

Norges Bank  
PO Box 1179 Sentrum  
0107 OSLO

Your ref.:

Our ref.:

Date:

18/10855-32 / HJE

17.12.2019

## **The Council on Ethics' annual report to Norges Bank regarding its observation of Nien Hsing Textile Co Ltd**

Following the Council on Ethics' recommendation, on 10 July 2018 Norges Bank published its decision to place Nien Hsing Textile Co Ltd (Nien Hsing) under observation due to an unacceptable risk of the company being responsible for systematic human rights abuse.

Nien Hsing owns textile and garment factories in a number of countries, including Lesotho and Vietnam. The recommendation was based on investigations, which uncovered serious violation of workers' rights at the company's factories in Lesotho, including widespread sexual harassment of female employees by managers and supervisors. The Council's investigations also indicated numerous occupational health and safety issues, and that the company seemed to restrict freedom of association. The Council's decision not to recommend the company be excluded from investment by the GPFG was based on the fact that Nien Hsing was in the process of implementing changes and measures which could improve working conditions.

In November 2018, the Council held meetings with Nien Hsing in Taipei. In addition, Nien Hsing has provided regular updates on its work to improve working conditions at its factories in Lesotho. The Council also has held conference calls with the company, the latest in November 2019.

### *Developments since May 2018*

Nien Hsing has informed the Council that it has implemented a number of policies concerning harassment, including an ethical standard for all managers regardless of level. All the companies' factories must comply with these policies. "The contents of company directives/policies have been repeatedly communicated and instructed through a Top-Down approach." At the Lesotho factories, managers at all levels and workers have received training

on the content of the policies to develop a better understanding of how important it is that managers behave ethically and the consequences of non-compliance with the ethical standard. According to Nien Hsing, the company has addressed a number of other topics, including communication and reporting of grievances and sexual harassment. The company evaluates its training through feedback from employees.

Nien Hsing has also provided information about other measures it has implemented to prevent harassment, including that the responsibility for hiring day workers has been transferred from the supervisors to the human resources department, that the use of short term contracts has ceased, and that more female supervisors have been employed.

On 15 August 2019, Nien Hsing signed agreements with three global brands, unions and women's rights organizations, to set up an independent investigative organization, which will receive any complaints of gender-based violence and harassment from workers. It is mandated with carrying out investigations and assessments, identifying violations of the code of conduct, and with directing and enforcing remedies in accordance with Lesotho law. The agreement also involves extensive training of workers and managers.

The participating unions and women's rights organizations are the Independent Democratic Union of Lesotho, the United Textile Employees, the National Clothing Textile and Allied Workers Union, the Federation of Women Lawyers in Lesotho and Women and Law in Southern African Research and Education Trust-Lesotho. The US based organizations, the Solidarity Center, the Worker Rights Consortium, and Workers United will provide technical, administrative assistance and support. The three brands and the U.S. Agency for International Development (USAID) have provided funding for the organization, which will operate for two years.

The investigative organization is authorized to receive and investigate worker grievances and also direct sanctions, including termination, against supervisors who harass employees. Nien Hsing has committed to implement effective policies and systems to address gender based violence and harassment at its facilities. In addition, Nien Hsing will provide access to its factories for reporting purposes, and to refrain from any retaliation or other negative reactions against workers bringing complaints or participating in the program. In the case of any material breach by Nien Hsing of its agreements with the trade unions and women's rights organizations, each brand will reduce production orders until Nien Hsing is in compliance with the agreement.

In addition to this program, Nien Hsing reports that it has launched a separate project with the Indian NGO Swasti to improve workers' and local communities' health services, including better factory clinics, health screening services and setting up a Primary Health Care management system in its facilities in Lesotho.

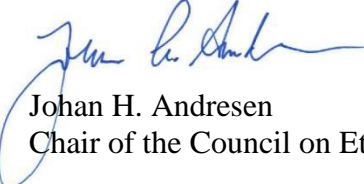
### **The Council's assessment**

Since May 2018, Nien Hsing has implemented a number of measures to improve working conditions at its factories in Lesotho. The agreement with brands, unions and civil society can provide a powerful incentive to prevent gender-based violence and harassment of workers at the factories in Lesotho.

The Council notes that Nien Hsing publishes little information on how the company works to prevent labour rights violations at its factories. Although labour rights policies are available on request, there is little public information on how the company ensures their implementation and compliance.

The Council deems it too early to determine whether the changes that Nien Hsing has implemented are effective. The Council therefore wishes to continue the observation of Nien Hsing. In order to obtain a foundation for assessing the extent to which the company's measures are effective, the Council will carry out new investigations at the company's factories in 2020.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Johan H. Andresen', is written over a circular blue stamp or seal.

Johan H. Andresen  
Chair of the Council on Ethics