



## YEE TUNG GROUP

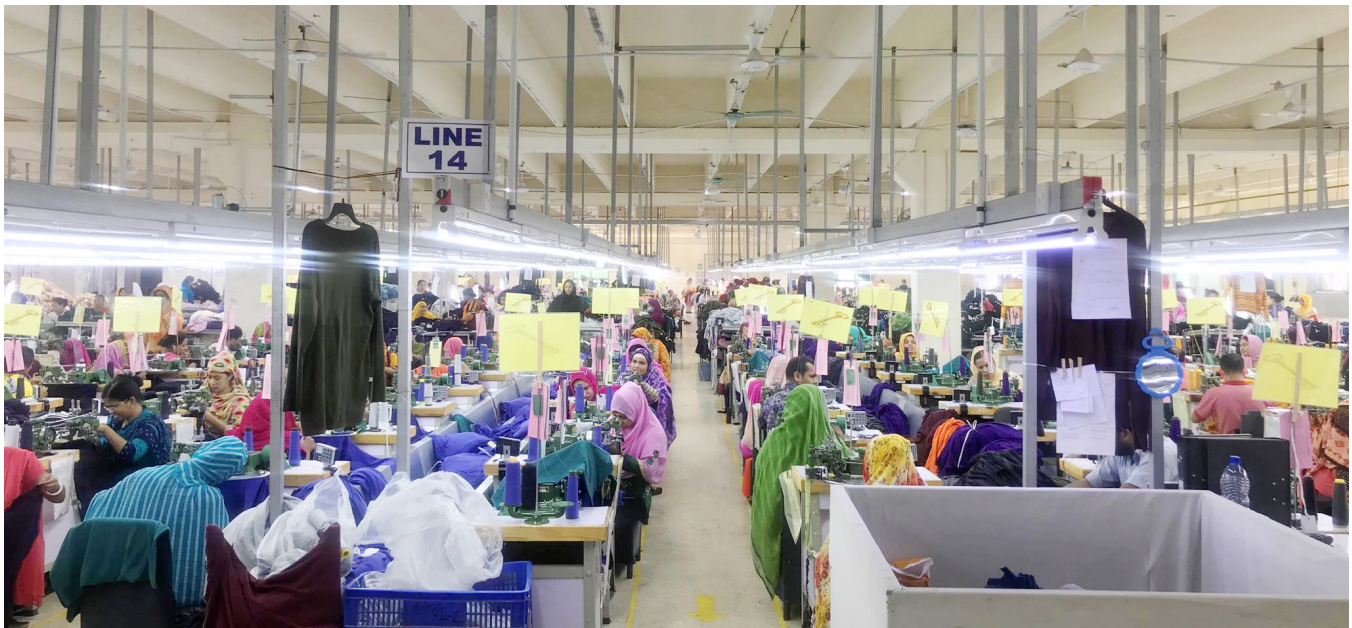
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## ASSESSMENT FOR ACCREDITATION

FLA BOARD OF DIRECTORS MEETING  
FEBRUARY 2020

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Yee Tung’s linking department in its facility in Jordan.

## INTRODUCTION

On February 26<sup>th</sup>, 2020, the FLA Board of Directors approved the accreditation of Yee Tung Group’s social compliance program. This report is the assessment to inform the accreditation of Yee Tung Group’s social compliance program.









Affiliates eligible for accreditation agree to the respectful and ethical treatment of workers and the promotion of sustainable conditions through which workers earn fair wages in safe and healthy workplaces by adopting the FLA [Workplace Code of Conduct](#). Affiliates with accredited social compliance programs have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains and mitigate and remediate violations.

Accreditation is a multi-year process to assess the performance of a Participating Supplier against the FLA [Principles of Fair Labor and Responsible Production](#). During this process, FLA staff verify the implementation and effectiveness of a company’s social compliance program through:

FLA ACTIVITY	PURPOSE
<b>Headquarter (HQ) Assessment</b>	<ul style="list-style-type: none"> <li>• Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning</li> <li>• Review documentation, processes, and database capabilities</li> </ul>
<b>Field Office Assessment</b> (as applicable)	<ul style="list-style-type: none"> <li>• Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning</li> <li>• Review documentation, processes, and database capabilities</li> </ul>
<b>Field Observations</b>	<ul style="list-style-type: none"> <li>• Observe internal audits, training sessions, and/or remediation visits</li> <li>• Verification of progress over time and provide constructive feedback</li> </ul>
<b>Factory-Level Assessments (SCI &amp; SCIV)</b>	<ul style="list-style-type: none"> <li>• Assess for labor violations at the factory-level so the company remediates identified labor violations sustainably</li> </ul>
<b>Annual Self-Assessment</b>	<ul style="list-style-type: none"> <li>• Review company-reported documentation, processes, capabilities and the evolution of the social compliance program</li> </ul>
<b>Safeguard Investigations</b>	<ul style="list-style-type: none"> <li>• Can occur throughout the company’s FLA affiliation and provides insight into compliance programs, remediation strategies, and engagement with civil society, as applicable</li> </ul>
<b>Fair Compensation</b>	<ul style="list-style-type: none"> <li>• Review of use of the FLA’s Wage Data Collection Tool Kit in applicable facilities</li> <li>• Provide feedback on short- and long-term Fair Compensation plans and strategies to improve compensation for workers</li> </ul>
<b>Strategic Projects</b>	<ul style="list-style-type: none"> <li>• Learn about compliance strategies to detect and remediate complex issues, as applicable</li> </ul>
<b>Stakeholder Engagement</b>	<ul style="list-style-type: none"> <li>• Receive input, especially from civil society, on the social compliance program from relevant organizations</li> </ul>

## SECTION 1: OVERVIEW & PROFILE

<b>Name</b>	Yee Tung Group	<b>Category</b>	Participating Supplier
<b>Location</b>	Hong Kong	<b>Product</b>	Apparel (Sweaters & cut and sew knits)
<b>Revenue</b>	\$280 Million USD	<b>Applicable Facilities</b>	9
<b>FLA Affiliation Date</b>	2006		
<b>Yee Tung's Strengths &amp; Recommendations for Improvement<sup>1</sup></b>			
<b>Workplace Standards</b> 	<b>Principle:</b> Committed to accountability and transparency through established workplace standards.		
	<b>Strength:</b> Top management commitment that empowers the Compliance Team to continuously evolve the social compliance program.		
<b>Production Staff Training</b> 	<b>Principle:</b> Company affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.		
	<b>Recommendation for Improvement:</b> Continue to ensure all employees receive effective workplace standards and grievance training.		
<b>Functioning Grievance Mechanisms</b> 	<b>Principle:</b> Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential		
	<b>Strength:</b> Workers have access to various grievance channels including a confidential hotline number. Grievances are tracked, and nonretaliation is ensured through audit worker interviews.		
<b>Timely &amp; Preventative Remediation</b> 	<b>Principle:</b> Works with suppliers to remediate in a timely and preventative manner.		
	<b>Strength:</b> Monitors the remediation progress for all facilities and works with Yee Tung headquarter and facility management to implement corrective action. Remediation of migrant workers violations, including ensuring migrant workers do not pay any fees for recruitment or employment.		
	<b>Recommendation for Improvement:</b> Continue to remediate labor violations found in all audits and regularly provide updates to the FLA.		
<b>Responsible Production Practices</b> 	<b>Principle:</b> Aligns sales and planning practices with commitment to workplace standards.		
	<b>Strength:</b> Collaboratively established a working hours accountability system to set metrics to measure the decrease excessive overtime over a two-year timeframe.		
	<b>Recommendation for Improvement:</b> Continue to stabilize working hours by tracking working hours, upholding the plans to decrease working hours, and improving balanced planning. Review and analyze wage data from all facilities in order to develop a plan for progressive implementation of fair compensation.		
<b>Consultation with Civil Society</b> 	<b>Principle:</b> Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	<b>Strength:</b> Established a strategic plan for CSO engagement; engaged with organizations based in Vietnam, Jordan, Cambodia, China, and Hong Kong.		

