



MAINLAND HEADWEAR HOLDINGS
LIMITED

ASSESSMENT FOR ACCREDITATION

FEBRUARY 2019

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INTRODUCTION



飛達帽業控股有限公司
Mainland Headwear Holdings Limited

On February 27th, 2019, the FLA Board of Directors voted to approve the accreditation of Mainland Headwear Holdings Limited's (Mainland) labor compliance program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of](#)

[Conduct](#), which ensures “respectful and ethical treatment of workers” and “promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces.” The [Principles of Fair Labor and Responsible Sourcing / Production](#) (“Principles”) serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.

The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. The FLA will assess the implementation of all Principles to ensure a social compliance program has been implemented to accommodate the supply chain expansion. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

- Affiliate Headquarter Assessments: Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- FLA Factory-Level Assessments: Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.
- Annual Reports: Affiliate reports for each year of implementation provide data on the evolution of an affiliate’s compliance program in line with FLA Principles.
- FLA Third Party Complaints: Where relevant, an affiliate’s involvement in, and responsiveness to, FLA Third Party Complaints provide additional insight into compliance programs and remediation strategies.
- FLA Strategic Projects: Where relevant, an affiliate’s participation in FLA Strategic Projects provides opportunities to learn about the affiliate’s compliance strategies for detecting and remediating complex issues.
- Observation: Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- Routine Interactions: Information on the affiliate’s compliance program has also been collected through discussions and interactions with affiliate compliance staff during each year’s program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

SECTION 1: MAINLAND COMPANY AFFILIATE OVERVIEW

Name of Company	Mainland Headwear Holdings Limited (Mainland)	Category	Participating Supplier
Location	Hong Kong	Product/s	Headwear
Total Annual Revenue	115 Million USD	Current Number of Applicable Facilities	2
FLA Affiliation Month/Year	June 2008	End of Implementation Period	June 2011
FLA Accreditation Lead/Support	Lead: Tat Udomritthiruj (Senior Social Compliance Associate) Supports: Tiffany Rogers (Social Compliance Manager), Alpay Celikel (EMEA Regional Manager)		
Unique Company Characteristics	<ol style="list-style-type: none"> 1) Mainland was listed on the Main Board of the Hong Kong Stock Exchange in 2000, then one of the only publicly listed headwear manufacturers in the world; 2) Mainland has a strategic partnership with New Era Cap, an Accredited Participating Company; 3) Mainland has made a positive social impact on the community surrounding the Bangladesh facility, including financially supporting infrastructure projects that benefit workers. 		
Summary of Key Strengths	<ol style="list-style-type: none"> 1) Robust training for workers, supervisors, and managers, including pre- and post-test evaluations to ensure knowledge is gained; 2) Data analysis conducted cumulatively across customer audits to inform the development of its social compliance program; 3) The Working Hours Improvement Strategy is reducing excessive overtime; Mainland has successfully reduced weekly excessive overtime; 4) Engagement with civil society organizations in Bangladesh on women's health training programs; and 5) An active all-worker elected and represented union in the China facility. 		
Summary of Key Suggestions for Strengthening	<ol style="list-style-type: none"> 1) As the Bangladesh facility expands, provide new and current workers consistent training on workplace standards; 2) Continue to ensure components to remediate transparency violations and risks are regularly reviewed to ensure they continue to be effective; 3) Continue to develop the grievance mechanisms at the Bangladesh facility, using the successes of the China facility as a guide; 4) Continuously improve working hours for workers, toward the goal of no monthly excessive overtime by 2021; 5) Continue to expand civil society engagement in China and Bangladesh and; 6) Continue to support facilities to sustainably remediate labor violations. 		

Mainland Headwear Holdings Limited (Mainland) is a headwear manufacturer established in 1986. It became public and listed on the Main Board of the Hong Kong Stock Exchange in 2000. Mainland has offices in Shenzhen, China and Hong Kong. It has two factories, one in Shenzhen, China with 1100 workers, and one in Dhaka, Bangladesh with 4900 workers.¹ Mainland is currently expanding the Bangladesh facility, with plans to increase to 6000 workers by the third quarter of 2019. Products are mostly sold overseas; the U.S. is the main market, followed by Europe.

Mainland purchased the Bangladesh facility in 2013 to expand its overall production capabilities and to mitigate increasing costs in China. Mainland plans to continue to expand the Bangladesh facility and is currently building additional units, with plans to open the new buildings in 2019. Mainland has balanced its production by moving orders from the China facility to the Bangladesh facility, and plans to further increase production orders after the expansion of the Bangladesh facility. Mainland has positively impacted the area around the Bangladesh facility and has supported development of a nearby town to be more accessible to workers, including supporting construction of the village's market.

Throughout the implementation period, the FLA has observed improvements and maturity in Mainland's management of its Bangladesh facility. During an SCI assessment in 2014, and again in 2016, FLA assessors found transparency issues at the Bangladesh facility. During and after each assessment, the FLA pressed the importance of transparency with Mainland. As a result, Mainland transferred a trusted staff member from an internal department within the Bangladesh factory to lead social compliance at the Bangladesh facility. This staff member has frequent check-ins with the Compliance Manager based in China. The Compliance Manager and the HR and Administrative Director travel frequently to the Bangladesh facility to support implementation of the social compliance program and remediation actions. The SCIV Assessment in 2018 verified the factory had resolved all transparency issues.

Since its affiliation, Mainland has improved conditions for workers at both facilities. To address country-level issues regarding overtime, Mainland implemented its Working Hours Improvement Strategy in China to reduce weekly and monthly overtime. The company successfully reduced weekly overtime to below 60 hours per week. Additionally, Mainland is committed to active worker representation; Mainland has a worker-represented union in the China facility and a worker participation committee in Bangladesh.

¹ Mainland has closed one facility in China throughout the implementation period.

SECTION 2: MAINLAND SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM JUNE 2008 – FEBRUARY 2019



The above map shows Mainland's production countries in 2019. Mainland has two facilities, one in Bangladesh and one in China. At the time of affiliation, Mainland had two active facilities in China, one which was closed in 2013. Since affiliation, the FLA has conducted nine Independent External Assessments across the three facilities. The two active facilities have each received an SCI Verification (SCIV) assessment.

For accreditation, the FLA conducted training and audit field observations at the China facility in 2015, and a second audit field observation in Bangladesh in 2018. In March 2016, the FLA conducted the headquarter assessment in China to review the implementation of the social compliance program. In September 2018, the FLA conducted an office visit in Hong Kong to further verify the implementation of the social compliance program.

