



Verification Assessment

COMPANIES: MBI, Inc.

COUNTRY: China

ASSESSMENT DATE: 12/20/18

ASSESSOR: Openview

PRODUCTS: Jewelry [including watches]

NUMBER OF WORKERS: 1200

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 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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training provided to new workers is not adequate as it does not cover Recruitment, Hiring & Personnel Development 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 to supervisors on workplace standards, national laws, regulations, or FLA Workplace Code for following Employment Functions: Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, and the Grievance System. 3. The factory does not provide ongoing training to workers on any of the Employment Functions except for Health & Safety and Workplace Conduct & Discipline. 4. The factory does not provide any ongoing training to regular workers and managerial staff on updated factory policies, procedures, or legal requirements. 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.17.3, ER.25, ER.27, and ER.28)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation:

The factory provides orientation training to new workers on all Employment Functions except 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. [ER.1, ER.15]

Root Causes:

1. Management does not receive enough training on the FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management are on the way of setting up a proper orientation training system.

2. Finding Status (Partially Remediated)

Explanation:

The factory does not provide sufficient specific training to supervisors on workplace standards, national laws, regulations, or the FLA Workplace Code regarding the following Employment Functions: Compensation; Hours of Work; Termination & Retrenchment; Industrial

Relations; and the Grievance System. Currently, the factory only provides this training to the partial workshop leaders and HR staff. [ER.1, ER.17]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management are on the way of setting up a proper training system.

3. Finding Status (Not Remediated)

Explanation:

The factory does not provide ongoing training to workers on any of the Employment Functions except for Health & Safety. No training records were provided for assessors to review. [ER.1, ER.2, ER.15, ER.25]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management are on the way of setting up a proper documentation and training system.

4. Finding Status (Not Remediated)

Explanation:

The factory does not provide any ongoing training to workers or managers on updates to the factory's policies and procedures or legal requirements. [ER.1, ER.15, ER.17, ER.25]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management are on the way of setting up a proper documentation and training system.

5. Finding Status (Partially Remediated)

Explanation:

The factory provides some external further education training such as jewelry appreciation course to some workers for free. However, the factory does not systematically provide ongoing training to workers to raise or broaden their skills for career advancement. [ER.1, ER.28]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management is not aware of the benefit of ongoing training for workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.15, ER.17, ER.25, ER.27, and ER.28)

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory has a review process for the policies and procedures on Environmental Protection and Health & Safety; however, there is no review process of the policies and procedures of any other Employment Functions to ensure that updates are made 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, and the Grievance System.

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation:

The factory conducted SA8000 internal audits in May and November 2018 and conducted a management system audit in January 2018 to review the policies and procedures for all following Employment Functions and ensure that they are up to date.

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, Workplace Code & Discipline 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 relevant policies and procedures on site. All interviewed supervisors and general workers roughly understand some policies and procedure, however, they are not fully aware of all policies and procedures, such as the hiring policy, compensation package, termination payout, grievance system and environmental protection 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. The factory never arranges consultation meetings with workers or union representative before management reaches their final decisions on layoffs.

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, ER.30.2, and ER.32; Compensation Benchmark C.17)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation:

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, Workplace Code & Discipline, and Health & Safety. The methods that the factory uses to communicate include an insufficient introduction to the factory rules during orientation training and an incomplete posting of the relevant policies and procedures on site. All interviewed supervisors and workers roughly understood some policies and procedure, however, they were not fully aware of all policies and procedures, such as the Hiring policy, Compensation package, Termination payouts, Grievance System, and Environmental Protection 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.29, ER.30, C.17]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management is not aware of the SCI methodology or its benefits.

2. Finding Status (Partially Remediated)

Explanation:

The worker integration component is insufficient for all Employment Functions. The factory holds monthly meetings with the union representatives, and the union representatives interview three random workers every three months to check if they understand the factory's policies and procedures. However, the factory has not yet established procedures to receive workers' 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 enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Workers' do not believe that their opinions are fully taken in to account when providing input.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.29, and ER.30; Compensation Benchmark C.17)

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has policies and procedures on Recruitment & Hiring, but has no written policies and procedures on Personnel Development. 2. There are no policies or procedures that encourage ongoing training to raise or broaden workers' skills for career advancement. 3. There are no policies or procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements. 4. The factory has no policies or procedures regulating the recruitment and hiring of contract, contingent and temporary workers. 5. The factory does not conduct performance reviews for any of the workers. 6. The factory has 15 contract workers including ten security guards and five canteen workers; however, the factory does not maintain personnel files with proof-of-age documents or copies of employment agreements for any of the contract workers. 7. The factory only employs five 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 1859 workers in the factory; therefore, there should be at least 28 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.

