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INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: League Collegiate Wear, Inc. (L2 Brands)

COUNTRY: China

ASSESSMENT DATE: 08/24/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 69

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	2
Employment Relationship	3
Health, Safety, and Environment	1
Nondiscrimination	3

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

According to the compensation procedure and worker and management interviews, the factory does not take most workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law. [C.6, HOW.11]

There are a total of 69 workers including nine retired but re-recruited workers in the factory. The factory provides social insurance to all 60 eligible workers. However, the contribution base of the five types of social insurances is not in line with legal requirement. The factory contributes to work-related injury, medical, maternity, unemployment and pension insurances based on local minimum requirement of CNY 3,368 (USD 489) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of the previous year. About 70% of workers' average monthly wages of the previous year were higher than the local minimum contribution base, ranging from CNY 3,369 (USD 489) to CNY 5,000 (USD 726). [C.10.1]

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

Local Law or Code Requirement

The Implementation Measures for Employee Paid Annual Leave, Article 4; Social Insurance Law of the PRC, Article 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmark C.6 and C.10; Hours of Work Benchmark HOW.11)

Recommendations for Immediate Action

1. Calculate annual leave based on worker's cumulative working experience (working age).
2. Contribute to social insurance based on worker's average monthly wage of the previous year.
3. Provide all workers with legally required Housing Provident Fund.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory production plan is based on 48 hours per week. Factory management sets production targets and the production system at a level that workers need to work 8 overtime hours per week. [ER.24]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.24)

Recommendations for Immediate Action

1. <!--[endif]-->Set 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. The Collective Bargaining Agreement (CBA) was created by the factory management based on the agreement between worker representatives and management. The CBA does not provide any additional benefits to workers and simply restates the factory procedures and legal requirements. The factory posts the CBA in the workshops and all interviewed workers are aware of the CBA, but the factory does not provide a copy of the CBA to each worker. [ER.16.2]

2. 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]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2; Employment Relationship Benchmark ER.16)

Recommendations for Immediate Action

1. <!--[endif]-->Provide workers with a copy of the CBA.