



COMPANY: **Mountain Equipment Co-op (MEC)**

COUNTRY: **China**

ASSESSMENT DATE: **11/27/13**

MONITOR: **FLA Assessor Team (China)**

PRODUCTS: **Other**

PROCESSES: **Cut, Sew**

NUMBER OF WORKERS: **483**

NUMBER OF WORKERS INTERVIEWED:

ASSESSMENT NUMBER: **AA0000000323**

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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.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute

an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

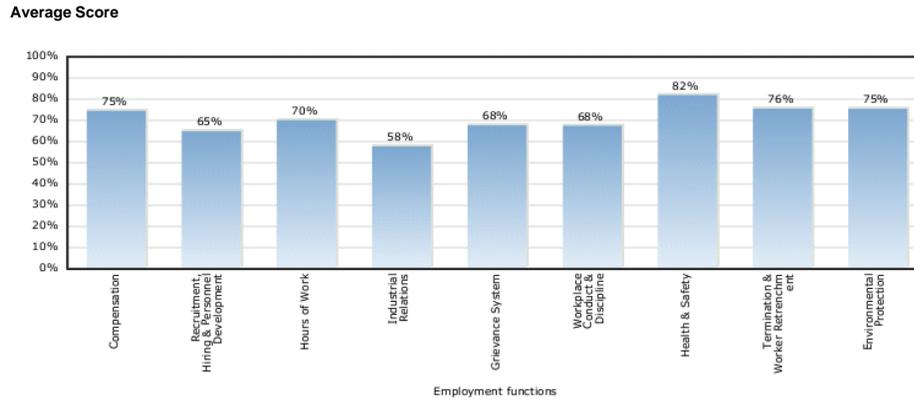
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

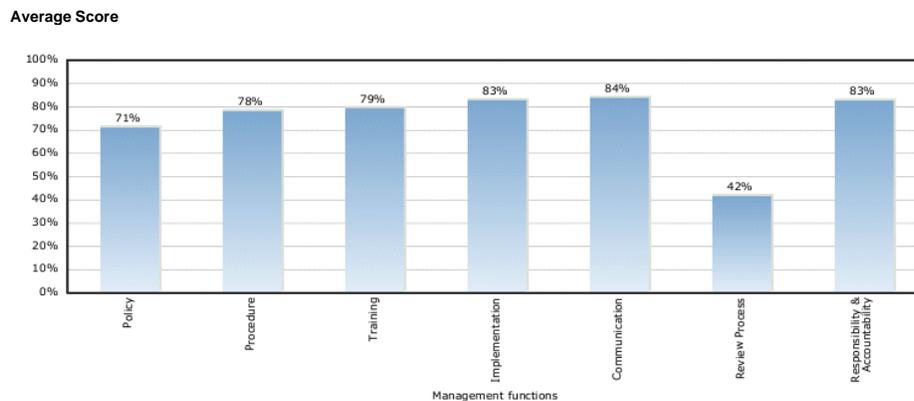
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	40.91%	75%	80%	45.88%	72.73%	50%	92.31%	80%	88.89%
Procedure	63.64%	50%	52.94%	0%	75%	66.67%	90.48%	86.44%	100%
Responsibility & Accountability	66.75%	66.75%	77.83%	55.67%	66.75%	66.75%	66.75%	66.67%	66.67%
Review Process	25%	0%	0%	0%	25%	25%	50%	100%	100%
Training	88.46%	92.86%	70.83%	30%	41.67%	65%	81.25%	87.88%	87.5%
Implementation	67.6%	83.97%	87.88%	57.69%	95.45%	100%	87.5%	86.75%	81.25%
Communication	75%	100%	65%	50%	75%	100%	87.5%	81.25%	100%

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	Violations
Compensation	1	General Compliance Compensation
Employment Relationship	11	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Health, Safety, and Environmental Management System/Policies and Procedures
Freedom of Association and Collective Bargaining	9	General Compliance Freedom of Association Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Right to Collective Bargaining/Good Faith Right to Freely Associate Deduction of Union Dues and Other Fees
Hours of Work	1	Annual Leave
Health, Safety and Environment	2	Ergonomics Notification and Record Maintenance
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

Findings and Action Plans

FINDING NO.1

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no policy and procedure related to Industrial Relations and Freedom of Association.
2. Factory management automatically enrolls every worker in the trade union and there is no written application from employees expressing their consent for joining the trade union. In addition, from worker interviews, it was noted that almost all workers are unaware that they are trade union members.
3. The factory deducted the trade union membership fee (2 RMB per month) from workers' wages without individual workers' express and written consent.
4. All of the Trade Union Committee positions were filled by management without a free election by workers.
5. Copies of the current collective bargaining agreement (CBA) are not provided to workers. During worker interviews, employees were not aware of the CBA's existence.

Local Law or Code Requirement

Constitution of Chinese Trade Union, Article 2; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.16, and FOA.24)

Root Causes

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 does stipulate 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.
2. These issues have not been brought to the attention of the factory management before during previous external audits.
3. Factory management lacks awareness of FLA Workplace Code and Benchmarks related to industrial relations and freedom of association.
4. The factory does not think it is necessary to provide employees with copies of the CBA. Additionally, it is not a legal requirement in China to provide workers with a copy of the CBA.
5. It is a common practice for Chinese factories to automatically enroll workers to be trade union members and to deduct union membership fees from workers' wages without workers' written consent.

Recommendations for Immediate Action

- i) Participation in the trade union should be voluntary and without management interference;
- ii) Factory should obtain written authorization from all factory trade union members regarding the union membership fee deduction.

COMPANY ACTION PLANS

1. The factory does not know what a CBA is and how it differs from the trade union. MEC recommends outside training to help arrange internal policies. Timeline: 3 months
2. Factory has a written application for workers to join a union (evidence: DOC140701-20140701132404). Factory is still missing a written procedure. KJ Tents currently only verbally tells the workers. Ms.Chen will send: Introduction to Trade Union. Timeline: 3 months.
3. Factory has incorporated "obtain written authorization of deduction of union membership fee" into the application. This needs to be included into the procedure once written. The notice/application is to be posted in the factory for all workers to see. Timeline: 3 months.
4. Factory has created a Worker Representative Communication Memo. In this document, it explains the duty of a worker representative in the factory. The memo also states that the company management will report back to the trade union to discuss any issues brought forth by the worker representative (evidence: Improve worker communication). However, as management should not be involved in the relationship of the worker representative and the trade union, it is requested that the factory allow for external training to help develop policies around FOA (see point number 5). MEC will discuss with the FLA and provide contacts for external training/support. Timeline: 3 months.
5. MEC will introduce a third-party expert to the factory to help them develop their policies and procedures around FOA. It is then recommended for management to train the workers and supervisors once the policy/procedures are created. Timeline: 3 months.
6. Factory has created and implemented a free election (evidence: union election paper; union elections); however, they do not have a written document that explains how a worker would nominate and run for the committee. Further, we are unaware of whether or not management sits on the committee. The factory has signed up to participate in the China Trade Union and has provided MEC with an application form for a worker to be involved (evidence: Association form).

Action plan status: Completed

Planned completion date: 10/15/14

Progress update: 09/07/16 : Update on Dec 16, 2015: Point 1: Factory established the FOA policy and stating that the union committee should be elected rather than management nomination. Relative training was done to workers. Factory provided the plan of general election of union in year 2017. Need further follow up of the election records and results in 2017. March 6, 2016 Point 2: Factory submitted picture to confirm workers signed receipt of the CBA. Confirm this item is completed. Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions.

12/16/15 : Closed as per June 25, 2015 audit result: 1.Factory management automatically enrolled every worker in the trade union and there was no written application from employees expressing their consent for joining the trade union. In addition, from worker interviews, it was noted that almost all workers were unaware that they were trade union members. As per audit result, documents review noted that the factory could provide worker's written consent for review. 2. The factory deducted the trade union membership fee (2 RMB per month) from workers' wages without individual workers' express and written consent. As per audit result, the factory could provide written workers' consent for review. Remaining Open item as per June 24-25, 2015 audit result: 1. All of the Trade Union Committee positions still were filled by management without a free election by workers. 2. Copies of the current collective bargaining agreement (CBA) were still not provided to workers. During worker interviews, employees were not aware of the CBA's existence. (Post in board) 3. There was still no policy and procedure related to Industrial Relations and Freedom of Association. MEC will recommend a labour relationship training to the factory. Working on to search for the right party to work with. SEPT 25, 2015 UPDATE: - Point 3 may be marked as closed as per document review by Openview Services on September 25, 2015: Factory established the FOA policy. Relative training was done to workers. The issue can be closed. (Please see supporting documentation attached: "freedom of association policy" and "FOA Training Sheet".) REMAINING OPEN ITEMS, WITH PROGRESS NOTED: - Point 1: Factory established the FOA policy and stating that the union committee should be elected rather than management nomination. Relative training was done to workers. Need to further check the election records and results (see "FOA Training" attached) - Point 2: The document factory named CBA is only an internal FoA policy, which I have stated in the above point. They have done trainings to workers about the policy. But there was no record to show that factory provided copy of CBA to workers (Please see "CBA Document" attached). Training is captured in a video, which we are unable to attached to the platform.

