



COMPANIES: Mountain Equipment Co-op (MEC)
COUNTRY: Taiwan
ASSESSMENT DATE: 10/19/16
ASSESSOR: Social Compliance Services Asia
PRODUCTS: Apparel
NUMBER OF WORKERS: 381

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

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	Violations
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Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

- 1.The factory does not have written policies or procedures on Personnel Development.
- 2.The factory does not have written procedures for workers to appeal disciplinary action taken against them.
- 3.The factory does not have written policies or procedures on the Grievance System.
- 4.The factory's procedures on safe evacuation in case of an emergency does not contain either (a) steps on how to ensure that all personnel, visitors, contractors, service providers are safely evacuated or (b) steps on how to ensure that all special categories of workers safely evacuated.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.2, ER.25, ER.27.1, ER.29, ER.31.2)

COMPANY ACTION PLANS

1. 1. Factory will follow FLA's suggestion to set up the written personal development policy & procedures according to FLA recommendation.
2. Factory will follow FLA's suggestion to set up the detail disciplinary policy and procedure.
3. Factory will follow FLA's suggestion to set up detail grievance policy and procedure.
4. Factory will follow FLA's suggestion to add the element in the existing factory's procedure on safe evacuation in case of an

emergency need to include (a) steps on how to ensure that all personnel, visitors, contractors, service providers are safely evacuated or (b) steps on how to ensure that all special categories of workers safely evacuated.

Action plan status:	Completed
Planned completion date:	09/10/18
Progress update:	10/05/17 : July 19, 2017: uploaded the factory grievance policy into the supporting document. Aug 4, 2017: 3. The factory submitted the 2017 internal annual training and that was not included the grievance system and environmental protection subject. The factory had done the internal training for these two subjects in May 2017 and the factory provided the internal training record as supporting document. The factory will add these two training when planning for 2018 annual internal training. 07/11/17 : Marked as complete. 1. The factory has in place a written personal development policy & procedure that includes the details as to how the workers are evaluated on training requirements in relation to career path, goal setting, methodology and evaluation. 2. The factory has in place a written disciplinary policy and procedures that includes the procedure for how a disciplinary action is taken, including third party witness, how workers are able to appeal for a disciplinary action taken to them, how the disciplinary action is documented, etc. 3. The factory has in place a written policy and procedures on grievance systems that include different kinds of grievance channels, the handling process, the documentation process, the feedback of grievance, the timelines, etc. The procedure includes requirement on documentation and review process. 4. The factory has in place procedures on safe evacuation in the case of an emergency. These procedures include steps on how to ensure all personnel, visitors, contractors, service providers are safely evacuated, as well as steps on how to ensure that all special categories of workers can be safely evacuated. Please see supporting documents.
Completion date:	08/04/17

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

- 1.The factory has not provided specific training for the relevant supervisors or HR personnel on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection.
- 2.The factory has not provided specific training to production supervisors on Hours of Work.
- 3.The factory has not provided specific training for the general workforce on the Grievance System or Environmental Protection.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.17.1 and ER.27.2)

COMPANY ACTION PLANS

1. 1, 2, 3, Factory will follow FLA's suggestion to set up the training plan specific for supervisors, HR personnel and general workforce on respective topics and deploy appropriate resource to ensure that these training plans are able to be carried out.

MEC has suggested to the factory that they arrange an annual training plan for all relevant supervisor and HR personnel on all factory policies and procedures, including: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection. MEC has provided guidance and references as to how to arrange an annual training plan. We will continue to support the factory to arrange this management system in regards to training.

Action plan status:	Completed
Planned completion date:	09/10/18
Progress update:	07/25/18 : Jan 23, 2018: The Factory prepared a 2018 training plan and has arranged the first training in Jan 2018. Information has been uploaded in the FLA platform. 10/05/17 : 09/27/17: 3. The factory arranged training to the general workforce on the grievance system and environmental protection. The factory also set up an annual training plan to the general workforce on the grievance system and environmental protection. Please see supporting documentation. This is complete. 07/11/17 : In progress. 1. The factory has set up an annual training plan for the relevant supervisors and/or HR personnel on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection. This is complete. 2. The factory has arranged specific training to production supervisors on Hours of Work. This is complete. 3. The factory has arranged training to the general workforce on the grievance system and environmental protection. The factory will set up an annual training plan to the general workforce on the grievance system and environmental protection. Please see supporting documentation.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

The worker integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input and feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1, ER.25.2, ER.27.3, ER.29.1.1, ER.30.2; Compensation Benchmark C.17)

COMPANY ACTION PLANS

1. Factory will follow FLA's suggestion to encourage workers' engagement on policy making, implementation and revision. MEC has recommended the facility adding a worker integration component into their Employment Functions. It has been requested that the facility established procedures to include workers' input and feedback on the creation, implementation, and revision of their policies and procedures.

