



**COMPANY:** H & M Hennes & Mauritz AB, PVH Corp  
**COUNTRY:** China  
**ASSESSMENT DATE:** 10/14/15  
**MONITOR:** FLA Assessor Team (China)  
**PRODUCTS:** Apparel  
**PROCESSES:** Full [= full package]  
**NUMBER OF WORKERS:** 1864  
**NUMBER OF WORKERS INTERVIEWED:**  
**ASSESSMENT NUMBER:** AA0000001906

## 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.

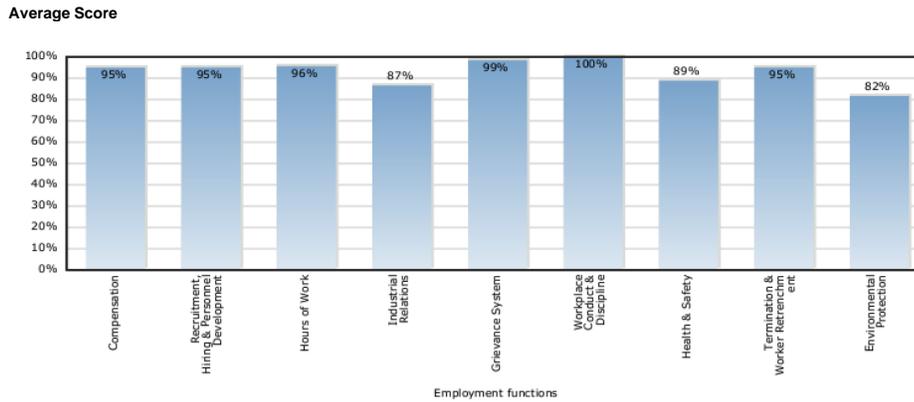
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be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

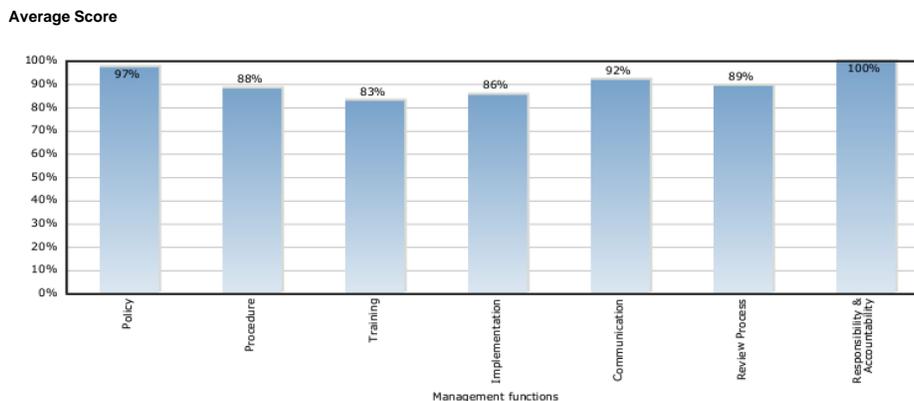
## Score by Employment Function

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%	100%	100%	100%	87.5%	100%	100%
Procedure	85.71%	100%	100%	100%	100%	100%	100%	87.1%	40%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	50%	100%	100%	100%	100%	100%	100%	100%	66.67%
Training	100%	100%	100%	0%	100%	100%	33.33%	92.31%	12.5%
Implementation	90.3%	91.05%	87.5%	71.43%	94.44%	100%	100%	84.75%	70.4%
Communication	100%	100%	100%	50%	75%	100%	83.33%	100%	50%

