



## INDEPENDENT EXTERNAL ASSESSMENT REPORT

### Verification

[AN0000000118V]

COMPANY: The Northwest Company  
COUNTRY: China  
PRODUCT: Plush Toys  
PROCESSES: Cutting, Sewing, Hand-sewing, Trimming, QC, Packing  
NUMBER OF WORKERS: 116  
NUMBER OF WORKERS INTERVIEWED: 21  
ORIGINAL ASSESSMENT DATE: 2016  
ORIGINAL ASSESSMENT MONITOR:  
VERIFICATION ASSESSMENT DATE: 10/29/2018-10/30/2018  
VERIFICATION ASSESSMENT MONITOR: Openview Service Limited

FLA Comment:

## Understanding this Assessment Report

This report is to verify the remediation status of findings from a previous workplace assessment based on the Fair Labor Association's Sustainable Compliance methodology (SCI). This report also includes new findings utilizing the SCI methodology. The SCI assessments evaluate a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle. SCI assessments are conducted by FLA accredited assessors.

This report identifies the status of remediation of violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions. It also includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each finding 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 of each finding.

## Glossary

**Code violation:** failure to meet standards outlined in the [FLA Workplace Code of Conduct](#) in the workplace implementation of employment or management functions.

**Employment Functions:** The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

**Management functions:** violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

**Finding:** indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

### Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire

safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

**Verification status**: The status of the remediation plan for each finding as determined by the assessor. The findings are labeled either Not Remediated, Partially Remediated, or Remediated.

**Company action plan**: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

# Findings and Action Plans

## FINDING NO.1

### POLICIES & PROCEDURES (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory does not have any written policies on either Personnel Development or performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements.
2. The factory does not have any written procedures on Personnel Development, including the management of performance reviews, skill development in order to advance workers in their careers, promotion, demotion, and job reassignment.
3. The factory has policies and procedures on Termination but not on Retrenchment.
4. The Workplace Conduct & Discipline procedures do not include the following: a requirement to record all warnings and disciplinary actions and filing requirements, steps for workers to appeal disciplinary actions, and give workers the right to participate and be heard in disciplinary actions taken against them. At the time of the assessment, no workers had been subject to any kind of disciplinary procedures, only verbal warnings. Furthermore, the factory's disciplinary system does not require that a third-party witness be present during the imposition of disciplinary actions.
5. The factory does not have policies or procedures on how to discipline supervisors, managers, and workers who engage in any form of harassment or abuse.
6. The factory's Environmental Protection procedures do not include procedures for workers to raise environmental concerns, report environmental emergencies, or protections for workers who allege environmental violations.
7. The factory's Health & Safety procedures do not include the following: how workers can raise health and safety concerns or protection against retaliation for those who do; steps to ensure the safe evacuation of all personnel, visitors, contractors, service providers, all special categories of workers, and children in childcare facilities; information on what workers should do in case of injury; steps for reporting death, injury, illness, and other health and safety issues; and a list of confined spaces that require work permits; and the precautions people must take regarding entry or stay in confined spaces.
8. The factory does not have any guidance documents for external contractors and/or service providers concerning Health & Safety.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.27, ER.28, ER.29, ER.30, ER.31, and ER.32; Health, Safety & Environment Benchmark HSE.1)

<b>Action Plan Status:</b>	Complete
<b>Planned Completion:</b>	02/20/17
<b>Progress Update:</b>	We have written policies on either Personnel Development or performance reviews that includes steps and processes. We have made the specific training for the workers.
<b>Completion Date:</b>	02/20/17

## **Verification Result:**

1. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents and management interview, the factory has established written policies on Personnel Development and performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements.

2. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents and management interview, the factory has established written procedures on Personnel Development, which include the management of performance reviews, skill development in order to advance workers in their careers, promotion, demotion, and job reassignment.

3. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents and management interview, the factory has established both policies and procedures on Termination and Retrenchment.

4. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents and management interview, the factory has revised Workplace Conduct & Discipline procedures, which include the following: a requirement to record all warnings and disciplinary actions and filing requirements, steps for workers to appeal disciplinary actions, and give workers the right to participate and be heard in disciplinary actions taken against them. At the time of the assessment, two workers had been subject to a kind of disciplinary procedure of written warning. Furthermore, the factory's disciplinary system requires that a third-party witness be present during the imposition of disciplinary actions.

5. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents and management interview, the factory has established policies and procedures on how to discipline supervisors, managers, and workers who engage in any form of harassment or abuse.

6. **Finding Status** (Not Remediated)

**Explanation:**

Based on review of documents, management and worker interview, the factory's Environmental Protection procedures do not include procedures for workers to raise environmental concerns, report environmental emergencies, or protections for workers who allege environmental violations. [ER.31.2.4, ER.31.2.6]

**Root Causes:**

1. EHS staff is trying to deal with all environmental-related issues rather than collaborating with the EHS Committee.
2. There is no active worker representation or participation on EHS Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.

7. **Finding Status** (Partially Remediated)

**Explanation:**

Based on review of documents, management and workers interview, the factory has revised Health & Safety procedures, which include the following: how workers can raise health and safety concerns and information on what workers should do in case of injury. But the procedures still do not include the following: protection against retaliation for those who raise health and safety concerns; steps to ensure the safe evacuation of all personnel, visitors, contractors, service providers, all special categories of workers, and children in childcare facilities; steps for reporting death, injury, illness, and other health and safety issues; and a list of confined spaces that require work permits; and the precautions people must take regarding entry or stay in confined spaces. [ER.1, ER.2.4, HSE.13]

**Root Causes:**

1. There is no active worker representation or participation on the EHS committee. Nor is there a system to encourage workers to actively participate in ongoing EHS efforts.
2. There is no effective internal monitoring process.
3. Management lacks awareness of the FLA Workplace Code and Benchmarks with respect to Health and Safety.

8. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents, workers and management interview, the factory has guidance documents for external contractors and/or service providers concerning Health & Safety.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2 and ER.31; Health, Safety & Environment Benchmark HSE.13)

## FINDING NO.2

### Training (Macro)

**FINDING TYPE:** Sustainable Improvement Required

### Finding Explanation

1. The factory does not provide specific training for relevant supervisors for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Grievance System, Health & Safety, and Environmental Protection.
2. The factory does not provide ongoing training for workers for either Personnel Development or Retrenchment.
3. The orientation does not cover Industrial Relations.
4. The factory does not revise orientation training when policies and procedures are updated or revised.

5. Workers do not receive any training material, including written documentation that substantiates all the issues covered in orientation or a copy of workplace rules.
6. The factory does not train workers regarding the usage of lifting belts, maintenance safety, or the provision of first aid.
7. The factory does not provide specific workplace safety training to designated workers with special responsibilities.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks, ER.1, ER.15, and ER.17; Health, Safety, & Environment Benchmarks HSE.6.2, HSE.8, and HSE.14)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	03/28/17
<b>Progress Update:</b>	we have make the specific training for the workers.
<b>Completion Date:</b>	03/28/17

**Verification Result:**

1. **Finding Status** (Partially Remediated)

**Explanation:**

Based on review of documents and management interview, it was noted the factory has provided specific training for relevant supervisors on Recruitment, Hiring & Personnel Development and Compensation. However, the specific training does not include the following Employment Functions: Hours of Work, Termination & Retrenchment, Industrial Relations, Grievance System, Health & Safety, and Environmental Protection. [ER.17.1, ER.17.3]

**Root Causes:**

The factory management is unfamiliar with the FLA Workplace Code and Benchmarks.

2. **Finding Status** (Not Remediated)

**Explanation:**

Based on review of documents, workers and management interview, the factory does not provide ongoing training for workers for either Personnel Development or Retrenchment. [ER.28.1]

**Root Causes:**

The factory management is unfamiliar with the FLA Workplace Code and Benchmarks.

3. **Finding Status** (Remediated)

**Explanation:**

Based on review of documents, workers and management interview, the orientation covers Industrial Relations.

4. **Finding Status** (Not Remediated)

**Explanation:**

Based on review of documents, management and workers interview, the factory does not revise orientation training when policies and procedures are updated or revised. [ER.15.1, ER.15.2]

**Root Causes:**

The factory management is unfamiliar with the FLA Workplace Code and Benchmarks.

**5. Finding Status (Not Remediated)****Explanation:**

Based on review of documents, workers and management interview, workers do not receive any training material, including written documentation that substantiates all the issues covered in orientation or a copy of workplace rules. [ER.15.3]

**Root Causes:**

1. For considering environmental protection, the factory does not print those materials out.
2. Most workers are familiar with workplace rules through training.

**6. Finding Status (Not Remediated)****Explanation:**

Based on review of documents, workers and management interview, the factory does not train workers regarding the usage of lifting belts, maintenance safety, or the provision of first aid. [HSE.6.2, HSE.14.2, HSE.17.2]

**Root Causes:**

The factory management is unfamiliar with the FLA Workplace Code and Benchmarks.

**7. Finding Status (Not Remediated)****Explanation:**

Based on review of documents, workers and management interview, the factory does not provide specific workplace safety training to designated workers with special responsibilities. [HSE.8, HSE.9.2, HSE.14.2]

**Root Causes:**

The factory management is unfamiliar with the FLA Workplace Code and Benchmarks.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.17 and ER.28; Health, Safety & Environment Benchmarks HSE.6, HSE.8, HSE.9, HSE.14 and HSE.17)

**FINDING NO.3**



## COMMUNICATION & WORKER INVOLVEMENT (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

### Finding Explanation

1. The factory does not communicate policies and procedures and their updates to the general workforce for all Employment Functions.
2. 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/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16, ER.25, ER.27, ER.29, ER.30, and ER.32; Compensation Benchmark C.17)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	02/20/17
<b>Progress Update:</b>	we have set up the documents for this issue.
<b>Completion Date:</b>	02/20/17

### Verification Result:

1. **Finding Status** (Not Remediated)

#### **Explanation:**

Based on review of documents, workers and management interview, the factory does not communicate policies and procedures and their updates to the general workforce for all Employment Functions. [ER.1.3, ER.15.2, ER.30.2]

#### **Root Causes:**

1. Due to the absence of a periodic review process, there is a lack of knowledge regarding updates to laws and regulations.
2. There is lack of an effective training monitoring process.

2. **Finding Status** (Not Remediated)

#### **Explanation:**

Based on review of documents, workers and management interview, 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/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]

**Root Causes:**

1. Lack of management understanding of what worker integration entails and how to implement this management function.
2. The factory management lacks awareness of FLA Workplace Code and Benchmarks.
3. Management has not seen the need to formalize a worker integration process.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.25 and ER.30)

**FINDING NO.4**

**REVIEW PROCESS (MACRO)**

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

1. The factory does not conduct a periodic review and update of policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, Industrial Relations, 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, ER.31.1, and ER.31.2)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	02/20/17
<b>Progress Update:</b>	We have set up the documents for this issue.
<b>Completion Date:</b>	02/20/17

**Verification Result:**

1. **Finding Status** (Not Remediated)

**Explanation:**

Based on review of documents and management interview, the factory does not conduct a periodic review and update of policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, Industrial Relations, Grievance System, Environmental Protection, and Health & Safety. [ER.1.3, ER.30.2]

**Root Causes:**

The management lacks awareness of FLA Code and Benchmarks.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.30)

**FINDING NO.5**

**RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

1. The factory does not employ any disabled workers or contribute to the Employment Security Fund in lieu of hiring disable workers. This is a violation of legal requirements which state that at least 1.5% of the total workforce shall be composed of disabled workers.
2. The factory does not conduct performance reviews for any workers.
3. The factory does not have written job descriptions prepared for production positions when personnel need to be hired.
4. The factory does not conduct performance reviews for any workers, including new workers during their probation period.

