



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** North Pole US, LLC  
**COUNTRY:** China  
**FACTORY CODE:** 780015454HV  
**MONITOR:** Openview Service Limited  
**AUDIT DATE:** October 17, 2011  
**PRODUCTS:** Outdoor chairs  
**PROCESSES:** Assembly, Inspection, Packing  
**NUMBER OF WORKERS:** 44

**FLA Comment:** In June 2012, North Pole LLC notified the FLA that they were no longer producing collegiate licensed products and would be withdrawing their affiliation with the FLA. The report is posted in its current state and no updates are anticipated.

\*To read the original IEM report of this factory, please visit the FLA website [here](#).  
For an explanation on how to read this report, please visit the FLA website [here](#).



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## **Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

### **Noncompliance**

**Explanation:** The last social insurance/security payment was made October 9<sup>th</sup>, 2009. It was noted that only 26 out of 30 employees participated in retirement, illness or injury, disability caused by work-related injury or occupational disease, unemployment and childbearing insurances. However, the factory had obtained a written waiver from the local social insurance bureau.

Legal Reference: PRC Labor Law Article 72

**Plan Of Action:** Though we had push the factory to do this, the factory advised that the as the number of employees is large, it's difficult to let all employees participate in the legal insurance. The factory had obtained a written waiver from the local social insurance bureau.

At least 40% employees will participate in the social insurance by December 2011, 50% by December 2012, and 90% by December 2013. We expect that all employees will be able to participate in the social insurance in 2014. So we will contact the government to let them send someone to the factory to carry out training about the social insurance benefit to employees.

**Deadline Date:** 12/31/2014

**Action Taken:** Feedback from the factory that most ecdemic employees don't want to participate in the social insurance. We trained the employee, but we kept in touch with government for the further work.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** (Pending) Based on review of the social insurance receipts, workers and management interviews, it was found that the factory did not provide social insurances (pension, medical, work-related injury, unemployment and maternity insurances) for 31 out of 44 employees.

Remark: the factory obtained legal waiver from the local social insurance bureau.

**Action Verified Date:** 10/17/2011

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### **Wages, Benefits and Overtime Compensation: Worker Wage Awareness**

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

#### **Noncompliance**

**Explanation:** (New finding on October 17<sup>th</sup>, 2011) 80% of interviewed workers were not aware of the calculation method of overtime payment.

**Plan Of Action:** Inform the factory to include training for the calculation method of overtime payment into the annual training plan. The factory should also carry provide a training session for all employees.

**Deadline Date:** 12/01/2011

**Action Taken:** The factory carried out the training for all employees to let them understand the calculation method of overtime payment.

**Plan Complete:** Yes

Plan Complete  
Date: 12/01/2011

Action Verified:  
No

Action Verified  
Text:

Action Verified  
Date:

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### Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

**Explanation:** FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); 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 ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 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. Trade unions also have an enhanced role in dispute resolution. In Dec. 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.

**Plan Of Action:** As we know, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. We will foster a sense of autonomy by organizing afterhours activities, which will be conducted by employees. We are planning a schedule and will decide the type of the activities for the employees. We will encourage them to discuss the problems in the work place and give the suggestions to management. We may nurture an awareness of their rights on Freedom of Association by 2015.

**Deadline Date:** 10/30/2015

**Action Taken:** Informed and trained the employees that they had the right to discuss the problems together, and brought up their advice.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** (Pending) Based on management interviews and worker interviews, it was found that there was no independent trade union or other workers organization in the factory.

**Action Verified Date:** 10/17/2011

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## Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

### Noncompliance

**Explanation:** 1. It was noted that no NorthPole Code of Conduct was found on-site at the factory. (Remark: According to the management, NorthPole had provided them a copy of their Code of Conduct, but they claimed that the document was lost.)

2. It was noted that the company did not communicate its association with the FLA to the factory.

**Plan Of Action:** We will provide NorthPole Code of Conduct to post on boards that are readily available for all employees to view. The factory management will be informed about the relationship between NorthPole and the FLA; they will also be informed of the importance of factory participation and involvement.

**Deadline Date:** 11/30/2009

**Supplier CAP:** Factory manager will see that the NorthPole Code of Conduct (provided by NorthPole) is posted on tack boards for employees to easily access.

**Supplier CAP Date:** 11/30/2009

**Action Taken:** NorthPole has provided their Code of Conduct again to the factory. The factory was advised to post it in various locations. The factory management had been informed about the relationship between NorthPole and the FLA; they were also informed of the importance of factory participation and involvement.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2009

**Action Verified:** No

**Action** 1. NorthPole provided its Code of Conduct to the factory.  
**Verified Text:** 2. NorthPole communicated its association with FLA to the factory.

**Action** 10/17/2011  
**Verified**  
**Date:**

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### Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

### Noncompliance

**Explanation:** New workers were not orally informed of the code or of code provisions at the time of induction. Workers were not provided with ongoing training on the code of conduct.

**Plan Of Action:** The factory will post the Code of Conduct the day after audit. The factory will train the employees on policy of NorthPole and the FLA.

**Deadline** 12/01/2011  
**Date:**

**Supplier CAP:** We will post the Code in a prominent place and carry out the training to employees for their understanding.

**Supplier CAP** 12/01/2011  
**Date:**

**Action Taken:** The code has been posted. The training had taken place for the employees. The factory will make a training plan for next year and let all employees participate in the training.