Completion date: 03/06/16

FINDING NO.2

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory requests workers to write a self-criticism letter when they violate factory's rules.
2. According to document review, along with worker and management interviews, workers are not given the right to participate or be heard in the disciplinary actions against them. The current disciplinary system allows neither a third-party witness during imposition of disciplinary actions nor an appeal process.
3. The factory's disciplinary rules do not require that all written records of all disciplinary actions taken be maintained. Based on worker and management interviews, some minor disciplinary actions were not kept in writing.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27.2.2, ER.27.3.2 and ER.27.4; Harassment or Abuse Benchmark H/A.6)

Root Causes

1. The factory is not aware of FLA Workplace Code and Benchmarks related to workplace discipline.
2. Management considers self-criticism letter and effective means of enforcing discipline in the factory.
3. Management considered the bypassing of the third-party witness mechanism and appeal process to be a more efficient way of taking disciplinary actions.
4. There is not enough worker consultation and representation in the policy-making process regarding workplace conduct and discipline.

Recommendations for Immediate Action

1. Cease the practice of asking workers write self-criticism letters when they violate factory rules.

COMPANY ACTION PLANS

1. Recommended training options to be discussed further with FLA/MEC.
2. Through photograph evidence (evidence: Eliminate Practice of Self-Criticism), MEC has confirmed that the factory has eliminated the practice of "Self-Criticism Letters". Factory has also provided MEC with a grievance process policy (evidence: Grievance Procedure). MEC recommends KJ add "allow the presence of a third-party witness during that process" into their Grievance Procedure. Time line: 2 months.
3. To be confirmed whether or not training has been completed on these revised policies. Factory will arrange training in 1-2 months. Training arranged by Mr. Wong from the HR department. MEC has sent the factory a template to capture attendance at the training. Timeline: 2 months.
4. Internal monitoring procedure is included in the Grievance Policy.

Action plan status: Completed

Planned completion date: 09/16/14

Progress update: 09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. The FLA confirmed this violation from 2013 as complete. It is not referenced in the 2016 report and no further action is required.

12/16/15 : Closed as per June 25, 2015 audit result: 1. The factory requested workers to write a self-criticism letter when they violated factory's rules. As per audit result, documents review noted that the factory had cancelled the practice. 2. The factory only sporadically communicated its grievance polices/procedures to workers. This partial effort could not ensure workers know and are up-to-date on factory's grievance procedures and applicable rules. As per audit result, documents review and management interview noted that the factory had ongoing and periodic communication procedures on grievances with the workforce and grievance procedures and applicable rules are known to workers. 3. Documents review noted that workers are given the right to participate and be heard in the disciplinary actions against them as per client's requirement. Still remaining as Open as per June 24-25, 2015 audit result: The factory's disciplinary rules still did not require that all written records of all disciplinary actions taken be maintained. Based on worker and management interviews, some minor disciplinary actions were not kept in writing. Corrective Action since audit: Factory submitted minor disciplinary record to MEC for review. Pending review from auditors. SEPTEMBER , 2015 UPDATE: As reviewed by Openview Services - Factory had started to record the disciplinary actions after the last audit. Can be marked closed. Please refer to "No. 3 Disciplinary Record" attached.

Completion date: 09/25/15

FINDING NO.3

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no supervisor training on national laws, regulations, and existing policies and procedures.
2. There is no orientation and ongoing training on the factory's grievance system. Based on worker interviews, most workers are not aware of the grievance channels and the process to lodge grievances and complaints.
3. There is no training for HR management and administrative staff on workplace conduct and discipline procedure.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17, and ER.27)

Root Causes

1. There are limited resources allocated to the factory's HR department and training program.
2. There is no mechanism in place to balance production needs with training needs.
3. The factory uses its "Employment Regulations" and employee handbook in the orientation training; however, the grievance procedure was not included in either of these documents.