**Local Law or Code Requirement**

Regulation on the Employment of the Disabled (2007), Article 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, and ER.29; Nondiscrimination Benchmarks ND.1 and ND.2)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	04/10/17
<b>Progress Update:</b>	we have set up the documents foe this issue. we have do improve for this issue.
<b>Completion Date:</b>	04/10/17

**Verification Result:**

1. **Finding Status** (Not Remediated)

**Explanation:**

Based on documents review and management interview, the factory does not employ any disabled workers or contribute to the Employment Security Fund in lieu of hiring disable workers. This is a violation of legal requirements which state that at least 1.5% of the total workforce shall be composed of disabled workers. [ND.1, ND.2, ND.3.1]

**Root Causes:**

It's hard to find proper disabled workers to work in the factory.

**2. Finding Status (Remediated)****Explanation:**

Based on review of documents, workers and management interview, the factory has conducted performance reviews for all regular workers.

**3. Finding Status (Remediated)****Explanation:**

Based on review of documents, workers and management interview, the factory has written job descriptions prepared for production positions when personnel need to be hired.

**4. Finding Status (Partially Remediated)****Explanation:**

Based on review of documents, workers and management interview, the factory has conducted performance reviews for all regular workers but does not conduct performance review for new workers during their probation period. [ER.29.1, ND.2.1]

**Root Causes:**

Management lacks awareness of FLA Workplace Code and Benchmarks.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship benchmark ER.29; Non-Discrimination Benchmarks ND.1, ND.2 and ND.3)

**FINDING NO.6****COMPENSATION**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. The factory has only enrolled eight of the 105 eligible workers in the legally required Housing Provident Fund.
2. The factory does not cover all workers under social insurance. Out of 105 workers, 38 (36.8%) are not covered by any of the five types of legally-mandated social insurance: work-related injury, pension, medical, unemployment, and maternity insurance. The factory has purchased commercial work-related injury insurance for these 38 workers as well as 24 retired workers at the factory who are ineligible for social insurance. The commercial insurance is valid from April 29, 2016 to April 28, 2017.
3. The social insurance contribution base is not aligned with workers' actual earnings. The factory calculates the contribution base according to the minimum contribution base of CNY 1820 (USD 264), while most workers' actual earnings are between CNY 3000 and CNY 3500 (USD 437 to USD 510).

- The factory does not have a system to track workers' annual leaves. The factory arranges for all workers to take their annual leave during the Chinese New Year period.

**Local Law or Code Requirement**

Employee Paid Annual Leave Regulation, Article 5; Implementation Measures for Employee Paid Annual Leave, Article 10; Labor Law of the People's Republic of China, Article 73; Regulation on the Housing Provident Fund Management, Article 19 and Article 20; FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Hours of Work Benchmarks HOW.12 and HOW.13; Compensation Benchmarks C.1, C.5 and C.10)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	01/0717
<b>Progress Update:</b>	we have set up the documents for the workers' annual leaves
<b>Completion Date:</b>	01/07/17

**Verification Result:**

- Finding Status** (Not Remediated)  
**Explanation:**

The factory does not provide Housing Provident Fund for any workers. [ER.22, C.1, C.10]

**Root Causes:**

High cost and workers are unwilling to participate in the Housing Provident Fund Program.

- Finding Status** (Not Remediated)

**Explanation:**

The factory does not cover all workers under social insurance. Out of 96 eligible employees, 38 (40%) are not covered by any of the five types of legally-mandated social insurance: work-related injury, pension, medical, unemployment, and maternity insurance. The factory has purchased commercial work-related injury insurance for these 58 workers as well as 20 retired workers at the factory who are ineligible for social insurance. The commercial insurance is valid from April 29, 2018 to April 28, 2019. [ER.22, C.10]

**Root Causes:**

Some workers are unwilling to participate in the social insurance program.