<sup>1</sup> To see the full list of FLA Principles and Benchmarks in which Yee Tung was assessed for accreditation, see Appendix C.

Yee Tung Group is an apparel group headquartered in Hong Kong and established by Victor Fong, the company's founder and chairman, in 1982. The group has two separate business entities, Yee Tung Garment Co., Ltd., its cut and sew knits business, and Charter Ventures Limited, its sweater operations. Yee Tung joined the FLA in 2006 and aligned its code of conduct with the FLA in 2016. Yee Tung works with more than 20 brands, including FLA Participating Company Patagonia and Category B Licensees Tommy Bahama and VF. Yee Tung operates nine factories in four countries:<sup>2</sup> China (4), Vietnam (3), Cambodia (1), and Jordan (1).

Yee Tung's centralized social compliance program upholds the same policies and procedures across all facilities. The team is led by the Corporate Compliance Director, who reports to the Managing Director and manages two headquarter-level Compliance Officers, who are supported by teams of one to three people per facility. The Compliance Team provides training on workplace standards and grievance mechanisms, conducts internal assessments, and ensures findings at all facilities are remediated. Yee Tung worked with an external service provider to improve its Code of Conduct training programs and to conduct interactive grievance training for production workers at the Cambodia facility. The FLA observed this training to verify improvements and the effectiveness of Yee Tung's training.

Throughout its affiliation with the FLA, Yee Tung has made progress in improving its social compliance program to align with the FLA's Workplace Code of Conduct, Compliance Benchmarks, and Principles of Fair Labor & Responsible Production across all facilities. In 2013, Yee Tung initiated two independent investigations in its facilities in Jordan and Cambodia. In Jordan, Yee Tung and the FLA worked to address grievances from migrant workers; in Cambodia, the FLA investigated freedom of association violations. In both cases, the FLA has continued to work with Yee Tung following the investigation to ensure sustainable remediation through regular SCI assessments. Yee Tung has also shown its commitment to remediate violations of excessive overtime through implementing sustainable and long-term plans to reduce working hours. The FLA also notes Yee Tung's commitment to CSO engagement, especially in Vietnam where they have worked with the Life Centre to implement BSR's HerProject, a program to provide workplace women's health education, offer more health products and services in the workplace. Yee Tung also engages with union representatives and has established collective bargaining agreements in five of its nine facilities. Lastly, Yee Tung has used the FLA's Wage Data Toolkit to measure progress in providing living wages to workers. The remainder of this report further describes in detail the FLA's assessment of Yee Tung's social compliance program for accreditation.

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<sup>2</sup> In 2020, Yee Tung will open its first production facility in Ethiopia.

## SECTION 2: YEE TUNG SUPPLY CHAIN & FLA DUE DILIGENCE (2006-2019)



This map shows the nine Yee Tung facilities across four countries: China (4), Vietnam (3), Jordan and Cambodia. To assess for accreditation, the FLA conducted assessments of Yee Tung’s Hong Kong headquarters in 2016 and 2019. Yee Tung received an audit field observation and two training field observations in China in 2015, a training field observation in Cambodia in 2019, and both an audit and training field observation in Vietnam in 2018. Since 2007, the FLA has conducted five IEM assessments, two IEV assessments, six SCI assessments, and two SCIV assessments at Yee Tung facilities.

## SECTION 3: YEE TUNG'S SOCIAL COMPLIANCE PROGRAM

### PRINCIPLE 1: WORKPLACE STANDARDS<sup>3</sup>

#### **Workplace Standards**

The FLA requires that companies establish and commit to high workplace standards. To meet this requirement, Yee Tung aligned its Code of Conduct with the FLA Workplace Code of Conduct in 2016. Yee Tung, then, fully adopted the FLA Compliance Benchmarks in early 2019. Through the headquarter assessment and field observations the FLA verified social compliance to be a core component of Yee Tung's values: empowerment, change, trust, energy, and sustainability.

#### **Senior Leadership Commitment**

The FLA considers senior leadership commitment to high workplace standards essential to embedding worker rights into company practice. In 2019, Yee Tung's Owner and Managing Director published a letter on the company [website](#) detailing the company's commitment to "achieve decent and humane working conditions" and setting the expectation that its business partners also uphold this commitment. During the 2019 headquarter assessment, the FLA interviewed Yee Tung's Managing Directors, who all showed comprehensive understanding of workplace standards including how and why Yee Tung works to improve working conditions for its workers. Yee Tung's website has a dedicated page to showcase its commitment to sustainability, including its partnerships with Better Work, BSCI, ISO, SEDEX, WRAP, and C100. As a best practice, the FLA recommends Yee Tung promotes its FLA affiliation such as publicize its FLA affiliation and accreditation on its website and publish a periodic company sustainability report.

### PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING<sup>4</sup>

#### **Social Compliance Staff**

The FLA requires companies to identify and train staff responsible for implementing workplace standards. Yee Tung's Corporate Compliance Director reports to the Managing Director and is responsible for the implementation of the workplace standards. The Corporate Compliance Director manages a team of two at the headquarters and is supported by teams of one to three staff per facility to implement the social compliance program. This team has been in place since 2004; the FLA considers the longevity and commitment of this team as a strength of Yee Tung's program.

#### **Social Compliance Staff Training**

The Compliance Team receives regular training on workplace standards through various service providers, buyers, Better Work, and the FLA. Since 2017, the Compliance Team has been trained on workplace communication, fire safety, Sustainable Apparel Coalition Facility Environmental Module version 2.0 (SAC FEM), fair recruitment, human resource management (HRM), emergency response, and boiler safety. Yee Tung's Compliance Team regularly implements improvements to its compliance program following training. For example, the FLA verified improvements to the monitoring program following Yee Tung's participation in the FLA's factory monitoring training in October 2018; Yee Tung had expanded its audit approach to encompass the FLA's sustainability improvement approach, adopting the FLA's Compliance Benchmarks, SCI assessment methodology, and questionnaire.

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<sup>3</sup> Principle 1: Company affiliate establishes and commits to clear standards. To review the benchmark and KPI standards, see Appendix C.

<sup>4</sup> Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff. To review the benchmark and KPI standards, see Appendix C.

Additionally, Yee Tung’s Compliance Team now conducts additional research on country-specific issues and incorporates those issues into the assessment process.

**Headquarter Staff Training**

The FLA requires that companies train all head office staff on the company’s commitment to workplace standards and integration into business practices. Most recently, Yee Tung conducted an in-person training for all headquarter staff on the code of conduct, grievance mechanisms, and responsible production practices in March 2019. Additionally, Yee Tung piloted an e-learning refresher training on the code of conduct in August 2019 with its Merchandising Team that has now been fully implemented to all staff. The FLA confirmed the e-learning module is comprehensive; it provides a flexible and active training program to staff, includes videos, uses a pre-test/post-test method to measure staff’s knowledge gained, and utilizes a participant survey to collect feedback to improve or expand future trainings.

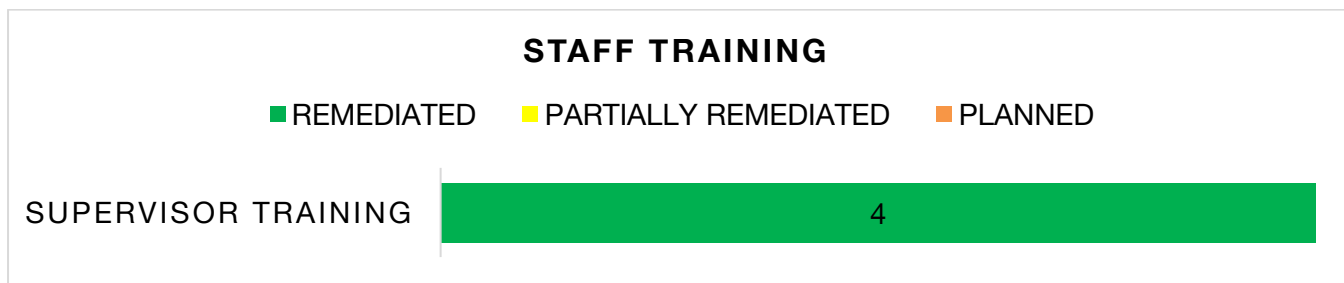
**PRINCIPLE 3: PRODUCTION STAFF TRAINING<sup>5</sup>**

**Accessibility to Workplace Standards for Production Staff**

To ensure that all management staff and employees have access to the workplace standards Yee Tung has translated their code into the local languages of all production countries, including Arabic, Bengali, Burmese, Cambodian, Cantonese, English, French, Khmer, Mandarin, Nepali, and Vietnamese. During SCI assessments and field observations the FLA noted Yee Tung’s Code of Conduct posted at production facilities.

