



FAIR LABOR
ASSOCIATION®

Fair Labor Association: Independent External Factory Assessment

Assessment Date :

09 Aug 2021



Factory Information

FLA Affiliates	Kingdom Holdings Limited
Country	China
Number of Workers	777

Understanding this Report

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

FLA Code Element

Number of Violations

Compensation (C)	6
Employment Relationship (ER)	2
Freedom Of Association And Collective Bargaining (FOA)	1
Health, Safety And Environment (HSE)	6
Hours Of Work (HOW)	4

Assessment Information

Assessor	Openview- China Shenzhen
Assessment Date	09 Aug 2021

Assessment Purpose

Factory Assessment (In-Person)

ASSESSMENT RESULTS

Compensation (C)

Benchmark ID	C.21.2
Benchmark Details	All benefits shall be calculated correctly
Finding Details	The contribution base of the Housing Provident Fund is not in line with the legal requirement. The factory contributes to the Housing Provident Fund based on CNY 3,363 (USD 519) per month, which is not in line with the legal requirement of contribution based on the worker's average monthly wage of the previous year. 90% of workers' average monthly wages of the previous year were higher than the current contribution base, ranging from CNY 3,400 (USD 525) to CNY 8,000 (USD 1,230).
Recommendation for Immediate Action	Contribute to Housing Provident Fund based on worker's average monthly wage of the previous year.
Compliance Classifications	Immediate Action Required
Local Law	Regulation on the Housing Provident Fund Management, Article 15
Benchmark ID	C.12.1
Benchmark Details	All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc.

Finding Details	The contribution base of the five types of social insurance is not in line with the legal requirement. The factory contributes to five types of social insurance based on CNY 3,368 (USD 520) per month, which is not in line with the legal requirement of contribution based on the worker's average monthly wage of the previous year. 90% of workers' average monthly wages of the previous year were higher than the current contribution base, ranging from CNY 3,400 (USD 525) to CNY 8,000 (USD 1,230).
Recommendation for Immediate Action	Contribute to social insurance based on workers' average monthly wage of the previous year.
Compliance Classifications	Immediate Action Required
Local Law	Social Insurance Law of the PRC, Article 12 and Article 60
Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.
Finding Details	The factory does not provide social insurance to all eligible workers. There is a total of 760 workers working in the factory, including 198 retired but re-recruited workers and 17 new hires. 545 workers are eligible for social insurance contributions. The factory has provided 457 out of 545 eligible workers (84%) with five types of social insurances, including pension, work-related injury, medical, maternity, and unemployment insurances. As a supplement, the factory has provided commercial accidental injury insurance to 703 workers, which is valid from June 29, 2021 to June 28, 2022 and has a maximum benefit amount of CNY 200,000 (USD 30,769) per worker.
Recommendation for Immediate Action	Provide social insurance to all eligible workers.
Compliance Classifications	Immediate Action Required
Local Law	The China Labor Law, Article 72

Benchmark ID	C.21.1
Benchmark Details	Employers shall provide all legally mandated benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.
Finding Details	1. The factory contributes to the Housing Provident Fund for 446 of the 545 eligible workers (82%). 2. Termination payouts are paid on the regular payment date on the 25th day of the following month. According to local law, termination payouts should be paid within two working days upon contract termination.
Recommendation for Immediate Action	1. Provide all eligible workers with the legally required Housing Provident Fund. 2. Pay termination payout within two working days upon contract termination, as per legal requirement.
Compliance Classifications	Immediate Action Required
Local Law	Regulations on Management of Housing Provident Fund, Article 15; Regulations on the Payment of Wages in Jiangsu, Article 19
Benchmark ID	C.15.1.4
Benchmark Details	Employers shall provide workers a pay statement each pay period and not less frequently than once a month, which shall show regular and overtime pay.
Finding Details	The pay statement does not show the regular and overtime pay.
Recommendation for Immediate Action	Revise the pay statement to include the information of the regular and overtime pay.
Compliance Classifications	Immediate Action Required
Local Law	Nil
Benchmark ID	C.15.1.3

Benchmark Details	Employers shall provide workers a pay statement each pay period and not less frequently than once a month, which shall show total number of hours worked.
Finding Details	The pay statement does not show the total number of hours worked.
Recommendation for Immediate Action	Revise the pay statement to include the information of the total number of hours worked.
Compliance Classifications	Immediate Action Required
Local Law	Nil

Employment Relationship (ER)

Benchmark ID	ER.7.1
Benchmark Details	Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.
Finding Details	The factory does not conduct performance reviews for any production workers, although a performance review procedure has been established.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil
Benchmark ID	ER.1.3

Benchmark Details	Employers should implement an annual, review process with input from workers of all policies, procedures and their implementation to ensure they meet legal requirements and the FLA Workplace Code.
Finding Details	The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and receive workers' input and feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	Nil

Freedom Of Association And Collective Bargaining (FOA)

Benchmark ID	FOA.10
Benchmark Details	Employers shall refrain from any acts of interference with the formation or operation of workers' organizations, including acts which are designed to establish or promote the domination, financing or control of workers' organizations by employers.

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

Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.3
Benchmark Details	Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually.

Finding Details	The fire drill does not cover all shifts or all workers. The factory has never conducted a fire drill for night shift workers. In addition, only 49 workers participated in the fire drill conducted on November 13, 2020 and 32 workers participated in the last fire drill conducted on June 8, 2021, while there are more than seven hundred workers in the factory.
Recommendation for Immediate Action	Conduct fire drills covering all shifts and all workers.
Compliance Classifications	Immediate Action Required
Local Law	The Fire Prevention Regulation for Government offices, Organizations and Enterprises, Article 40
Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	The fire alarms throughout the factory, except those in the new combing and material warehouse building and dormitory building, are not centralized in each building.
Recommendation for Immediate Action	Install a centralized fire alarm system in the production, warehouse, and dormitory building.
Compliance Classifications	Immediate Action Required
Local Law	The Code of Design on Building Fire Protection and Prevention, Article 10.1.6
Benchmark ID	HSE.19
Benchmark Details	All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.

