



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Zephyr Graf-X  
COUNTRY: China  
ASSESSMENT DATE: 08/26/20  
ASSESSOR: Openview  
PRODUCTS: Handbags  
NUMBER OF WORKERS: 23

## 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	1
Employment Relationship	2
Health, Safety, and Environment	7
Nondiscrimination	2

## Findings and Action Plans

### FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

Three workers are eligible for open-ended employment contracts, after two consecutive fixed-term employment contracts. However, the factory only signed one-year employment contracts with these three workers. [ER.10.1]

##### Local Law or Code Requirement

The China Labor Contract Law, Article 14. FLA Workplace Code (Employment Relationship Benchmark ER.10)

##### Recommendations for Immediate Action

1. Sign open-ended employment contracts with all eligible workers after two consecutive fixed-term employment contracts.

### FINDING NO.2

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not provide social insurance to all eligible workers. There are ten total workers working in the factory and all of them are eligible for social insurance contributions. However, the factory has only provided seven of ten workers (70%) with five types of social insurance. As a supplement, the factory has provided commercial accidental injury insurance for up to 12 workers, which is valid from November 2, 2019 to November 1, 2020, and has a maximum benefit amount of CNY 150,000 (USD 21,849) per worker. The factory contributes to social insurance based on CNY 3,368 (USD 491) per month, which is above workers' monthly wages, which range from CNY

- 3,000 (USD 437) to CNY 3,300 (USD 481) and are in line with legal requirements. [C.1]  
2. The factory does not contribute to the Housing Provident Fund for eligible workers. [ER.22.1]

#### Local Law or Code Requirement

The China Labor Law, Article 72; Regulations on Management of Housing Provident Fund, Article 15. FLA Workplace Code (Compensation Benchmark C.1; Employment Relationship Benchmark ER.22)

#### Recommendations for Immediate Action

1. <!--[endif]-->Provide social insurance to all eligible workers.
2. <!--[endif]-->Provide all workers with legally required Housing Provident Fund.

### FINDING NO.3

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. 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 (Freedom of Association Benchmark FOA.2)

### FINDING NO.4

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has installed one fire alarm with one button in the factory space (third floor of a 4-story building), which covers an area of about 750 square meters, in line with legal requirements. However, the fire alarm is not centralized with the other fire alarms in the same building. [HSE.5.1]
2. The factory has not installed an emergency light at the outdoor stairway, an emergency light or exit sign on one of two safety exits on the first floor, or an emergency light or exit sign on one of two safety exits on the third floor of the production building. [HSE.5.1]
3. The factory stores combustible materials like raw materials and cartons in one of two stairwells on the first floor of the production building. [HSE.5.1]
4. The factory is on the third floor of one 4-story building, where the first floor is idle, the second floor is occupied by another headwear factory, and the fourth floor is used by a textile factory. The factory does not coordinate fire safety concerns or risks with the other factories located in the same building, including conducting a joint fire drill. [HSE.5.1]

#### Local Law or Code Requirement

The Code for Design of Automatic Fire Alarm System (GB50116-2013), Article 4.8.5; Technical Specifications for Inspection of Lightning

Protection System in Building, Article 6; The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 10.3.1 and 10.3.5; The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 6.4.1. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.5)

#### Recommendations for Immediate Action

1. Centralize the fire alarm with the other fire alarms in the shared production building.
2. <!--[endif]-->Install an emergency light on all exits and stairways of the production building. Install an exit sign on all safety exits of the production building.
3. <!--[endif]-->Remove the combustible materials from the stairwell. Ensure stairwell is free from obstruction.
4. <!--[endif]-->Coordinate the fire safety concerns and risks with the other factories located in the same building, including conducting joint fire drill.

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has conducted a health & safety risk assessment. However, the risk assessment does not cover all areas of the factory, including the maintenance room, air compressor room, elevator, or parking area. In addition, the risk assessment does not include fire risk assessment, production building risk assessment, or environmental risk assessment. [HSE.1]
2. The factory has never conducted an inspection of the lightning protection system in the production building. [HSE.13]
3. The factory has not installed insulation covers on two electrical switch boxes in the production area. In addition, both electrical switch boxes are blocked with materials and semi-finished goods. [HSE.13]
4. The factory has not conducted an inspection of one elevator on an annual basis. The last inspection was conducted June 24, 2019. [HSE.4]

##### Local Law or Code Requirement

Electricity Safety Guidelines, Article 5.1.1; The Special Appliance Quality Safety Monitoring Regulation, Article 28. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4 and HSE.13)

#### Recommendations for Immediate Action

1. Conduct a complete health & safety risk assessment that covers all risks and appropriate ways to eliminate and control hazards.
2. Conduct annual inspection of the lightning protection system and maintain inspection reports.
3. Install insulation covers on electrical switch boxes. Ensure electrical switch boxes are free from obstruction.
4. Conduct annual inspection of all elevators and maintain inspection reports.