Local Law or Code Requirement

The Regulations of Employment for Disability Person, Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER1.1, ER.2.1, ER.3, ER.4.1, ER.7.2 ER.11.3, ER.11.5, ER.28.1 and ER.29; Child Labor Benchmark CL.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

Recommendations for Immediate Action

Maintain personnel files with age proofing documentation and copies of employment agreements for all contract workers including security guards and canteen staff.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation:

The factory still does not have written policies and procedures on Personnel Development. [ER.1, ER.28, ER.29, ER.30]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management does not fully understand how to set up Personnel Development policies and procedures.

2. Finding Status (Partially Remediated)

Explanation:

The factory has policies that encourage the ongoing training of workers in order to raise or broaden their skills for career advancement, but there are no detailed procedures in place. [ER.1, ER.28]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management does not fully understand how to set up procedures on this topic.
3. Management has not assigned a department or person to be responsible for this training program.

3. Finding Status (Not Remediated)

Explanation:

There are no policies or procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements. [ER.1, ER.29]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management does not fully understand how to set up policies and procedures on this topic.
3. Management is not aware the SCI methodology and its benefits.

4. Finding Status (Not Remediated)

Explanation:

The factory does not have any policies or procedures regulating the recruitment and hiring of contract, contingent and temporary workers. [ER.1, ER.7]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.

2. Management is not aware the SCI methodology and its benefits.
3. Management is not aware of the risks posed by noncompliance.

5. Finding Status (Partially Remediated)

Explanation:

The factory does not conduct performance reviews for any of the workers. The factory only conducts performance reviews for management and office workers after their probation period is complete. [ER.1, ER.29]

Root Causes:

1. Management does not receive enough training on FLA Workplace Code and Benchmarks or the SCI methodology.
2. Management is not aware the SCI methodology and its benefits.
3. Management is not aware of the risks posed by noncompliance.

6. Findng Status (Remediated)

Explanation: The factory maintains complete personnel files (including proof-of-age documents and copies of employment agreements) on site for all contract workers.

7 Finding Status (Remediated)

Explanation:

The factory employs a sufficient number of disabled workers according to legal requirements. The factory provided the related confirmation documents from the proper authorities for assessors to review.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.7, ER.28, ER.29, and ER.30)

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

The factory has policies and procedures on Termination, but does not have policies or procedures on Retrenchment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation:

The factory has policies and procedures on both Termination and Retrenchment.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not fully provide workers with the five types of legally mandated social insurance. According to the social insurance receipts of September 2016, 1690 out of 1859 (91%) workers are provided with all five types of social insurance (pension, work-related injury, medical, unemployment, and maternity insurance); the remaining workers are not provided with any of the required social insurance. Furthermore, the factory does not provide social insurance based on workers' actual wages, as required by law. For 80% of workers whose monthly wages range from CNY 2144 (USD 315.28) to CNY 8721 (USD 1282.42), the social insurance was paid based on the

local minimum contribution base of CNY 2408 (USD 354.1), rather than their actual monthly wages. 2. The factory does not fully provide workers with the legally required Housing Provident Fund. According to Housing Provident Fund receipt of September 2016, 618 out of 1859 (33%) workers are provided with the Housing Provident Fund. Furthermore, the factory does not provide Housing Provident Fund based on workers' actual wages, as required by law. For 55% of workers whose monthly wages range from CNY 3051 (USD 448.65) to CNY 8721 (USD 1282.42), the Housing Provident Fund was paid based on the local minimum contribution base of CNY 3000 (USD 441.15), rather than their actual monthly wages. 3. The factory does not pay female workers who take maternity leave monthly during their leave, as required by law. Instead, the factory pays their leave only after these workers return to work.

Local Law or Code Requirement

The PRC Labor Law, Articles 72 and 73; The Housing Fund Management Regulation, Articles 15 and 17; Opinion of the Ministry of Labor on Several Questions concerning the Implementation of the Labor Law, Article 58; FLA Workplace Code (Employment Relationship Benchmarks ER.18 and ER.22.1; Compensation Benchmarks C.1 and C.4)

Recommendations for Immediate Action

1. Provide all five types of social insurances to all workers and base contributions on workers' actual wages. 2. Pay wages to female employees on monthly basis during their maternity leave.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation:

According to the factory's social insurance receipts from November 2018, 923 out of 923 (100%) workers are provided with all five types of social insurance (pension, work-related injury, medical, unemployment, and maternity insurance). However, the factory does not provide social insurance based on workers' actual wages, as required by law. 80% of workers' monthly wages range from CNY 3,500 (USD 507.52) to CNY 7,500 (USD 1087.56), however, their social insurance contributions were based on the local minimum contribution base of CNY 2,100 (USD 304.52), rather than their actual monthly wages. In addition, the factory provides commercial insurance to 50 workers which is valid from September 1, 2018 to August 31, 2019. [ER.22, C.1, C.10]

Root Causes:

1. The social insurance fees are expensive and the factory needs time to make progress.
2. The workers want to pay less than required for the social insurance fee.

2. Finding Status (Partially Remediated)

Explanation:

The factory does not provide all workers with the legally required Housing Provident Fund. According to the Housing Provident Fund receipt from November 2018, 786 out of 923 (85%) workers are provided with the Housing Provident Fund. Furthermore, the factory does not provide Housing Provident Fund based on workers' actual wages as required by law. 80% of workers' monthly wages range from CNY 3,500 (USD 507.52) to CNY 7,500 (USD 1087.56), however, the Housing Provident Fund contributions for 63% of these workers were calculated based on the local minimum contribution base of CNY 2,100 (USD 304.52), and 7% of these workers' Contributions were based on the contribution base of CNY 3,000 (USD 435.02), rather than their actual monthly wages. [ER.22.1, C.1, C.10]

Root Causes:

1. Contributing to the Housing Provident Fund is expensive, and the factory needs time to make progress.
2. Workers want to pay less for the Housing Provident Fund, so they accept that the factory basis the contribution on a lower level.

3. Finding Status (Remediated)

Explanation:

The factory pays workers who take maternity leave each month while they are on leave. These payments are made on time.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Articles 72 and 73; The Housing Fund Management Regulation, Articles 15 and 17; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1 and C.10)

Recommendations for Immediate Action

Contribute to the social insurance based on workers' actual monthly wages

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The cumulative working hours exceeded the limit of the approval received under the Comprehensive Working Hours System. The factory had obtained the written approval for adopting the Comprehensive Working Hours System from January to December in 2015 and 2016. The allowable cumulative working hours are 2432 hours during these two periods respectively. However, the cumulative working hours for 100% of general workforce (workers in all departments) exceeded 2432 hours, ranging from 2562.5 to 2829 hours during the period from January to December 2015. 2. The weekly working hours for 40% of the general workforce (workers in all departments) exceeded 60 hours, ranging from 61 to 65 hours per week in the past year (from September 2015 to August 2016).

Local Law or Code Requirement

Instruction on the Implementation of the China Labor Law, Article 65; FLA Workplace Code (Hours of Work Benchmarks HOW. 1.1 and HOW.1.3)

Recommendations for Immediate Action

1. Ensure the total working hours do not exceed the limits of the comprehensive working hour approval. 2. Ensure the weekly working hours do not exceed the legal limit of 60 hours. 3. 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.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation:

The cumulative working hours exceed the limit of the approval received under the Comprehensive Working Hours System. The factory obtained written approval to adopt a Comprehensive Working Hours System from January to December in 2017 and 2018. The allowable cumulative working hours are 2,432 hours during each of these two periods. However, the cumulative working hours for 15% of general workforce (workers in all departments) exceeded 2,432 hours and reached 2,452 hours during the period from January to December 19, 2018. [HOW.1]

Root Causes:

1. Workers want to work overtime in order to increase their income.
2. The factory sometimes has to meet an urgent order from a client

2. Finding Status (Not Remediated)

Explanation:

According to the factory's attendance records from January to December 19, 2018, the total weekly working hours of 15% of workers (polishing department) exceed 60 hours and reached 63-64 hours during one week in December 2018. [HOW.1, HOW.8]

Root Causes:

1. Workers want to work overtime in order to increase their income.
2. The factory sometimes has to meet an urgent order from a client

