



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Colosseum Athletics Corporation

COUNTRY: China

ASSESSMENT DATE: 08/26/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 85

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
Compensation	1
Hours of Work	5
Employment Relationship	2
Health, Safety, and Environment	7
Nondiscrimination	3

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not provide social insurance to all eligible workers. There is a total of 91 workers including 13 retired but re-recruited workers in the factory. According to the social insurance receipt for July 2020, 14 out of 78 eligible workers (18%) were provided with pension, unemployment, work-related injury, medical and maternity insurances. As a supplement, the factory has bought group accidental injury insurance for all workers, which is valid from August 22, 2020 to August 21, 2021 and has a maximum benefit amount of CNY 50,000 (USD 7246.37) per worker. [C.10, ER.22]

2. The contribution base of the five types of social insurances is not in line with the legal requirement. The factory contributes to pension, unemployment, work-related injury, medical and maternity insurances based on local minimum requirement of CNY 3,030 (USD 441) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. About 95% of workers' average monthly wages of previous year were higher than the local minimum contribution base, ranging from CNY 3,031 (USD 442) to CNY 5,300 (USD 772). [C.10, ER.22]

3. The factory does not contribute to the legally required Housing Provident Fund for eligible workers. [ER.22.1]

4. According to the compensation procedure, as well as worker and management interviews, the factory does not take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law. [C.6]

Local Law or Code Requirement

The China Labor Law, Article 72; Social Insurance Law of the PRC, Articles 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15; The Implementation Measures for Employee Paid Annual Leave, Article 4. FLA Workplace Code (Compensation Benchmarks C.6 and C.10; Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. <!--[endif]-->Provide social insurance to all eligible workers.

2. <!--[endif]-->Contribute to social insurance based on worker's average monthly wage of previous year.
3. <!--[endif]-->Provide all workers with legally required Housing Provident Fund.
4. <!--[endif]-->Calculate annual leave based on worker's cumulative working experience (working age).

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

The total working hours exceed 60 hours per week despite decrease in working hours due to Covid-19. Time records for the period from July 2019 to July 2020 and worker interviews indicate that working hours for 80% of workers exceeded 60 hours per week in around 37% of the weeks during the reviewed period, with a maximum of 68 hours per week in November 2019 and an average of 63 hours per week during the reviewed period. [HOW.1.3, HOW.8.3]

Workers are not provided with one day off for every seven-day work period. Time records for the period from July 2019 to July 2020 and worker interviews indicate that about 80% of workers worked approximately seven to 20 consecutive days once or twice per month from April to July 2020 and from July 2019 to January 2020 respectively. They worked a maximum of 20 consecutive days in May 2020 and an average of ten consecutive days during the reviewed period. [HOW.2]

Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from July 2019 to July 2020 and worker interviews indicate that the monthly overtime hours for about 80% of workers exceeded 36 hours in all reviewed months except February and March 2020, with a maximum of 116 overtime hours in November 2019. [HOW.1.1, HOW.8.1]

The factory production plan is based on 60-68 hours per week. Factory management sets production targets and the production system at a level that workers need to work 20 to 28 overtime hours per week. [ER.24]

Local Law or Code Requirement

The China Labor Law, Articles 38 and Article 41. FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8; Employment Relationship Benchmark ER.24)

Recommendations for Immediate Action

1. <!--[endif]-->Ensure that working hours do not exceed 60 hours a week.
2. <!--[endif]-->Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.
3. <!--[endif]-->Ensure overtime hours do not exceed the legal limit of 36 hours per month.

4. Set the production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comments: 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, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2, FOA.10)

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory does not install eye shields on about 30% of high-speed sewing machines and 30% of workers move the eye shields away when operating sewing machines. [HSE.14.1, HSE.14.2]

Both evacuation doors in the sewing workshop on the second floor of the production building open inwards rather than in the direction of evacuation. The workshop is around 500 square meters with 70 workers working inside during working hours. [HSE.5.1]

The factory does not adequately clean the drinking water facility and two out of four drinking-water heaters are dirty. [HSE.23.1]

The factory stores combustible materials, including raw materials and semi-garments, in one out of three evacuation stairwells on each floor of the 3-story production building. [HSE.5.1]

The factory is on the right side (three floors) of a U-shaped building and the left side of the building (one floor) is occupied by a machinery factory. The factory does not coordinate the fire safety concerns or risks with the other factory located in the same building. [HSE.5.1]

The factory is using part of the canteen room as a material storage area and many paperboards are stored close to canteen tables, which could have an adverse impact on canteen hygiene. [HSE.22.1]

The factory has not kept a food sample since March 2020. [HSE.22.1]

Local Law or Code Requirement

The Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The Code of Design on Building Fire Protection and Prevention, Article 6.4.1 and Article 6.4.11; The Hygienic standards for the Design of Industrial Enterprises, Article 7.3.2; China Law on Food Safety, Article 33; The Food Safety Operation Specifications for Catering Service, Article 7.9.2. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.14, HSE.22 and HSE.23)

Recommendations for Immediate Action

- . Install eye shields on all high-speed sewing machines. Provide additional training on machine safety and supervise workers to use machine safety guards properly during working hours.
- . Ensure evacuation doors in the sewing workshop open in the direction of evacuation.
- . Clean the drinking water facility to ensure drinking water is clean and safe.
- . Remove the combustible materials and keep evacuation stairwells free from obstruction.
- . Coordinate the fire safety concerns and risks with the other factory located in the same building.
- 6. Separate the material storage area from canteen room and ensure food is served in a clean and sanitary manner.
- . Keep a food sample for at least 48 hours as per legal requirement.