**Worker, Supervisor, and Manager Training on Workplace Standards**

The FLA requires that companies regularly train workers, managers, and supervisors on workplace standards so that these standards and expectations are well understood and can be upheld. To verify, the FLA reviewed Yee Tung’s factory training program management; the Compliance Team develops training materials and uses a tracker to ensure all facilities complete a variety of trainings related to workplace standards for workers, managers, and supervisors. This training system is regularly improved upon to include more topics and effectiveness. The code trainings for production workers are led by facility-based compliance teams, while the Compliance Team conducts the management code trainings at the facilities.



As further evidence to Yee Tung’s continuous improvement of workplace standards training implementation, in four SCIs conducted between 2013 to 2016, the FLA found that some supervisors had not been trained on some employment functions. Through Yee Tung’s training program progress, Yee Tung remediated all violations fully, and continues to improve its training program as further noted under Ensuring Training Effectiveness. Additionally, Yee Tung has not had a supervisor training

<sup>5</sup> Principle 3: Company affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training. To review the benchmark and KPI standards, see Appendix C.



violation identified in an SCI Assessment since 2016. The FLA recommends Yee Tung continue to ensure all workers, managers, and supervisors participate in workplace standards training.

### **Ensuring Training Effectiveness**

In addition to providing regular training, FLA companies must take steps to measure the effectiveness of their training program and assess the knowledge gained by participants. Yee Tung's Compliance Team has developed mechanisms to ensure training is effective, including pre/post-test quizzes to measure knowledge gained and a survey to collect participant feedback. Facility-based compliance staff collect this data and share with the Compliance Team. On a quarterly basis, the Compliance Team shares a summary of training evaluations with facility managers and local compliance staff. Through this reporting, when and if gaps in training completion or remediation are identified, Yee Tung's management is able to prioritize completion of the training improvements.



Code of Conduct training for production workers in Cambodia.

During the 2015 field observations of code of conduct and grievance mechanisms trainings in China and the 2018 field observation in Vietnam, the FLA provided recommendations to Yee Tung to ensure training is effective, such as: adequate training room facilities, a pre-test and post-test, the post training evaluation, and interactive activities during training. The FLA verified implementation of all of these recommendations when a grievance training for production workers was observed in Cambodia in August 2019, conducted by the [Cambodian Garment Training Institute](#) (CGTI). The FLA recommends Yee Tung continue to improve its training program to ensure that workplace standards training is effective for all workers, managers, and supervisors.

## **PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS<sup>6</sup>**

### **Grievance Mechanisms Policy & Procedures**

The FLA requires companies to provide accessible grievance mechanisms to all workers and ensure the mechanisms are effective in resolving grievances from workers. Yee Tung's Grievance Policy and Procedures apply to all facilities. All relevant parties, including the headquarters and facility-based compliance teams, facility managers, trade union representatives, and supervisors, are involved in the entire process. At all facilities, Yee Tung's workers have access to various grievance channels: suggestion boxes, SMS, a confidential hotline, and a direct meeting with the trade union and/or compliance staff. The FLA verified use of the tracking mechanism for grievances at all facilities.

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<sup>6</sup> Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential. To review the benchmark and KPI standards, see Appendix C.

## FUNCTIONING GRIEVANCE MECHANISMS

■ REMEDIATED    ■ PARTIALLY REMEDIATED    ■ PLANNED

INDUSTRIAL RELATIONS & GRIEVANCE MECHANISMS



The above chart shows eight violations of Industrial Relation and Grievance Mechanisms found in China, Cambodia, and Jordan during FLA SCI assessments. Yee Tung fully remediated five of these eight violations by November 2019. In Jordan and Cambodia, Yee Tung’s Compliance Team continues to work with factory management to improve industrial relations by enhancing communication and establishing regular meetings with union and worker representatives.



The FLA observed grievance training for workers in Cambodia.

### Confidential Reporting Channels

In keeping with FLA requirements, Yee Tung has a confidential channel through which workers can directly reach the Corporate Compliance Director via phone or email. During the internal audits process, which was observed by the FLA during the 2018 field audit observation in Vietnam, the compliance team reminds workers that they have access to this channel if they have any grievances they do not feel comfortable raising to facility management. The team emphasizes the nonretaliation policy and the fact that this channel is confidential.

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

Yee Tung has incorporated its grievance mechanisms training as part of its code of conduct training program, as discussed above under Principle 3. During the 2019 field observation in Cambodia, the trainer provided interactive case studies to help workers understand the types of grievances that can be raised and the different channels available. The FLA has verified continuous improvement in ensuring grievance mechanisms training is

effective, as Yee Tung has implemented similar training quizzes and surveys to measure knowledge gained and collect participant feedback. The FLA recommends Yee Tung continue to ensure workers understand how to use its grievance mechanisms so that workers feel comfortable raising issues to management or through other channels.

## PRINCIPLE 5: MONITORING<sup>7</sup>

### Assessing Production Site Conditions

The FLA requires company affiliates to monitor all facilities to ensure compliance with workplace standards. To assess this requirement, the FLA reviewed Yee Tung’s Internal Audit Procedures and Guidelines. These guidelines clearly identify staff responsible for each audit and explain the audit benchmarks, tools, processes, and methodology.

<sup>7</sup> Principle 5: Company affiliate conducts workplace standards compliance monitoring. To review the benchmark and KPI standards, see Appendix C.

The FLA also requires that companies demonstrate a risk analysis approach in prioritizing assessments. Yee Tung reviews the production country risks prior to every assessment and these country issues were included in management interviews during the internal assessment.

To ensure workplace standards are monitored for any new facility, the FLA requires that companies conduct early production assessments to ensure compliance with workplace standards. Yee Tung has incorporated early-production assessment process into its Internal Audit Procedures and Guidelines and implements this process in any new facilities, such as the one currently under construction in Ethiopia. This facility will receive an initial assessment which focuses on fire safety and building safety before the facility begins production.

### **FLA Observations of Yee Tung Audits**

Yee Tung's internal audits fully follow the FLA's SCI methodology and approach. The FLA has verified all necessary audit components, from worker interviews to consultation with unions or worker representative structures, management interviews, documentation review, visual inspection, and occupational safety and health review. Where a production facility has a collective bargaining agreement in place, the audit applies the bargained standards throughout the process.

Yee Tung's internal audits are conducted by Yee Tung's Compliance Team with local interpreters. During the 2018 audit field observation in Vietnam the FLA observed improvements to the efficiency of the Yee Tung audit team; for example, Yee Tung's Compliance Team effectively communicated with facility staff, facilitated a comprehensive audit, and finalized informative audit reports with a thorough explanation of the violations, standards, and root causes. The FLA considers Yee Tung's comprehensive monitoring program as a strength of its program.

## **PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION<sup>8</sup>**

### **Data Management**

The FLA requires that companies collect, manage, and analyze compliance information in order to prevent and mitigate workers' rights violations. Yee Tung keeps an updated list of production sites, complete with facility address and contact information, historic audit results, root causes of noncompliance, the presence of unions and collective bargaining agreements, worker representative structures, incidents, and accidents. The tracking of this information was verified by the FLA during the 2019 headquarter assessment.