- Finding Status** (Not Remediated)

**Explanation:**

The social insurance contribution base is not aligned with workers' actual earnings. The factory calculates the contribution base according to the contribution base of CNY 2,387 (USD 343.45), while most workers' actual earnings are between CNY 3,000 (USD 431.65) and CNY 3,500 (USD 503.60). [ER.22, C.1, C.5, C.10]

**Root Causes:**

High cost and some workers are unwilling to participate in the social insurance program.

4. **Finding Status (Not Remediated)**

**Explanation:**

The factory does not have a system to track workers' annual leaves. The factory arranges for all workers to take their annual leave during the Chinese New Year. [HOW.12.1, HOW.13]

**Root Causes:**

Most workers are willing to take their annual leave in the Chinese New Year period.

**Local Law or Code Requirement**

Regulations on Management of Housing Provident Fund, Articles 2, 3 and 15; The China Labor Law, Article 72; Social Insurance Law of the PRC, Articles 12 and 58. FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1, C.5 and C10; Hours of Work Benchmarks HOW.12 and HOW.13)

**Recommendations for Immediate Action**

1. Provide all five types of social insurance to all eligible workers.
2. Establish a system to track workers' annual leave.

**FINDING NO.7**

**HOURS OF WORK**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. Based on time records from December 2015 to November 2016, monthly overtime for all workers exceeded 36 hours in all months except February 2016, with an average monthly overtime of 59.5 hours and a maximum of 81 hours in October 2016.
2. The factory's production plan always includes overtime; the factory plans production with 54 working hours per week, which includes overtime each weekday and Saturday overtime.

**Local Law or Code Requirement**

Labor Law of the PRC, Article 41; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1 and HOW.8)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	01/04/17
<b>Progress Update:</b>	We have adjusted work time, please check the attached files.

<b>Completion Date:</b>	01/04/17
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**Verification Result:**

1. **Finding Status** (Not Remediated)

**Explanation:**

Based on time records from October 2017 to October 28, 2018, monthly overtime for all workers exceeded 36 hours in most months except February, July and August 2018, with an average monthly overtime of 57 hours and a maximum of 82 hours in December 2017. [HOW.1.1, HOW.8.1]

**Root Causes:**

1. Not enough buyer oversight to identify and address possible reasons behind excessive overtime, such as tighter shipping schedules, short lead times, etc.
2. Workers are willing to work excessive overtime hours as they rely on overtime work to make higher income

2. **Finding Status** (Not Remediated)

**Explanation:**

The factory's production plan always includes overtime. The factory plans production with 54 working hours per week, which includes overtime each weekday and Saturday overtime. [HOW.8.1]

**Root Causes:**

1. Not enough buyer oversight to identify and address possible reasons behind excessive overtime, such as tighter shipping schedules, short lead times, etc.
2. Workers are willing to work excessive overtime hours as they rely on overtime work to make higher income)

**Local Law or Code Requirement**

China Labor Law, Article 41. FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.8)

**Recommendations for Immediate Action**

1. Ensure overtime hours do not exceed the legal limit of 36 overtime hours per month.

**FINDING NO.8**

**Industrial Relations**

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

1. The factory does not provide an office space or other facility to the workers' committee.

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 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 does stipulate 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 and FOA.15)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	01/04/17
<b>Progress Update:</b>	we have prepared an office for this issue.
<b>Completion Date:</b>	01/04/17

**Verification Result:**

1. **Finding Status** (Remediated)

**Explanation:**

Based on factory tour, management and worker representatives' interview, the factory has provided an office space to the workers' committee.