Finding Details	The factory keeps food samples for 24 hours, rather than at least 48 hours as per legal requirements.
Recommendation for Immediate Action	Keep food samples for at least 48 hours as per legal requirements.
Compliance Classifications	Immediate Action Required
Local Law	The Special Appliance Quality Safety Monitoring Regulation, Article 28
Benchmark ID	HSE.6.1
Benchmark Details	All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.
Finding Details	All eyewash equipment does not have protective covers on the spray heads. In addition, the water pressure of one eyewash station near the chemical warehouse is too low to flush the eyes in case of an emergency.
Recommendation for Immediate Action	Install protective covers on the spray heads of all eyewash equipment. Ensure proper water pressure of the eyewash facility near the chemical warehouse.
Compliance Classifications	Immediate Action Required
Local Law	China Law of Prevention and Control of Occupational Diseases, Article 25
Benchmark ID	HSE.4.1

Benchmark Details	Employers shall at all times be in possession of all legally required and valid permits and certificates related to health, safety, and environmental issues, such as: Purchase and storage of chemicals; Fire safety inspections; Machinery inspections; Waste disposal; Environmental licenses/permits; Sanitation permits, including those required for canteens; and Vehicle inspection and driver permits for all employer provided transportation.
Finding Details	1. The factory does not have the fire permit for the following buildings, which were built in 2008: a) One flat canteen building with around 1,580 square meters in size b) One three-floor dormitory building with around 2,200 square meters in size c) One flat new combing and material warehouse building with around 11,754 square meters in size 2. The factory has never conducted any kind of assessment on occupational disease hazards since the construction of production buildings completed from 2004 to 2008.
Recommendation for Immediate Action	1. Obtain fire permits for all buildings. 2. Conduct the assessment of the current condition of occupational disease hazards and obtain valid reports.
Compliance Classifications	Immediate Action Required
Local Law	The Fire Prevention Law of the People's Republic of China, Article 11; The Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Disease Protection facilities at Construction Projects, Article 4
Benchmark ID	HSE.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.

Finding Details	1. The factory did not provide on-job occupational health examinations to workers with hazardous exposure to chemicals, dust, and noise in 2020, due to the impact of COVID-19. In addition, the factory does not provide post-job occupational health examinations to workers with hazardous exposure to chemicals, dust, and noise. There have been around 500 workers and 80 resigned workers eligible for on-job and post-job occupational health examinations during the past 12 months. Remark: The factory has signed the contract with a qualified unit to arrange an on-job occupational health examination for workers at the end of August 2021. 2. The occupational hazards test in December 2020 indicates that the noise level at a total of 11 test points in hacking, spinning, and combing workshops exceeds the legal limit of 85 dB and up to 94.4dB.
Recommendation for Immediate Action	1. Provide on-job and post-job occupational health examinations to workers with hazardous exposure to chemicals, dust, and noise, as per legal requirements. 2. Reduce noise level to achieve full compliance with legal requirements.
Compliance Classifications	Immediate Action Required
Local Law	China Law of Prevention and Control of Occupational Diseases, Article 26 and Article 35

Hours Of Work (HOW)

Benchmark ID	HOW.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.
Finding Details	Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from August 2020 to July 2021 and worker interviews indicate that about 60% of workers worked more than 36 overtime hours in all reviewed months, with a maximum of 106 overtime hours in January 2021.
Recommendation for Immediate Action	Control overtime hours to achieve full compliance with legal requirements.

Compliance Classifications	Immediate Action Required
Local Law	The China Labor Law, Article 41
Benchmark ID	HOW.20
Benchmark Details	Employers shall have in place practices that conduct regular analysis of hours of work in their workplaces and procedures that demonstrate a commitment to progressively reducing excessive hours of work.
Finding Details	The factory production plan is based on 58 hours per week. Factory management sets production targets and the production system at a level that workers need to work 18 overtime hours (two hours per day on five workdays, eight and a half hours on Saturday) per week.
Recommendation for Immediate Action	Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
Compliance Classifications	Immediate Action Required
Local Law	Nil
Benchmark ID	HOW.21
Benchmark Details	Other than in exceptional circumstances, the total weekly work hours (regular work hours plus overtime including any alternative shifts such as 4x4 or 3x3) shall not exceed 60 hours per week.
Finding Details	Total working hours exceed 60 per week. Time records for the period from August 2020 to August 6, 2021 and worker interviews indicate that weekly working hours for 60% of workers exceeded 60 in one to two weeks per month in January and March 2021, with a maximum of 66.5 hours in the week of January 6 to 12, 2021.
Recommendation for Immediate Action	Control total working hours do not exceed 60 in a week.

Compliance Classifications	Immediate Action Required
Local Law	Nil
Benchmark ID	HOW.2
Benchmark Details	Workers shall be entitled to at least 24 consecutive hours of rest in every seven- day period. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same seven-day period or immediately following.
Finding Details	Workers are not always provided with one day off for every seven-day work period. Time records for the period from August 2020 to August 6, 2021 and worker interviews indicate that about 60% of workers worked an average of 15 consecutive days from December 2020 to August 2021. The maximum consecutive working days reached 30 from May 2, 2021 to May 31, 2021.
Recommendation for Immediate Action	Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.
Compliance Classifications	Immediate Action Required
Local Law	Nil

