



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Team Beans & Forever Collectibles
COUNTRY: China
ASSESSMENT DATE: 10/22/18
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 300

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.

FLA Code Element	Number of Violations
Employment Relationship	4
Health, Safety, and Environment	6

Previous Report Findings and Verification Results

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan Update

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

A document review and management interviews showed that the factory has developed written policies and 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. Finding Status: Not Remediated

Explanation:

According to a document review and management interviews, the factory does not have policies or procedures regulating the Recruitment and Hiring of contract, contingent, and temporary workers. [ER.1, ER.7]

Root Causes:

1. Management thinks that because the factory never uses contract, contingent, or temporary workers they do not need to develop these policies and procedures.
2. Six security guards in the factory are outsourced from a service provider.

3. Finding Status: Not Remediated

Explanation:

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. [ER.1, ER.19, ER.32]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Currently, management is not aware of the risk of noncompliance.
3. There have never been any cases of retrenchment in the factory and management does not believe there will be in the future.

4. Finding Status: Not Remediated

Explanation:

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. [ER.1, ER.31, HSE.5]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Currently, management is not aware of the risk of noncompliance.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.7, ER.19, ER.31, and ER.32; Health, Safety & Environment Benchmark HSE.5)

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan 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.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The orientation training provided to new workers is not effective. The factory only provided assessors with the training plan and records for review; no training materials, trainers' qualifications, exams, or feedback surveys were available. None of the interviewed supervisory staff or workers have a strong understanding of any of the Employment Functions. Furthermore, workers do not receive a copy of the workplace rules or written documentation that substantiates any of the topics covered during orientation. [ER.1, ER.15]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology and its benefits.
3. Management does not assign a specific department/ person for training program.
4. Currently, management is not aware of the risk of noncompliance.

2. Finding Status: Not Remediated

Explanation:

According to the training documentation and management interviews, 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 have not been informed that they should not use any form of harassment or abuse to maintain discipline. [ER.1, ER.17, ER.27]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology and its benefits.
3. Management has not designated a department or person to be responsible for regularly collecting the relevant laws and regulations, studying them, and informing management.
4. Management does not assign a specific department/ person for training program.
5. Currently, management is not aware of the risk of noncompliance.

3. Finding Status: Not Remediated

Explanation:

According to the training documentation and management interviews, the factory does not provide training for the relevant HR personnel and administrative staff on Workplace Conduct & Discipline. [ER.1, ER.17, ER.27]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology and its benefits.
3. Management does not assign department/ person for training program.
4. Currently, management is not aware of the risk of noncompliance.

4. Finding Status: Not Remediated

Explanation:

According to the training documentation as well as management and worker interviews, the factory does not provide ongoing training to workers on any of the Employment Functions, except for Health & Safety. [ER.1, ER.15, ER.25, ER.28]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology and its benefits.
3. Management does not assign department/ person for training program.
4. Currently, management is not aware of the risk of noncompliance.

5. Finding Status: Not Remediated

Explanation:

According to the training documentation as well as management and worker interviews, the factory does not provide any ongoing training to workers with the goal of raising or broadening their skills in order to advance in their careers. [ER.1, ER.28]

Root Causes:

1. Management does not receive any training on the FLA Code of Conduct and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology and its benefits.
3. Management does not assign department/ person for training program.
4. Currently, management is not aware of the risk of noncompliance.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.25, ER.27, and ER.28)

PREVIOUS 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, and ER.29; Child Labor Benchmark CL.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

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

Action Plan no 1.

Description

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

Company Action Plan Update

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

According to management interviews and a review of the payment receipts, the factory does not employ any disabled workers. The

factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law. [ER.3, ND.2, ND.9]

Root Causes:

1. While these practices are in line with local law and regulations, they are in violation of the FLA Workplace Code and Benchmarks.
2. Article 9 of the Regulations on the Employment of Persons with Disabilities allows employers to contribute to the Employment Security Fund in lieu of hiring disabled workers.
3. The internal monitoring system does not provide in-depth controls for checking on possible quality issues in Recruitment, Hiring & Personnel Development documentation.
4. The factory finds it difficult to recruit disabled workers whose disabilities do not prevent them from performing the tasks to which they will be assigned.