**Plan Complete:** Yes

**Plan Complete Date:** 12/01/2011

**Action Verified:** No

**Action Verified Text:** (Pending) It was found that the factory did not post copies of the NorthPole Code of Conduct nor did they orally inform the workers of the NorthPole Code of Conduct.

**Action Verified Date:** 10/17/2011

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### Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

### Noncompliance

**Explanation:** The company did not provide a confidential non-compliance reporting mechanism that allows workers to contact the company directly.

**Plan Of Action:** In the NorthPole Code of Conduct, our SER TEAM leaders' e-mail addresses and contact numbers can be found. The employees will be informed that they can report to the company anonymously.

**Deadline Date:**

**Action Taken:** The NorthPole Code of Conduct is posted on the wall. The employees had been trained on how to report to the company.

**Plan Complete:** Yes

**Plan Complete Date:** 12/01/2011

**Action**           No  
**Verified:**

**Action**           (Ongoing) The Code of Conduct included a confidential noncompliance reporting  
**Verified Text:** mechanism (email and phone number). But the Code of Conduct was not posted in the  
factory, and workers did not know about this mechanism.

**Action**           10/17/2011  
**Verified**  
**Date:**

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### **Health and Safety: Evacuation Requirements and Procedure**

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

#### **Noncompliance**

**Explanation:** (New Finding on October 17, 2011)

- 1.Factory walkthrough: One emergency light in the staircase of the production building did not work.
- 2.Factory walkthrough: Flammable materials were stored under the stairwell of the production building.
- 3.There was no fire fighting and evacuation drill in the past year. This violates the Article 11.3.1, the Article 7.4.1 of the Code for Design of Building Fire Protection and Prevention (GB50016-2006); Prevention Law and the Article 16 of the China Fire Prevention Law.



**Plan Of Action:** Advise the factory to train all employees in fire fighting and conduct an evacuation drill at least twice a year.

The emergency light was fixed and the flammable materials were moved. The team leader in the workshop will inspect on site to ensure that .The factory will check all stairwells and will keep them clear at all times.

**Deadline Date:** 12/01/2011

**Action Taken:** Train all employees on the Environment Healthy Safety (EHS) regulations so that they know the importance of keeping the aisles clear and the emergency light working. Establish a plan where the workshop leaders inspect safety matters .The factory will conduct the fire-fighting and evacuation drills periodically.

**Plan Complete:** Yes

**Plan Complete Date:** 12/01/2011

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## Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

### Noncompliance

**Explanation:** Two fire extinguishers in the assembly workshop were blocked.

Legal Reference: PRC Design Regulations for Fire Extinguisher Installation (GBJ 140-90), Article 5.1.1

**Plan Of Action:** Advise factory to move the items that block the fire extinguishers immediately. The factory keeps the fire fighting equipment available all the time.

**Deadline Date:** 11/30/2009

**Supplier CAP:** Move the product/goods that are blocking the fire extinguishers. Teach employees to store products in locations away from any fire equipment.

**Supplier CAP Date:** 11/20/2009

**Action Taken:**

**Plan Complete:** Yes

**Plan Complete Date:** 11/20/2009

**Action Verified:** No

**Action Verified Text:** (Completed) It was confirmed that none of the fire extinguishers were blocked.

Action 10/17/2011  
Verified  
Date:

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### Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### Noncompliance

**Explanation:** (New Finding on October 17<sup>th</sup>, 2011) Factory walkthrough noted that the MSDS for cleaner was not posted at the storage area. It violated the Article 27 of the Regulations on Safety in Workplaces Where Chemicals Are Used.

**Plan Of Action:** The factory posted the MSDS in the working areas where all the chemical materials are used. The workshop team leader will inspect to make sure this document is always posted.

**Deadline Date:** 12/01/2011

**Action Taken:** The factory posted the MSDS in the working areas in the next few days after the audit. The factory will arrange the team leaders to inspect to make sure the MSDS is always posted. The factory will provide MSDS training and teach workers how to use the cleaner

**Plan Complete:** Yes

**Plan Complete Date:** 12/01/2011

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## Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

### Noncompliance

**Explanation:** It was noted that the monthly overtime hours for 90% of the workers ranged from 44 to 92 hours between October 2008 and September 2009.

Legal Reference: PRC Labor Law, Article 41

**Plan Of Action:** Factory will be advised to control overtime according to local labor laws. HR has stressed to supervisors to limit overtime to be within FLA standards. In addition to hiring more workers, more training will be conducted for the employees to improve their work efficiency. In the peak periods, will control the overtime under 80 hours/months by December 2011, under 50 hours/months by December 2012. In the off seasons, will control the overtime under 36 hours/month by December 2012.

**Deadline Date:** 12/31/2012

**Supplier CAP:** We will control the overtime according to the PRC Labor Law by way of raising the production efficiency.

**Supplier CAP Date:** 12/31/2012

**Action Taken:** The factory has controlled the overtime and the working hours in the factory to comply with most customers' standards. It is a priority for HR to question all employees/supervisors if overtime is found to be extremely high. The factory has hired more employees and cut down on overtime.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No



**Action** (Pending) All employees' overtime hours were between 40 and 90 hours per month,  
**Verified** which exceeded the maximum legal overtime limit of 36 hours per month.  
**Text:**

**Action** 10/17/2011  
**Verified**  
**Date:**

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