SECTION 3: ANALYSIS OF MAINLAND'S LABOR COMPLIANCE PROGRAM

Information used in this assessment originates from reports submitted by Mainland and verified by the FLA through:

- 1) An assessment at Mainland headquarters conducted by FLA staff in April 2016;
- 2) A field office visit conducted by FLA staff in September 2018;
- 3) Field observations of two factory-level assessments in China and Bangladesh;
- 4) A field observation of training in China;
- 5) Information gathered in person, via phone interviews, and through email correspondence with Mainland staff;
- 6) Documentation review of supporting evidence submitted by Mainland;
- 7) Results of FLA Independent External Assessments at Mainland applicable facilities conducted by FLA assessors and accredited service providers; and
- 8) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS²

Workplace Standards & Top Management Commitment

In 2015, Mainland Headwear Holdings Limited (Mainland) [aligned](#) its Code of Conduct with the FLA Workplace Code of Conduct. Throughout the implementation period, Mainland's top management has shown commitment to workplace standards, publicized through the company [website](#), bulletin boards in facilities, and company newsletters. The Deputy Chairman and Managing Director have directly demonstrated their commitment to workers in the Bangladesh facility, supporting development in the area so that it is more accessible to workers, including financially supporting the construction of the village's market, town hall, schools, and orphanage. Due to its growth, the Bangladesh facility has boosted the business opportunities within the community.

Mainland has used the [FLA Workplace Compliance Benchmarks](#) as a guide to develop and improve the company audit tool (explained further under Principle 5); however, it has yet to formally adopt the Compliance Benchmarks. The FLA recommends Mainland formalize its benchmarks and use the benchmarks to guide to continue to improve and inform the social compliance program.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING³

Staff Responsibility for Implementing the Compliance Program

Mainland employs 18 Internal Compliance staff in their Compliance Department. The staff is split between the China and Bangladesh facilities; each facility has its own compliance and HR teams. The Compliance Manager and Human Resources & Administration Manager (HR & Admin Manager) reports to the Human Resources & Administration Director (HR & Admin Director), who reports to the COO, who reports to the Chairman. The HR & Admin Director is based in Hong Kong, while the Compliance Manager and HR & Admin Manager are based in Shenzhen, at the China facility. The Bangladesh facility has a local Senior Compliance Officer to manage social compliance within the facility, who reports to the Compliance Manager. The Bangladesh facility also has a Welfare Officer who oversees and supports workers every day on the production floor and is instrumental to the implementation of the HERproject, further explored in Principle 9.

² Principle 1: Company affiliate establishes and commits to clear standards.

³ Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office.

Training Compliance Team

Mainland trains its Compliance Team annually on all workplace standards, including working hours, annual leave, labor contract regulations, prevention of child labor and forced labor, union functions, and grievance policies. FLA verified that trainings also include collective bargaining, union engagement, and effective worker-management communication channels. All compliance staff receive training on the various types of audits Mainland receives, including customer-specific requirements. After every training Mainland conducts for headquarter staff, it conducts a post test and feedback evaluation form to ensure training effectiveness.

The Compliance Manager has been with Mainland for six years and has become an expert on social compliance through regular formal and informal trainings on social compliance topics. He provides training to other compliance staff; including staff at both the China and Bangladesh facilities. The Senior Compliance Officer in Bangladesh transitioned from an HR & Admin position and became a full-time Compliance staff in 2018. The Compliance Manager has provided constant guidance and training throughout the transition process. The Compliance Manager visits the Bangladesh facility at least once every two months, where he trains and updates the Compliance Team.

Training All Mainland Staff

The HR & Admin Department provides annual refresher training for all Mainland staff on workplace standards. To ensure effective training, all staff must complete a quiz to confirm their understanding of the trainings. The quiz includes questions requiring an understanding of specific workplace codes. The FLA verified an example of a code of conduct quiz which included detailed responses from a manager-level participant, including a detailed and accurate description of a grievance and how to submit one. One quiz question asked how to ensure a good working environment. One participant noted “workplace culture” and a “supportive workplace environment.” The FLA recognizes that the detailed questions and answers for manager-level personnel at both facilities show staff knowledge and commitment to workplace standards.

PRINCIPLE 3: PRODUCTION STAFF TRAINING⁴

Production Site Commitment

Mainland has translated their Code of Conduct in English, Chinese, and Bengali, all relevant local languages for workers, managers, and supervisors. Both facilities have the Code of Conduct posted clearly in the local languages, with English and Chinese in the China facility, and English and Bengali in the Bangladesh facility. The FLA verified the Code of Conduct is posted in both facilities from SCI assessments and field observations.

The Compliance Manager communicates information on assessments and remediation from external parties to both facilities, and the FLA has verified examples of communication to managers regarding the FLA assessments and internal assessments. For example, following the 2016 SCI Assessment at Mainland's Bangladesh facility, the Compliance Manager and the HR & Admin Director worked closely with the facility's management to understand the importance of the violations and remediation actions that would need to take to address the labor and transparency violations. The Compliance Manager schedules annual internal audits and is responsible for communicating those assessments to each facility.

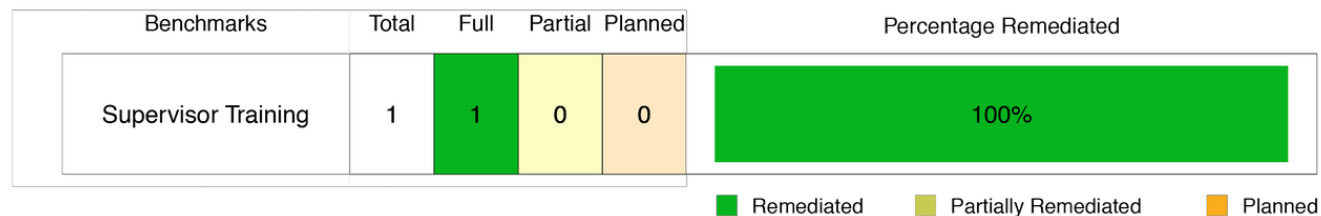
⁴ Principle 3: Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.

Worker, Supervisor, and Manager Training on Workplace Standards

Mainland works to provide all workers, managers, and supervisors annual refresher trainings on all workplace standards. Interviews with workers, supervisors, and managers at both facilities confirmed workers are aware and have access to the posted Code of Conduct. The FLA verified the training schedule and materials for all supervisors, managers, and workers. The schedule includes an orientation training on all workplace standards once per month and refresher training on all workplace standards twice per year.

A 2016 SCI Assessment at the Bangladesh facility showed a lack of supervisor training. During the 2018 SCI Verification (SCIV) Assessment, it was confirmed that all supervisors had received training on workplace standards. However, this assessment included a new finding that not all workers had received training on the code of conduct and that there was no training schedule for these workers. Mainland has since implemented a training schedule that will implement training for all workers by September 2019. The FLA recommends Mainland continue to ensure all workers receive training on workplace standards at regular intervals, especially as the Bangladesh facility expands. Additionally, during the 2018 Audit Field Observation, the FLA observed that the auditor did not verify training for managers and supervisors. The FLA recommends Mainland continuously ensure through audits that all relevant staff receive workplace standards training. The below remediation progress chart is based on SCI results and shows the number of supervisor training benchmarks violated in Mainland's facilities, along with the remediation status. An overview of the FLA Remediation Progress Chart can be found in Appendix B.

FLA REMEDIATION PROGRESS CHART



The FLA recognizes Mainland's efforts to expand the Bangladesh facility responsibly. As the Bangladesh facility grows, Mainland has provided incentives to workers to further develop skills within the factory. Managers train workers at the Bangladesh facility to expand their skill sets and to be able to work in multiple areas of the factory, such as developing skills for different types of production machines. The trainings enhance technical skills and teach workers to develop professionally within the facility. Workers choose the skills to develop, and trainings are held regularly. The FLA recommends Mainland consistently train workers on all workplace standards and keep a strict training schedule. As Mainland's Bangladesh facility grows, it is important to provide consistent onboarding training to all workers.

Ensuring Training is Effective

Mainland ensures effective training by collecting and reviewing pre- and post-training quizzes and surveys. Mainland's internal audit asks workers, managers, and supervisors about knowledge gained from trainings. During the Training Field Observation in China in 2015, the FLA observed a training for workers on "Worker Participation and Collective Bargaining," conducted by the HR & Admin Manager. Overall, the training was informative and the trainer knowledgeable about the topics. FLA staff had recommendations for Mainland to collect worker feedback and questions after the training to ensure

the training is effective. In response to the FLA recommendation, Mainland created a feedback form they now provide to attendees following every training.

Additionally, in 2015, Mainland's compliance staff at the China facility developed the behavioral evaluation form as a mechanism to measure worker, manager, and supervisor behavioral change after trainings, including refresher trainings. The evaluation provides scores from an employee's self-evaluation and their direct supervisor's evaluation before and after the refresher training. Evaluation items includes change of attitude, basic knowledge gained, attention on health and safety issues, attention on nondiscrimination, harassment and abuse and forced labor, workers' participation. The FLA reviewed examples of behavioral evaluation forms that show improvement in worker understanding. Mainland analyzes the results from the evaluations to revise trainings. The behavioral evaluation form is currently in draft form for the Bangladesh facility, with plans to fully implement this system. The FLA recognizes Mainland's work to ensure knowledge is gained through effective trainings and lead to behavioral change as a strength of the program and encourages Mainland to continue to implement this mechanism in the Bangladesh facility.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁵

Providing Functioning Grievance Mechanisms

Mainland has written policies and procedures on grievance mechanisms in the Employee Handbook, provided to all workers during onboarding. Each facility has an Employee Handbook specific to that facility. For both facilities, the grievance mechanisms policies and procedures include multiple channels to submit grievances, includes language on non-retaliation, and timelines for resolution. Additionally, language on non-retaliation is included in Mainland's Workplace Code of Conduct. Workers can appeal to Human Resources if they are dissatisfied with a disciplinary decision. Workers can submit grievances through an open-door policy with their supervisors, senior management, or directly to Human Resources at the headquarters. Grievances can be submitted verbally or through written form, which workers can choose to be confidential. Each facility's Employee Handbook lists the respective worker committees for workers to use as a grievance channel, noting the All China Federation of Trade Unions (ACFTU) in China and the Worker Participation Committee in Bangladesh.

At the China facility, the ACFTU, factory management, and HR & Admin Manager meet once a month, at a minimum, at which time they can discuss any submitted grievances. The facility has different mailboxes handled by specific personnel; for example, there is a trade union mailbox and a manager mailbox. Workers choose to whom they want to submit their confidential grievance. After the grievance is reviewed by the addressed recipient, HR ultimately reviews all grievances received. To further strengthen their grievance process, the China facility has established a Grievance Handling Committee composed of the General Manager, Vice Manager, Trade Union Chairman, Human Resource Manager, Worker Relationship Officer, direct Supervisor, and worker representative. The Committee meets on a case to case basis when there are grievances to discuss.

During the Headquarter Assessment in China in 2016, multiple worker interviews noted no concerns on communication with immediate supervisors or factory management, and had awareness of the suggestion box. During the 2018 Audit Field Observation in Bangladesh, workers were generally aware of the company's grievance policies and procedures and had access to the different channels. The FLA verified complete grievance records from both facilities, which include the date, floor, complaint channel, action taken by management, and solution. Mainland analyzes submitted

⁵ Principle 4: Company Affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

grievances to direct the next steps in improving the grievance system. The HR department at each facility keeps records of the Grievance Investigation and Handling Forms. The FLA recommends Mainland evaluate the successes of the grievance process in the China facility to support further development and to strengthen the grievance process in the Bangladesh facility.

Confidential Reporting Channel to Mainland Headquarters

Both facilities have a confidential hotline and contact information for the headquarter. The policies and procedures also clearly describe the confidential reporting channels. In addition to the hotline, Mainland has provided numerous mailboxes for worker grievances, ultimately sent to HR at the headquarter level. Mainland reinforces the access to the confidential channel by training workers on non-retaliation and confidential channels, and by having headquarter staff continuously communicate to workers on awareness of the confidential channels when they visit the facilities. During the 2018 Audit Field Observation in Bangladesh, the FLA found there was no confidential reporting channel to top management at the Bangladesh facility, only to Mainland headquarters. As best practice, the FLA



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encourages Mainland include a confidential channel, such as an email address or hotline, direct to management of the Bangladesh facility.

The China facility has only received one grievance through the confidential channel, and the Bangladesh facility has yet to receive any through the confidential channel. Worker interviews during the 2016 Headquarter Assessment found that workers were not knowledgeable of the confidential reporting channels. However, Mainland worked with its facility management to ensure workers received training and communication about the confidential channels; through the 2017 SCIV Assessment, the FLA found workers were knowledgeable of the confidential

channels. The FLA notes Mainland's improvement in communicating to workers on the available grievance channels that they can use, and encourages Mainland to continue to ensure workers are knowledgeable and trust these channels.

Ensuring Training for Workers, Supervisors, and Managers on Grievance Mechanisms

Mainland's headquarter staff provides in-person training to all workers on grievance mechanisms. The headquarter staff also trains managers and supervisors to train workers, when necessary. Workers receive annual refresher trainings on grievance mechanisms, in addition to the training during orientation. The training provided to workers and supervisors details the process to submit grievances, including timelines for resolution. Mainland conducts a rigorous pre- and post-test evaluation after each training to measure effectiveness. The FLA reviewed feedback forms submitted by workers, with multiple workers expressing that the training increased their knowledge of grievance channels and that they did not fear using the grievance channels because of the confidential channel. Additionally, the FLA verified this training by reviewing training decks and interviewing workers. During the 2016 headquarter assessment, the FLA verified training and refresher trainings for all production workers, supervisors, and managers on the company's grievance policies and procedures. During the 2018 Audit Field Observation in Bangladesh, the FLA verified workers received effective grievance mechanisms training.

PRINCIPLE 5: MONITORING⁶**Assessing Production Site Conditions**

Mainland conducts an annual internal assessment at each facility. Mainland revised their audit tool following a 2015 FLA Audit Field Observation, including incorporating additional FLA SCI Assessment questions into the tool in order to align closer to the FLA Compliance Benchmarks. Improvements to the tool include additional verification of terms of the collective bargaining agreement. These improvements were verified during the 2018 FLA Audit Field Observation.

Mainland has Internal Audit Procedures currently in Chinese that were finalized in 2016 and have been rolled out to all applicable auditors. The procedures include recommendations from the FLA from the headquarter assessment and the field observations. The procedures include how to conduct the opening meeting, closing meeting, worker interviews, cross check on findings, analysis or conclusion of findings before the closing meeting, and conducting root cause analysis prior to developing the remediation plans. Additionally, Mainland added a guide on the number of worker interviews to be conducted during each audit, and categories of workers, including union and worker representatives, for the worker interviews.

Mainland has two internal staff that conduct audits at each of the facilities. Mainland's internal audits include all monitoring program elements, such as worker interviews, management interviews, document reviews, visual inspection and occupational health and safety reviews, as well as consultation with unions or worker representatives by including them in opening and closing meetings. As a supplier, Mainland undergoes numerous external audits annually. Mainland analyzes results from these audits along with their internal audits. The analysis is explored further in Principle 6.

FLA Observations of Mainland Audits & Recommendations

The FLA conducted audit and training field observations at its China facility in 2015, and an audit field observation in Bangladesh in 2018. Since Mainland's affiliation in 2008, the FLA has conducted three Independent External Assessments (IEAs) at the China facility, including an SCIV Assessment in 2017. Since the addition of the Bangladesh facility in 2013, the FLA has conducted three IEAs, including an SCIV Assessment in 2018 at the Bangladesh facility. The IEAs conducted by the FLA have supported Mainland's improvements to its monitoring program, including addressing findings from the FLA into its monitoring program to ensure remediation actions are progressing.

The FLA recognizes the dedication and improvements in Mainland's monitoring program. During the 2015 Audit Field Observation in China, the FLA found gaps in auditing technique, such as the lack of training for the auditors and poor interview skills. The FLA recommended Mainland observe the FLA's SCI Assessments and work with a third-party service provider to improve its monitoring program; FLA verified remediation of these gaps during the 2018 Audit Field Observation in Bangladesh. The 2018 Audit Field Observation showed improvement from the 2015 Audit Field Observation, though assessors found new gaps in the audit process. For example, Mainland's audit protocol did not include a person/day matrix for the different types of audits. Mainland has addressed all recommendations from the 2018 Audit Field Observation, including adding the person/day matrix to the Internal Audit Procedures, providing auditors with a list of questions to support the worker interview process, involving the lead auditor in the root cause analysis, and providing updated social compliance staff contact information during worker interviews.

⁶ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

Since the acquisition of the Bangladesh facility, the FLA has supported Mainland in the development of their social compliance program at the facility. The FLA found transparency issues in a 2014 and 2016 SCI Assessment. The FLA worked closely with Mainland to remediate these transparency issues, with Mainland's Compliance Team working closely with local management to emphasize the importance of transparency with the FLA. The FLA recognized one root cause as the lack of training that the new management from the recent acquisition had on FLA standards. The 2018 Audit Field Observation in Bangladesh verified the transparency issues had been addressed. To further verify these transparency risks were addressed, the FLA conducted its SCIV Assessment at the same facility in July 2018 and verified full remediation of the transparency findings. The remediation progress chart below shows the remediated transparency issue in green. The partially remediated finding in yellow is for a finding on social insurance at the China facility and is explained further in Principle 7.

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated	
Overtime Payment Calculations	0	0	0	0	NO LABOR VIOLATIONS FOUND	
Minimum Wage	0	0	0	0		
Fringe Benefits	0	0	0	0		
Accurate Wage Records, Calculation, & Payment	2	1	1	0	50.0%	50.0%

■ Remediated
 ■ Partially Remediated
 ■ Planned

The FLA recognizes Mainland's achievement in taking actions to sustainably address transparency violations and risks through structural changes, communication, training, implementation of responsible production practices, and accountability mechanisms. The FLA recommends Mainland continue to ensure components to remediate the transparency violations and risks are regularly reviewed to ensure they continue to be effective.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁷

Mainland Data Management

Mainland maintains a complete and accurate list of its two owned production facilities, verified by the FLA through document review. The Compliance Manager maintains data for both facilities at the headquarters. Each facility's in-house HR & Admin Compliance Departments maintains their own internal and external compliance audit data, including assessment reports, root cause analysis, remediation trackers, grievance records, collective bargaining agreements, and meeting minutes from meetings with union and worker representatives at their respective facilities.