### **Social Compliance Data Trend Analysis**

On an annual basis, the Yee Tung Compliance Team analyzes all audit findings and remediation and provides a report to senior leadership with root cause analysis for persistent labor violations. The most frequent trends identified are health & safety, hours of work, and compensation. The report to senior leadership includes analysis from all audits conducted at Yee Tung production facilities, including the internal audits, buyer audits, FLA SCI assessments, and Better Work audits. The FLA considers Yee Tung's reporting of workplace violations and remediation to top management as a strength of its program, and recommends, as a best practice, that Yee Tung uses its social compliance data to develop measurable social compliance goals and consider publicly reporting its progress toward these goals.

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<sup>8</sup> Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information. To review the benchmark and KPI standards, see Appendix C.

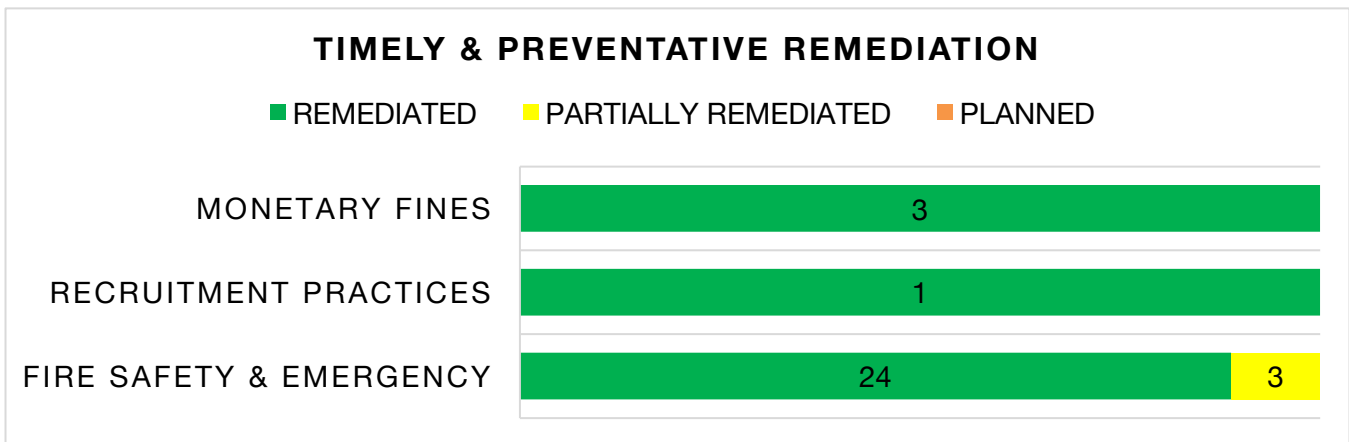
**PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION<sup>9</sup>**

**Tracking Remediation at Production Sites**

In keeping with FLA requirements, the Yee Tung Compliance Team maintains a master list to keep track of all internal assessment findings and remediation. Facility-based compliance staff share remediation updates and evidence every six months. To address violations in a sustainable way and prevent repeat findings in the future, Yee Tung produces an annual report analyzing the frequency of violations of each workplace standard category and remediation trends. Yee Tung’s Internal Audit Procedures and Guidelines require root cause analysis in collaboration with facility managers and worker representatives after each assessment. The FLA conducted an audit field observation at a Vietnam facility in 2018 and verified that all findings from all previous audits (FLA SCI assessments, buyer audits, and internal audits) were reviewed to check on remediation progress.

**Effective Remediation**

The FLA conducted two SCI verification (SCIV) assessments to measure Yee Tung’s remediation of SCI violations. The below chart highlights Yee Tung’s work to remediate violations across different categories. Across six assessments in four countries from 2012-2018, Yee Tung has remediated 24 of 27 Fire Safety & Emergency violations, with the remaining three partially remediated. Monetary fines were used as disciplinary actions at Cambodia and Jordan factories, in which Yee Tung has remediated all three violations by changing disciplinary policies and practices and training supervisors on the updated policies.



Yee Tung has been working on improving its recruitment practices throughout its affiliation with FLA. In 2013, the FLA, at Yee Tung’s request, initiated an [independent investigation](#) under the FLA’s Safeguards procedures concerning issues at Yee Tung’s Century Miracle factory in Jordan. At this facility, Burmese workers had gone on strike, protesting discrimination regarding pay and working conditions, and demanding Burmese-friendly food. Through the remediation process, as documented in an April 30, 2013 report on remediation posted on the FLA website, Yee Tung made the following improvements: an updated salary scheme for migrant workers, improvements to the payment documentation systems, a committee of workers of each nationality was created to support kitchen staff in preparing food appropriate for migrant workers, improved training programs for supervisors, and implementing a policy restricting labor agencies in charging recruitment or employment fees. The FLA followed up to ensure that Yee Tung had continued to improve conditions for migrant workers by conducting SCI and SCIV assessments in 2016 and 2018. The 2018 SCIV assessment uncovered that

<sup>9</sup> Principle 7: Company affiliate remediates in a timely and preventative manner. To review the benchmark and KPI standards, see Appendix C.

some migrant workers had paid fees; Yee Tung reimbursed these workers and strengthened its follow-up process with workers to ensure they are not charged fees by any labor agents. Yee Tung submitted evidence of this improvement to the FLA in early 2020. Because ensuring migrant workers do not pay fees requires regular due diligence, the FLA recommends Yee Tung continue to ensure migrant workers are not paying fees for recruitment of employment.

## PRINCIPLE 8: RESPONSIBLE PRODUCTION PRACTICES<sup>10</sup>

### **Responsible Production Policy and Procedures**

The FLA requires Participating Suppliers to align sales and planning practices with their commitment to workplace standards. In order to verify Yee Tung’s documented approach to responsible production, the FLA reviewed Yee Tung’s Manual for Responsible Production, which includes operations to uphold its commitment to aligning its business practices to uphold its code of conduct. The manual includes Yee Tung’s business model complexities, responsible production practices objectives, and internal processes with the Planning, Merchandising, and Production teams. Yee Tung acknowledges that its business practices are impacted by its buyers having a wide range of requirements and standards on social compliance and purchasing practices, so Yee Tung strives to uphold its code of conduct through regular collaboration within the relevant departments and top management. Through the headquarter assessment, FLA staff reviewed Yee Tung’s procedures, interviewed relevant staff from the Planning, Production, Merchandising Teams, and top management to verify business practices that impact workplace conditions.

Yee Tung’s documented policies and procedures focus on workplace standards related to working hours and balanced planning. Yee Tung has standard operating procedures for merchandising and planning processes that detail how the company plans and tracks materials timelines and production between facilities. Throughout 2019, Yee Tung worked with the FLA to improve its hours of work tracking and planning systems, as further discussed throughout this Principle.



FLA staff interviews Yee Tung’s Compliance and Planning staff during HQ assessment on responsible purchasing practices.

