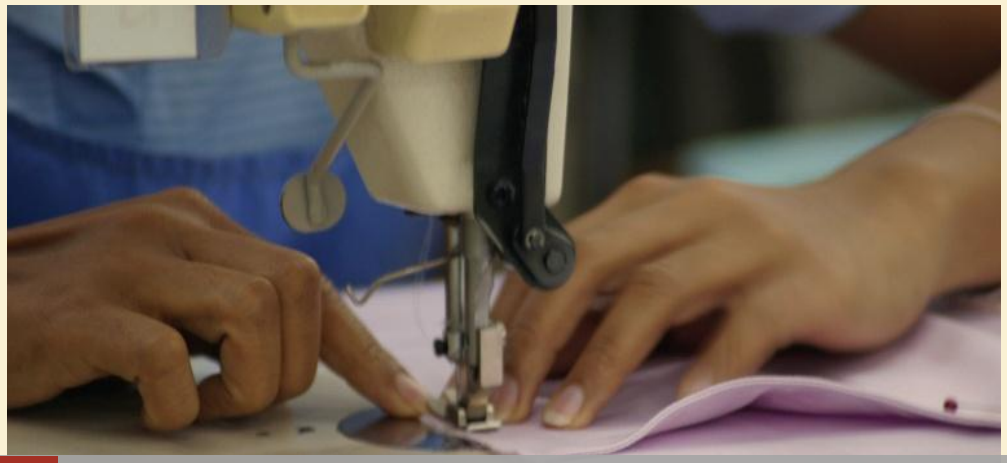

2010

Fair Labor Association
Independent External Monitoring Report

COMPANY: The Northwest Company
COUNTRY: China
FACTORY CODE: 1160015113I
MONITOR: Level Works
AUDIT DATE: October 12 – 13, 2010
PRODUCTS: Blankets
PROCESSES: Knitting, Dyeing, Printing, Washing, Finishing, Cutting, Sewing, Inspection, Packing
NUMBER OF WORKERS: 572

Company Comment: Factory made the decision to only service the Japanese market. We also felt that the factory's product line was not broad enough to maintain in our sourcing matrix. Factory did not provide us with a Corrective Action Plan. We do not know if they corrected the issues reported here, as our relationship with the factory ended shortly after the audit. Our reason for ending business with this factory had nothing to do with the findings of this audit, but strictly with our sourcing matrix. Factory was cooperative while we were conducting business with them.

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: "Overtime hours," "overtime wages" and "minimum wages" could not be verified due to the discrepancies observed during the document review. (Please see HOW.6 for details.)

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

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:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Non-Discrimination: Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Noncompliance

Explanation: The factory requires the employees to do serology index of hepatitis B examination before recruitment.

Legal Reference: PRC Employment Services and Employment Management Regulations Article 19

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

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: Company did not provide a code of conduct to be posted in the factory.

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

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: There was no confidential noncompliance reporting mechanism in place which allowed the workers contact the company directly.

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: 1. Factory only provided occupational disease health check to 20 out of around 150 workers at dyeing, printing, washing and combing sections.

Legal Reference: PRC Occupational Disease Prevention Law, Article 32

2. Factory did not obtain pollutant discharge permit for industrial wastewater.

Legal Reference: Law of the People's Republic of China on Prevention and Control of Water Pollution (2008), Article 20

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: 1. Factory did not have anti-leakage facility in the diesel generator room.

Legal Reference: Regulation for Safety of Dangerous Chemical, Article 16

2. There was no label attached on chemical used in dyeing section for identification.

Legal Reference: PRC Regulation of Chemical Safety Usage in Workplace, Article 19

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: Safety eye shields were not available for all interlocking sewing machines in the factory.

Legal Reference: PRC Safety Manufacturing Law, Article 29

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: "Overtime hours," "overtime wages" and "minimum wages" issues could not be verified due to the following discrepancies: A) As per broken needle records, there were broken needle records on May 16, 2010 (Sunday), but the provided barcode attendance records indicated that the relevant workers were on rest this day; B) As per daily production records in sewing section, there were production outputs on July 11 and 18, 2010 (Sundays), but the provided barcode attendance records indicated that all workers in this section were on rest both days.

Plan Of Action:

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date: