implement general waste management procedures. 3. EHS is to regularly conduct inspections of waste management. 4. Conduct program performance reviews and evaluations. 5. Arrange trainings for environmental staff.

Action plan status: Planned

Planned completion date: 01/24/14

4. Immediate Action: Post saving energy lab in the related areas. Sustainable Action: 1. Set up energy management procedures. 2. Implement energy audits. 3. EHS is to regularly conduct regular inspections of energy audits. 4. Conduct program performance reviews and evaluations. 5. Enhance the energy management procedures and provide trainings to applicable staff and workers on the renewed procedures.

Action plan status: Planned

Planned completion date: 05/15/14

5. Immediate Action: Collect the wastewater immediately and store it in the chemical warehouse. Sustainable Action: 1. Establish procedures for wastewater management. 2. Implement wastewater management. 3. EHS is to regularly conduct inspections of wastewater management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/24/14

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

Completion date: 01/24/14

6. Immediate Action: Set up a maintenance program to regularly replace the filters. Sustainable Action: Arrange for internal monitoring, put the regular replacement of filters in performance reviews.

Action plan status: Planned

Planned completion date: 01/28/14

7. Immediate Action: Add machine oil/ batteries/printer cartridges to the hazardous waste management plan. Sustainable Action: 1. Establish procedures for waste management. 2. Implement waste management. 3. EHS is to regularly conduct inspections of waste management. 4. Conduct program performance reviews and evaluations.

Action plan status: Completed

Planned completion date: 01/28/14

Progress update: 08/13/14 : 1. Established procedure for ordinary/hazardous waste management. 2. EHS team conducted regular inspections of updated ordinary/hazardous waste management.

Completion date: 01/28/14