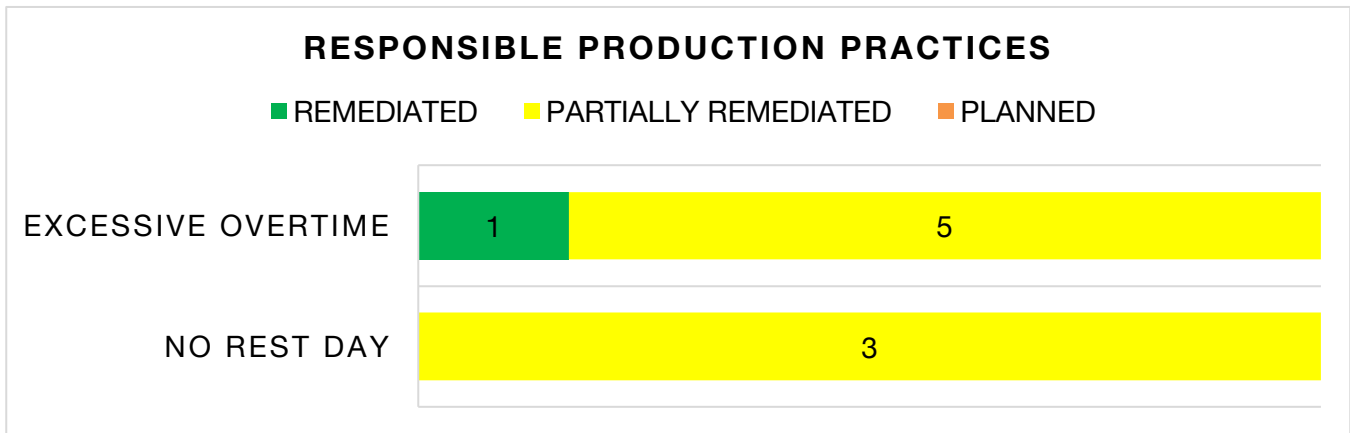
### **Training Staff on Responsible Production Practices**

To ensure relevant staff to purchasing practices are knowledgeable to their impacts on working conditions, the FLA reviews the training program the company has to ensure all relevant staff are aware of their roles and responsibilities to uphold the company’s code of conduct. Yee Tung’s Compliance Team has trained the Merchandising, Planning, and Production teams on the Responsible Production Manual and provides monthly trainings to other relevant departments. Following each training, participants complete a post-training quiz to measure training effectiveness and improve subsequent training. The FLA reviewed the training materials and quiz and recommends Yee Tung continue to train relevant staff on working hours by incorporating examples and case studies. The FLA also interviewed relevant staff to verify that they have comprehensive knowledge of responsible production practices, workplace standards, and the challenges Yee Tung faced while improving responsible production practices.

<sup>10</sup> Principle 8: Company affiliate aligns sales and planning practices with commitment to workplace standards. To review the benchmark and KPI standards, see Appendix C.

**Staff Accountability**

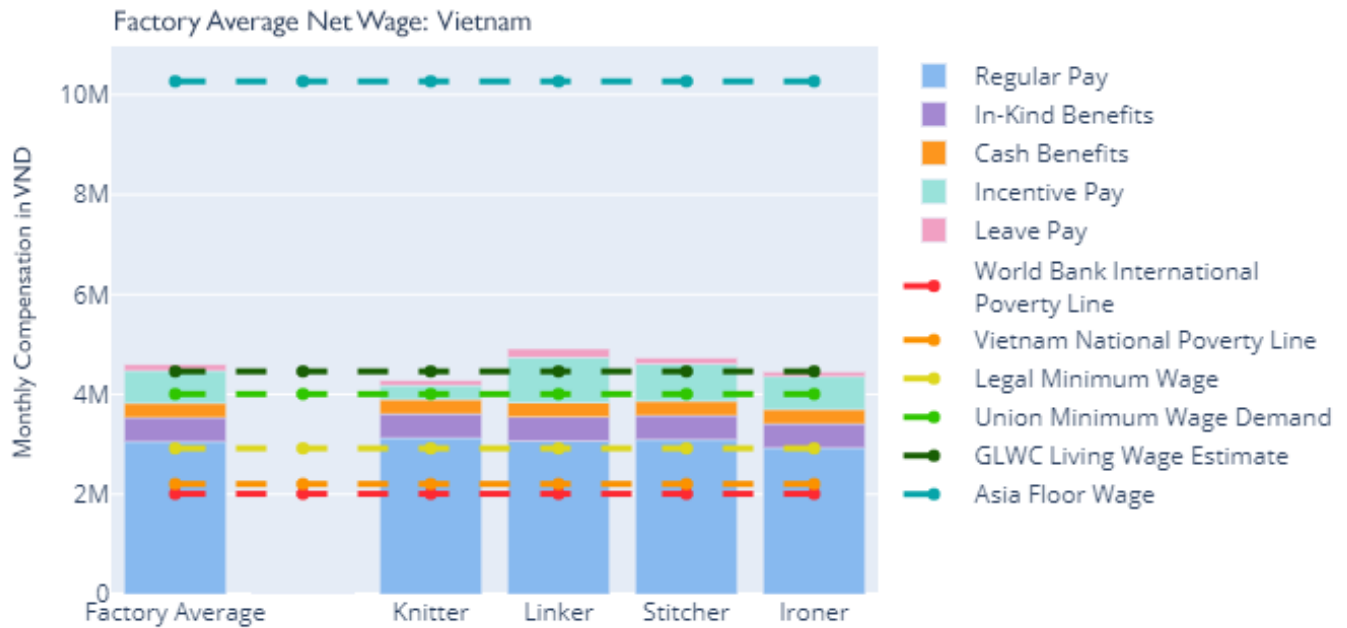
To ensure relevant staff are held accountable for implementing responsible purchasing practices responsibilities, the FLA reviews how the company systematically improves working conditions through improving its own business practices. Throughout its accreditation assessment, Yee Tung worked to improve internal understanding of responsible production practices. At the 2019 headquarter assessment, the FLA verified Yee Tung had controls in place, especially related to overtime and compensation to mitigate negative impacts on workers. Yee Tung maintains a matrix of the job responsibilities for its merchandising, production, and planning staff, which include reviewing planning, material delivery, and capacity loading to mitigate negative impacts. Further job responsibilities are noted in the standard operating procedures for the Merchandising and Planning Departments. Additionally, Yee Tung has implemented a protocol to control the approval of Sunday work at production facilities.



To ensure relevant staff are held accountable for implementing responsible purchasing practices responsibilities, the FLA reviews how the company systematically improves working conditions through improving its own business practices. The FLA reviewed cases of excessive overtime, as identified in Yee Tung’s SCI Assessments and Verifications to understand the root causes and how Yee Tung is working remediate these violations. From 2012-2018, the FLA has identified eight violations related to excessive overtime and lack of rest days. To sustainably address these violations Yee Tung implemented metrics and a monthly tracking system to measure progress. Yee Tung’s Compliance Team worked with the production facilities to develop this system and with top management to set benchmarks in decreasing overtime over a 2-year period. Facilities with working hours above 60 hours per week in Vietnam and Cambodia provide monthly updates to the Compliance Team. Yee Tung prioritized the remediation of rest day violations, and since the implementation of this working hours reduction system, the FLA verified the percentage of workers who receive a rest day every seven days has increased. The FLA also notes the percentage of workers working over 60 hours per week has decreased in facilities in Vietnam and Cambodia, where working hours violations have occurred. The FLA recommends Yee Tung continue to measure its progress in decreasing excessive overtime in all facilities, and continue to work collaboratively internally, with production facilities, and with customers to improve balanced planning and control working hours.