Analyzing Social Compliance & Supporting Data

The Compliance Manager analyzes data from internal and external audit reports. For both facilities, Mainland has compared internal and external audit results from 2014 to 2018, including a year-to-year analysis. The data analysis includes the FLA SCI data. At the Field Office Visit in 2018, the FLA

⁷ Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

verified the data analysis conducted for audits conducted in 2017. In 2017, both the Bangladesh and China facilities had nine audits each. Mainland noted the most frequent findings for both facilities are in Health, Safety and Environment followed by Hours of Work, Compensation, and Employment Relationship.

For both facilities, Mainland further segmented the Health, Safety and Environment findings to analyze areas for improvement. In both facilities, the most frequent finding concerned Fire Safety. The data analysis is presented to top management for discussion on an annual basis. Discussions include root cause analysis and corrective action plans (CAPs). Mainland uses their data analysis to determine future projects, such as increasing effective fire safety awareness training for all workers and management.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁸

Tracking Remediation at the Production Sites

Mainland's remediation process is guided by their Audit & Remediation Follow-Up Procedures. The procedures include collaboration with buyers, auditors, union, and factory management. For internal audits, Mainland headquarter staff provide the initial audit report to factory management within two weeks of the audit. After headquarter staff conducts an internal audit, factory management, the factory HR & Admin, Compliance team staff, relevant supervisors, and worker representatives discuss the corrective action plans in an internal audit CAP meeting. The factory is then responsible for submitting the CAP timeline, and identifying the person responsible and root causes, within two months of the audit. Once the factory submits the CAP, headquarter staff determines when to conduct the follow-up audit based on findings.

Mainland consults with union and worker representatives on remediation plans. Headquarter and factory-level staff engage with unions on the development of remediation plans and identify persons responsible for each corrective action plan. The FLA verified minutes from a CAP meeting at the Bangladesh facility where worker representatives discussed a finding on cigarette butts found in work areas. The action plan called for worker representatives to ensure all fellow workers are aware of the negative impacts of smoking in restricted areas. Involving worker representatives gives workers ownership of the workspace and encourages participation in the maintenance and improvement of conditions for workers. FLA recognizes Mainland's inclusion of worker representation through the CAP development and implementation process as a strength of the program and a best practice.

As a supplier, Mainland receives numerous external audits annually from their buyers. The Compliance team is responsible for following up and ensuring implementation of remediation actions for all audits. They also develop the action plans for internal assessments, buyer and FLA assessments, review remediation progress, and submit supporting documents to buyers and the FLA. Additionally, the Compliance team presents the audit data analysis to top management on an annual basis to discuss cumulative findings and remediation plans.

Root Cause Analysis

Mainland's Internal Audit Procedures note the audit team and factory management are to conduct root cause analysis together during the audit. The procedures detail how to conduct root cause analysis, using the "5 Why's" methodology. In addition to discussing root causes during the audit, root cause analysis is further conducted in the CAP meeting. Headquarter and factory management review the

⁸ Principle 7: Company Affiliate remediates in a timely and preventative manner.

root cause analysis during the remediation follow-up. The FLA verified root cause analysis in CAP meetings with worker representatives.

In the 2018 Audit Field Observation in Bangladesh, the FLA assessor noted the lead auditor did not conduct root cause analysis and that only factory management identified root causes. The FLA recommends Mainland ensure auditors and factory management work together to determine root causes, as stated in the procedures.

Mainland does not currently document their root cause analysis and does not analyze trends in root causes. Trend analysis can be used to inform sustainable improvement findings. The FLA further recommends Mainland provide root cause training to establish the standard and depth of the analysis conducted by internal auditors, factory management, and headquarter staff.

China Remediation Actions

Social Insurance: In 2012, the FLA's SCI Assessment found not all employees received all five forms of insurance, as required by law. By 2017, the FLA verified that all workers received medical insurance, unemployment insurance, child-bearing insurance, and occupational injury insurance. Workers with pension insurance increased from 83% to 88% from 2012 to 2017. During worker interviews, Mainland has found that workers, especially domestic migrant workers, are not willing to contribute to the pension insurance because they are uncertain if the funds will be available in their home provinces. Mainland is working with the ACFTU to provide additional training on the benefits of the pension insurance. The company has a goal to increase pension insurance participation by 5-10% each year until it reaches 100%.

Policies & Procedures for Marriage & Bereavement Leave: The SCI Assessment in 2012 found there were no records of the written policies and procedures for marriage and bereavement leave. Additionally, workers did not know how to apply for paid marriage or bereavement leave. Mainland's action plan called for including the policy in the worker handbook, and conducting a worker training. Worker interviews during the 2017 SCIV assessment verified workers are now aware of the policy and have been able to receive both types of leave when applied.

Bangladesh Remediation Actions

Space for Worker Representation Meetings:

During the SCI Assessment in 2016, the Worker Participation Committee did not have an office space to convene, as required by the FLA Benchmarks. The 2018 SCIV Assessment confirmed factory management had designated a meeting space for the Worker Participation Committee. Additionally, the Worker Participation Committee has become increasingly active in the facility, with full support from management through training and encouragement.



Worker at Mainland's Bangladesh Facility

Policies & Procedures on Workplace Conduct,

Discipline, Termination, and Retrenchment: In 2016, Mainland had no policies or procedures on Workplace Conduct & Discipline or Termination & Retrenchment. The verification assessment confirmed the factory had developed policies and procedures for Workplace Conduct & Discipline,

including requiring a third-party witness during the imposition of disciplinary actions and procedures to appeal disciplinary action. The company also developed policies and procedures for Termination & Retrenchment; however, FLA recommends these procedures should also include consultation with the Worker Participation Committee.

Health, Safety, and Environment: For both facilities, Mainland has significantly improved and remediated the majority of these findings, ranging from fire safety to building safety, to the use of Personal Protective Equipment.

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Personal Protective Equipment	2	2	0	0	100%
Fire Safety & Emergency	4	4	0	0	100%

■ Remediated
 ■ Partially Remediated
 ■ Planned

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES⁹

Responsible Production Policy and Procedures

Mainland implements Responsible Production Procedures in both the China and Bangladesh facilities. The procedures are available in Chinese and English and the company reviews them semi-annually. The procedures include a Working Hours Improvement Strategy. Mainland has reduced weekly excessive overtime, with working hours currently below 60 hours per week in both facilities. However, Mainland has yet to limit monthly overtime to 36 hours, as required by Chinese law, due to difficulties in production planning as well as longstanding worker expectations that overtime will be available. To limit overtime to 36 hours a month, the Working Hours Improvement Strategy includes:

- No more than two hours of overtime on weekends;
- One day off every six consecutive work days;
- No more than 60 working hours a week; and
- Reduce overtime hours by two hours every month and limit overtime to 36 hours every month.