2. **Finding Status** (Not Remediated)

**Explanation:**

**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 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 does stipulate 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**



## FINDING NO.9

### HEALTH & SAFETY

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. None of the sewing machines in the sample section are equipped with needle guards.
2. Two workers in the sewing section and around 60% of workers in the handwork section are blocked into their workstations by semi-finished goods.
3. One of two exit signs in the semi-products storage warehouse and around 15% of evacuation directional signs along the passageway do not illuminate. The factory fixed the exit sign during the assessment.
4. About 30% evacuation maps in the factory are posted in wrong direction (e.g. upside down).
5. One switch box and one electrical control box in the cotton-filling section are blocked by production materials.
6. One electrical box in the cotton-filling section was not marked with a warning sign; the factory affixed a warning sign during the assessment.
7. The factory does not track illnesses as it has not implemented a tracking system.
8. The factory is unable to provide either the report of Inspection for Completion of Construction Projects or the Fire Acceptance Check Certificate for the storage area built in 2004 between the production buildings (with an approximate area of 800 square meters).
9. The factory does not take proactive steps to reduce repetitive-motion stress and injuries. Individual workstations and chairs are not adjustable to fit individual workers. The factory also does not provide chairs with backs to sitting workers or anti-fatigue mats to standing workers.
10. The factory has not installed a lightning protection system.

#### Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Code for design of Building Fire Protection and Prevention (GB50016-2014), Article 10.3.5; Fire Control Law of the People's Republic of China, Article 16 and 28; General Guide for Safety of Electric User, Article 6.5; Warning Sign in the Guidelines for Safety Signs and Usage GB 2894-2008, Article 2-7; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety, and Environment Benchmarks HSE.1, HSE.3, HSE.4, HSE.5, HSE.13, HSE.14, and HSE.17)

<b>Action Plan Status:</b>	Completed
<b>Planned Completion:</b>	01/10/17
<b>Progress Update:</b>	We have finished all the issues, please check the attached files.
<b>Completion Date:</b>	01/10/17

#### Verification Result:

1. **Finding Status** (Partially Remediated)

#### **Explanation:**

Per factory tour, three out of four sewing machines were not equipped with needle guards. [HSE.14.1]

**Root Causes:**

Factory management forgot to install needle guards for these sewing machines.

**2. Finding Status (Not Remediated)****Explanation:**

Per factory tour, all workers in sewing section were free of obstruction of semi-finished goods; however, five out of ten workers in the handwork section were blocked into their workstation by semi-finished goods.  
[HSE.5.1]

**Root Causes:**

Handwork section was totally manual job, so workers put semi-products around themselves to avoid time to pick products from here to there, which led to the situation that semi-products blocked workers' movement.

**3. Finding Status (Partially Remediated)****Explanation:**

Per factory tour, both exit signs of the semi-products storage warehouse are in good condition. However, six evacuation directional signs installed along the passageway are not lit. [HSE.5.1]

**Root Causes:**

Factory management did not know this requirement, so they did not change all evacuation signs into lighting type.

**4. Finding Status (Remediated)****Explanation:**

Per factory tour, the factory has updated all wrong evacuation plans and all evacuation plans are with correct directions.

**5. Finding Status (Remediated)****Explanation:**

Per factory tour, the factory has left some space near all switch boxes and electrical boxes and all boxes are free of obstruction.

**6. Finding Status (Remediated)****Explanation:**

Per factory tour, the factory has posted warning signs on all electrical boxes.

**7. Finding Status (Not Remediated)****Explanation:**

Per document review and management interview, the factory does not track illnesses as it has not implemented a tracking system. [HSE.3.2]

**Root Causes:**

Factory management did not notice the importance of illness tracking.

8. **Finding Status** (Partially Remediated)

**Explanation:**

Per document review and management interview, the factory is unable to provide either the report of Inspection for Completion of Construction Projects or the Fire Acceptance Check Certificate for the storage area built in 2004 between the production buildings (with an approximate area of 800 square meters). However, the factory already has not used this storage building since September 2017 and dismantled part of this building. [HSE.4]

**Root Causes:**

Factory management explained that local bureau would not come to the factory for this small building, so they could not get official certificates.