COMPANY ACTION PLANS

1. 1. To be confirmed whether or not training has been completed on these revised policies. Factory will arrange training in 1-2 months. Training arranged by Mr. Wong from the HR department. MEC has sent the factory a template to capture attendance at the training. Timeline: 2 months.

MEC will visit the factory in October/November to confirm through worker interviews that training has been completed for all revised policies and procedures. Timeline: 4 months.

2. Same as above.

3. Same as above.

4. The factory has posted a notice for recruitment for the HR department outside of the factory. The factory has expressed difficulty finding a HR expert to work in their small sewing facility. MEC recommended during a teleconference that the factory reach out to a recruitment agency and job fairs to find the right candidate. Timeline: 2 months. Ms. Chen will send MEC a plan of action to address within the week.

5. Through document review (evidence: Grievance Procedure and Worker Representative Communication Memo) MEC has confirmed that the factory has organized several methods of communication between the management and the workers.

Action plan status: Completed

Planned completion date: 08/16/14

Progress update: 09/07/16 : Closed as per June 24-25, 2015 audit result: 1. The factory had periodical review process for all existing policies and procedures. 2. Documents review and management interview noted that the factory had ongoing and periodic communication procedures on grievances with the workforce and grievance procedures and applicable rules are known to workers. Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions.

Completion date: 06/24/15

FINDING NO.4

REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The factory did not conduct periodic review for its policies and procedures of recruitment, hours of work, compensation, grievance, discipline and termination. For instance:

1. According to compensation procedure, maternity leave is 90 days, while it should be 98 days based on the latest legal requirement.

2. Factory provided suggestion box for workers to lodge grievances and complaints; however, this method and relevant handling process was not mentioned in the grievance procedure.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.30.2)

Root Causes

1. Management does not see the need to periodically update the factory's documents.
2. Absence of personnel with sufficient resources in charge of reviewing and updating policies and procedures.

COMPANY ACTION PLANS

1. Factory Remediation: Factory has revised the maternity leave policy to reflect the legal requirement. In the Grievance Procedure document, it outlines the many different ways that workers can communicate a grievance. Required Action: add "suggestion box". Ms. Chen will update the procedure this week and send to MEC. 1. The factory has posted a notice for recruitment for the HR department outside of the factory. The factory has had difficulty finding a HR expert to work in their small sewing facility. MEC recommended during a teleconference that the factory reach out to a recruitment agency and job fairs to find the right candidate. Timeline: 2 months. Ms. Chen will send MEC a plan of action to address within the week. 2. Pending hire of HR staff. Timeline: 2 months. 3. Same as above. 4. Through document review, MEC has confirmed that the factory has organized several methods of communication between the management and the workers. For example: in the Grievance Procedure and the Worker Representative Communication Memo.

Action plan status:	Completed
Planned completion date:	08/16/14
Progress update:	09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions. 08/11/16 : Closed as per June 24-25, 2015 audit result: 1. The factory had periodical review process for all existing policies and procedures. 2. The factory provided the 98 days maternity leave instead of 90 days as per legal requirements.
Completion date:	06/25/15

FINDING NO.5

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have job descriptions for all types of positions.
2. Although there is policy and procedure for performance reviews in place, the factory does not implement them in practice. Workers' promotions are based on the supervisors' judgment/discretion without formal appraisal.
3. There is risk of gender discrimination in the factory; for example, there were no male workers in the sewing department and no female workers in the cutting department.

Local Law or Code Requirement

Labor Law of PRC, Article 12; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3, and ER.29; Non-discrimination Benchmarks ND.1 and ND.2)

Root Causes

1. The factory finds it easier to orally communicate job descriptions to candidates on the factory premises.
2. Workers are traditionally promoted in an informal way by supervisor recommendation. The factory does not see the need to establish transparent and written promotion criteria.
3. Management operates with gender stereotypes that it is more appropriate for females to work in sewing positions and males to work in cutting positions.