## 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	11	<ul style="list-style-type: none"> <li>General/Human Resource Management Systems</li> <li>Terms and Conditions/Communication</li> <li>Terms and Conditions/Supervisor Training</li> <li>General/Documentation and Inspection</li> <li>Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses</li> <li>Administration of Hours/Production and Incentive Schemes</li> <li>Industrial Relations</li> <li>Recruitment and Hiring/Employment Decisions</li> <li>Skills Development/Promotion, Demotion and Job Reassignment</li> <li>Health, Safety, and Environmental Management System/Policies and Procedures</li> <li>Termination and Retrenchment/General Policies and Procedures</li> </ul>
Freedom of Association and Collective Bargaining	7	<ul style="list-style-type: none"> <li>Employer Interference</li> <li>Employer Interference/Constitution, Elections, Administration, Activities and Programs</li> <li>Employer Interference/Registration</li> <li>Employer Interference/Favoritism</li> <li>Employer Interference/Police and Military Forces</li> <li>Right to Collective Bargaining/Good Faith</li> <li>Right to Freely Associate</li> </ul>
Hours of Work	6	<ul style="list-style-type: none"> <li>General Compliance Hours of Work</li> <li>Annual Leave</li> <li>Annual Leave/Determination</li> <li>Annual Leave/Restrictions</li> <li>Annual Leave/Wage Payments</li> <li>Forced Overtime/Exceptional Circumstances</li> </ul>
Health, Safety and Environment	10	<ul style="list-style-type: none"> <li>General Compliance Health, Safety, and Environment</li> <li>Machinery Safety, Maintenance and Workers Training</li> <li>Ergonomics</li> <li>Medical Facilities</li> <li>Drinking Water</li> <li>Notification and Record Maintenance</li> <li>Permits and Certificates</li> <li>Evacuation Requirements and Procedure</li> <li>Personal Protective Equipment</li> <li>Chemical Management and Training</li> </ul>
Non-Discrimination	2	<ul style="list-style-type: none"> <li>General Compliance Nondiscrimination</li> <li>Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies</li> </ul>

## Findings and Action Plans

## FINDING NO.1

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

Although there are policies and procedures for Personnel Development and career path in place, workers' promotion is based on the supervisors' judgment without formal appraisal and clear criteria.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.30.1.2)

### COMPANY ACTION PLANS

1. Immediate Action:

Factory has required the HR Department to provide training on the policy and procedure for personal development and career path to all department supervisors and require them to use such criteria as the basis for considering workers' promotions.

Sustainable Action:

The HR supervisor will review respective records when workers are promoted. The CSR team will review such records bimonthly.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress initiated upon development of CAP

## FINDING NO.2

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory's recruitment advertisement posted in the canteen has a discriminative clause stating an age requirement of 18 – 40 years for production workers. The recruitment advertisement posted on the gate of dormitory states an age limitation of younger than 55 years old for cleaning workers.
2. The factory has 7 (0.4% of the total workforce) disabled workers, which is a violation of legal requirements, which state that at least 1.5% of the total workforce should be disabled. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on the FLA Workplace Code and Benchmarks.
3. The factory retains possession of the original health examination reports (except for the occupational health examination) and does not return the exams to the workers. Additionally, the health examination fees are paid by the workers themselves, not the factory.
4. During the recruitment process, candidates for employment in the dying, automatic computer knitting machine, and yarn reeling workshops were not informed in writing that they would be exposed to hazardous chemicals, noise, and dust, which are the respective occupational disease hazards for these types of work.

#### Local Law or Code Requirement

Regulations on the Employment of Persons with Disabilities, Articles 8; Property Law of PRC (2007), Article 39; Norms of Employers' Notification and Warning Signs of Occupational Hazards (2014), Article 7; Law of Employment Contract of PRC (2008), Article 8; FLA Workplace Code and Benchmarks (Employment Relationship Benchmark ER.3.2; Nondiscrimination Benchmarks ND.1 and ND.2.1)

#### Recommendations for Immediate Action

1. Remove the discriminative clause concerning age requirement from all job advertisements. Make employment decisions based solely on candidates' qualification and ability.
2. Return the original health examination reports to workers. The factory is to cover the costs for the required health examination fees.
3. Inform workers in writing about which occupational disease hazards they are exposed to.

## COMPANY ACTION PLANS

### 1. Immediate Action:

Factory has removed the advertisement immediately and communicated to HR Department that age limitations are not allowed in recruitment. Also, factory communicated to workers that if they identify future violation, they can report to management.

### Sustainable Action:

The CSR team will check such recruiting tools each month during their internal assessments.

**Action plan status:** Completed  
**Planned completion date:** 10/23/15  
**Progress update:** 02/25/16 : Completed, following initial receipt of findings.  
**Completion date:** 10/23/15

### 2. Immediate Action:

Factory will further focus on advertising recruitment of disabled workers.

### Sustainable Action:

Factory advance its recruitment of disabled workers

**Action plan status:** In Progress  
**Planned completion date:** 06/30/16  
**Progress update:** 02/25/16 : Progress has been initiated.

