



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: The Bradford Exchange

COUNTRY: China

ASSESSMENT DATE: 08/20/20

ASSESSOR: Openview

PRODUCTS: Jewelry [including watches]

NUMBER OF WORKERS: 29

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	4
Hours of Work	5
Employment Relationship	4
Health, Safety, and Environment	1
Nondiscrimination	2

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not keep personnel files with registration, maintain a roster of workers, or sign employment contracts for temporary workers. A total of 30 temporary workers have been working in the factory since August 1, 2020. [ER.7.1]
2. The job application form includes the information regarding gender, age, nation and marital status, which might lead to discriminatory practice during recruitment process. [ND.2.1]

Local Law or Code Requirement

The Regulation on Banning Child Labor, Article 4; China Labor Contract Law, Article 7 and Article 10. FLA Workplace Code (Employment Relationship Benchmark ER.7; Non-discrimination Benchmark ND.2)

Recommendations for Immediate Action

1. <!--[endif]-->Set up personnel files with registration and roster for all temporary workers. Sign employment contracts with all temporary workers.
2. <!--[endif]-->Remove the information regarding applicant's gender, age, nation and marital status from the job application form.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. formal procedure for temporary worker management is needed to built and perform.
- 2.set up personnel files with registration and roster for all temporary workers and sign employment contracts with all temporary workers, making sure no any breach on non-discrimination principle.

Company Action Plan Update

1. The factory held a management meeting (worker representative attended), and assigned HR team to be responsible to obtain laws and regulation and update to management timely (see attached: 1.1 2020-08-24 meeting record).

2. HR Manager drafted out a formal rules on the wage for temporary worker according to legal requirement, and drafted out a procedure of temporary worker management including recruitment, hiring/employment, work hour, wage and benefit. discussed with management and work representatives, then posted on factory bulletin collecting worker's feedback. (see attached: 1.2 temporary worker management procedure, 1.3 post the procedure on factory bulletin)

3. HR Manager set up personnel files for temporary workers including, employee roster, worker employment registration form instead of application form, signed employment contract.

(see attached 1.3-1 temporary worker roster, 1.3-2 temporary worker registration form, 1.3-3 temporary employment contract - signed sample)

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory only pays the regular rate for overtime hours on weekdays and rest days to temporary workers, which is not in line with legal requirement of at least 150% and 200% of regular rate for overtime hours on weekdays and rest days respectively. [C.7.2, ER.11.2.1]
2. The factory does not provide pay slips to workers. [C.13]
3. 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]
4. There are 17 workers in the factory including two new hires. The factory provides social insurance to all 15 eligible workers. However, the social insurance contribution base is not in line with legal requirements. The factory contributes to work-related injury, maternity and unemployment insurances based on CNY 2,906 (USD 423) to CNY 3,300 (USD 481) per month, contributes to pension insurance based on CNY 3,376 (USD 492) per month and contributes to medical insurance based on CNY 5,305 (USD 773) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. About 80% of workers' average monthly wages of previous year ranged from CNY 3,376 (USD 492) to CNY 5,300 (USD 772). [C.10.1]
5. The factory only provides Housing Provident Fund to two out of 15 eligible workers. [ER.22.1]
6. The contribution base of Housing Provident Fund is not in line with legal requirement. The factory contributes to Housing Provident Fund for two out of 15 eligible workers based on CNY 2,408 (USD 351) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. Both workers' average monthly wages of previous year were

higher than CNY 5,000 (USD 728). [ER.22.2]

Local Law or Code Requirement

China Labor Law, Article 44; The Provisional Regulations for the Payment of Wages, Article 6; Implementation Measures of workers' 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 and Article 16. FLA Workplace Code (Compensation Benchmarks C.6, C.7, C.10 and C.13; Employment Relationship Benchmarks ER.11.2 and ER.22)

Recommendations for Immediate Action

1. <!--[endif]-->Pay sufficient overtime compensation based on legal requirements to temporary workers.
2. <!--[endif]-->Provide workers with itemized pay slips for each pay period.
3. <!--[endif]-->Calculate annual leave based on worker's cumulative working experience (working age).
4. <!--[endif]-->Contribute to social insurance based on worker's average monthly wage of previous year.
5. <!--[endif]-->Provide all workers with legally required Housing Provident Fund.
6. <!--[endif]-->Contribute to Housing Provident Fund based on worker's average monthly wage of previous year.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory management will check local law and discussed with work representatives, establish a formal procedure regulating work hour, wage and benefit for temporary worker .(see attached: 1.2 temporary worker management procedure)
2. The factory will now provide payment slip every month and asked worker to sign when distributing wage.
3. The factory put together a training session on the the policy and requirement of local office on social insurance and housing provident found, encourage workers join the social insurance at higher level and housing found.