2. Finding Status: Not Remediated

Explanation:

There are six outsourced security guards providing security services in the factory. These security guards are not employed or paid directly by the factory. According to a document review and interviews with management and the security guards, the factory does not maintain the security guards' personnel files, proof of age documentation, or employment contracts. Only the security service provider has access to these documents. As a result, assessors were unable to confirm that all such documentation is in compliance with local law and FLA requirements. [ER.2, ER.4, ER.6, ER.11, CL.1]

Root Causes:

1. The security guards are employed by the security service provider, not the factory.
2. The security guards are managed by the security service provider.
3. It is difficult for the factory to request that the service provider provide these documents.

3. Finding Status: Not Remediated

Explanation:

According to management and worker interviews, the factory does not conduct performance reviews for any of its workers. Only the administrative and supervisory staff receive performance reviews, however, the reviews are informal and only consist of an HR manager discussing the employee's performance with their direct supervisor. [ER.29]

Root Causes:

1. Management does not consider performance reviews for workers important because the workers are entry-level employees.
2. The factory's current HR resources are insufficient to manage and control the personnel development of all workers.
3. It is not a legal requirement for companies in China to prepare a personnel development plan and career path for their workers.

Local Law or Code Requirement

The Regulations of Banning Child Labor Recruitment, Article 4; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.3, ER.4, ER.6, ER.11, and ER.29; Child Labor Benchmark CL.1; Non-Discrimination Benchmarks ND.2 and ND.9)

PREVIOUS 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

Action Plan no 1.

Description

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.

Planned completion date

01/20/17

Company Action Plan Update

03/30/17 : We will be visiting Factory 4/25 and gather more evidence to help push this Into completion.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The factory does not have a review process to ensure that the 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 on any of the Employment Functions. [ER.1, ER.29, ER.30, ER.31]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management is not aware of the benefits of reviewing its policies and procedures.
3. Management has not designated a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
4. Management has not designated a department or person to regularly review the policies and procedures.
5. Currently, management is not aware of the risk of noncompliance

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30 and ER.31)

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan 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.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The factory does not provide all workers with all five types of legally required social insurance. According to social insurance receipts from September 2017 to September 2018 and worker interviews, only 25 out of 372 (6.7%) workers were provided with all five types of insurances (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 2,200 (USD 318) to CNY 5,500 (USD 797), but the local minimum contribution base is only CNY 1,800 (USD 261) per month. [ER.22, C.1, C.5, C.10]

Root Causes:

1. This is common practice in the manufacturing industry across China.
2. Although local law regulates the social insurance contribution base, the law is not effectively enforced.
3. Most of the factory's employees are not willing to contribute more to the Social Security Fund, as it will reduce their take-home income.
4. The social insurance system is not centralized or interlinked in some regions in China which means that if workers participate in the social insurance system in Region A it may be difficult or impossible to transfer their account to Region B where they work.

2. Finding Status: Not Remediated

Explanation:

According to management and worker interviews, the factory does not provide the legally required paid annual leave to any of the workers. [ER.22, HOW.1, HOW.11]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management has not designated a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
3. Currently, management is not aware of the risk of noncompliance.
4. The training and communication provided to workers is insufficient.

3. Finding Status: Not Remediated

Explanation:

Production workers (339 out of 372) are paid a piece-rate wage, while non-production workers (33 out of 372) are paid monthly wages. The factory does not pay piece-rate workers the legally defined premium rates for overtime. Piece-rate workers are paid 100% of their normal wage for overtime on weekdays, weekends, and statutory holidays. However, according to local law they should be paid 150%, 200%, and 300% of their normal wage for overtime on weekdays, weekends, and statutory holidays respectively. In addition, the factory does not break down the non-production workers' monthly wages into payments for regular hours and overtime hours on the workers pay slips to ensure that the workers are compensated at the legally required overtime premium rate. [C.1, C.5, C.7, C.14, C.15]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management has not designated a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
3. Currently, management is not aware of the risk of noncompliance.
4. The training and communication provided to workers is insufficient.