Pending an update from the factory.

Action plan status: Completed

Planned completion date: 09/10/18

Progress update: 07/11/17 : This is complete. The factory has included workers' engagement on policy making and implementation and revision. The factory is now taking more from a bottom up approach rather than a top down approach, allowing the participation of the employees on decision and policy making. The factory consulted and invited the workers prior to the creation/revision of the policies to have them involved on the implementation process. The factory also has a document that keeps track of the these implementation: i.e. number of workers interviewed and their opinion. Please see supporting documentation.

Completion date: 05/29/17

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There are 123 Thai workers currently working in the factory. Their migrant agent collects from the workers NTD 1,800 (USD 56) in service fees the first year of the contract, NTD 1,700 (USD 53) the second year, and NTD 1,500 (USD 47) the third year, which is permitted under the prevailing legislation in Taiwan. Additionally, based on information provided by migrant workers, their recruitment agent in Thailand collected approximately THB 65,000 (USD 1,823) for the recruitment fee and other costs before arranging them work in Taiwan. The factory currently does not have a system in place to monitor the migrant workers' recruitment fees and to cover any of the costs paid by workers in their home country.

2. There is curfew in the dormitory which begins at 22:00, restricting migrant workers (who are the only residents in the dormitory) from moving in and out at night.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks, ER. 5 and ER. 6; Forced Labor Benchmarks F.3 and F.4)

Recommendations for Immediate Action

1. Implement a monitoring system to oversee the fees of recruitment agents in Thailand so as to prevent the migrant workers from being charged excessive fees in their home countries in order to work in Taiwan. Respective policy shall be properly communicated to agents in

- both Taiwan and in migrant workers' home countries.
- 2. Carry out a multi-stakeholder engagement to ensure that migrant workers are not charged any unreasonable recruitment fees in either their home country or in Taiwan.
- 3. Lift curfew in the dormitory and revise dormitory rules to allow workers freedom of movement.

COMPANY ACTION PLANS

1. All Thai employees received the "foreign nationals working costs and wages information" - the document that outlines all agent fees. Thai employees review and retained the information when they start to work at the factory. The Taiwan agent fees is in line with the Act/legal requirement. Please see attached supporting documents.

The factory has committed to ensuring they maintain all copies of the "foreign nationals working costs and wage information". MEC has also required the factory to ensure all foreign workers have a copy and ensure everything stated in the document are legally valid. Currently, all Thai workers pay the legally allowed monthly fees. All files are maintained in the financial dept.

Factory will follow FLA's suggestion to start to investigate the recruitment fees in Thailand (the migrant workers home country) step-by-step to ensure no unethical activities of overcharging the workers. MEC is working to support the factory by developing a step by step process to first understand all fees that are being paid and to then remediate accordingly. Please see work sheet that MEC created to drive the conversation and remediation with the factory. As this is a very complex issue, we will continue to work closely with the factory to drive continuous improvement. MEC will also continue engagement with the FLA, the Taiwanese government, CSOs and service providers to continue our understanding of the complex issue in an effort to seek sustainable solutions in remediation.

2. Due to the dormitory being located inside the factory area, it is necessary to implement the access control. The factory has agreed to cancel the curfew, and at this time they will retain staff badge in the security room. Workers can collect their badge when they enter to the security room. Regulations on the Administration of Foreign Workers' dormitory document completed before 2016/12/15.

