



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Rawlings Sporting Goods Company, Inc.

COUNTRY: China

ASSESSMENT DATE: 09/28/20

ASSESSOR: Openview

PRODUCTS: Other

NUMBER OF WORKERS: 160

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	13
Nondiscrimination	2
Freedom of Association	2

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The job advertisement contains age and gender requirements. For example, the warehouse supervisor job requires male applicants below 45 years old. However, the restrictions are not implemented as there are workers over 45 years old in the current workforce. [ND.2.1]

Local Law or Code Requirement

The China Labor Law, Article 12. FLA Workplace Code (Non-discrimination Benchmark ND.2)

Recommendations for Immediate Action

1. <!--[endif]-->Remove age and gender requirements from the job advertisement. Employment decisions are to be made solely on the basis of a person's qualifications and abilities.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. 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, HOW.11]

2. The factory has not consulted with workers before arranging them to take five days of annual leave during the Chinese New Year holiday in January 2020. About 80% of interviewed workers are unaware of their annual leave balance. [HOW.12.2]
3. There are a total of 129 workers, including 20 retired but re-recruited workers and 21 new hires, in the factory. The factory provides five types of social insurance, including work-related injury, unemployment, medical, maternity and pension insurance, to all 88 eligible workers. However, the contribution base of the five types of social insurance is not in line with the legal requirement. The factory contributes to the five types of social insurance based on the local minimum requirement of CNY 3,604 (USD 526) per month, which is not in line with the legal requirement of contribution based on worker's average monthly wage of the previous year. About 70% of workers' average monthly wages of previous year were higher than local minimum contribution base, ranging from CNY 3,700 (USD 540) to CNY 6,200 (USD 905). [C.10.1]
4. The factory does not provide the legally required Housing Provident Fund to any of the 88 eligible workers. [ER.22.1]

Local Law or Code Requirement

Implementation Measures of Paid Annual Leave for Employees of Enterprises, 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 (Compensation Benchmarks C.6 and C.10, Hours of Work Benchmark HOW.11 and HOW.12, Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Calculate annual leave based on worker's cumulative working experience (working age).
2. Consult with workers before determining the time at which annual leave is taken. Provide training so that workers are aware that they can take annual leave any time throughout the year except during CNY holiday.
3. Contribute to social insurance based on worker's average monthly wage of the previous year.
4. Provide all workers with the legally required Housing Provident Fund.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from September 2019 to September 2020 and worker interviews indicate that the monthly overtime hours for almost all workers exceeded 36 hours in July, August and September 2020, with a maximum of 90 hours in August 2020. [HOW.1.1, HOW.8]
2. The factory sets the production plan based on 48 to 60 hours per week (up to two overtime hours per day for five weekdays, eight to ten hours on Saturdays). Factory management sets production targets and production system at a level that workers need to work eight to twenty overtime hours per week. [ER.24]

Local Law or Code Requirement

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

Recommendations for Immediate Action

1. Ensure overtime hours do not exceed the legal limit of 36 hours per month.
2. Set the production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
3. Ensure that overtime is not included as a general practice into the factory's production planning. FLA affiliate Company's Sourcing and Social Compliance teams should:

1) Implement FLA Principles of Fair Labor and Responsible Sourcing and

2) Accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:

a. How to provide better order forecasts to the factories;

- b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
- c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
- d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
- e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
- f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. All six union committee members are department managers and supervisors. They are appointed by top factory management and Federation of Trade Unions. [FOA.11]
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. [FOA.2, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.10 and FOA.11)

Recommendations for Immediate Action

- . Ensure all union committee members are freely elected by all workers.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. About 5% of exit signs in production buildings(the factory has five 1-story production buildings, one 2-story production building) are malfunctioning and not illuminated, while they should be illuminated all the time. [HSE.5.1]
2. The factory has not centralized the fire alarms in production buildings. In addition, all fire alarms in production buildings are without backup battery power. [HSE.5.1]
3. The factory stores combustible materials like raw materials and cartons in both stairwells on the first floor of the 1# production

building. [HSE.5.1]

4. The factory does not provide secondary containment for one barrel of lubricant in the chemical storage area. [HSE.9.1]

