



COMPANIES: Acushnet Company

COUNTRY: China

ASSESSMENT DATE: 08/06/18

ASSESSOR: Openview

PRODUCTS: Other

NUMBER OF WORKERS: 158

## FLA Comments

Acushnet ceased their affiliation with the FLA at the end of 2018. Therefore there will be no remediation plan provided for this report.

## Summary of Code Violations

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

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. The factory does not have written policies and procedures outlining the process for performance reviews for employees including management staff and production workers; therefore, the factory does not conduct regular performance reviews for them. [ER.1.1, ER.29.1]
2. Factory does not have a system to review the performance of new employees during their probation period. [ER.29.1]
3. The factory has not hired any disabled workers, which is a violation of legal requirements that state at least 1.5% of the total workforce should be composed of disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code and Benchmarks. [ER.3, ND.2]
4. None of positions have written job descriptions in the factory. [ND.2.1]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3 and ER.29; Nondiscrimination Benchmark ND.2)

### FINDING NO.2

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. A review of social insurance payments from July 2017 to August 2018, and interviews showed that the factory does not provide sufficient social insurance for employees. There are a total of 145 employees in the factory, and only 53 out of 145 eligible employees (36.6%) were provided with work-related injury, medical and maternity insurance, and 51 out of 145 eligible employees (35.2%) were provided with pension and unemployment insurance in August 2018. In addition, factory provides commercial insurance for accidental injury for 100 employees with a valid period from June 27, 2018 to June 26, 2019. [ER.22.1, C.10.1]
2. The contribution base of the five types of social insurance except medical insurance is not in line with legal requirements. The contribution is based on the local minimum requirement of CNY 2,906 (USD 430) for work-related injury, maternity, unemployment and pension insurance, instead of based on an employee's actual monthly wage (about 80% of employees' wage range is between CNY 3,500 (USD 514) to CNY 4,500/ (USD 661) per month). [ER.22.1 and C.10.1]
3. Factory only provides Housing Provident Fund for 5 out of all 145 eligible employees (3.4%). [ER.22.1, C.1 and C.10.1]
4. The contribution base for Housing Provident Fund is CNY 1,600 (USD 235) per month, instead of an employee's average monthly wage

of the last year (about 80% of employees' wage range is between CNY 3, 500 (USD 514) to CNY 4,500 (USD 661) per month). [ER.22.1, C.1 and C.10.1]

5. According to local laws, the employees whose monthly income is more than CNY 3,500 (USD 514) should pay personal tax accordingly. However, none of the employees paid the personal tax as per the payrolls in the past 12 months, management and employees' interview. [C.10.1]

#### Local Law or Code Requirement

China Labor Law, Articles 72 and 73; Social Insurance Law of the PRC, Articles 12 and 58; Regulations on Management of Housing Provident Fund, Articles 2, 3, 15 and 16; China Law of Income Tax, Articles 2 and 3. FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1 and C.10)

#### Recommendations for Immediate Action

1. Provide all employees with all legally required social insurances.
2. Calculate social insurance contribution based on employees' actual monthly wages.

### FINDING NO.3

#### IMMEDIATE ACTION REQUIRED

##### FINDING TYPE: Hours of Work

#### Finding Explanation

1. According to the time records for the period from July 2017 to August 5, 2018 and worker interviews, 90% of workers' monthly overtime hours exceeded 36 hours per month in the reviewed period, with a maximum of 84 hours in March 2018. [HOW.1.1]
2. The factory does not conduct regular analysis of hours of work with a view to progressively reduce excessive hours. The production plan includes overtime work i.e. 50 to 58 hours per week, resulting in 10 hours to 18 hours overtime per week. [HOW.1.2]
3. Factory does not pay untaken annual leave for resigned employees. [HOW.14]

#### Local Law or Code Requirement

China Labor Law, Article 41; The Employee Paid Annual Leave Regulation, Article 5. FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.14)

#### Recommendations for Immediate Action

1. Control workers' overtime hours to not exceed 36 hours a month.
2. Conduct regular analysis of hours of work to reduce excessive hours.
3. Pay untaken annual leave for resigned employees.

### FINDING NO.4

#### SUSTAINABLE IMPROVEMENT REQUIRED

##### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

1. The factory does not develop the written policy and procedure governing any aspects of Retrenchment. [ER.1.1, ER.32.1]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.32)

### FINDING NO.5

#### SUSTAINABLE IMPROVEMENT REQUIRED

##### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. FLA Comments: 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. FOA.2

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2)

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The disciplinary system does not include the workers' right to have a third-party witness present during imposition of the disciplinary action. [ER.27.4]
2. The factory does not maintain the records of disciplinary actions. [ER.2.1]
3. The responsibility and accountability of relevant persons for all employment functions seems clear but are not defined in writing. [ER.1.2]
4. The new workers do not receive written documentation that substantiates all the issues covered in orientation training. [ER.15.3]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.15 and ER.27)

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

Finding Explanation

1. Health and safety policy and procedures are not complete:
  - 1) No tagout-logout procedures including a list of equipment and/or machines that require lockout-tagout in the factory;
  - 2) Does not include Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely;
  - 3) No steps for workers to raise health and safety concerns;
  - 4) No protection against retaliation for workers who raise health and safety concerns;
  - 5) Emergency evacuation procedures do not include steps for ensuring that walkways, aisles and emergency exits are free from obstruction, steps on how to ensure that all visitors, contractors, service providers safely evacuated, steps on how to ensure that all special categories of workers and children in dormitory safely evacuated, and steps for reporting death, injury, illness, and other health and safety issues;
  - 6) Fire preparedness procedures do not include what workers should do in case of injury, and steps for reporting death, injury, illness, and other health and safety issues;
  - 7) No procedures for managing confined spaces and no list of confined spaces are in the factory. [ER.31, HSE.14]
2. The factory production buildings were completed in 2012, but there has been no pre-assessment of occupational disease hazards, assessment of effects of occupational disease hazards control and assessment of current condition of occupational disease hazards conducted ever. [HSE.1]
3. There are no occupational hazards test reports posted in the relevant workshops. [HSE.1, HSE.2]
4. There is no fire risk assessment conducted in the factory. [ER.31.2]
5. Individual workstations are not adjustable to fit individual workers. The factory does not take proactive steps to reduce repetitive-motion stress/ injuries, such as no seat back or anti-fatigue mat. [HSE.17]
6. The factory does not have any guidance documents for external contractors and service providers concerning health and safety. [ER.31.1]

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Articles 17 and 18; Provisions on the

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no evacuation plan posted in the dormitory. There is no mark of locations of the observer, fire-fighting equipment and first aid box shown in evacuation plans posted in production building. [HSE.1, HSE.5.1]
2. There is no exit sign and emergency light installed above the exit of raw material warehouse. [HSE.5.1]
3. Two fire extinguishers outside boiler room on the roof of production building are blocked by biofuel. [HSE. 6.1]
4. The fire brigade does not have the appropriate personal protective equipment (PPE) to fight fires (such as a breathing apparatus). [HSE.6.1]
5. Materials in warehouses are stored against walls. [HSE.1]
6. Electrical panels in boiler room on the roof of production building are blocked by biofuel. Three switch boxes are blocked by materials on the third floor. [HSE.13]
7. There is no rescue equipment available for confined spaces. [HSE.6.1]
8. The factory does not track any illnesses. [HSE.3.2]

##### Local Law or Code Requirement

Fire Prevention Law of the People's Republic of China, Article 16; Escape and Evacuation-Principles and Requirements, Article 7.3; Code of Design on Building Fire Protection and Prevention, Articles 10.3.1 and 10.3.5; China Fire Prevention Law, Article 28; Rules for Warehouse Fire Prevention Safety Management, Article 18; Electricity Safety Guidelines, Article 5.1.1. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.5, HSE.6 and HSE.13)

##### Recommendations for Immediate Action

1. Post evacuation plan in dormitory. Mark locations of the observer, fire-fighting equipment and first aid box in the evacuation plans in the production building.
2. Install exit sign and emergency lights above the exit of raw material warehouse.
3. Ensure all fire extinguishers are always accessible during work.
4. Provide appropriate personal protective equipment (PPE) for the fire brigade to fight fires.
5. Maintain space between stacks and walls at least 0.5 meter.
6. Ensure all electrical panels and switch boxes are always accessible during work.
7. Equip rescue equipment for confined spaces.
8. Track all illnesses.

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There are no eye protection shields installed for four high-speed sewing machines on the fourth floor of the production building. There are no needle guards installed for any sewing machines. [HSE.14.1]
2. There is a simple pressure vessel in the factory. The operator does not have a pressure vessel operator certificate. [HSE.4]
3. There is no inspection conducted for the pressure gauge of the simple pressure vessel and boiler exterior. The inspection reports of boiler interior and safety valve of the simple pressure vessel expired in January 2016. [HSE.13]
4. The elevator in the factory is not intended for human transport, but there are no signs stating so. [HSE.14]
5. There is no lightning protection system installed in the factory. [HSE.1]

##### Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Safety Production Law, Article 27; Special Appliance Quality Safety Monitoring Regulation, Article 28; Code for Design Protection of Structures against Lightning, Article 4.1.1. FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.13 and HSE.14)

##### Recommendations for Immediate Action

1. Install eye protection shields for four high-speed sewing machines on the fourth floor of production building and needle guards for all

- sewing machines.
- 2. Obtain pressure vessel operator certificate for the person operating the pressure vessel.
- 3. Conduct inspection for safety valve and pressure gauge of the simple pressure vessel and boiler exterior and interior as per law.
- 4. Post sign stating "Cargo only" near the elevator.
- 5. Install lightning protection system.

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

- 1. There are no written procedures for managing environmental impact within the factory or for managing its environmental impact to its surroundings. [ER.31]
- 2. The Environmental Impact Assessment (EIA) was conducted in 2012 and does not include the boiler, which was installed in 2013. The factory has not redone the EIA since installing the boiler. Waste gas from the boiler is directly discharged into the air without any treatment. [HSE.1, HSE.4]
- 3. The factory does not perform an asbestos exposure assessment. [ER.31.1]

##### Local Law or Code Requirement

China Environmental Impact Assessment Law, Article 24. FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

## FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

- 1. The specific training for managers and supervisors is missing across all Employment Functions except Health & Safety. [ER.1.2 and ER.17]
- 2. Workers are not trained in proper lifting techniques. [HSE.17.2]
- 3. The factory does not conduct regular training and on-going training to all workers regarding Environmental Protection. [ER.1, ER.15.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.17)

## FINDING NO.12

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

- 1. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1, ER.25]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.25)

## FINDING NO.13

### NOTABLE FEATURE

## FINDING TYPE: Compensation

### Finding Explanation

1. The factory provides free dormitory and 2 free meals per day for employees.
2. The factory has installed air conditioners in the workers' bedrooms and covers all costs for the air conditioners.