COMPANY ACTION PLANS

1. Job descriptions have been updated and sent to MEC (evidence: Job Descriptions).
2. Performance Review System has been completed according to the factory. Ms. Chen has yet to send to MEC to confirm. Review system to include criteria that will enable fair practice of promotion and bonuses.
3. Fair Recruitment System has been completed according to the factory. Ms. Chen has yet to send to MEC for confirmation. All recruitment decisions must be made on a workers' ability to fulfill their job responsibilities.

Action plan status: Completed

Planned completion date: 08/16/14

Progress update: 09/07/16 : Dec 16, 2015 update: Factory hiring advertise says they would like to hire sewing workers and no limit of gender. They already hired one female worker in cutting process. Factory established detailed non-discrimination policy with top management signature dated on Nov 26, 2015. Update on September 7, 2016: The factory was reassessed by the FLA in 2016. The FLA confirmed this violation from 2013 as complete. It is not referenced in the 2016 report and no further action is required.

12/16/15 : Close as per June 24-25, 2015 audit result: 1. Documents review noted that factory created job descriptions for all positions and communicate them to all workers. Remaining Open item as per June 24-25, 2015 audit result: 1. Although there were policy and procedure for performance reviews in place, the factory still did not implement them in practice. Workers' promotions were based on the supervisors' judgement/ discretion without formal appraisal. 2. There was still a risk of gender discrimination in the factory. For example, there were no male workers in the sewing department and no female workers in the cutting department. Since the verification audit, the factory has committee to: 1. Factory confirm will practice the policy as per our recommendation. 2. Factory will also pay more attention to the possibility of the gender discrimination. SEPTEMBER 25/15 UPDATE: Closed as per September 25, 2015 document review by Openview Services: - Point 2: Factory established worker performance evaluation form to be used for the evaluation. Sample record is provided. This can be closed but with ongoing monitoring including interviews with workers and supervisors in next audit (please see attached document: "No. 2" and "Final one on the notice board"). PROGRESS MADE, BUT PENDING FURTHER DOCUMENTATION: - Point 1: Factory hiring advertisement says they would like to hire sewing workers and no limit of gender. They already hired one female worker in cutting process. Suggest factory to establish non-discrimination policy and require this policy to be followed during hiring and employment procedures (please see attached documents: "No.1.2." "No.1.3" "No.1" and "No1.1"

Completion date: 12/07/15

FINDING NO.6

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory procedure and practice on maternity leave is 90 days, as opposed to 98 days as per legal requirements; in addition, workers are only allowed to claim breastfeeding leave for 6 months after childbirth, even though legal requirements allow breastfeeding leave for up to 1 year after childbirth.
2. Annual leave is not sufficiently provided to workers according to legal requirements; seniority is not inclusive of the previous employments of the worker.

Local Law or Code Requirement

Special Rules on the Labor Protection of Female Employees, Articles 7 and 9; Regulation on Paid Annual Leave for Employees 2007, Article 3; Implementation Measures of Employees' Paid Annual Leave (2008), Article 4; FLA Workplace Code (Compensation Benchmark C.1; Hours of Work Benchmark HOW.11)

Root Causes

1. Management does not want to provide workers with the legally mandated leave in order to save on labor costs, even though they are aware of the legal requirements.
2. The issue of annual leave was not pointed out during previous audits.

COMPANY ACTION PLANS

1. Policy for annual leave and maternity are okay as per document review (evidence: Maternity Leave and Annual Leave Policy). The Breastfeeding Policy has also been confirmed to have been revised to state no pregnant woman over 7 months can work OT (evidence: Maternity Leave).
2. To be confirmed whether or not training has been completed on these revised policies. Factory will arrange training in 1-2 months. Training arranged by Mr. Wong from the HR department. MEC has sent the factory a template to capture attendance at the training. Timeline: 2 months.

Action plan status: Completed

Planned completion date: 09/16/14

Progress update: 09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions.

08/11/16 : Closed as per June 25, 2015 audit result: 1. Documents review and workers interview noted that no workers who were pregnant for 7 months or more worked overtime. 2. The factory provided the 98 days maternity leave instead of 90 days as per legal requirements.

Completion date: 06/25/15

FINDING NO.7

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. From January to October 2013 (except for August), the average monthly overtime for 95% of the workforce was 58 – 62 hours, which exceeded the legal monthly limit of 36 hours.
2. Women who were more than 7 months pregnant were found to work overtime on Saturdays in October and November 2013, in violation of legal requirements.

Local Law or Code Requirement

Labor Law of PRC, Article 41; Special Rules on the Labor Protections of Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1 and HOW.4)

Root Causes

1. There is no mechanism for management to track female employees' pregnancies; typically, they are not aware of a worker's pregnancy until that worker applies for maternity leave.
2. The factory's production planning is based on 54 hours per week.
3. There is inadequate support from the buyer to identify and address possible reasons behind excessive overtime

4. Since the basic wage is equal or slightly exceeds the local legal minimum wage and is not enough to cover workers' basic needs, most workers rely on overtime premiums to achieve higher income.

Recommendations for Immediate Action

1. Cease the practice of allowing workers who are pregnant for 7 months or more to work overtime.

COMPANY ACTION PLANS

1. As discussed on a July 8, 2014 teleconference, Ms. Chen will write out the current procedure and send to MEC for review. Timeline: 1 week.
2. MEC has moved orders to be produced during the low season to help the factory decrease overtime hours during peak season (evidence: Email from sourcing). MEC will train and implement a Working Hour Monitoring Report with the factory starting. Timeline: 1 month.

Action plan status:	Completed
Planned completion date:	08/15/14
Progress update:	09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions. 12/16/15 : Closed as per June 24-25, 2015 audit result: 1. Documents review and workers interview noted that no workers who were pregnant for 7 months or more worked overtime. Remaining Open item as per June 24-25, 2015 audit result: 1. The time records for 100% of production workers indicated that the monthly overtime hours exceeded 36 in all past 12 months with a maximum of 62 hours according to the time records for the period from June 2014 to May 2015 and worker interviews. Factory has committed to continue to review their work hours situation and report to MEC. SEPTEMBER 25, 2015 UPDATE: The Factory had started to statistic the workers weekly working hours. But this was only done for sewing section. It is expect factory to submit working hours analysis data to MEC periodically for all its workers. Pending document review. Please see reporting attached.
Completion date:	09/08/16

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The lighting level in the cutting area and warehouse does not meet national standards. For instance, the lighting level in the cutting area reached 140 lux, while it should be 300 lux, as per legal requirements.
2. Chairs provided to workers are not ergonomically designed with a backrest to minimize bodily strains.
3. The factory did not track all illnesses and only a subset of illness records were maintained on site.

Local Law or Code Requirement

Standard for Lighting Design of Buildings GB50034-2004, Article 5.3.1; FLA Workplace Code (Employment Relationship Benchmark ER.31.2.5; Health, Safety, and Environment Benchmarks HSE.1, HSE.3, HSE.13, and HSE.17)

Root Causes

1. Personnel in charge of health and safety (H&S) are not familiar with FLA Workplace Code & Benchmarks and national law.
2. Management lacks awareness of the benefits of ergonomic improvements, such as increasing productivity and attendance levels,

- while reducing the risk of worker accidents and Musculoskeletal Disorder (MSDs).
3. Implementing ergonomic improvements implies additional costs for management.

COMPANY ACTION PLANS

1. According to the factory, the lighting is to the National Standard. Factory sent photographic evidence to MEC in July of the light decimal reader. To be confirmed through factory visit in October/November. Timeline: 4 months.
2. Ms. Chen to send proof of schooling certificate for EHS personnel. The factory could not find any local EHS experts, so they conduct training internally. MEC will provide support during our October/November factory visit: conducting a factory EHS tour with checklist. MEC will provide the factory with a copy of the EHS Checklist for their internal team to complete on a monthly basis. MEC will also support the factory by notifying them of local EHS trainings by third-party (for example: FLA, Summera, New Asia, Open View Services, etc.) Timeline: 4 months.
3. Factory agreed to conduct monthly EHS meetings. Action: Please send meeting schedule and meeting minute templates to MEC for review. Timeline: 1 month.
4. Factory has made no progress on replacing chairs with ergonomically designed ones. Due to the size of the product, the factory said that the chairs would not fit into the workstations. MEC has discussed on two teleconferences to try and persuade the factory to gradually replace chairs. MEC will discuss further options/solutions with the FLA. Timeline: 5 months
5. MEC has provided the factory with an injury record template. We will review the use of this template during our in-person visit in October/November. Timeline: 4 months.

