



COMPANY: **Cutter & Buck**
COUNTRY: **China**
ASSESSMENT DATE: **11/03/14**
MONITOR: **Social Compliance Service Asia Ltd. (SCSA)**
PRODUCTS: **Apparel**
PROCESSES: **Cut, Sew, Full [= full package]**
NUMBER OF WORKERS: **0**
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: **AA0000000586**

FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

What's Included in this Report

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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.

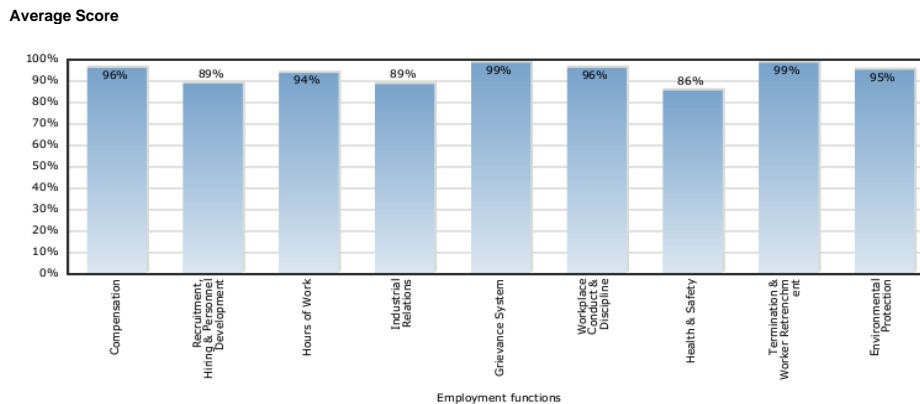
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that 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

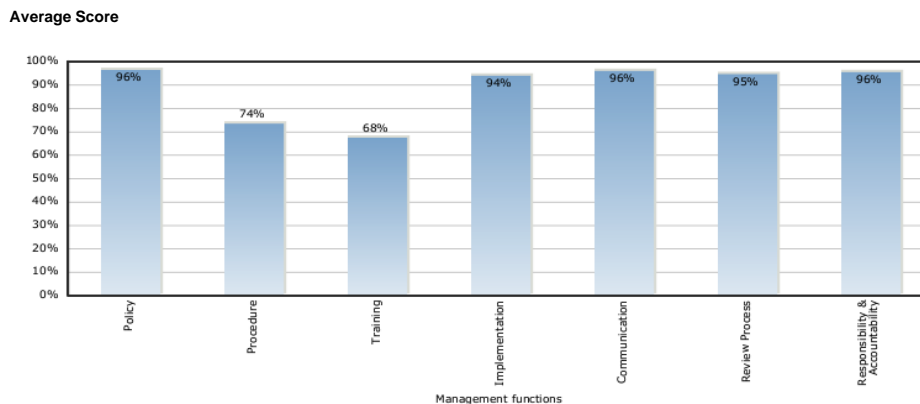
Score by Employment Function

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 | 100% | 100% | 100% | 75% | 100% | 100% | 100% | 100% | 100% |
| Procedure | 83.33% | 100% | 75% | 0% | 100% | 66.67% | 100% | 57.14% | 100% |
| Responsibility & Accountability | 100% | 100% | 100% | 66.67% | 100% | 100% | 100% | 100% | 100% |
| Review Process | 100% | 100% | 100% | 0% | 100% | 100% | 100% | 100% | 100% |
| Training | 60% | 66.67% | 66.67% | 0% | 66.67% | 75% | 66.67% | 56.67% | 33.33% |
| Implementation | 96.14% | 93.18% | 95.65% | 100% | 100% | 100% | 100% | 92.45% | 90.59% |
| Communication | 100% | 100% | 100% | 0% | 100% | 100% | 100% | 100% | 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 |
|--------------------------------|----------------------|---|
| Employment Relationship | 8 | General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Supervisor Training Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Health, Safety, and Environmental Management System/Policies and Procedures |
| Hours of Work | 1 | General Compliance Hours of Work |
| Health, Safety and Environment | 5 | Protection Reproductive Health Ergonomics Evacuation Requirements and Procedure Safety Equipment and First Aid Training Chemical Management and Training |
| Non-Discrimination | 3 | General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies Protection and Accommodation of Pregnant Workers and New Mothers |

Findings and Action Plans

FINDING NO.1

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on the provided time and payment records, workers' monthly overtime exceeded the legal limit of 36 hours a month in 2014. The highest number of monthly overtime hours worked was 110 hours in June 2014. In addition, most of workers' weekly working hours in May and June 2014 exceeded 60 hours (ranging from 61 to 65 hours). However, workers' weekly working hours in the rest of year were fewer than 60 hours based on record review.

