COMPANIES: The Northwest Company LLC.
COUNTRY: China
ASSESSMENT DATE: 09/29/20
ASSESSOR: Openview
PRODUCTS: Other
NUMBER OF WORKERS: 462
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.

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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 are a total of 462 workers working in the factory, including eight retired but re-recruited workers. The factory has provided 334 out of 454 eligible workers (73.56%) with pension, work-related injury, maternity, unemployment and medical insurances. As a supplement, the factory has provided commercial accidental injury insurance to 372 workers, which is valid from May 6, 2020 to May 5, 2021, and has a maximum benefit amount of CNY 120,000 (USD 17,672) per worker. [C.1]
2. The contribution base of the five types of social insurance is not in line with the legal requirement. The factory contributes to pension, work-related injury, maternity, unemployment and medical insurance based on CNY 3,215 (USD 473) per month, which is not in line with the legal requirement of contribution based on worker’s average monthly wage of the previous year. 90% of workers’ average monthly wages of the previous year were higher than CNY 3,215 (USD 473), ranging from CNY 3,300 (USD 486) to CNY 4,000 (USD 589). [C.10.1]
3. The factory does not contribute to the Housing Provident Fund for any of the 454 eligible workers. [ER.22.1]

Local Law or Code Requirement

The China Labor Law, Article 72; 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.1 and C.10; Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Provide social insurance to all eligible workers.
2. Contribute to social insurance based on the worker’s average monthly wage of the previous year.
3. Provide all workers with the legally required Housing Provident Fund.

FINDING NO.2
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 29, 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 82 hours in August 2020. [HOW.1.1, HOW.8]
2. The factory sets the production plan based on 58 hours per week (two overtime hours per day on five workdays and eight overtime hours on Saturday). Factory management sets production targets and production system at a level that workers need to work 18 overtime hours per week. [ER.24]

Local Law or Code Requirement
The China Labor Law, Article 41. 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.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, FOA.10]

Local Law or Code Requirement
FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.10)

FINDING NO.4
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The factory has provided activated carbon masks to workers in the printing workshop, which are appropriate to effectively prevent the hazardous exposure when workers are at work, and medical masks to workers for Covid-19 prevention when workers are off work. However, workers are wearing medical masks, rather than activated carbon masks, when working in the printing workshop. In addition, the factory has provided earplugs to workers in the after-treatment workshop. However, workers are not wearing earplugs when working in the after-treatment workshop. [HSE.8]  
2. No sewing machines in the sewing workshop have needle guards. [HSE.14.1]  
3. The factory stores products against the wall with no clearance in the finished goods warehouse; the law requires at least 0.5m clearance from the wall. [HSE.1]  
4. The factory has not conducted a pre-assessment of occupational disease hazards or the assessment of the effects of occupational disease hazards prior to the acceptance check of the construction project since 2004, when the construction was completed. The factory has also not contracted a licensed service provider to conduct the assessment of current conditions of occupational disease hazards. [HSE.4]  
5. The factory does not keep a food sample in the canteen. [HSE.22.1]  
6. The factory has not posted the occupational hazard notification card for Toluene in the printing workshop. Occupational hazard notification cards include basic information on the occupational hazard, risk, daily protection procedures, and what to do in case of an emergency. [HSE.1]

Local Law or Code Requirement
The Law of the China on Work Safety, Article 42; The Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Rules for Storage Fire Prevention Safety Management, Article 18; The China Law of Prevention and Control of Occupational Diseases, Article 17, Article 18 and Article 24; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; Food Safety Operation Specifications for Catering Service, Article 7.9.2; Administrative Provision on the Occupational Hazardous Notification and Warning Sign, Article 16. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.8, HSE.14 and HSE.22)

Recommendations for Immediate Action

1. Train and supervise all workers to use personal protective equipment (PPE) correctly and consistently during working hours.  
2. Install needle guards on all sewing machines.  
3. Store products with at least 0.5m clearance from the wall in the finished goods warehouse as per legal requirement.  
4. Contract a licensed service provider to conduct the assessment of current conditions of occupational disease hazards.  
5. Keep food sample for at least 48 hours as per legal requirement.  
6. Post the occupational hazard notification card of Toluene in the printing workshop.

FINDING NO.5
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection
Finding Explanation
1. The factory has not provided the Environmental Impact Assessment (EIA) report for review, because the report was collected by the local government for data analysis. In addition, the factory has not obtained the Environmental Protection Acceptance Check Report for the completed construction project. [HSE.4]

Local Law or Code Requirement
China Environmental Impact Assessment Law, Article 16 and Article 22. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.4)

Recommendations for Immediate Action
1. Maintain the Environmental Impact Assessment (EIA) report on site and provide for review upon request. Obtain the Environmental Protection Acceptance Check Report for the completed construction project.