### 3. Immediate Action:

Factory has required the HR Department only to keep a copy of health examination and return the original report to the workers.

### Sustainable Action:

The CSR team will check such records each month during their internal assessments.

**Action plan status:** Completed  
**Planned completion date:** 12/31/15  
**Progress update:** 02/25/16 : Issue addressed upon receipt of initial findings.  
**Completion date:** 12/31/15

### 4. Immediate Action:

Factory has required the HR Department to establish the written documentation of occupational hazards in order to educate workers beyond verbal notifications.

### Sustainable Action:

- Factory will obtain receipts (or other written confirmation) from workers who receive the written occupational hazard notification.
- The CSR team will check such records each month during their internal assessments.

**Action plan status:** In Progress  
**Planned completion date:** 01/29/16  
**Progress update:** 02/25/16 : Progress initiated upon receipt of initial findings

## FINDING NO.3

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The factory provides new workers with the mandatory social insurance registration in their second month of work, instead of the first month of working in the factory in accordance with legal requirements. The rest of the workers are covered by pension insurance, unemployment insurance, medical insurance, maternity insurance, and work-related injury insurance. However, the contribution base for all of these insurances is the minimum standard of CNY 2697 (USD425.15), rather than the legally required amount based on workers' earnings. Approximately 89.68% of all workers' wages are higher than the minimum contribution base.
2. 72.2% of the workers have not contributed to the legally required Housing Provident Fund. Among the 27.8% of the workers who contribute to the Housing Provident Fund, the contribution base is the minimum standard, rather than the legally required amount based on their actual earnings. All of these workers' wages are higher than the minimum contribution base.

##### Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 12, 58, and 60; Social Insurance Contribution Base Notice of Suzhou City (2014); Regulation on the Housing Provident Fund Management (2002), Article 15; FLA Workplace Code (Employment Relationship Benchmark ER.22.1)

##### Recommendations for Immediate Action

Ensure that workers are covered by work-related injury insurance in the first month of work.

### COMPANY ACTION PLANS

#### 1. Immediate Action:

Factory will begin to provide retirement insurance, illness insurance, child-bearing insurance, and unemployment insurance to new workers in their first month of working in the factory gradually.

#### Sustainable Action:

Factory will begin to provide retirement insurance, illness insurance, child-bearing insurance, and unemployment insurance to new workers in their first month of working in the factory gradually. For workers whose wages are higher than the minimum contribution base, factory will improve gradually to meet the legal requirement.

**Action plan status:** In Progress

**Planned completion date:** 10/23/16

**Progress update:** 02/25/16 : SSI improvement developed and shared with FLA.

#### 2. Immediate Action:

Factory will communicate the benefits of Housing Provident Fund to workers and encourage more workers to contribute to the Housing Provident Fund.

#### Sustainable Action:

Factory will continue providing Housing Provident Fund to more workers gradually and ultimately provide Housing Provident Fund to 100% of workers.

**Action plan status:** In Progress

**Planned completion date:** 10/23/16

**Progress update:** 02/25/16 : Progress is underway

## FINDING NO.4

### COMPENSATION

#### FINDING TYPE: Sustainable Improvement Required

## Finding Explanation

1. The written annual leave policy does not take workers' external seniority (previous job experience prior to this factory's employment) into account in calculating annual leave, as required by local law. Currently, almost all (90%) of the workers receive 10 days of annual leave, but due to accumulated external seniority, some workers are eligible for 15 days of annual leave.
2. The factory unilaterally arranged all of the workers' paid annual leave to be used for the Chinese New Year holiday (15 days total with 10 days of paid leave), without worker consultation or consent. Workers with 10 days of paid leave apply for unpaid leave for the rest of the year and workers with 15 days paid leave use the 5 paid leave days throughout the rest of the year.

## Local Law or Code Requirement

Implementation Measures of Employees' Paid Annual Leave (2008), Article 4; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.11, HOW.12.2, and HOW.13)

## **COMPANY ACTION PLANS**

### 1. Immediate Action:

Factory will communicate the policy of including previous job experience in calculating annual leave to all workers. For those who submit the appropriate certification to the HR Department, factory will take into account their previous job experience in calculating annual leave first. For those who cannot submit appropriate certification, factory will discuss and develop a solution subsequently.

### Sustainable Action:

The CSR team will check relevant records each month during their internal assessments.