Local Law or Code Requirement

Instruction on the Implementation of the Labor Law of the People's Republic of China, Article 65; FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.8)

Recommendations for Immediate Action

1. Do not allow the total working hours to exceed the Comprehensive Working Hours System limit.
2. Do not allow workers' total weekly working hours to exceed 60 hours.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union under the ACFTU (All-China Federation of Trade Unions) that was established in 2007. Factory management automatically enrolls all workers as trade union members without workers' consent. About 70% of the interviewed workers do not know if they are members of the trade union. Factory management pays the union dues rather than the workers themselves. 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 and FOA.10)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation:

The factory has a trade union under the ACFTU (All-China Federation of Trade Unions) that was established in 2007. The factory now has policies and procedures to ensure that workers can choose if they want to enroll in the trade union. Workers who want to enroll now submit an application for the Union to approve. All interviewed union members explained that they chose to enroll in the trade union. However, factory management still pays the union dues for the workers. [FOA.10]

Root Causes:

1. Factory management pays the union fees directly as a kind of benefit.

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 International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. [FOA.2]

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.11 and C.12; Freedom of Association Benchmark FOA.10)

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

The factory does not maintain any documentation in relation to grievance processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2.1)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation:

The factory has policies and procedures on the Grievance System. The grievance records were provided for assessors to review

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory has not installed anti-leakage containers for 50% of chemicals stored in the production area.

Local Law or Code Requirement

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

Recommendations for Immediate Action

Install anti-leakage containers for all chemicals.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation:

According to assessors' onsite observations, the factory still has not equipped 60% of the chemicals used in the electroplating workshop (e.g. acetic acid glacial gel, etc.) with secondary containment. [HSE.1, HSE.9]

Root Causes:

1. The factory does not provide enough secondary containers in the production workshop.
2. The volume of chemicals located in the production workshop is temporary, and the workers don't put the chemicals back into the areas with secondary containers in a timely manner

Local Law or Code Requirement

Regulations on the Safety Administration of Dangerous Chemicals, Article 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

Recommendations for Immediate Action

1. Provide secondary containment for the chemicals used in the electroplating workshop.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory did not obtain a Pre-Assessment Report of Occupational Disease Hazard before beginning operations in 2000. It has never conducted a Current Conditions Assessment Report of Occupational Disease Hazards, as legally required. 2. The factory provides pre-job and annual occupational health examinations to the workers who are in contact with chemicals or high decibel noise in the washing workshop and polishing workshop. However, the factory does not provide an occupational health examination to these workers after they leave the posts, as required by law. 3. The factory has not provided seated workers with chairs that are adjustable and have backrests, in order to minimize workers' injuries. The factory also has not provided standing workers with anti-fatigue mats. 4. The factory does not train loading workers on lifting techniques or provide loading workers with lifting belts. 5. Although the factory provides appropriate personal protective equipment (PPE) to all relevant workers, not all workers properly wear the PPE when necessary. Fifty-five (55) out of 1150 polishing and wax removing workers who are in contact with noise do not wear earplugs; two out of two workers operating lacer machines on the fifth floor of the production building do not wear goggles; ten out of 50 workers who are in contact with hazardous chemicals (e.g. glue) in the dust-free workshop on the fourth floor of the production building do not wear active carbon masks and rubber gloves; 12 out of 12 workers who are in contact with hazardous chemicals (e.g. wax removing agent) in the wax removing workshop on the fourth floor of the production building do not wear rubber aprons. 6. The factory has not installed the protective cover on any of the laser machines on the fifth floor of the production building. 7. One out of two of the safety exits in the polishing workshop on the fifth floor of the production building is broken and could not be opened.

Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17, 20 and 36; The Safety Manufacturing Law, Article 42; Code of Design of Manufacturing Equipment Safety and Hygiene (GB5083-1999), Article 6.1.6; The PRC Fire Prevention Law, Article 16; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5.1, HSE.8, HSE.14.1 HSE.17.1, and HSE.17.2)

Recommendations for Immediate Action

1. Arrange for a licensed service provider to conduct an assessment of the current condition of occupational disease hazards. Review and respond to any imminent hazards. 2. Conduct occupational health examination to workers who are in contract with chemical or high decibel noise after they leave the posts. 3. Provide lifting belts to all loading workers and train workers on their proper use. 4. Ensure all affected workers properly wear PPE when necessary through training. Frequently monitor compliance. 5. Install protective covers on all laser machines. 6. Ensure all safety exits are properly maintained and kept open during working times.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation:

According to a document review, the factory did not obtain a Pre-Assessment Report of Occupational Disease Hazard before beginning operations in 2000 and has never conducted a Current Conditions Assessment Report of Occupational Disease Hazards, as legally required. [HSE.1, HSE.4]

Root Causes:

Management does not believe that there's any need to conduct a Current Conditions Assessment Report of Occupational Disease Hazards because they think it can be replaced by periodic monitoring test reports.