**Fair Compensation**

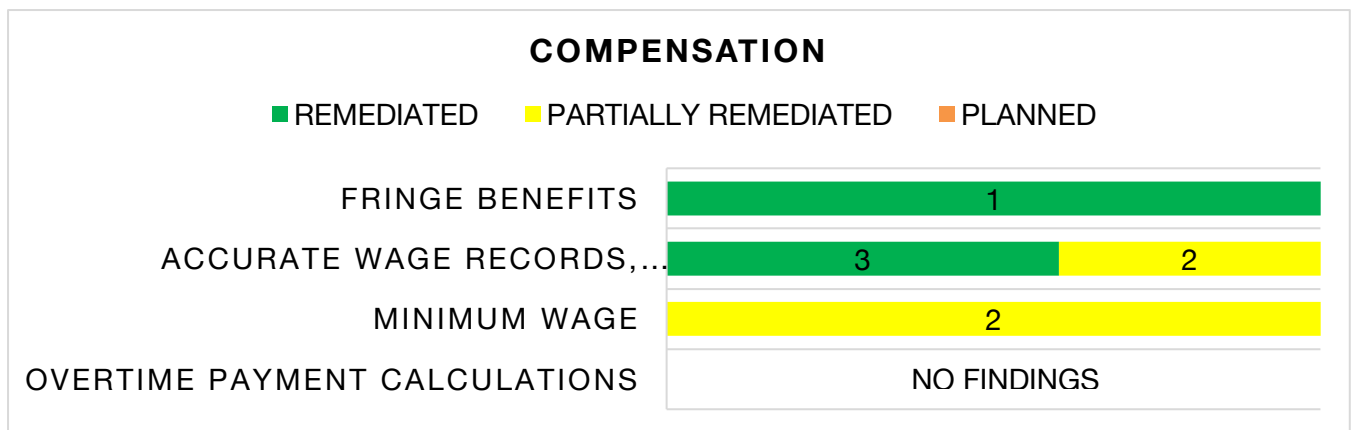
Yee Tung uses the FLA’s Wage Data Collection tool in its Cambodia and Vietnam facilities to measure progress towards a living wage. In one facility in rural Vietnam, the average net wage (VND 4,469,070) is slightly above the [Global Living Wage Coalition’s Living Wage Estimate](#) (VND 4,461,011). In keeping



with the FLA’s guidance on calculating a net wage, Yee Tung has confirmed that all workers can earn incentive pay within the regular workweek.

To date, Yee Tung has collected wage data from four facilities in Vietnam and Cambodia. The FLA recommends Yee Tung continue to collect wage data from additional countries and facilities, and that Yee Tung uses this data to develop a blueprint for making progress towards fair compensation for workers.

Yee Tung is in the progress of remediating two minimum wage violations that were found during FLA SCI assessments. Although these findings are not violations of local law or collective bargaining agreements, they do violate the FLA’s compliance benchmarks. In Cambodia, there is a lower legal minimum wage for probationary workers as compared with regular workers. Yee Tung applies this lower minimum wage for its probationary workers, which FLA’s Compliance Benchmark C.1.1. Through reviewing the wage data for regular and probationary workers, the FLA verified that some probationary workers still earn the higher minimum wage for regular workers when incentive pay is included. Additionally, the FLA verified that Yee Tung consistently ensures that the probationary period never exceeds two months, which is less than the three-month standard by local law and the



FLA's Compliance Benchmarks. While FLA understands that local law allows for a probationary worker to be paid a lower minimum wage, the FLA recommends further remediation of this finding.

In Jordan, the industry's collective bargaining agreement allows for the wage calculations to be different between local and migrant workers. While the base wage is the same (JD 125), there is a difference in how workers receive additional in-kind or cash benefits. For migrant workers, the majority of their benefit is considered an in-kind benefit for dormitories and meals; while local workers receive a cash benefit. While this difference is specified and allowed as part of the collective bargaining agreement and does not violate local laws, this practice violates the FLA's Compliance Benchmark C.1.1. The FLA recommends Yee Tung continue to engage with stakeholders, the industry union, and the government to address these issues in the collective bargaining agreement.

### **Communication for Responsible Production**

To successfully implement responsible production processes, communication must be strong between teams and with customers. Yee Tung's headquarter staff have weekly meetings to review the planning status for all facilities, and review production analysis summaries to track daily production. During the headquarter assessment, FLA staff also reviewed efficiency reports and production analysis summaries to confirm how Yee Tung strives to balance planning and capacity needs. Yee Tung communicates regularly with its customers to review production status, address capacity issues, and consider reallocation of purchase orders to resolve capacity challenges. For example, there are instances in which Yee Tung has moved up production of a purchase order during its low season to support balanced production capacity.

As mentioned earlier in this Principle, Yee Tung worked internally to establish a system to improve accountability of working hours with each facility and has been tracking progress of facilities that have had repetitive excessive overtime violations. To implement this system, the Compliance Team worked collaboratively with production facility management to establish these tracking systems; and worked to communicate the importance of decreasing overtime over two years with top management and the Merchandising Department. The FLA recommends Yee Tung continue to review progress in reducing excessive overtime with all relevant departments and top management on a regular basis.

### **Incentivizing Suppliers to Improve Working Conditions**

Through Yee Tung's rigorous monitoring and remediation programs, all facilities are evaluated on their success upholding Yee Tung's workplace standards. Yee Tung evaluates remediation progress and the facility general managers are incentivized to improve working conditions through a regular performance review process. There are individual financial incentives for general managers who show sustainable improvement. The FLA recommends Yee Tung continue this incentive system and expand it to include further relevant staff, especially those responsible for reducing excessive overtime.

## **PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY<sup>11</sup>**

### **Civil Society Engagement Strategy and Impact**

Yee Tung recognizes the importance of engaging with civil society organizations (CSOs). Through the company's engagement with various CSOs, Yee Tung's workers have experienced improved working conditions. Some benefits, as a result of CSO engagement, include improvement of management skills on risk assessments, dispute resolution, occupational health and safety, and mental health, better communication between workers and managers, and receiving labor law and regulation

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<sup>11</sup> Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions. To review the benchmark and KPI standards, see Appendix C.



updates. Yee Tung continues to improve and expand its objectives of the policy; the FLA reviewed this policy, noting its inclusion of improving protections for employees, communication and interaction with employees, and adding new ideas and skills to Yee Tung's social responsibility program.

### **Local Labor Issue Engagement**

As part of the FLA's accreditation standards for CSO engagement, the FLA expects companies to map relevant CSOs in production countries and that companies show meaningful engagement with some of the identified organizations. Yee Tung has mapped civil society organizations with which they have engaged, along with potential organizations to engage with on future issues. Due to the challenging environment for civil society groups in China and Vietnam, Yee Tung has yet to foster relationships with local CSOs, though the company continues to foster relationships with organizations focused on worker well-being, as listed below.

[Better Work & Better Factories](#): In Cambodia, Jordan, and Vietnam, Yee Tung's facilities are part of the Better Work or Better Factories programs; Yee Tung also has customers that are signatories of the programs. Through this partnership, Better Work or Better Factories conducts factory audits in Yee Tung's facilities and supports Yee Tung in remediation and improvement in working conditions. Yee Tung facility management has participated in Better Work's training program and advisory services.

[Caritas \(Jordan\)](#): Following an FLA Safeguards Investigation at Yee Tung's Jordan facility, Yee Tung engaged with Caritas to establish programs for migrant workers focused on mental health and well-being. Activities for workers, such as festivals and trainings, helped workers feel valued and celebrate the diversity of the workplace.

[Life Centre \(Vietnam\)](#): In one of Yee Tung's Vietnam facilities, Yee Tung partnered with the Life Centre to implement the BSR HERProject. The Life Centre program educated workers on women's health issues.

[BSR HERHealth \(China\)](#): Yee Tung worked directly with BSR HERHealth to implement a women's health program for workers in their China facility, similar to the Vietnam program.



Staff from Yee Tung's factory in China meeting to discuss the HERProject

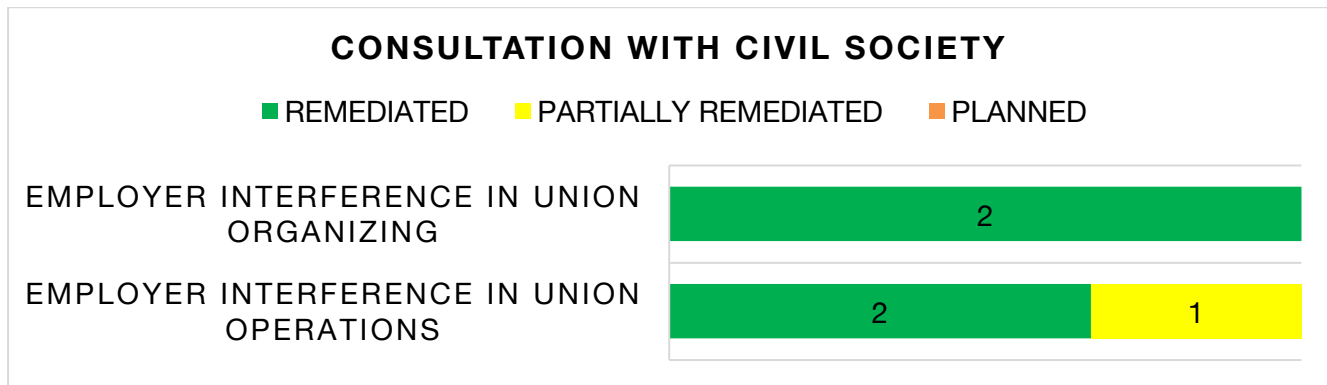
### **Union Engagement**

To ensure company programs also uphold freedom of association, the FLA verifies that there are procedures and practices in place to engage with unions. Yee Tung has union representative structures at eight of its nine facilities and collective bargaining agreements in place at five of its nine facilities. The FLA verified in earlier Principles that Yee Tung engages with union representatives during the audit and remediation process. Beyond those processes, Yee Tung's facility management regularly engages with union representatives in communication to workers and executing programs that support improvement of worker well-being.

