



COMPANIES: Kathmandu  
COUNTRY: Taiwan  
ASSESSMENT DATE: 12/15/16  
ASSESSOR: Social Compliance Services Asia  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 70

## FLA Comments

Kathmandu had previously decided to exit this factory due to a change in strategy and direction and at the time of this audit the overall spend was less than US\$5,000.

Following the FLA assessment in December 2016 however, Kathmandu had evidence that in addition to some health and safety violations, the factory was failing to take responsibility for migrant workers working at the facility, blaming their exploitative conditions on overseas recruiting agents. The factory management was further restricting the freedom of movement of these workers and was keeping their passports and travel documents in breach of local and international law.

Kathmandu communicated in the strongest terms to the supplier that “charging excessive recruitment fees, preventing workers from freely moving where they want and keeping their passports is considered by some to be a form of modern day slavery.” The factory took action on the health and safety violations but was unwilling to act or in any way change their practices around migrant workers.

Kathmandu was reluctant to walk away from this factory without first trying to leverage the supplier to do the right thing. Kathmandu therefore reached out to five international apparel and sports clothing and equipment companies. Unfortunately none of them were currently sourcing from this facility.

Kathmandu further sought to identify other international brands and buyers who were purchasing equipment and parts from this supplier. Four large international brands currently sourcing from this supplier were contacted but none of them responded or were willing to discuss the supplier with Kathmandu.

As Kathmandu was unable to gain any leverage with this supplier, we were not able to follow up on our Corrective Action Plan for this facility. We ultimately therefore exited this supplier in June 2017 because of strategic business decisions and a failure on the part of the supplier to adequately address the critical social compliance issues raised with them.

## 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
------------------	------------

## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Policies & Procedures (Macro)

##### Finding Explanation

The factory does not have written policies and procedures for any of the Employment Functions. The factory does, however, have some documents and systems in place to manage Compensation, Hours of Work, Workplace Conduct & Discipline, and Health & Safety.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.23, ER.25, ER.27, ER 28, ER 29, ER.31, and ER.32; Health, Safety & Environment Benchmark HSE.1)

### FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Responsibility & Accountability (Macro)

##### Finding Explanation

The factory does not clearly define, in writing, the person(s) responsible for any of the Employment Functions except Health & Safety.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

### FINDING NO.3

#### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Training (Macro)

#### Finding Explanation

The orientation training provided to new workers does not cover Industrial Relations, workplace rules, Health & Safety, or human resources policies.

The factory has not provided any specific training to the relevant supervisors or managerial staff on any of the Employment Functions. The factory has not provided any specific or ongoing training to general workforce on any of the Employment Functions.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17, ER.25.3.2, ER.27, and ER.28; Health, Safety & Environment Benchmarks HSE.5.2, HSE.6.2, HSE.8, HSE.9.2, HSE.14.2, and HSE.17)

### FINDING NO.4

#### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Communication & Worker Involvement (Macro)

#### Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to receive worker input and feedback on the creation, implementation, or 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, and ER.30.2; Compensation Benchmark C.17; Health, Safety & Environment Benchmark HSE.2)

### FINDING NO.5

#### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Review Process (Macro)

#### Finding Explanation

The factory does not periodically review its policies or procedures for any of the Employment Functions.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks, ER.1, ER.29, ER.30, and ER.31)

### FINDING NO.6

#### IMMEDIATE ACTION REQUIRED

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

#### Finding Explanation

1. During the assessment, the factory manager informed the assessment team that they were not permitted to review any of the payment-related records, conduct worker interviews (for either local or migrant workers), take photos of the production areas, or make photocopies and/or take photos of the reviewed documents. The assessors were only allowed to review the time records that factory

management had selected for the months of September and October 2016. The factory manager and the representative from the supply chain manager, whom was also present at the assessment, provided a written document from factory management to confirm the limited access. The FLA Regional Manager was notified immediately, however the facility did not allow access even after further communication with the representative and factory management. As a result, compliance with recruitment and hiring practices and other Employment Functions could not be verified during the assessment.