Company Action Plan Update

- 1.HR Manager checked local law and discussed with work representatives, establish a formal procedure regulating work hour, wage and benefit for temporary worker . (see attached: 1.2 temporary worker management procedure).

2. The factory now provides a slip every month and asked worker to sign when distributing wage. (see attached: 2. 2-2 payment slip provided to employee).

3. The factory provided training session on the the policy and requirement of local office on social insurance and housing provident fund, and also collecting employee's willing after receiving feedback from employee that they don't want join the housing fund and don't want raise the level/base amount of social insurance since they will also need pay more in that case (as local regulation, employee also need pay some rate of the housing fund and social insurance). (see attached: 2. 2-3 worker's willing and statement on social insurance, 2. 2-3 worker's willing statement on housing provident fund, 2.2-4 training record on social insurance and housing fund, 2.2-5 2020-10-15 training on social insurance and housing fund).

Completion date for the action: Oct. 15, 2020. Please note, After training was held it was learned many employees are not willing to participate in the housing fund and social insurance. Ms. Liu/ factory will follow up with workers and encourage everyone's participation. we Bradford will follow up with factory accordingly.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory sets production plan based on 63 hours per week (a total of six days per week with three overtime hours on each workday and eight overtime hours on Saturday). Factory management sets production targets and production system at a level that workers need to work 23 overtime hours per week. [ER.24]

2. Total working hours exceed 60 per week. Time records for the period from August 2019 to August 20, 2020 and management interview indicate that the weekly working hours for 50% to 80% of workers exceeded 60 in one to four weeks per month in all reviewed months except February 2020, with the maximum up to 83 hours in March 2020. [HOW.1.3]

3. Workers are not provided with one day off for every seven-day work period. Time records for the period from August 2019 to August 20, 2020 indicate that 50% of workers worked more than six consecutive days for once or twice per month from August to October 2019, in January 2020 and from March to May 2020, with the maximum up to 14 days in January 2020. [HOW.2]

4. Overtime hours exceed legal limit of three overtime hours per day and thirty-six overtime hours per month. Time records for the period from August 2019 to August 20, 2020 indicate that the daily overtime for about 50% of workers exceeded three hours in about 30% of workdays in the reviewed period with a maximum up to eight point five hours in March 2020, and the monthly overtime for 50% to 90% of workers exceeded 36 hours in all reviewed months except January and February 2020 with a maximum of 153 overtime hours in March 2020. [HOW.1.1]

Local Law or Code Requirement

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

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.

2. <!--[endif]-->Control total working hours do not exceed 60 in a week.
3. <!--[endif]-->Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.
4. <!--[endif]-->Ensure overtime hours do not exceed legal limit of three hours per day and thirty-six hours per month.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory management review the requirement on overtime hours and explain that with workers, then work on reasonable production plan base on regular working hour.
2. Communicate with client on the Leadtime and delivery date when receiving purchase order to reduce overtime hours.
3. Communicate with raw materials and component suppliers on the onetime delivery in order to maintain production plan and reduce overtime hours.
4. Train workers to on daily process skills and increase work efficiency and productivity.

Company Action Plan Update

1. HR Manager and factory management reviewed the requirements on overtime hours and explained that with workers, and worked out reasonable production plan base on regular working hour. (see attached: 3. 1 production plan sheet)
2. HR Manager communicated with client on the Leadtime and delivery date when receiving purchase order to reduce overtime hours.
3. HR Manager communicated with raw materials and component suppliers on the onetime delivery in order to maintain production plan and reduce overtime hours.
4. HR Manager is working on establishing additional training for workers on how to communicate internal challenges so that production dates can be set realistically and communicated to clients and suppliers.
5. Factory management invited supplier clients to factory for communicating how to made on-time delivery and reduce delay, then to reduce overtime . (see attached: 3. 5 record of communicating with supplier clients)

6. HR and factory management hold training session to all worker for increasing work efficiency to reduce overtime work, (see attached: 3. 6 training record for work efficiency)

3.7 factory worked out production plan for Dec.2020 and Jan.2021 after communicating with supplier client and training for workers, basing on the work hour -8hours a day (see attached 3.7 production plan)

FINDING NO.4

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, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.10)

COMPANY ACTION PLANS

Action Plan no 1.

Description

after communicating with factory, checking local law office and having confirmed with audit company (OpenView services limited), this finding is just for reference and it's an alternative law for enterprise to establish or join the Trade Union, factory built and maintain the worker representative system.

Company Action Plan Update

after communicating with factory, checking local law office and having confirmed with audit company (OpenView services limited), this finding is just for reference and it's an alternative law for enterprise to establish or join the Trade Union, factory built and maintain the worker representative system.

see attached 4.1 PRC's Trade Union Law