5. Finding Status: Not Remediated

Explanation:

According to the payroll documents as well as management and worker interviews, 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. [ER.22, HOW.1, HOW.10]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management has not designated a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
3. Currently, management is not aware of the risk of noncompliance.
4. The training and communication provided to workers is insufficient.

5. Finding Status: Not Remediated

Explanation:

According to a document review and management interviews, resigned workers' wages are not paid in a timely manner (on the last work day). Instead, they are paid on the regular pay day. For example, one worker's last work day was August 20, 2018, but the worker did not receive his or her wages until the next pay day on September 25, 2018. [C.1, C.4]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management has not designated a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
3. Currently, management is not aware of the risk of noncompliance.
4. The training and communication provided to workers is insufficient.
5. The factory's wage calculation system makes it difficult to meet the legal deadline for the payment of resigned workers' wages.

6. Finding Status: Not Remediated

Explanation:

According to a review of the payroll documents as well as interviews with management and security guards, the factory does not

maintain payroll documents for the six security guards employed by the security service provider. [ER.2, ER.11, C.14, C.15]

Root Causes:

1. The security guards are employed by the security service provider, not the factory.
2. The security guards are managed directly by the service provider.
3. It is difficult for the factory to request the security guards' payroll documents from the security service provider.

7. Finding Status: Not Remediated

Explanation:

According to management and worker interviews, the factory does not contribute to the legally required Housing Provident Fund. [ER.22, C.1, C.5, C.10]

Root Causes:

1. This is a common practice in the manufacturing industry across China.
2. Although local law regulates the Housing Provident Fund, the law is not effectively enforced.
3. Most of the factory's employees are not willing to contribute to the Housing Provident Fund, as it will reduce their take-home income.
4. The Housing Provident Fund system has come under criticism for the complicated process to claim the benefits, especially for workers not from the local city or province.

Local Law or Code Requirement

The PRC Labor Law, Articles 44, 48, 72, and 73; Social Insurance Law of PRC, Articles 58 and 60; 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, ER.11, and ER.22; Hours of Work Benchmarks HOW.1, HOW.10, and HOW.11; Compensation Benchmarks C.1, C.4, C.5, C.7, C.10, C.14, and C.15)

Recommendations for Immediate Action

1. Provide all eligible employees with all five types of social insurances and calculate social insurance contributions based on workers' monthly wages.
2. Compensate all workers for overtime hours at the legal overtime premium rate.
3. Provide all employees with paid annual leave.
4. Provide all employees with paid statutory holidays.
5. Pay resigned workers' wages on their last working day.
6. Maintain copies of the security guards' payroll documents on-site at the factory.

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan 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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The factory only keeps manual records of workers' hours. A review of the time records and interviews with management and workers showed that management simply records each worker's total working hours each day without any detailed time-in or time-out data. These attendance records are then signed by the workers each day to confirm attendance. As a result, the accuracy of the factory's working hours records could not be verified. [ER.2, ER.23]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
 2. Management has not assigned a department or person to regularly collect relevant laws and regulations, study them, and inform factory management.
 3. Production employees are paid a piece rate and they agreed to use manual attendance records.
2. Finding Status: Not Remediated

Explanation:

According to a review of the time records as well as interviews with management and security guards, the factory does not maintain copies of the six security guards' time records. [ER.2, ER.11, ER.23]

Root Causes:

1. The security guards are employed by the security service provider, not the factory.
 2. The security guards are managed directly by the security service provider.
 3. It is difficult for the factory to request that the security service provider provide the security guards' time records.
3. Finding Status: Not Remediated

Explanation:

According to time records for the period from September 2017 to October 22, 2018 and worker interviews, about 80% of workers worked 38 to 136 hours of overtime per month, exceeding the legal limit of 36 hours per month. [HOW.1, HOW.8]

Root Causes:

1. Management lacks awareness of the FLA Workplace Code and Benchmarks.
2. Although local law places strict limits on hours of work, the limits are not effectively enforced.
3. The factory's current HR resources are inadequate to keep working hours within limits set forth by local law and FLA Workplace Code and Benchmarks.
4. There is no regular analysis of hours of work, with a view to progressively reducing hours of work.
5. The factory's high turnover rate results in decreased levels of productivity and efficiency, which, in turn, requires workers to work more hours to be able to meet production targets.
6. The FLA affiliate's Sourcing and Social Compliance teams are not working closely enough with the factory to identify and address the possible reasons for the excessive hours of work.
7. Seasonality in production order volume causes capacity planning problems.