2. Finding Status (Remediated)

Explanation:

According to a document review, the factory provides pre-job, on the job, and post-employment occupational health examinations to the workers who are in contact with chemicals or high decibel noises in the washing workshop and polishing workshop.

3. Finding Status (Partially Remediated)

Explanation:

According to assessors' onsite observations, the factory provides seated workers with chairs that are adjustable in order to minimize workers' injuries. However, 70% of the chairs do not have backrests. The factory also does not provide standing workers with anti-fatigue mats. [HSE.17]

Root Causes:

Management is not aware of what is required in order to meet the ergonomic requirements completely.

4. Finding Status (Remediated)

Explanation:

According to assessors' onsite observations and a document review, the factory trains loading workers on lifting techniques. The training records were available for review and the training materials are posted onsite.

5. Finding Status (Partially Remediated)

Explanation:

Assessors observed that two out of 42 workers in the polishing workshop were not wearing earplugs while working. All workers in other workshops were wearing suitable PPE. [HSE.8]

Root Causes:

1. The workers forget to wear PPE.
2. The PPE training provided to workers is not effective.

6. Finding Status (Remediated)

Explanation:

According to assessors' onsite observations, the factory installed protective covers on the laser machines.

7. Finding Status (Remediated)

Explanation:

According to assessors' onsite observations, all emergency exits in the polishing workshop are in good condition.

Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17, 20 and 36; The Safety Manufacturing Law, Article 42; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.8, and HSE.17)

Recommendations for Immediate Action

1. Retrain workers from the polishing workshop on the proper use of PPE. Monitor to ensure compliance.

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The disciplinary system does not include a third party witness during the imposition of disciplinary action or the appeal process.
2. The factory does not maintain any records of disciplinary actions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2.1 and ER.27.4)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation:

The union representative acts as the third-party witness during the imposition of disciplinary actions or during the appeal process.

2. Finding Status (Remediated)

Explanation:

The factory provided records of disciplinary actions to assessors for review.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. There are inconsistencies between the attendance records and other records. As a result, the time recording system is unverifiable. For example:

- a. The CCTV records show that the workers in the polishing department on the sixth floor of the production building worked overtime until 9:00pm on December 8, 2018 (Saturday). However, according to the attendance records provided to assessors, none of the 27 workers in this department worked past 12:00pm that day. The polishing workers told assessors that they normally only work a half day on Saturday, and that they do not remember how many hours they worked on December 8, 2018;
- b. The chemical use records show that two workers were working on June 30, 2018 (Saturday). However, according to the attendance records provided to assessors, those two workers did not work that day. One of the two workers resigned; the other told assessors that he made a mistake when recording the date in the chemical use records and that he did not work on June 30, 2018.

Factory management told assessors that the electronic attendance system was undergoing data maintenance on December 8, 2018, which caused the data to be incomplete. They also stated that each month's attendance records are checked with the workers, and if the records are incorrect, the workers tell the attendance management specialist. [ER.1, ER.2, ER.23, HOW.1]

2. According to the attendance records, the overtime hours of 15% of workers (in all department) exceeded three hours per day hours and reached up to four hours per day for two to 15 days in November 2017, December 2017, January-June, 2018, and December 2018. [HOW.1, HOW.8]

Local Law or Code Requirement

The Labor Law of the People's Republic of China, Article 41; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.23; Hours of Work Benchmarks HOW.1 and HOW.8)

Recommendations for Immediate Action

1. Maintain accurate and complete time records for all workers.
2. Do not allow workers' overtime hours to exceed three hours per day.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has a six-month probation period. [C.3]

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.3)

Recommendations for Immediate Action

1. Reduce the probation period to three months.

NEW FINDING NO.3

NOTABLE FEATURE

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has obtained ISO9001, ISO14001, OHSAS18001, and SA8000:2014 certificates. These certificates are all valid.