9. **Finding Status** (Not Remediated)

**Explanation:**

Per factory tour, document review and management interview, the factory does not take proactive steps to reduce repetitive-motion stress and injuries. Individual workstations and chairs are not adjustable to fit individual workers. The factory also does not provide chairs with backs to sitting workers or anti-fatigue mats to standing workers. [HSE.17.1]

**Root Causes:**

Factory management did not notice the importance of ergonomics.

10. **Finding Status** (Not Remediated)

**Explanation:**

Per factory tour and management interview, the factory has not installed a lightning protection system. [HSE.1]

**Root Causes:**

Factory management did not notice the risk of lightning.

**Local Law or Code Requirement**

The Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 10.3.5; Fire Prevention Law of the People's Republic of China, Article 11; The Construction Law of the People's Republic of China, Article 61. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.5, HSE.14 and HSE.17)

### **Recommendations for Immediate Action**

1. Install needle guards for all sewing machines.
2. Remove semi-finished products which blocked workers in the handwork section.
3. Replace the evacuation signs installed along the passageway into lighting type.
4. Implement a tracking system and track employees' illness.
5. Provide adjustable backrest for workers with sitting jobs and provide anti-fatigue mats with workers on standing jobs.
6. Install a lightning protection system.

### **(New) FINDING NO.10**

#### **WORKPLACE CONDUCT AND DISCIPLINE**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. The factory keeps disciplinary action records in a centralized file, not in workers' personnel files. [ER.27.3.4]

#### **Local Law Code Requirement**

FLA Workplace Code (Employment Relationship Benchmark ER.27)

### **(New) FINDING NO.11**

#### **GRIEVANCE SYSTEM**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. Management does not maintain grievance records. Based on interviews with workers and management, there were few grievances in recent years, so management handled grievances verbally or through meetings with employees. [ER.2.1, ER.25]

#### **Local Law Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

### **(New) FINDING NO.12**

#### **TRAINING (MACRO)**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. Most employees do not receive ongoing training, across most Employment Functions: Workplace Conduct, Hiring and Recruitment, Compensation, Termination & Retrenchment, Industrial Relations and Freedom of Association, Hours of Work, and Grievance System. [ER.1.3, ER.15.2, ER.17.3]

#### **Local Law Code Requirement**

## **(New) FINDING NO.13**

### **HEALTH & SAFETY**

**FINDING TYPE:** Immediate Action Required

#### **Finding Explanation**

1. There are twenty buckets of JJW Cleaner (8 kg each) and two buckets of Machine Oil (8 kg each) in the chemical warehouse. However, the factory has no secondary containers available for these liquid chemicals. [HSE.9.1]
2. The chemicals stored in the warehouse do not have MSDS posted near the chemicals, eye washing facility,
3. The chemical storage warehouse does not have a fire safety sign posted on the door, and explosion-proof lights . [HSE.9.1, HSE.5.1]
4. Workers placed flammable materials (e.g. cartons) in both stairwells on the first floor of the Sample-making Building. [HSE.5.1]
5. The factory has not provided an occupational health check to the chemical supervisor, who is in charge of all chemicals in the factory and uses JJW Cleaner in his job. The factory provided on-site occupational health checks to eight workers in the Filling Workshop exposed to dust and noise; however, the factory does not provide pre- and post-employment occupational health checks. [HSE.1]

#### **Local Law or Code Requirement**

The Regulation for Safety of Dangerous Chemical, Article 20; The Regulation of Chemical Safety Usage in Workplace, Article 12; The China Law of Prevention and Control of Occupational Diseases, Articles 25 and 36; The Regulation for Safety of Dangerous Chemical, Article 20; Rules for Fire Safety Management in Warehouses, Article 46; The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 6.4.1. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5 and HSE.9)

#### **Recommendations for Immediate Action**

1. Provide secondary containers for JJW Cleaner, Machine Oil, and any other relevant chemicals, post MSDS respectively, equip an eye washing station, post fire safety signs on the warehouse door, and replace lights with explosion-proof type.
2. Remove flammable materials from the stairwells.
3. Provide occupational health checks for chemical supervisor and filling workers, per legal requirement.