In 2013, Yee Tung worked with the FLA on allegations raised by the [Workers' Rights Consortium \(WRC\)](#) regarding freedom of association at its E Garment facility in Cambodia. After the WRC alleged violence against members of the trade union C.CAWDU and union member dismissals, the FLA

conducted an [independent investigation](#), interviewed union members, factory management, and conducted a document review. While the allegations of violence from factory management were not conclusive, the investigation did find that worker dismissals occurred without due cause and the factory had not implemented agreements and standards to uphold freedom of association, and the independent expert investigator made recommendations for remediation. Yee Tung agreed to implement the recommendations and reinstated the dismissed workers and improved its freedom of association policy and practices. The FLA verified remediation through an independent verification of progress on implementation conducted in late 2014, as well as an SCI Assessment in 2015 and an SCI Verification Assessment in 2017; all are available on the [FLA’s website](#).

Aside from Yee Tung’s Cambodia facility, the FLA has also verified that throughout Yee Tung’s affiliation with the FLA that the company has worked to improve freedom of association conditions at all facilities. The remediation progress below shows the FLA identified five violations of freedom of association, especially in China, Vietnam, and Jordan where freedom of association implementation is challenging. Yee Tung has made progress to ensure that the unions at these facilities have worker elections for the representatives and have fully remediated all violations related to employer interference to union organizing. The FLA recommends Yee Tung continue to ensure that freedom of association violations are remediated.



**PRINCIPLE 10: VERIFICATION REQUIREMENTS<sup>12</sup>**

Yee Tung’s commitment to the FLA is integrated throughout its social compliance program and outlined in its standard operating procedures. Since affiliating with the FLA in 2006, Yee Tung has fulfilled its FLA obligations and completed all administrative requirements, paid all annual dues, submitted annual self-assessments, and provided remediation updates for all SCI assessments.

<sup>12</sup> Principle 10: Company affiliate meets FLA verification and program requirements. To review the benchmark and KPI standards, see Appendix C.

## SECTION 4: RECOMMENDATION TO THE BOARD OF DIRECTORS

The FLA has provided a comprehensive review of Yee Tung's social compliance program, highlighting where the FLA's principles have been fully implemented and where there are further areas for improvement. No labor compliance program is perfect, though the FLA expects accredited companies to commit to continuous improvement. FLA recommendations to the board for accreditation signify that the company has aligned its social compliance program with FLA standards and benchmarks, as specified in the Fair Labor Principles of Responsible Sourcing and/or Production. The FLA recommends Yee Tung for accreditation because it has substantially met the requirements of the FLA's program and has also shown that it is committed to addressing any gaps through continuous improvement.

### Strengths

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- 1) Top management commitment that empowers the Compliance Team to continuously evolve the social compliance program.
- 2) Workers have access to various grievance channels including a confidential hotline number. Grievances are tracked, and nonretaliation is ensured through audit worker interviews.
- 3) Monitors the remediation progress for all facilities and works with Yee Tung headquarter and facility management to implement corrective action.
- 4) Remediation of migrant workers violations, including ensuring migrant workers do not pay any fees for recruitment or employment.
- 5) Collaboratively established a working hours accountability system to set metrics to measure the decrease in excessive overtime over a two-year timeframe.
- 6) Established a strategic plan for CSO engagement; engaged with organizations based in Vietnam, Jordan, Cambodia, China, and Hong Kong.

### Recommendations for improvement

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- 1) Continue to ensure all employees receive effective workplace standards and grievance training.
- 2) Continue to remediate labor violations found in all audits and regularly provide updates to the FLA.
- 3) Continue to stabilize working hours by tracking working hours, upholding the plans to decrease working hours, and improving balanced planning.
- 4) Review and analyze wage data from all facilities in order to develop a plan for progressive implementation of fair compensation.

## APPENDIX A: YEE TUNG'S CODE OF CONDUCT

### Yee Tung Garment Co. Ltd Code of Conduct

#### Preamble

Yee Tung Garment Co., Ltd. is dedicated to conducting its operations throughout the world on principles of ethical business practices and recognition of the dignity of workers. The Yee Tung Workplace Code of Conduct defines labor standards that aim to achieve decent and humane working conditions. The Code's standards are based on FLA workplace code and internationally accepted good labor practices. We expect our Business Partners, suppliers, and authorized sub-contractors to respect and adhere to our standard guidelines and to all applicable national and local laws in the operation of their business. Under no condition shall Yee Tung accept the violations of human rights or environment. When differences or conflicts in standards arise, Yee Tung and its business partners are expected to apply the highest standards.

Yee Tung will only trade with businesses complying with this Code. As part of this agreement they must consent to Yee Tung's monitoring of necessary documents and allow us to conduct site inspection or company visits, to ensure their commitment and compliance to the above.

#### Laws & Workplace Regulations

We will comply with the laws and regulations in all locations where we conduct business.

#### Employment Relationship

We 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.

#### Compensation & Benefit

Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employees must be compensated for all hours worked, at rates that at least meet the national minimum standards or industry prevailing wage, whichever is higher. Overtime must be compensated at legally mandated rates. Employees must be provided all legally mandated benefits. Where compensation does not meet workers' basic needs and provide some discretionary income, we shall take appropriate actions that seek to progressively realize a level of compensation that does.

#### Working Hours

We shall not require their employees to work more than the limits on regular and overtime hours allowed by the law of the country of manufacture. The regular work week shall not exceed 48 hours. Except under extraordinary business circumstances, employees shall not be required to work more than 60 hours per week, including overtime, and shall be entitled to at least 24 consecutive hours of rest in every seven day period. All overtime work must be conducted voluntarily and compensated at a premium rate.

#### Child Labor

We will not hire any employee under the age of 15, or under the age interfering with compulsory schooling, or under the minimum age established by law, whichever is greater.

#### Freedom of Association & Collective Bargaining

We recognize and respect the rights of employees to exercise their rights of freedom of association and collective bargaining.

#### Prison, Forced Labor or Trafficked labor

We will not knowingly utilize or purchase materials and/or product manufactured by prison or forced labor, trafficked labor, indentured, bonded, or otherwise. We also do not condone the practice of involuntary employee "deposit", withholding identify papers or any practices that would restrict free movement of employees.

#### Harassment or Abuse

We will treat every employee with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

#### Nondiscrimination

We will not practice nor do business with business partners who practice any form of 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.

#### Health & Safety

We ensure that our workers are provided with a safe and healthy work environment to prevent accidents and injury from work, including those for workers housing where provided.

#### Environment

We will adhere to all applicable laws and adopt measures regarding the protection and preservation of the environment to ensure the safekeeping of our natural resources and ecological surroundings and to mitigate negative impacts on environment.

#### Customs and Security

We comply with applicable customs law and participate in programs to comply with customs laws regarding illegal transshipment of products.