2. There are 11 Vietnamese workers currently working in the factory. The Taiwanese agent collected a service fee from the workers of NTD 1,800 (USD 56) per month in the first year of the contract, NTD 1,700 (USD 53) per month in the second year, and NTD 1,500 (USD 47) per month in the third year, which is permitted under the prevailing legislation in Taiwan. Additionally, based on information and records available (employment contracts and agreements between the agent and factory), the migrant workers also paid a recruitment agent in their home country VND 19,912,000 (USD 876) for the recruitment fee and other costs before receiving a work assignment in Taiwan. The factory currently does not have a system in place to monitor the migrant workers' recruitment fees or cover any of the costs paid by workers in their home or host country.

3. The personnel records of four migrant workers (those provided by factory management for review) showed that all migrant workers undergo an annual physical exam, paid by workers, which includes tests for pregnancy and HIV. Additionally, factory management uses the results of the pregnancy tests for make employment decisions, as the factory does not accept migrant workers who are pregnant.

4. The migrant workers' employment contracts require the workers to live in the factory-provided residences.

5. The factory keeps migrant workers' passports, bank books, and personal seals (used for signatures in personal documents). Since no workers were interviewed, it was unknown if workers surrendered these items voluntarily.

6. There is no system to review the performance of new workers during their probation period.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1.1, ER.5, ER.6, and ER.29; Nondiscrimination Benchmark ND.2, ND.3, ND.5, ND.6, ND.7, ND.10; Forced Labor Benchmark F.6, F.7.4, F.9, and F.10.1)

#### Recommendations for Immediate Action

1. Ensure that all required documents, including personnel records and time- and payment-related records, are made available to third-party assessors commissioned by the FLA. Allow the assessment team to conduct worker interviews with local and migrant workers without any unreasonable restrictions.

2. Implement a monitoring system to oversee the fees of recruitment agents in migrant workers' home countries so as to prevent migrant workers from being charged excessive fees in order to work in Taiwan. Ensure workers are not charged recruitment fees in their host or home country. Bare any costs for any local services related to workers' employment at the factory.

3. Engage with civil-society organizations in the home and host country to ensure that migrant workers are not charged any unreasonable recruitment fees.

4. Refrain from testing workers for pregnancy or HIV during annual physical exams.

5. Ensure employment decisions are free from discrimination, particularly based on a workers' pregnancy status.

6. Revise the migrant workers' contracts and remove the clause that requires the use of the factory's dormitories. Ensure that migrant workers sign these updated contracts.

7. Return migrant workers' passports, bank books, and personal stamps. Revise factory policy to allow migrant workers to keep their belongings.

Recommendations for Sustainable Improvement

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

#### Finding Explanation

During the assessment, the factory manager informed the assessment team that they were not permitted to review any of the payment-related records, conduct worker interviews (for either local or migrant workers), take photos of the production areas, or make photocopies and/or take photos of the reviewed documents. The assessors were only allowed to review the time records that factory management had selected for the months of September and October 2016. The factory manager and the representative from the supply chain manager, whom was also present at the assessment, provided a written document from factory management to confirm the limited access. The FLA Regional Manager was notified immediately, however the facility did not allow access even after further communication with the representative and factory management. Since no worker interviews were conducted and access to time records and payroll records was limited, workers' wages and benefits could not be verified during the assessment.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.18, ER.19, and ER.22; Hours of Work Benchmarks HOW.11 and HOW.14; Compensation Benchmarks C.1, C.2, C.4, C.5, C.7, C.6, C.8, C10, C.15, C.17, and C.19)

#### Recommendations for Immediate Action

Ensure that all required documents, including time- and payment-related records, are made available to third-party assessors

commissioned by the FLA. Allow assessment team to conduct workers interviews without unreasonable restrictions.