Local Law or Code Requirement

Labor Law of the PRC, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1.1 and HOW.1.3)

Recommendations for Immediate Action

1. Ensure that weekly working hours do not exceed the limits as per local law or FLA benchmarks, whichever is lower.
2. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 1. How to provide better order forecasts to the factories;
 2. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 3. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 4. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 5. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks.
 6. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime

FINDING NO.2

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Not all employees are covered under social insurance. Based on a social insurance receipt for October 2014, the factory provided work-related Injury insurance to 2899 employees (100% of workforce); medical insurance to 2881 employees (99.4%); pension and unemployment insurance to 1829 employees (63%).
2. The factory does not pay into the Housing Provident Fund for all workers, as required by local law. The factory has only contributed to the Housing Provident Fund for 10.2% of the total workforce.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 73; Regulation on the Housing Provident Fund Management (2002), Article 15; FLA Workplace Code (Compensation Benchmark C.1; Employment Relationship Benchmark ER.22)

FINDING NO.3

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have written policies and procedures for Industrial Relations, and does not provide any ongoing training for employees regarding Industrial Relations. There is no clearly defined employee responsible/accountable for Industrial Relations.
2. 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 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.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmark FOA.2)

FINDING NO.4

POLICY AND PROCEDURE (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has written procedures on Recruitment, Hiring & Personnel Development. However, these policies and procedures do not contain steps and processes, linkages to job grading, nondiscrimination, written feedback, and compliance with legal requirements for performance reviews. The factory performance review systems do not include steps and processes.
2. The factory's procedures on Workplace Conduct & Discipline do not include requirements to record all warnings, disciplinary actions, and filing requirements. Moreover, the factory does not have procedures for employees to appeal disciplinary actions.
3. The factory has not established written procedures on Health & Safety, including the following aspects: standard operating procedures (SOPs) for each job with a focus on performing the job safely, measures to protect the reproductive health of employees through minimizing exposure to workplace hazards, protection against retaliation for workers who raise health and safety concerns, steps to ensure safe evacuation in case of emergency, information on chemical management and occupational exposure; guidance on electrical safety; information for managing confined spaces; information for managing lockout/tagout, guidance for external contractors/service providers concerning the factory's Health & Safety policies.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.27.1, ER.29.1, and ER.31.2; Health, Safety & Environment Benchmark HSE.12; Nondiscrimination Benchmark ND.8)

FINDING NO.5

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The hiring process includes age and gender restrictions, requiring workers 18 to 40 years old for sewing and women of 18 years or older for the packing section.
2. The number of disabled workers, 0.6% of total workforce, is below the legal requirement of at least 1.5% of total workforce. Furthermore, the factory does not contribute to the Employment Security Fund in lieu of employing the legally required number of disabled workers, as allowed under the local law.

Local Law or Code Requirement

Labor Law of the People's Republic of China, Article 12; Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmarks ER.3.2; Nondiscrimination Benchmarks ND.1 and ND.2)

Recommendations for Immediate Action

1. Remove all the age and gender restrictions for hiring, and ensure that the recruitment decisions are based solely on the qualifications of the applicants.

FINDING NO.6

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have an ergonomics program, and has not taken proactive steps to reduce repetitive-motion stress/injuries. There are no anti-fatigue floor mats provided for workers working in standing position at the cutting and ironing sections, no ergonomics related training available for workers on proper postures, and stretching exercises to reduce the stress and chance of injuries.
2. The factory has not had an asbestos exposure assessment.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1 and HSE.17.1)

FINDING NO.7

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Three electrical control panels in the workshops do not have warning signs.
2. Production materials are blocking two pieces of firefighting equipment.

Local Law or Code Requirement

Fire Control Law of the People's Republic of China, Article 28; Warning Sign in the Guidelines for Safety Signs and Usage GB 2894-2008, Article 2-7; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.6.1)

Recommendations for Immediate Action

1. Post electricity hazard signs on all electrical control panels.
2. Ensure that all the fire fighting equipment is easily accessible at all times.

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Three containers of cleanser are not equipped with secondary containment at the spot removing section.
2. Approximately 15 sewing machines are not equipped with protective eye-shields. In addition, some workers were not properly using eye-shields as the eye-shields were not in the correct position.
3. The sewing section at 1/F does not have a first aid kit, and some first aid kits do not have sufficient first aid supplies, e.g., the first aid kit at the cutting section.

Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Regulation for Safety of Hazardous Chemical, Article 16; Labor Law of the People's Republic of China, Article 54; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.6.1, HSE.9.1, HSE.14.1, and HSE.18.3)

Recommendations for Immediate Action

1. Install anti-leak secondary containment for all hazardous and flammable chemicals.
2. Ensure workers are properly using machine guards.
3. Stock the first aid kits with adequate equipment at the workshops.

FINDING NO.9

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The Worker Integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input and feedback on the creation, implementation, and 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 and ER.25.2)

FINDING NO.10

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have an appeal system in place for workers to appeal disciplinary actions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27)

FINDING NO.11

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has not provided specific training for relevant supervisors for the following Management Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relations, Workplace Conduct and Discipline, and Grievance System.
2. The factory has not provided training for the following: training on maintenance safety for designated employees, fire safety and emergency preparedness training for general workforce and designated employees, and Environmental Protection.
3. Orientation training for new employees does not include Industrial Relations.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17.1, and ER.27.2; Health, Safety & Environment Benchmarks HSE.5.2 and HSE.6.2)