8. Due to cultural factors, workers are willing to endure extremely long hours in order to increase their income.

4. Finding Status: Not Remediated

Explanation:

According to worker interviews and the time records for the period from September 2017 to October 22, 2018, about 80% of workers worked between 66 and 70 hours per week during about 60% of weeks in the reviewed period. This exceeds the FLA limit of 60 hours of work per week. [HOW.1, HOW.8]

Root Causes:

1. Management lacks awareness of the FLA Workplace Code and Benchmarks.
2. Although local law places strict limits on hours of work, the limits are not effectively enforced.
3. The factory's current HR resources are inadequate to keep working hours within limits set forth by local law and FLA Workplace Code and Benchmarks.
4. Assessors observed that: a) production plans are based on 60 hours per week and b) there are no safeguards in place to prevent workers from working more than 60 hours a week.
5. There is no regular analysis of hours of work, with a view to progressively reducing hours of work.
6. The factory's high turnover rate results in decreased levels of productivity and efficiency, which, in turn, requires workers to work more hours to be able to meet production targets.
7. The FLA affiliate's Sourcing and Social Compliance teams are not working closely enough with the factory to identify and address the possible reasons for the excessive hours of work.
8. Seasonality in production order volume causes capacity planning problems.
9. Due to cultural factors, workers are willing to endure extremely long hours in order to increase their income.

5. Finding Status: Not Remediated

Explanation:

Workers do not receive at least one day off (24 consecutive hours of rest) in every seven-day period. According to time records for the period from September 2017 to October 22, 2018 and worker interviews, about 80% of employees worked between seven and 13 days consecutively. [HOW.2]

Root Causes:

1. Management lacks awareness of the FLA Workplace Code and Benchmarks.
2. Although local law places strict limits on hours of work, the limits are not effectively enforced.
3. The factory's current HR resources are inadequate to keep working hours within limits set forth by local law and FLA Workplace Code and Benchmarks.
4. Assessors observed that there are no safeguards in place to ensure that workers are provided one day off during each seven-day work period.
5. There is no regular analysis of hours of work, with a view to progressively reducing hours of work.
6. The factory's high turnover rate results in decreased levels of productivity and efficiency, which, in turn, requires workers to work more hours to be able to meet production targets.
7. The FLA affiliate's Sourcing and Social Compliance teams are not working closely enough with the factory to identify and address the possible reasons for the excessive hours of work.
8. Seasonality in production order volume causes capacity planning problems.
9. Due to cultural factors, workers are willing to endure extremely long hours in order to increase their income.

6. Finding Status: Not Remediated

Explanation:

According to a review of the factory's time records and production plan as well as management and worker interviews, the factory's production plan is based on 60 hours per week (40 regular hours plus 20 overtime hours). [HOW.8]

Root Causes:

1. Most of the factory's clients consider 60 hours of work per week acceptable.
2. Workers must work overtime in order to make a living wage.
3. The injection department has two ten-hour shifts.

Local Law or Code Requirement

The PRC Labor Law, Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.11, and ER.23; Hours of Work

Recommendations for Immediate Action

1. Use time cards or another mechanical or electronic recording system to keep track of working hours.
2. Maintain copies of the security guards' time records on-site at the factory.
3. Do not allow workers to work more than 36 hours of overtime per month.
4. Do not allow workers to work more than a total of 60 hours per week (including regular and overtime hours).
5. Provide all workers with at least 24 consecutive hours of rest in every seven-day period.

