



COMPANIES: The Northwest Company LLC.

COUNTRY: China

ASSESSMENT DATE: 12/23/16

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Housewares

NUMBER OF WORKERS: 119

FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

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 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)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

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)

COMPANY ACTION PLANS

Action Plan no 1.

Description

we have make the specific training for the workers.please check the attach file.

Planned completion date

04/12/17

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

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)

COMPANY ACTION PLANS

Action Plan no 1.

Description

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Planned completion date

04/12/17

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

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)

COMPANY ACTION PLANS

Action Plan no 1.

Description

We have set up the documents for this issue.

Planned completion date

04/12/17

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not employ any disabled workers or contribute to the Employment Security Fund in lieu of hiring disabled 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)

COMPANY ACTION PLANS

Action Plan no 1.

Description

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Planned completion date

04/12/17

Action Plan no 2.

Description

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Planned completion date

04/12/17

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

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). 4. 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)

Recommendations for Immediate Action

1. Provide all five types of social insurance to all eligible workers and base contributions on workers' actual wages. 2. Ensure workers are properly provided with paid annual leave and are able to apply for and take leave according to their needs.

COMPANY ACTION PLANS

Action Plan no 1.

Description

we have set up the documents for the workers' annual leaves

Planned completion date

04/12/17

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

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)

Recommendations for Immediate Action

Ensure workers' overtime hours do not exceed the statutory limits.

COMPANY ACTION PLANS

Action Plan no 1.

Description

We have adjusted work time, please check the attached files.

Planned completion date

04/12/17

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

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)

COMPANY ACTION PLANS

Action Plan no 1.

Description

we have prepared a office for this issue.

Planned completion date

04/12/17

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

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)

Recommendations for Immediate Action

1. Equip all sewing machines with needle guards. 2. Keep all workstations free from obstruction. Regularly monitor for compliance. 3. Install exit signs on the top of all exits in the workshops to clearly indicate the location of exits and evacuation routes. Regularly inspect to ensure they are functioning properly. 4. Post emergency evacuation maps in the correct direction in the workshops. 5. Keep all power switches and electrical boxes in the workshops free of obstruction. Regularly monitor for compliance. 6. Mark all electrical appliances in the factory with the appropriate warning signs to avoid electric shock. Regularly monitor for compliance. 7. Obtain the Inspection Report of the Completed Construction Project and the Fire Acceptance Check Certificate for the storage area built between the production buildings.

COMPANY ACTION PLANS

Action Plan no 1.

Description

We have finished all the issues, please check the attached files.

Planned completion date

04/12/17

Company Action Plan Update

We have finished all the issues, please check the attached files.