Part of the solution within this plan is to work with buyers on orders and balanced planning. Mainland plans to control the number of orders according to actual production capacity and adhere to the production plan of eight hours per day. Mainland is also currently working on an Industrial Engineering Strategy to efficiently reduce working hours per item which will allow the same production output in less time, leading to a reduction of working hours per worker. Mainland aims to reduce monthly overtime to be below legal limits by the end of 2021. The FLA supports the implementation timeline and recommends Mainland ensure workers maintain the level of fair compensation as working hours reduce.

⁹ Principle 8: Company Affiliate aligns sales and planning practices with commitment to workplace standards.

Since 2018, Mainland has implemented the Industrial Engineering Strategy in both factories to support LEAN manufacturing. The FLA has verified the monitoring schedule that supports LEAN manufacturing through document review. Additionally, Mainland is enhancing its calculation methods with automated systems. The strategy has made production more efficient and has allowed an increase in product output in the same amount of time. The process has reduced risks of overtime as product orders are completed in a timely manner and within eight hours a day, per the production plan that is set by the IE calculations. This growth is also important for Mainland's business, as long-term buyers increase their volume every year.

Mainland understands the negative impacts of excessive working hours and identified that excessive working hours affected the quality of the products. The quality team conducted root cause analysis and identified the lack of rest time for workers as a root cause. The analysis prompted Mainland to reduce working hours and implement the Working Hours Improvement Strategy. Expanding the Bangladesh production site and employing more workers will also reduce the working hours of current workers. The FLA recommends Mainland prioritize limiting working hours when expanding the production site and ensure incoming workers and current workers do not work excessive overtime.

Due to numerous buyers with varying workplace standards, Mainland has found it challenging to implement and uphold high standards and policies with buyers without their same high standards. Mainland has been able to implement responsible production practices when buyers hold the same standards, such as New Era Cap and Volcom, two Accredited FLA Participating Companies. Partnership with its FLA buyers has allowed Mainland to easily implement responsible production practices for most of its production. The FLA recognizes Mainland's strategy implementation to sustainably reduce overtime and improve its responsible production practices as a strength of its program and encourages Mainland to ensure as working hours are reduced for workers, that Mainland ensure workers are receiving fair compensation by working regular hours.

Training Relevant Staff on Responsible Production Practices

After Mainland finalized their Responsible Production Policy and Procedures, the HR & Admin team developed related training materials. The team provided training on the FLA's Principle of Responsible Production Practices and Working Hours to relevant headquarter staff and factory management in both facilities. At the 2016 Headquarter Assessment, the FLA interviewed the COO, the Production Planning Manager, the Material Purchasing Manager, and the Production Manager, along with other management staff, and verified they understood the impact of production planning practices on workplace standards. Mainland's social compliance staff provides these trainings annually to all staff, in the local language.

Holding the Relevant Staff Accountable to Operate Responsibly

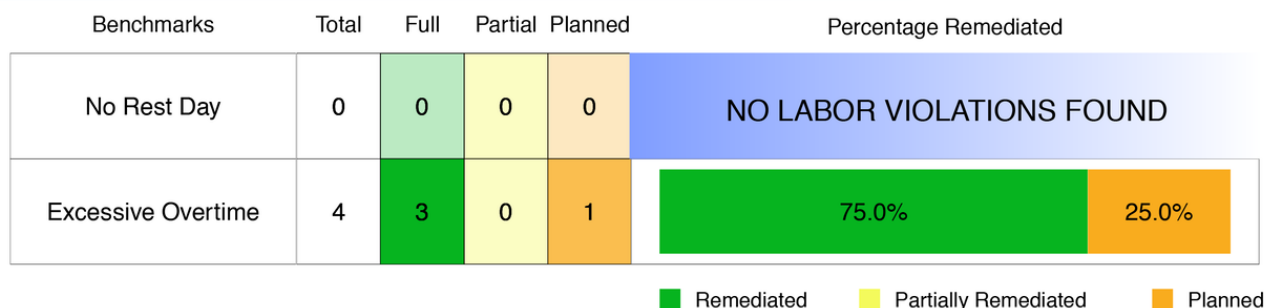
As a small company, all departments are in constant communication. Mainland uses calendars to adhere to order timelines. Some relevant staff job descriptions, including those of the Production Planning Manager and the Factory Production Managers, include the responsibility to monitor working hours based on the Responsible Production Practices Policy. As best practice, the FLA recommends all relevant staff include Responsible Production Practices in their job descriptions. The Compliance Manager collects working hour information weekly and is notified by the respective HR departments if any worker is working more than 60 hours per week; if working hours exceed the limit, it becomes a warning that is reported in internal meetings.

In both original SCIs, the FLA assessors found excessive overtime. In response, Mainland implemented a policy, the Working Hours Improvement Strategy, to reduce excessive overtime, so

employees work below 60 hours a week. This goal has been reached in both facilities, as assessors found no employees working over 60 hours a week in the verification assessments.

In China, Mainland has achieved the legal weekly overtime levels at a maximum of 60 hours per week, however, it has yet to achieve the legal limit of monthly overtime hour of 36 hours per month. Mainland's production plan is based on employees working eight hours per day, and it plans to implement further safeguards to better control of overtime. The sustainable improvement plan is to change workers' mindset on working overtime and educating workers on the negative impacts of overtime. The below remediation progress chart shows the remediated weekly excessive overtime, and the planned strategy to reduce monthly excessive overtime.

FLA REMEDIATION PROGRESS CHART



In 2019, Mainland collected compensation data with the FLA's Compensation Data Collection Tool. At the Bangladesh facility, Mainland is on average compensating workers an amount between the World Bank International Poverty Line and the Global Living Wage Coalition Living Wage Estimates and at the China facility, Mainland is on average compensating workers above the Average Wage for Migrant Workers and slightly below the Asia Floor Wage. The FLA commends Mainland's use of the Compensation Data Tool and recommend Mainland utilize the results from the tool to implement a Fair Compensation strategy.

Dialogue with Relevant Staff & Customers to Implement Responsible Production Practices

Mainland is in constant communication with its customers. The Sales and Marketing Departments based in Hong Kong are responsible for communicating with clients on all topics, including production capacity. Sales staff have weekly dialogues with customers to review production status and capacity. They are also responsible for providing customers with feedback on their orders. For example, the FLA verified one communication from a Marketing staff member who expressed to a customer that the capacity at Mainland was full and asked for an extension on lead time. From these discussions, if there are risks of negative impacts on working hours, the Sales team notifies the HR & Admin team. When there are updates on orders, the Sales & Marketing teams circulate these orders to all relevant departments via email. The COO is also in regular communication with buyers regarding forecasting orders and capacity.

Mainland reviews the capacity for each of its facilities twice a year. Mainland reported they receive frequent last-minute design changes from buyers; the Merchandising team is responsible for accepting or rejecting last-minute changes. The Merchandising team reports production planning updates to brands every week which has helped control the number of changes buyers request.

Internally, Mainland holds roundtable meetings with senior management staff every two weeks to check on requests from different departments and discuss social compliance issues. In addition to senior management meetings, Mainland holds bi-weekly KPI meetings to review production planning

and capacity with social compliance and production staff. Meeting minutes verified KPIs are discussed in detail, including productivity issues in each workshop, analysis of reducing working hours, and quality of products.

Mainland's main buyer is New Era Cap, and this close relationship has allowed Mainland to more effectively implement responsible production practices. Close communication and constructive feedback between Mainland and New Era Cap has supported this process; for example, New Era Cap provided Mainland with a scorecard that showed improvement in workplace standards over time. Another of Mainland's buyers is Volcom, an FLA Accredited Participating Company; Mainland participated in Volcom's Supplier Summit in 2017, and continues to work closely with the brand.

Incentivizing Production Sites and Other Suppliers to Improve Conditions for Workers

Mainland has provided positive incentives to both facilities in the form of higher volume orders when workplace standards are upheld. Higher volume orders can increase pay for piece rate workers and can help hourly workers meet and exceed their production targets. The FLA verified Mainland assigning higher volume products to the Bangladesh facility due to their high score in the internal evaluation process. The evaluation includes sections on compliance, design and development, production, quality, and shipping delivery.

Mainland also has a scoring system, supported by formalized procedures, that evaluates material suppliers which are not designated by buyers. In 2017, 80% of material suppliers were scored, with 20% receiving positive incentives in the form of higher volume orders – often by 10-20%. Material supplier evaluation is conducted quarterly. The scoring is based on price, research and development capacity, quality, on time delivery and communication skills. Additionally, material suppliers submit a self-assessment evaluation that includes aspect of social compliance. The FLA recommends Mainland formally include social compliance within the evaluation system for material suppliers.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹⁰

Civil Society Engagement Strategy

Mainland's Civil Society Engagement Strategy explains why engagement with civil society is important, identifies high risk production sites based on local conditions, identifies high volume production sites, and recognizes the staff and financial resources needed for implementation. It sets forth an approach for responding to civil society inquiries or criticisms and outlines proactive, forward-looking goals for engagement. The strategy also includes a commitment to communication, consultation, dialogue, and partnership with civil society organizations, including unions and worker representatives.

Mainland has mapped applicable civil society organizations in China and Bangladesh. In China, groups include the ACFTU and the China National Garment Association. In Bangladesh, groups include Change Associates, Care Bangladesh, and Better Work Bangladesh.

Engaging Civil Society on Local Labor Issues

Mainland is actively engaged with civil society organizations in China and Bangladesh. In Bangladesh, Mainland engages with the [HERproject](#), through [Business for Social Responsibility](#) (BSR) and with the support of New Era Cap, to improve women worker health and hygiene conditions in the Bangladesh facility. The HERproject is a “collaborative initiative that strives to empower low-income women

¹⁰ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

working in global supply chains.” The Bangladesh facility participated in the HERhealth aspect of the HERproject, focusing on health-related knowledge and behaviors. Mainland engaged with [Change Associates](#) to implement the HERproject. The HERproject ran a total of six trainings, with an additional six follow-ups.

Mainland has been active in searching for potential partners, having reached out to organizations like CARE Bangladesh, a local Bangladeshi NGO that works on empowering women garment workers through career mobility, financial literacy, and reducing violence against women. Mainland continues to explore opportunities to engage with civil society organizations in Bangladesh. The company actively participated in the FLA CSO Engagement Roundtable in Bangladesh in July 2018. The roundtable discussion focused on maternity rights and childcare facilities. Additionally, two Mainland



Year end dinner celebration at Mainland's China facility

buyers sourcing from the Bangladesh facility have signed onto the Bangladesh Accord, through which Mainland is participating in remediation efforts.

In China, Mainland routinely interacts with the ACFTU, partnering with them for support for its workers, including trainings on a variety of topics. Mainland has also identified the [China National Garment Association](#) as a potential partner to implement programs to support workplace standards. Mainland has started to engage with the Association and is interested in becoming a member. The FLA recognizes the legal restriction on trade unions and civil society organizations in China and the challenges the situation presents for a

company's civil society engagement. The FLA acknowledges Mainland has made efforts to work with unions on labor issues. The FLA recommends Mainland continue to engage with the FLA and civil society affiliates in China and Bangladesh.

Engaging Civil Society on the Design & Implementation of Workplace Standards Strategies

Mainland's work with the HERproject directly resulted in trainings for female workers on health and hygiene at their Bangladesh facility. Results from the HERproject include increase awareness on reproductive health and family planning, including increase in the use of sanitary napkins and knowledge on health checks during pregnancies. Part of the HERproject includes training workers to become Peer Health Educators, who are then responsible for training other workers at the facility. Currently, there are 105 Peer Health Educators in the Bangladesh facility who provide training to their peers through various methods. Popular topics include health and hygiene topics that can be addressed to reduce the risk of absenteeism and sick leave. Part of the sustainability plan includes continuing monthly training session with workers led by the Welfare Officer and Peer Health Educators, in addition to expanding health benefits to household and communities, and refresher trainings for the peer educators. As the Bangladesh production site expands, Mainland has actively pursued additional support from civil society to expand in a responsible manner, such as with USAID.