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

During the assessment, the factory manager informed the assessment team that they were not permitted to review any of the payment-related records, conduct worker interviews (for either local or migrant workers), take photos of the production areas, or make photocopies and/or take photos of the reviewed documents. The assessors were only allowed to review the time records that factory management had selected for the months of September and October 2016. The factory manager and the representative from the supply chain manager, whom was also present at the assessment, provided a written document from factory management to confirm the limited access. The FLA Regional Manager was notified immediately, however the facility did not allow access even after further communication with the representative and factory management. Since no worker interviews were conducted and access to time records and payroll records was limited, workers' hours of work could not be verified during the assessment.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.23; Hours of Work Benchmarks HOW.1 and HOW.7)

##### Recommendations for Immediate Action

Ensure that all required documents, including time- and payment-related records, are made available to third-party assessors commissioned by the FLA. Allow assessment team to conduct worker interviews without unreasonable restrictions.

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

- 1.The factory does not implement a system for handling complaints and grievances. According to factory management, workers could call the General Manager directly. However, this could not be verified during the assessment as no worker interviews were permitted.
- 2.The factory does not maintain documentation in relation to the grievance processes.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

##### Recommendations for Immediate Action

Factory shall maintain documentation in relation to the grievance process.

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

The factory does not maintain documentation in relation to Environmental Protection (e.g., an environmental emergency plan, records of recycling and energy saving, a complete list of hazardous chemicals).

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety, & Environment Benchmark HSE.2)

##### Recommendations for Immediate Action

Factory shall maintain documentation in relation to Environmental Protection.

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There are no Material Safety Data Sheets (MSDSs) for some chemicals (e.g., the solvents stored on the third floor of the production building, chemicals in the workshop where chemicals are used).
2. Some chemicals are not equipped with secondary containers, (e.g., the solvents stored on the third floor of the production building, chemicals in the workshop where chemicals are used).
3. Some chemical containers (e.g., the solvents stored on the third floor of the production building, chemicals in the workshop where chemicals are used) were not labeled with their contents or hazard warnings.
4. The factory has not provided annual occupational health checks to workers in the workshop who are in contact with chemicals, as legally required.
5. The factory has not taken any proactive steps to reduce repetitive-motion stress or injuries; workstations are not adjustable to fit individual workers, sitting workers are not provided with adjustable chairs with backrests, and standing workers are not provided with anti-fatigue mats.
6. The factory does not train loading workers on safe lifting techniques, nor does it provide workers with lifting belts.
7. The factory does not provide safety information to contractors.
8. The factory has not recorded the work-related injuries, fatalities, accidents or incidents for at least 12 months.
9. The factory does not track illnesses of workers.
10. Migrant workers are assigned to live in a room on the fourth floor of the production building which also houses the materials warehouse, which stores flammable materials.

##### Local Law or Code Requirement

Occupational Safety and Health Act of ROC, Article 6; Occupational Safety and Health Act of ROC, Article 10; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety, and Environment Benchmark HSE.1, HSE.2, HSE.3, HSE. 9, HSE 10, HSE 17, and HSE.26)

##### Recommendations for Immediate Action

1. Ensure MSDSs for all chemicals are available and properly posted.
2. Provide a secondary container for all chemicals.
3. Properly label all chemicals.
4. Provide annual occupational health checks to the relevant workers.
5. Provide contractors with safety information.
6. Record all work-related incidents, accidents, injuries and fatalities.
7. Track all illnesses of workers.
8. Relocate the dormitory to ensure that it is not in the same building as the production workshop.

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. At least three electricity control boxes in the first floor production workshop are fully blocked by production materials.
2. At least six fire extinguishers in the first floor production workshop are fully blocked by production materials.
3. One exit in the first floor production workshop was fully blocked by production materials.
4. There was no exit sign or emergency light installed on the dormitory exit leading towards the warehouse.
5. There are no no-smoking signs posted near the chemicals storage area.

##### Local Law or Code Requirement

Factory Act of ROC, Article 41; Labor Standards Act of ROC, Article 44; FLA Workplace Code (Health, Safety, & Environment Benchmark HSE.1, HSE.5, HSE 6, and HSE.13)

##### Recommendations for Immediate Action

1. Ensure all electrical boxes, fire extinguishers, and exits are free from obstruction. Regularly monitor for compliance.
2. Post no-smoking signs near the chemicals storage area.
3. Install proper exit signs and emergency lighting on the exit of dormitory.