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan 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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

According to onsite observations, a document review, and management and worker interviews, the factory does not effectively or comprehensively communicate its policies and procedures on any of the Employment Functions or their possible updates to the general workforce or the management staff. The methods that the factory uses to communicate include an insufficient introduction to factory rules during orientation. None of the policies and procedures are posted in accessible areas and workers do not receive ongoing training. 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. [ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, C.17]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. Management does not recognize the benefits of effective communication.
3. The factory does not have sufficient manpower to manage worker communication.
2. Finding Status: Not Remediated

Explanation:

The worker integration component is missing across all Employment Functions. According to onsite observations, a document review, and management and worker interviews, 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. [ER.1, ER.25]

Root Causes:

1. Management does not receive any training on the FLA Workplace Code and Benchmarks.
2. The HR and Corporate Social Responsibility (CSR) staff believe that it is easier and more efficient to perform management reviews without the involvement of worker representatives.
3. Management does not recognize the benefits of workers' input.
4. Management does not have a solid understanding of the local laws pertaining to this topic.
5. A lack of worker integration is very common in the manufacturing industry across China.

Local Law or Code Requirement

The Law of the People's Republic of China on Employment Contract, Article 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29 and ER.30; Compensation Benchmark C.17)

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan Update

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

According to a review of the election records as well as management and worker interviews, all six worker representatives were freely elected by workers in December 2017 and hold regular meetings with management. The workers interviewed by assessors know who their representatives are and what their responsibilities are.

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

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

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan Update

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

According to a review of the factory's procedures and records as well as management and worker interviews, the disciplinary system does not include the presence of a third-party witness during the imposition of disciplinary actions. [ER.27]

Root Causes:

The factory does not review its policies and procedures to ensure that they are updated according to the FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

PREVIOUS 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.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

According to assessors' on-site observations as well as management and worker interviews, the factory has moved all chemicals, including the release agent, to the chemical warehouse and has provided secondary containment. There are no chemicals stored in the molding workshop any more.

PREVIOUS 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

Action Plan no 1.

Description

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

Company Action Plan Update

03/30/17 : We will be visiting Factory 4/25 to validate progress towards the 6/12017 completion date.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

According to a documentation review as well as management and worker interviews, 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. [HSE.1, HSE.4]

Root Causes:

1. The factory did not take the necessary steps to obtain the required license.
2. The factory does not have effective monitoring procedures to ensure that permits and certificates are updated in a timely manner.

2. Finding Status: Not Remediated

Explanation:

According to a documentation review as well as worker and management interviews, the factory does not provide annual occupational health examinations to workers in the injection workshop who are exposed to loud noises. [HSE.1]

Root Causes:

Management is not aware of the possible legal and financial consequences of work accidents and occupational diseases that may occur in the factory.

3. Finding Status: Remediated

Explanation:

According to assessors' on-site observations as well as worker and management interviews, all of the glue containers in the assembly workshop have been labeled with their contents and main hazards.

4. Finding Status: Remediated

Explanation:

According to assessors' on-site observations as well as worker and management interviews, the factory does not use sewing machines anymore and there are no sewing machines in the factory.

5. Finding Status: Not Remediated

Explanation:

According to a documentation review as well as worker and management interviews, the factory does not train loading workers on lifting techniques or provide loading workers with lifting belts. [HSE.7, HSE.17]

Root Causes:

The factory's Health & Safety system is underdeveloped.

6. Finding Status: Not Remediated

Explanation:

According to a documentation review as well as worker and management interviews, 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. [HSE.17]

Root Causes:

1. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. There is no active worker representation or participation on the Environment, Health and, Safety Committee, nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.

Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17, 20 and 36; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.7, and HSE.17)