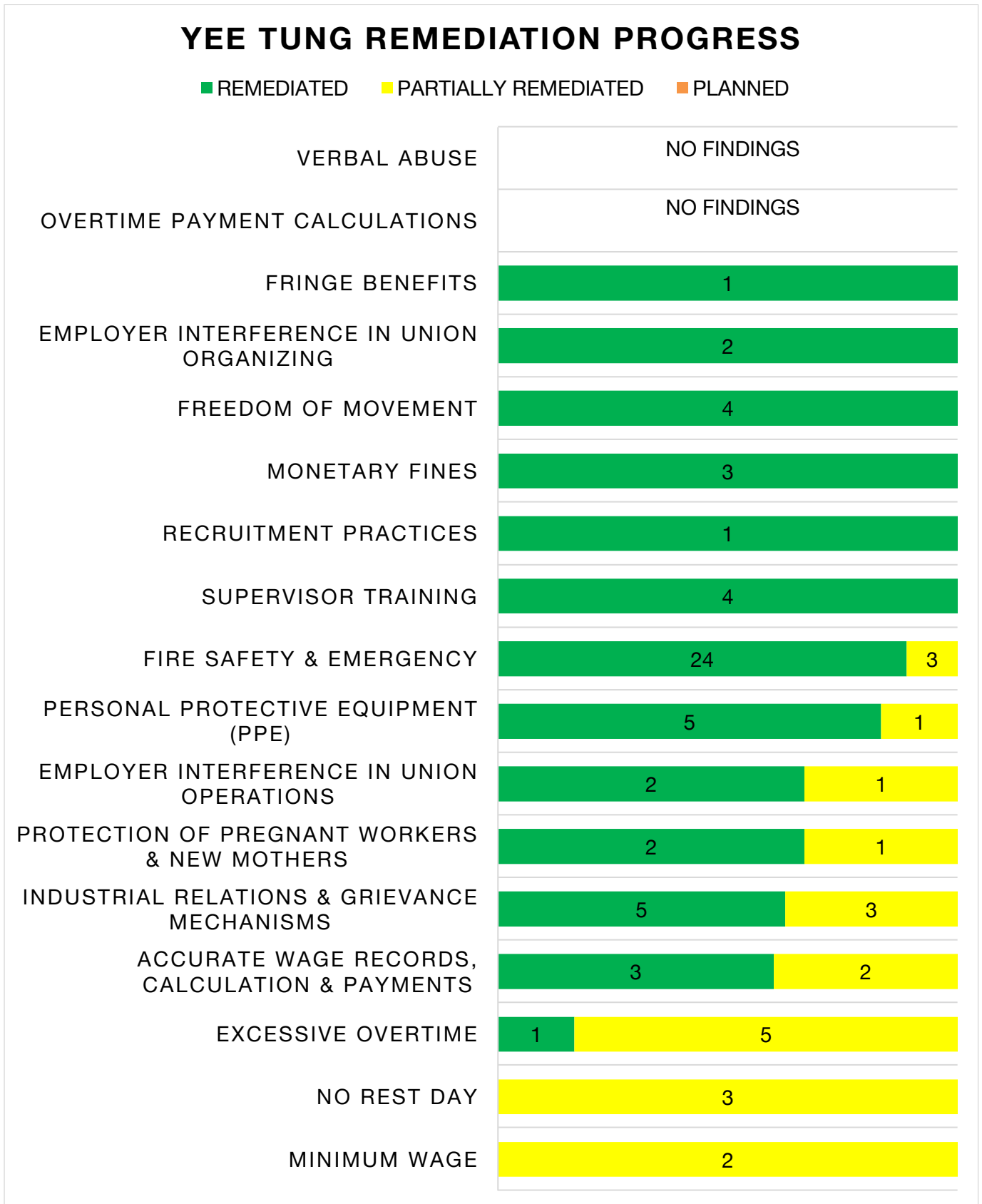
#### Subcontracting

Our business partners may not subcontract all or any part of the work on our products without our express written consent, which will not be given unless each subcontractor meets all of the criteria set forth herein.

If you have any question or complain about Yee Tung COC, please feel free to contact Hong Kong headquarter (852-2211 0232) / email: [aanes.chan@veetuna.com](mailto:aanes.chan@veetuna.com)

Revised: Oct 31st, 2017

## APPENDIX B: YEE TUNG'S REMEDIATION PROGRESS



## APPENDIX C: PRINCIPLES OF FAIR LABOR & RESPONSIBLE PRODUCTION

	<b>PRINCIPLES &amp; BENCHMARKS</b>
<b>WORKPLACE STANDARDS</b>	<b>Establishes and commits to clear standards.</b>
	Establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.
	Leadership formally commits to uphold workplace standards and to integrate them into company business practices.
<b>RESPONSIBILITY &amp; HEAD OFFICE AND REGIONAL TRAINING</b>	<b>Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff.</b>
	Identifies the person(s) responsible for administering and implementing its workplace standards compliance program.
	Trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.
	Ensures that training is provided to all head office staff on the company’s commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.
<b>STAFF TRAINING</b>	<b>Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.</b>
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover and informs managers of the potential of FLA assessments and the Company’s expectation to remediate.
	Measures the effectiveness of training for workers, managers and supervisors.
<b>FUNCTIONING GRIEVANCE MECHANISMS</b>	<b>Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.</b>
	Ensures there are functioning grievance mechanisms at owned production sites.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the company head office directly and confidentially.
	Ensures training and communication about grievance mechanisms are provided to all workers.
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.
<b>MONITORING</b>	<b>Conducts workplace standards compliance monitoring.</b>
	Conducts annual assessments of compliance with workplace standards at every owned production site.
	Ensures that its monitoring program includes, but is not limited to: <ul style="list-style-type: none"> <li>a) Worker interviews,</li> <li>b) Consultation with unions or worker representative structures (where applicable),</li> <li>c) Management interviews,</li> <li>d) Documentation review, visual inspection, and occupational safety and health review.</li> </ul>
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
	Conducts pre-production assessment of newly owned production sites to review compliance with workplace standards.
<b>COLLECTION &amp; MANAGEMENT OF COMPLIANCE INFORMATION</b>	<b>Collects, manages and analyzes workplace standards compliance information.</b>
	Maintains a complete and accurate list of owned production sites and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.
<b>TIMELY &amp; PREVENTATIVE REMEDIATION</b>	<b>Remediates in a timely and preventative manner.</b>

	Provides regular follow-up and oversight to implement corrective action following assessments.
	Conducts root cause analysis and take action to prevent future noncompliance in owned production sites.
	Records and tracks the progress and effectiveness of remediation for internal assessments.
<b>RESPONSIBLE PRODUCTION PRACTICES</b>	<b>Aligns sales and planning practices with commitment to workplace standards.</b>
	Formal, written policies and procedures for production planning that 1) articulate the many complexities involved in their global supply chains, including different customer (buyer) business models and 2) require relevant internal representatives to work with customers (buyers) to reduce negative impacts on working conditions. These policies and procedures shall address the alignment of sales with capacity, based on working hours as defined by the FLA Workplace Code of Conduct.
	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their sales and planning practices on working conditions in order to mitigate negative impacts on code compliance.
	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and sales practices that help avoid negative impacts on workers and working conditions.
	Staff responsible for sales and planning engage with their labor compliance colleagues, any contracted agent/intermediary and customers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards.
	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner.
<b>CONSULTATION WITH CIVIL SOCIETY</b>	<b>Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.</b>
	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of production.
	Develops and maintains links to relevant CSOs to gain an understanding of local labor issues.
	Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.
	Consults with legally constituted unions or worker representative structures at owned production sites.
<b>VERIFICATION REQUIREMENTS</b>	<b>Meets FLA verification and program requirements.</b>
	Maintains standard operating procedures related to FLA affiliation.
	Participates in FLA due diligence activities, including assessments at owned production sites and company headquarters, as applicable.
	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Production.
	Maintains a complete and accurate profile and list of owned production sites with the FLA.
	Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.
	Pays annual dues and applicable fees on schedule.