



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Team Beans & Forever Collectibles

COUNTRY: China

ASSESSMENT DATE: 10/21/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 300

## Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## 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: Policies & Procedures (Macro)

##### Finding Explanation

1. The factory does not have written policies or procedures on Personnel Development, including: a) policies and procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements; b) policies and procedures that encourage ongoing training to raise or broaden workers' skills for career advancement, and; c) policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment. 2. The factory does not have policies or procedures regulating the Recruitment and Hiring of contract, contingent, and temporary workers. 3. The factory does not have policies or procedures on Retrenchment, including a policy that requires management to arrange consultation meetings with workers or union representatives before reaching a final decision on layoffs. 4. The policies and procedures on Environment Protection are incomplete and do not include a commitment to minimize environmental impacts with respect to energy, air emissions, water, waste, hazardous materials, and other significant environmental risks. There are also no procedures that enable workers to raise environmental concerns or to report environmental emergencies.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.7.2, ER.28.1, ER.29.1, ER.30.1, ER.31.2.4, ER.31.2.5, ER.31.3, ER.32.1, and ER.32.3; Health, Safety & Environment Benchmark HSE.1)

## COMPANY ACTION PLANS

1.

Update Aug 2019

We will seek a professional adviser for this subject and start to develop a full hiring and personnel manual. The manual will form part of the HR procedures. 1.1

We will seek a professional adviser for this subject and start to develop a full hiring and personnel manual. The manual will form part of the HR procedures. 1.2

We will seek a professional adviser for this subject and start to develop a full hiring and personnel manual. The manual will form part of the HR procedures. 1.3

We will find a third party environmental team to help us develop a working system to control these issues. 1.4

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25 for further talks about this and to push on its advancement to resolution.

## FINDING NO.2

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Training (Macro)

#### Finding Explanation

1. The orientation training provided to new workers is not adequate. It does not cover HR policies or Industrial Relations. Furthermore, workers do not receive a copy of the workplace rules or written documentation that substantiates any of the topics covered during orientation. 2. The factory does not provide specific training for supervisors on national laws and regulations, or the FLA Workplace Code, including any of the Employment Functions. Supervisors have received some training on Health & Safety, but it did not cover national laws or the FLA Workplace Code elements. Supervisors also have not been informed that they should not use any form of harassment or abuse to maintain discipline. 3. The factory does not provide training for the relevant HR personnel and administrative staff on Workplace Conduct & Discipline. 4. The factory does not provide ongoing training to workers on any of the Employment Functions or their updates, except for Health & Safety. 5. The factory does not provide any ongoing training to workers to raise or broaden their skills for career advancement.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17.1, ER.17.2, ER.17.3, ER.27, and ER.28.1)

## COMPANY ACTION PLANS

1.

Update Aug 2019

We will work with advisers to help on creating a more adequate and detailed orientation program. 2.1

Supervisors will be given the required training for these points. They will also be required to fully read and understand the FLA Workplace Code including the workplace code elements. A signed copy of the code will be kept within personnel files.

TRAINING WILL TAKE PLACE NEXT MONTH ON FLA COC. WORKERS WILL SIGN OFF. NEED UPDATE WHEN COMPLETE

We will arrange for third party training for HR personnel to enable them to gain knowledge on conduct and discipline procedures.

2.3

Employment function training will be implemented as part of procedure as well as built into the HR manual.

2.4

We are currently looking into an on going training program to raise and broaden career skills to enable career advancement. 2.5

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25. Copies of signed FLA COC will taken and uploaded for verification. All other Items will be discussed and evidence of progress reported.

### FINDING NO.3

#### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. The factory does not hire disabled workers, which is a violation of local legal requirements that state that at least 1.5% of the total workforce should be comprised of disabled workers. There are 379 workers in the factory; therefore, there should be at least six disabled workers. Furthermore, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law. 2. There are eight contract workers (security guards) in the factory. These contract workers are hired by an employment agency and paid by the factory directly. However, the factory does not maintain personnel files, proof of age documentation, or employment agreements for these workers. Only the employment agency has access to these documents. As a result, assessors were unable to confirm that all such documentation was in compliance with local law and FLA requirements, although workers did confirm that they signed employment contracts. 3. The factory does not conduct formal performance reviews for any of its workers. Only administrative and supervisory employees receive an informal performance review during which an HR manager simply discusses the employee's performance with their direct supervisor.

##### Local Law or Code Requirement

The Regulations of Employment for Disability Person, Article 8; The Regulations of Banning Child Labor Recruitment, Article 4; The PRC Employment Contract Law, Article 10; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.3, ER.4.1, ER.11.3, ER.11.5,

#### Recommendations for Immediate Action

1. Hire the legally required number of disabled workers. 2. Maintain employment agreements and personnel files, including proof of age documentation, for all contract workers.

### COMPANY ACTION PLANS

1.

TBase on this year's bad business enviroment,our factory are still fighting with all the costing increased,Anyway,We will try to arrange to hire the legally required number of disable workers and also insure that employment security fund is actioned during the HR process. NO EVIDENCE

We will obtain copies of all security guards' HR files from they employment agency before committing to contract. 3.2

We will conduct formal performance reviews for all workers from now on and arrange for it to be fully documented in company procedures. 3.3

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25. Sample evidence of progress will be collected and submitted.

### FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

The factory does not have a review process to ensure that policies and procedures are reviewed and updated according to local law and FLA Workplace Code requirements. As a result, the factory has not conducted an internal review of the policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, ER.30.2, and ER.31.1)

### COMPANY ACTION PLANS

1.

Update 2019 Aug

TrInternal review to be undertaken by the end of the year to fully evaluate and piece together an SOP to cover and monitor these violations.

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not provide all workers with all five types of legally required social insurance. According to social insurance receipts from September 2016, only 20 out of 379 (5%) workers were provided with all five types of insurance (pension, work-related injury, medical, maternity, and unemployment insurance). Additionally, the factory calculates its social insurance contributions based on the local minimum contribution base rather than workers' actual wages. The workers who do participate in social insurance have monthly wages ranging from CNY 2109 (USD 285.28) to CNY 5460 (USD 738.56), but the local minimum contribution base is only CNY 1800 (USD 243.48). 2. The factory does not provide the legally required paid annual leave to any of the workers. 3. Production workers (328 out of 379) are paid a piece-rate wage, while non-production workers (51 out of 379) are paid monthly wages. The factory does not pay piece-rate workers (production workers) the legally defined premium rates for overtime. Piece-rate workers are paid 100% of their normal wage for weekday and weekend overtime hours, although according to local law they should be paid 150% and 200% of the normal wage for weekday and weekend overtime respectively. 4. The factory does not provide piece-rate workers with paid leave on statutory holidays, although they are legally required to pay for eight hours of work at 100% of the worker's normal wage. 5. The factory issues termination payouts to resigned workers at the same time as regular wage payments instead of immediately upon termination, as legally required. 6. The factory did not maintain the payroll records for any of the contract workers (security guards). Therefore, the accuracy of payments made to contract workers could not be verified. 7. The factory does not contribute to the legally required Housing Provident Fund.

##### Local Law or Code Requirement

The PRC Labor Law, Articles 44, 48, 72, and 73; The Housing Fund Management Regulation, Articles 15 and 17; The Worker Paid Annual Leave Regulation, Article 2; The Provisional Regulations for the Payment of Wages, Article 9; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1 and ER.22.1; Hours of Work Benchmarks HOW.1, HOW.10, HOW.11, and HOW.14; Compensation Benchmarks C.1, C.4, C.5, C.7, C.10, C.14.1, and C.15)

##### Recommendations for Immediate Action

1. Provide all five forms of social insurance to all workers. Base contributions on workers' actual monthly wage, not the local minimum contribution base. 2. Provide paid annual leave to all employees. 3. Pay overtime wages to all piece-rate workers. Retroactively compensate piece-rate workers for all overtime not paid at the legally defined overtime rate during the last 12 months. 4. Pay piece-rate workers their normal wage for statutory holidays. Retroactively compensate piece-rate workers for all unpaid statutory holidays during the last 12 months. 5. Issue termination payouts immediately upon termination. 6. Maintain accurate payroll records for all contract workers and make these records available to assessors upon request.

### COMPANY ACTION PLANS

1.

Update Aug 2019

We provide accident insurance and heavy risk insurance to all workers this year.

5.1

We will change policy to ensure the legally required annual leave payments are made.

This will also be updated within the HR manual.

5.2

We will adjust overtime wages to all piece-rate workers and state this in the HR manual.

5.3

Payments will be made to piece-rate workers based on their normal wage for statutory holidays. Retroactively compensate piece-rate workers for all unpaid statutory holidays during the last 12 months. This will also be noted in the HR manual.

5.4

We will issue termination payouts immediately upon termination from now on and build it into the HR manual.

5.5

We will maintain accurate payroll records for all contract workers and make these records available to assessor upon request from now on.

5.6

We will try to contribute to the legally required housing provident funds gradually.

NO EVIDENCE

Planned  
completion  
date: 01/20/17

Progress  
update: 05/25/18 : We provide accident insurance and heavy risk insurance to all workers this year. 03/30/17 : We will be visiting Factory 4/25. Further talks on these matters will take place and more evidence of completion sort. Noted on the yearly social Insurance 5% Increase and will try to get confirmed signed document for this. Contribution base and housing provident fund will be Included.

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. The factory keeps manual attendance records to record working hours for all workers. Management simply uses a tick mark to indicate a worker's attendance status without any detailed time-in or time-out data. Furthermore, the manual attendance records were not signed by any of the workers for confirmation monthly, as legally required. 2. The factory does not maintain records of any of the contract

workers' working hours. 3. From September 2015 to August 2016, 80% of the general workforce (workers in all departments) worked between 38 and 106 hours of overtime per month, exceeding the legal limit of 36 hours per month. 4. From September 2015 to August 2016, 80% of the general workforce (workers in all departments) worked between 66 and 70 hours per week, exceeding the FLA limit of 60 hours of work per week. 5. Workers do not receive at least one day off (24 consecutive hours of rest) in every seven-day period. From September 2015 to August 2016, 80% of the general workforce (workers in all departments) worked between seven and 13 days consecutively. 6. The factory's production target requires workers to work 60 hours per week (40 regular hours plus 20 overtime hours) on a regular basis.

#### Local Law or Code Requirement

The PRC Labor Law, Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23.2, ER.23.3, and ER.23.5; Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2, HOW.8.1, and HOW. 8.3)

#### Recommendations for Immediate Action

1. Adopt a reliable and effective time keeping system (time cards or another mechanical or electronic recording system) to record working hours for all workers. 2. Maintain complete and accurate attendance records for all contract workers. 3. Ensure that workers' monthly overtime hours do not exceed the legal limit of 36 hours per month. 4. Ensure that workers' weekly working hours do not exceed 60 hours per week. 5. Provide workers at least 24 consecutive hours of rest in every seven-day period. If this is not possible for whatever reason, provide a compensatory rest day immediately following the same seven-day period. 6. Do not include overtime in production planning. 7. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and, to help the factory address its excessive hours issue, coordinate accordingly on the following topics: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

## COMPANY ACTION PLANS

1.

We will adopt a reliable and effective time keeping system to record working hours for all workers from now on.

6.1 & 6.2

We will maintain complete accurate attendance records for all contract workers from now on.

6.1 & 6.2

We add 2 more machines to improve the production output and reduce the workers overtime hours gradually.

We will add more workers into the general work force to help reduce the working hours so they are kept within the FLA limit of 60 hours a week.



We will provide workers at least 24 consecutive hours of rest in every seven-day period gradually. Employing new staff will help us to achieve this.

6.1 & 6.2

We will add more machines and workers to improve the production output and reduce the workers overtime limits.

Planned  
completion date: 01/20/17

Progress update: Previous Progress Update 03/30/17 : We will be visiting Factory 4/25. Noted on #6. We will discuss further during our face to face visit with the factory. Production planning will be calculated on regular working week hours. New Progress update New machines purchased to improve production output and reduce overtime

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not effectively or comprehensively communicate its policies and procedures and possible updates to the general workforce and management staff for any of the Employment Functions, except for Hours of Work and Health & Safety. The methods that the factory uses to communicate include an insufficient introduction to factory rules to workers during orientation training and an incomplete posting of existing policies and procedures (the Human Resources, Termination, Grievance System, and Environmental Protection policies and procedures are not posted). None of the supervisors or workers interviewed by assessors had a strong understanding of the factory's policies and procedures. Furthermore, the factory has not developed a plan to communicate future updates or legal revisions to the general workforce and management staff. 2. The worker integration component is missing for all Employment Functions. The factory has not established procedures to receive worker input or feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, ER.27.3, ER.29, and ER.30.2; Compensation Benchmark C.17)

### COMPANY ACTION PLANS

1.