Recommendations for Immediate Action

1. Arrange for a licensed service provider to conduct an Assessment of the Current Condition of Occupational Disease Hazards, as per legal requirements.
2. Provide occupational health examination for employees exposed to high-level noise.
3. Provide lifting belts to all loading workers and train workers on their proper use.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. According to their employment contracts, production workers are paid a monthly wage of CNY 1,650, which is equal to the local minimum wage. However, in practice the production workers paid on a piece-rate basis. [C.1]
2. The factory does not make all legally mandated deductions (i.e. personal tax and social insurance). The factory management and all interviewed workers stated that the wages are paid in cash, that they do not pay personal taxes, and that the factory pays the personal social insurance contributions for all 25 employees who participate in social insurance. [C.1, C.10]
3. There is no mechanism in place to guarantee that all production workers who are paid on a piece-rate basis receive at least the local minimum wage. Assessors did not find any evidence that workers have been underpaid in the past 12 months. [C.1]
4. The factory has a policy and procedures on legal benefits such as sick leave, prenatal leave, maternity leave, paternity leave, breastfeeding leave, funeral leave, marriage leave, and high temperature allowance. However, none of the interviewed workers were aware of these benefits and no workers used these benefits in the past 12 months. [ER.1, ER.14, ER.16, ER.22, C.17, HOW.1, HOW.16, ND.1, ND.8]
5. The payroll documents do not break working hours and pay into regular and overtime working hours or regular and overtime pay. [C.13, C.14, C.15]

Local Law or Code Requirement

Law of the People's Republic of China on Employment Contracts, Article 30; The Individual Income Tax Law of the People's Republic of China, Articles 2 and 3; Interim Provisions on Payment of Wages, Article 11; The Opinion of the Ministry of Labor on Several Questions concerning the Implementation of Article 59 of the China Labor Law; The Regulations on Population and Family Planning of Fujian Province, Article 41; Special Rules on the Labor Protection of Female Employees, Articles 6 and 9; Notice on high temperature allowance adjustment in 2013 by Fujian Provincial Department of Human Resources and Social Security; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.14, ER.16, and ER.22; Non-Discrimination Benchmarks ND.1 and ND.8; Compensation Benchmarks C.1, C.2, C.10, C.13, C.14, C.15, and C.17; Hours of Work Benchmarks HOW.1 and HOW.16)

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Recommendations for Immediate Action

1. <!--[endif]-->Deduct personal tax and social insurance payments from workers' wages and transmit to the proper government agency on workers' behalf.
2. <!--[endif]-->Provide all legal social benefits (e.g. sick leave, prenatal leave, maternity leave, paternity leave, breastfeeding leave, funeral leave, marriage leave, and high temperature allowance) to the relevant employees.

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not regular analysis of hours of work, with a view to progressively reducing hours of work. [HOW.8]

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmark HOW.8)

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have procedures in place that enable workers to raise health and safety concerns and that protect workers who allege safety and health violations against retaliation. [ER.1, ER.31]
2. The factory does not have any guidance documents for external contractors or service providers concerning Health & Safety. [ER.1, ER.31]
3. The factory does not provide safety information to contractors. [ER.1, ER.16]
4. The factory does not track and conduct statistical analysis on workers' illnesses. [HSE.3]
5. The factory has not obtained an occupational hazards (noise level) test report for the molding workshop where high noise level generates. [HSE.1, HSE.4]
6. The factory's elevator is not intended for human transport, but there are no signs posted stating so. [HSE.14]
7. The rolling part and transmission belt on four gluing machines are not equipped with protective covers. [HSE.14]
8. The factory is not taking proactive steps to reduce repetitive-motion stress and injuries. Currently, workers are not provided any ergonomic breaks. [HSE.17]
9. The traffic lanes and sidewalks on the factory premises are not clearly marked. There are no signs or other safe driving aids, such as indicators, convex mirrors on dead ends, vehicle speed limit signs, and reflectors, to ensure that workers use safe driving practices. [HSE.14]
10. The result of the Occupational Disease Hazard Factor Test is not publicly available to workers. [HSE.2]
11. The factory provides occupational health examinations for all workers who work in a dusty environment and who use chemicals. However, those workers are not also examined before and after employment, as legally required. [HSE.1]

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The China Law of Prevention and Control of Occupational Diseases, Articles 24 and 36.FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, HSE.4, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct an occupational hazards (noise level) test for the molding workshop.
2. <!--[endif]-->Post a sign near the elevator prohibiting human transportation.
3. <!--[endif]-->Install proper guards for the rolling part and transmission belts of the gluing machines.
4. <!--[endif]-->Mark all traffic lanes and sidewalks on factory premises.
5. <!--[endif]-->Post Occupational Disease Hazard Factor Test results in the workshops.
6. <!--[endif]-->Provide pre- and post-employment occupational health examinations to all eligible workers.