In China, Mainland works closely with the ACFTU in numerous capacities, from training to remediation plans. Union representatives are invited to opening and closing meetings during audits as well as the remediation meetings conducted after audits. One of the biggest resources the ACFTU provides is worker trainings. The ACFTU provides a list of trainings for workers to choose from every year,

workers fill out Training List Assessment request forms, and then Mainland and the ACFTU work together to provide the trainings. Topics include intellectual property training to employee-employer relationships, and various types of health training. Workers received one training a quarter from the ACFTU. Mainland has also used the ACFTU for specific trainings based on audit findings, such as the importance of pension insurance. The ACFTU also provides free health screenings and health checks for workers.

The strength of the ACFTU was confirmed in 2014, when Mainland participated in the University of Notre Dame's Worker Participation Pilot project in China. The pilot was a collaboration between the University of Notre Dame and Verité and included a comprehensive and rigorous assessment that included 71 criteria in the areas of Freedom of Association and Collective Bargaining, as well as Worker Feedback and Participation. Following the first assessment of Mainland, the University of Notre Dame confirmed that Mainland had met the criteria for worker participation and Mainland continues to be qualified for Notre Dame's collegiate production. The FLA interviewed the University of Notre Dame to confirm Mainland's participation in the pilot and the recognition of Mainland's worker representation.

Unions & Worker Representative Structures

Both facilities have worker representative structures. In China, the ACFTU represents Mainland workers. The union is composed of all workers, and workers elect their representatives in accordance with Chinese law. The union representatives hold monthly meetings with management to discuss labor, health & safety, and topics on worker needs. The FLA Audit Field Observations verified the presence of union and worker representatives at the opening and closing meeting of the audits. The company also develops remediation plans with the union, including conducting root cause analysis on audit findings.

The Bangladesh facility has a Worker Participation Committee of seven workers and seven managers, as required by Bangladesh law. The Worker Participation Committee has become much more active in the past few years due to increase training and encouragement from top management to participate in facility procedures. When the Worker Participation Committee first formed, member roles and responsibilities were unclear. Mainland created a guidance document on the Worker Committee and provided members training on the FLA standards and obligations of a Participating Committee. Active encouragement from upper management has led more workers to be active in the Committee. An example of their role is the Committee contributing to the root cause analysis on missing machine guards. Management had assumed workers were not using the guards because workers did not want to use them; however, workers noted that part of the machine guard was damaged, preventing its use. The FLA commends the active union and worker representatives at both facilities and recognizes Mainland's inclusion of worker representation as a strength of its program and an industry best practice.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹¹

Mainland's commitment to the FLA and its FLA obligations is integrated into the compliance program. Mainland's commitment has been most notably shown through the company's work to remediate transparency issues in the Bangladesh facility. Mainland has participated in different Fair Labor Association events, including the FLA Supplier Dialogue in Hong Kong in September 2017, and both the Buyer/Supplier Roundtable and CSO Roundtable in Bangladesh in August 2018. The FLA

¹¹ Principle 10: Company affiliate meets FLA verification and program requirements.

confirms that Mainland has completed all administrative requirements, including payment of annual dues and the annual self-assessment and SCl assessments.



Mainland and FLA staff at the Hong Kong Office Visit

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of Mainland's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to accredit the company's program.

Since affiliation as a PS, Mainland has increasingly developed a labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Accreditation is a measure of the capacity of a company's labor compliance program to ensure respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. The FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of the FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the accreditation of Mainland's labor compliance program.

The assessment identified certain areas in which Mainland's labor compliance program has been strong and also areas with respect to which improvements are possible.

Strengths of Mainland's labor compliance program include:

- 1) Robust training for workers, supervisors, and managers, including pre- and post-test evaluations to ensure knowledge is gained;
- 2) Data analysis conducted cumulatively across customer audits to inform the development of its social compliance program;
- 3) A Working Hours Improvement Strategy that has successfully reduced weekly excessive overtime;
- 4) Engagement with civil society organizations in Bangladesh on women's health training programs; and
- 5) An active all-worker elected and represented union in the China facility.

Suggestions for strengthening Mainland's labor compliance program include:

- 1) As the Bangladesh facility expands, provide new and current workers consistent training on workplace standards;
- 2) Continue to ensure components to remediate transparency violations and risks are regularly reviewed to ensure they continue to be effective;
- 3) Continue to develop the grievance mechanisms at the Bangladesh facility, using the successes of the China facility as a guide;
- 4) Continuously improve working hours for workers, toward the goal of no monthly excessive overtime by 2021; and
- 5) Continue to expand civil society engagement in China and Bangladesh.

APPENDIX A: THE MAINLAND CODE OF CONDUCT

Mainland Headwear Holdings Limited

Code of Conduct

EMPLOYMENT RELATIONSHIP

Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

NONDISCRIMINATION

No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.

HARASSMENT OR ABUSE

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

FORCED LABOR

There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.

CHILD LABOR

No person shall be employed under the age of 16 or under the age for completion of compulsory education, whichever is higher.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

HEALTH, SAFETY, AND ENVIRONMENT

Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

HOURS OF WORK

Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

COMPENSATION

Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage (whichever is higher), comply with all legal requirements on wages, and provide any fringe benefits required by law or contract.

Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with MH to take appropriate actions that seek to progressively realize a level of compensation that does.

Employees in subsidiary factories of Mainland Headwear Holdings Limited can report to the Compliance Department in head office when they found that factory behavior does not meet the above criteria. All reported violations are protected from the risk of retaliation from factory. When differences or conflicts occur, company member should use the highest kind of standard.

Contact :

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APPENDIX B: MAINLAND'S FLA REMEDIATION PROGRESS CHART

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Verbal Abuse	0	0	0	0	NO LABOR VIOLATIONS FOUND
Recruitment Practices	0	0	0	0	
Protection of Pregnant Workers & New Mothers	0	0	0	0	
Overtime Payment Calculations	0	0	0	0	
No Rest Day	0	0	0	0	
Monetary Fines	0	0	0	0	
Minimum Wage	0	0	0	0	
Industrial Relations & Grievance Mechanisms	0	0	0	0	
Fringe Benefits	0	0	0	0	
Freedom of Movement	0	0	0	0	
Employer Interference in Union Organizing	0	0	0	0	
Supervisor Training	1	1	0	0	100%
Personal Protective Equipment	2	2	0	0	100%
Fire Safety & Emergency	4	4	0	0	100%
Employer Interference in Union Operations	1	1	0	0	100%
Accurate Wage Records, Calculation, & Payment	2	1	1	0	50% 50%
Excessive Overtime	4	3	0	1	75% 25%

■ Remediated
 ■ Partially Remediated
 ■ Planned