Update Aug 2019

We will work on communicating all policies and procedures to the general workforce and management staff. Once complete we will incorporate this into orientation. 7.1

We will setup a secure suggestion box and an email address to enable workers to report and make comments. The comments will be used in the decision making process going forward. The email address for workers will be available on the staff notice board in public areas. 7.2

Planned completion date: 01/20/17

Progress update: Previous Progress Update  
03/30/17 : We will be visiting Factory 4/25. We will suggest and arrange for commitment on regular worker-management meetings using more channels.  
New Progress update  
Workers attend worker-management meetings to provide input

## FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The factory has a worker representative committee which consists of six worker representatives. Instead of holding an election, management assigned these worker representatives to their positions. The workers interviewed could not identify their representatives.

2. 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.

##### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.10, and FOA.11)

### COMPANY ACTION PLANS

1.

2019 Aug Update

We will work on a voting system to elect the committee's members. Total workforce will be allowed to vote on the election of new representatives. The committee members names and contact details will be publicly available to all staff. This information will also be added to the personnel handbook. FACTORY WILL ARRANGE WORKERS TO VOTE FOR REPRESENTATIVES BY END OF OCT. A LIST OF REPRESENTATIVES WILL BE SUBMITTED FOR EVIDENCE AND POSTED IN COMMON WORK PLACE AREAS FOR WORKERS REFERENCE. NEED UPDATE AFTER ELECTION

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25 for further talks about this and to push hard on new election committee.

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

The factory's disciplinary system does not require the presence of a third party witness during the imposition of disciplinary actions

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.4)

### COMPANY ACTION PLANS

1.

We will implement a process to ensure all disciplinary actions are completed in front of a third party witness. The witness may be one of the six committee members that have previously been elected by the workers. Representative of Trade Union will be witness to all disciplinary actions.

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25 for further talks about this and to push on its advancement to resolution.

### FINDING NO.10

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

The factory has not installed secondary containment for the release agent being used in the molding workshop.

##### Local Law or Code Requirement

The Regulations on the Safety Administration of Dangerous Chemicals, Article 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9.1)

##### Recommendations for Immediate Action

Install secondary containment for all chemicals, including the release agent.

### FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory did not obtain an Occupational Disease Hazard Assessment report before beginning operations in 1992. It has never conducted an Assessment of the Current Condition of Occupational Disease Hazards, as legally required. 2. The factory does not provide annual occupational health examinations to workers in the injection workshop who are exposed to loud noises. 3. Ten out of 20 glue containers in the assembly workshop were not labeled with their contents and main hazards. 4. There are no needle guards or pulley guards on any of the sewing machines in the sewing workshop. 5. The factory does not train loading workers on lifting techniques or provide loading workers with lifting belts. 6. The factory has not provided seated workers with chairs that are adjustable and have backrests, in order to minimize workers' injuries. The factory also does not provide standing workers with anti-fatigue mats.

##### Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17, 20, and 36; The Regulation for Chemical Usage Safety in Work Place, Article 14; The Code of Design of Manufacturing Equipment Safety and Hygiene (GB5083-1999), Article 6.1.6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9.1, HSE.14.1, HSE.17.1, and HSE.17.2)

### Recommendations for Immediate Action

1. Obtain an Occupational Disease Hazard Assessment report and arrange for a licensed service provider to conduct an Assessment of the Current Condition of Occupational Disease Hazards. Review and respond to any hazards that are identified. 2. Provide annual occupational health examinations for all workers who are exposed to loud noises. 3. Label all chemical containers with their contents and main hazards in the local language. 4. Install pulley guards and needle guards on all sewing machines. 5. Provide lifting belts for all loading workers and train workers on their proper use.

### COMPANY ACTION PLANS

1.

hazards and review and respond to any hazards that are identified from now on.

11.1

We will provide annual occupational health examinations for all workers who are exposed to loud noises from now on.

11.2

We arrange to label all chemical containers with their contents and main hazards in the local language from now on.

11.3

We will install pulley guards and needle guards on all sewing machines from now on.

Machine is no longer in use

We will train loading workers on lifting techniques and provide loading workers with lifting belts from now on.

11.5

We will purchase new chairs and anti-fatigue mats over the next 12 months.

Planned completion date: 01/20/17

Progress update: 03/30/17 : We will be visiting Factory 4/25 to validate progress towards the 6/12/17 completion date.