Action plan status: Completed

Planned completion date: 11/14/14

Progress update: 09/07/16 : Factory provided photos of 3 different machines which were equipped with needle guards. Since all 100 sewing machines lack of needle guards during audit, we suggest this to be further verified in onsite audit. Update on September 7, 2016: The factory was reassessed by the FLA in 2016. The FLA confirmed this violation from 2013 as complete. It is not referenced in the 2016 report and no further action is required.

12/16/15 : Closed as per June 24-25, 2015 audit result: 1. On-site observation found that the factory installed necessary light equipment as per legally required. 2. Documents review and workers interview noted that the factory had provided safety training such as machine safety for all workers. Remaining Open item as per June 24-25, 2015 audit result: 1.The factory did not track all illnesses and only a subset of illness records were maintained on site. 2. On-site observation noted that all of the 100 sewing machines were not equipped with needle guards. 3. On-site observation found that chairs provided to workers were not ergonomically designed with backrests to minimize bodily strains. SEPTEMBER 25, 2015 UPDATE: 1. CLOSED: Factory established the tracking form for illness. Issue can be closed. (see: Illness Tracking) 2. OPEN: pending additional training provided by factory (see: needle guard photograph) - video cannot be sent through platform 3. CLOSED: Factory provided chairs with back support for workers sitting to work. The issue can be closed (see: chair with back support)

Completion date: 11/24/15

FINDING NO.9

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. The Chinese apparel industry currently does not provide wages that allow for the fulfillment of workers' basic needs plus a discretionary income.
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets their basic needs.

COMPANY ACTION PLANS

1. *Uncorroborated Risk of Non-Compliance Factory pays workers according to the local law requirement for both regular hours and minimum wages. The factory also educates workers on how to calculate their wages. The factory has increased regular wages by 12% starting in April 2014. MEC will follow up with the factory during our in-person visit. MEC will conduct worker interviews to discuss this finding in further detail. Pending on the discussion with workers and with management, MEC may propose that the factory complete FLA Fair Wage Self-Assessment.

Action plan status: Completed

Planned completion date: 12/31/14

Progress update: 09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. The FLA confirmed this violation from 2013 as complete. It is not referenced in the 2016 report and no further action is required.

08/11/16 : Remaining Open item as per June 24-25, 2015 audit result: Based on worker interviews, their salary still was not enough to cover all of their basic needs and provided a discretionary income.

Completion date: 06/08/16

FINDING NO.10

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory only sporadically communicates its grievance policies/procedures to workers. This partial effort cannot ensure workers know and are up-to-date on factory's grievance procedures and applicable rules.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.1 and ER.25.3.2)

Root Causes

1. Management does not see the need for ongoing and periodic communication with the workforce on the grievance procedure. Management lacks appreciation of the benefits regarding worker integration and communication.
2. Top-down communication without workers' feedback is culturally acceptable for management.

COMPANY ACTION PLANS

1. a. Factory installed a suggestion box in the factory. There are also two hotlines available for workers and the information was posted in the public area. The grievance procedure flow chart as well as the grievance form also make available to workers next to the suggestion box (evidence: Grievance Procedure Photo). b. KJ Tents to send MEC training documents/photographs to confirm they provide the grievance training to workers. 1. Through document review MEC has confirmed that the factory has a grievance procedure and workers have several channels to communicate grievance to management: hotline, letters, face to face, fax, email, etc. (Evidence: Grievance procedure). 2. Through document review MEC has confirmed that the factory has a detail procedure related to the information flow (evidence: Grievance Procedure). 3. Through document review MEC has confirmed that the factory has a detail procedure on how workers and management use the grievance system for investigation and resolution of issues (evidence: Grievance Procedure). 4. KJ Tents to send MEC training documents/photographs to confirm they provide the grievance training to workers.

Action plan status: Completed

Planned completion date: 09/16/14

Progress update: 09/07/16 : Update on September 7, 2016: The factory was reassessed by the FLA in 2016. Please refer to the 2016 SCI for further updates on remediation plans and actions.

08/11/16 : As per MEC led verification audit on June 24-25, 2015 1. The factory had periodical review process for all existing policies and procedures. 2. Documents review and management interview noted that the factory had ongoing and periodic communication procedures on grievances with the workforce and grievance procedures and applicable rules are known to workers.

Completion date: 06/25/15