Action plan status:	In progress
Planned completion date:	09/10/18
Progress update:	<p>08/02/2018: Mar 3, 2018: In progress. 1. The Factory has shared fee breakdown information with MEC; increasing our understanding on all fees that workers pay in their home country and in Taiwan. Please find supporting documentation attached. As per the fee breakdown in Taiwan, workers are paying the fees as per the legal requirement: NT\$ 1800/month for the first year, \$1700/month for the second year and \$1500/month for the third year and onward. As per the fee breakdown in Thailand, workers paid maximum THB25,150 to the agency, it is within the legal limit of no more than THB 56,000. Noted workers should not pay any fees even if they pay within the legal limit set by the Government of Taiwan and Thailand. MEC will continue the conversation to eliminate the fee.</p> <p>Officials from the Workforce Development in the Ministry of Labor department visited the Factory on June 5, 2018 – providing the factory with additional information regarding the direct hiring program; introducing them to the hiring process and how the Direct Hiring Center can support. The Factory also attended the Direct Hiring training in Hsinchu on July 10th. As per the Factory's response, they have more information for their consideration. They are internally discussing what is the next step. Their thought is to start direct hiring Thai workers in their facility who will soon finish the contract.</p> <p>In order to increase our leverage with the Factory to work towards zero-recruitment fees, MEC has engaged with two other brands to conduct a verification audit before end of this year. A meeting was set up on May 28, 2018 to introduce the collaboration audit to the Factory. During the meeting, the recruitment fees structure was discussed, and the other two brands also encouraged the Factory to adopt of an "Employer Pays" practice for recruitment fees. We are waiting the updated feedback from the Factory. The verification audit will give us a solid update of the progress made to date, while outlining what work is still to be done to fully remediate this item. Together with the other brands, we will continue the conversation on eliminating recruitment fees.</p> <p>07/02/2019: 1. MEC partnered with two other brands manufacturing at the facility for a shared assessment in October 2018. The scope of the assessment included verification of all findings noted during the FLA SCI. The audit is being led by another brand, who has yet to share a CAP update. According to the factory, they met with the intermediary company at the end of 2018 to and have reached a consensus and signed relevant written agreements on the reduction of fees - in both sending country and receiving. The implementation date is from 01/01/2019. Further update and supporting documentation is pending from the brand collaboration.</p> <p>Update 03/07/2019: The collaborating brands met with Velo and gained their commitment to assume all recruitment fees in stages over the next three years: starting in 2020 upon the hire of new foreign migrant workers, they will pay all recruitment fees. In the meantime, Velo will continue to ensure legal compliance is met with fees. The brands are encouraging Velo to capture their commitment in a formal action plan.</p> <p>2. Openview Service Limit on October 11-12, 2018 (Closed): The curfew in the dormitory which began at 22:00 was voided.</p>

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has assigned approximately 5% of its 87 young workers jobs which involve hazardous or poisonous materials (e.g. glues and

- paints).
- 2.The factory has not labeled some chemicals (e.g. machinery oils in the maintenance section, gasoline in the warehouse).
 - 3.The factory has not provided some chemicals with secondary containers (e.g. paints in the printing section and solvents stored in the warehouse).
 - 4.The factory has not installed a emergency exit sign on one of the emergency exits on the first floor of the dormitory.
 - 5.The factory has established basic ergonomic procedures and has conducted an internal ergonomic assessment of the production process. However, the factory has not taken proactive steps to reduce repetitive-motion stress and injuries. Additionally, the factory neither provides individual workstations that are adjustable to fit individual workers nor anti-fatigue mats for standing workers.

Local Law or Code Requirement

Article 6 of Occupational Safety and Health Act; Article 10 of Occupational Safety and Health Act; Article 41 of Factory Act; Article 44 of Labor Standards Act; FLA Workplace Code (Child Labor Benchmark CL.5; Health, Safety & Environment Benchmark HSE.1, HSE.5, HSE.9.1, HSE.11.1 and HSE.17.1)

Recommendations for Immediate Action

- 1.Reassign juvenile workers to jobs that do not involve hazardous or poisonous materials.
- 2.Label all chemicals and regularly monitor for compliance.
- 3.Provide secondary containers for all chemicals.
- 4.Install safety exit signs on all safety exits in the factory and dormitories and adopt measures to ensure that exit signs are installed and functioning correctly.

COMPANY ACTION PLANS

1. 1. Factory has stated they have adjusted the working content and procedure of existing young workers, so that they do not engage in working with toxic substances. The administrative department has arranged recruiting and work management policies for young and juvenile employees. They conduct training and education for supervisors and human resources departments to protect the health of young/juvenile workers. Pending factory to send supporting evidence of remediation.

2 and 3. Factory's environment, safety and health responsible manager holds an occupational safety and health administrator qualification (according to law received re-training after every 2 years). He is responsible for all chemical management. He will arrange chemical inspections of the whole plant and complete all label/marked and set up the chemical containers (please see provided documentation for corrective actions taken to date). He will revise the safety and health management procedures to include weekly inspections.

4. Factory health and safety inspections are conducted by the assigned environmental health and safety personnel. The personnel is responsible for completing the fire and public safety equipment repair, which was completed on 11/1. They have created a schedule for weekly inspections.

5. Factory will follow FLA's suggestion to carry risk assessment on areas where the ergonomic program is required. MEC will encourage the factory to provide required measures to reduce the impact of repetitive work.

Action plan status:	Completed
Planned completion date:	09/10/18
Progress update:	08/02/2018: May 7, 2018: 1. Completed. As per the Factory's update in Jan 2018, the Factory has completed the third party annual environmental assessment monitoring report. This assessment report includes the monitoring of "butyl acetate" as per MEC's recommendation. Please find supporting documentation attached. The report also confirmed the concentration level of all 8 chemicals were within the legal requirement. Juvenile workers also follow the government regulation requirement to work in the factory for three months and then back to school for three months. MEC reviewed the assessment report and discussed the Factory practice with our internal teams and deem this item as complete.
Completion date:	05/07/18