5. The factory has not installed the eyewash station in the chemical storage area. [HSE.6.1]

6. The factory provides masks and earplugs to metal processing workers with hazardous exposure to dust and noise and has provided PPE training to workers. However, most of the metal processing workers are not wearing masks or earplugs during working hours. [HSE.8]

Local Law or Code Requirement

The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 6.4.1, Article 6.4.11 and Article 10.1.6; The Regulation for Safety of Dangerous Chemical, Article 20; The China Law of Prevention and Control of Occupational Diseases, Article 25; The Law of the China on Work Safety, Article 42. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.6, HSE.8 and HSE.9)

Recommendations for Immediate Action

1. Conduct routine maintenance for exit signs to ensure functionality.
2. Install centralized fire alarm system with backup battery in all production buildings.
3. Remove the combustible materials from the stairwells. Ensure stairwells are free from obstruction.
4. Provide the secondary containment for all chemical containers.
5. Install the eyewash station in areas where chemicals are used and stored.
6. Train and supervise workers to use personal protective equipment (PPE) consistently during working hours.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not installed insulation covers on two electrical switch boxes in the production area. In addition, about 20% of electrical switch boxes are blocked with materials and semi-finished goods. [HSE.13]
2. The transmission belts on about 10% of the punching machines are not fully enclosed by their pulley guards. [HSE.14.1]
3. The factory has never conducted an environmental measurement for dust, lighting or noise. [HSE.13]
4. The factory does not conduct the inspection for the lightning protection system in production buildings on an annual basis. The last inspection was conducted in 2010. [HSE.13]
5. The factory has not recorded any work-related injuries including minor injury and near miss in the past 12 months. [HSE.3.1]

Local Law or Code Requirement

Electricity Safety Guidelines, Article 5.1.1; Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Measures for the Administration of Environmental Surveillance, Article 21; Technical Specifications for Inspection of Lightning Protection System in Building, Article 6. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.3, HSE.13 and HSE.14)

Recommendations for Immediate Action

1. Install insulation covers on electrical switch boxes. Ensure electrical switch boxes are free from obstruction.
2. Fully enclose the transmission belts on punching machines with pulley guards.
3. Conduct an annual environmental assessment for dust, lighting and noise and maintain the assessment report.
4. Conduct an annual inspection for the lightning protection system and maintain the inspection report.
5. Track work-related injuries including minor injury and near miss and maintain work-related injury records for at least 12 months.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not provide the on-job occupational health examination to all 15 eligible workers with hazardous exposure to dust and noise. The last on-job occupational health examination was conducted on June 17, 2019 for 9 out of 15 eligible workers. The factory provided the on-job occupational health examination to 11 out of 15 eligible workers in September 2020 and the reports are expected to be issued in October 2020. In addition, the factory does not provide pre-job or post-job occupational health examination to any eligible workers. [HSE.1]
2. The factory does not conduct the air quality inspection for workshops on an annual basis. The last inspection was conducted on June 3, 2019. [HSE.4]
3. The factory mainly produces outdoor tables and chairs and is classified as Moderate-risk-level. The factory has not conducted the pre-assessment of occupational disease hazards, assessment of the effects of occupational disease hazards or assessment of current conditions of occupational disease hazards since the construction was completed in 2002. [HSE.4]
4. The factory built three one-story buildings in 2018, which are used as temporary warehouses and with a total area of around 1,200 square meters. However, the factory has not obtained the fire permit or the report on inspection and acceptance of completed construction project for those buildings. In addition, the factory added a mezzanine in 5# production building in 2018, which is used as a temporary warehouse. However, the factory has not obtained the fire permit, additional testing report of building quality or the report on inspection and acceptance of completed construction project after the reconstruction. [HSE.4]

Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Article 35; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; Fire Prevention Law of the People's Republic of China, Article 11; The Construction Law of the People's Republic of China, Article 61. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Provide the occupational health examination to all eligible workers.
2. Conduct an annual air quality inspection for all workshops and maintain the inspection report.
3. Conduct an assessment of current condition of occupational disease hazards as per legal requirement and obtain the assessment report.
4. Obtain the fire permit and the report on inspection and acceptance of completed construction project for the three buildings constructed in 2018. Obtain the fire permit, additional testing report of building quality or the report on inspection and acceptance of completed construction project after the reconstruction in 5# production building in 2018.