**Action plan status:** Planned

**Planned completion date:** 07/29/16

### 2. Immediate Action:

Factory has required the HR Department to obtain written consent of paid annual leave to be used for the Chinese New Year holiday consecutively.

### Sustainable Action:

The CSR team will check relevant records each month during their internal assessments.

**Action plan status:** Planned

**Planned completion date:** 03/31/16

## **FINDING NO.5**

## **HOURS OF WORK**

### **FINDING TYPE: Immediate Action Required**

## Finding Explanation

1. The factory's production plan is based on 40 hours per week in the low season (Nov. – Mar.) and 60 hours per week in the peak season (Apr. – Oct.). This includes 20 hours overtime per week on a regular basis in the peak season.
2. In the past 12 months, 90% of the employees worked more than three hours of overtime on a daily basis, ranging from 3.5 hours to 5 hours.
3. In the past 12 months, 90% of the workers' monthly overtime ranged from 42 hours to 131 hours, with an average of 86 hours. This exceeds the legal limit of 36 overtime hours per month. The highest overtime (131 hours) occurred in July 2015.
4. In 8 of the past 12 months, weekly working hours ranged from 60.5 to 75.5, exceeding the FLA limit of 60 hours per week. For example, 50% of the workers worked around 75.5 hours in August 2015.
5. The factory obtained a Cumulative Working Hour System Waiver (CWHS), which allows 2432 total working hours (including 432 overtime hours) from December 26, 2014 to December 25, 2015. However, from January 2015 to September 2015, the factory's total working hours reached 2193 hours, which means only 239 allowed hours remain. Given that monthly working hours amount to around 243 hours, there is a high risk that the factory will exceed the CWHS limits.

## **Local Law or Code Requirement**

Labor Law of PRC (1995), Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1.3 and HOW.8.3)

## **Recommendations for Immediate Action**

1. Do not include regular overtime in production planning.
2. Do not exceed the legal limit of 36 hours of overtime per month.
3. Ensure that workers' weekly hours meet the FLA limit of 60 hours/week.
4. Ensure that daily overtime does not exceed 3 hours.
5. FLA affiliate Companies' 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:
  - How to provide better order forecasts to the factories;
  - Possible workshops/consultancy for the factory on how to improve productivity/quality;
  - Clear guidelines on how to extend shipment deadlines in case of contingencies;
  - Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
  - Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
  - Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

## **COMPANY ACTION PLANS**

1. 1. For recruiting, factory will try to hire more workers via channels below:
  - a. Extending the recruit channel. Factory will enhance cooperation with more local vocational schools to hire more workers.
  - b. Improving the benefits, to attract more young workers. Factory will plan to arrange colorful activities to workers such as sports, yoga, etc.
  - c. Encouraging internal recommendation, workers who recommend new hires will receive incentive bonus pay.
2. For trim supplier:
  - a. Factory will arrange worker to follow up on the delivery time of fabric and trim. Workers demonstrating good performance will receive incentives.
  - b. Factory will conduct assessments (including quality, price, delivery time) to the suppliers periodically. Performance will dictate renewed contracts.
  - c. Meanwhile, factory will explore new suppliers to replace those eliminated.
3. For linking and sewing processes:
  - a. Factory will arrange meeting to discuss each style during the development stage. If there is any chance the knitting process can replace, factory will improve the product in the knitting process.
  - b. The merchandising team, factory management, and QA team will discuss working method before bulk production.
4. HR Department will calculate and analyze working hours of each department every month. For those Departments which arrange excessive OT hours, the HR Department will follow up with them to work out the root causes and corrective actions to reduce the OT hours. The HR Department will arrange meeting with managers of each department to design OT plan of next month based on the OT situation of current month and orders.
5. Factory will include the following topics in meetings with customers:
  - production planning,
  - actual capacity,
  - lead time,
  - timely production status sharing,
  - minimizing negative impacts on working conditions.

Factory will keep reducing the OT hours gradually to meet legal requirement.

**Action plan status:** In Progress

**Planned completion date:** 10/23/16

**Progress update:** 02/25/16 : Working Hours Improvement Plan developed and shared with FLA.

## FINDING NO.6

### TERMINATION & RETRENCHMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

There are no policies and procedures in place governing certain aspects of Termination, specifically retirement.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1)

### COMPANY ACTION PLANS

1. Immediate Action:

Factory has required the HR Department to add a written policy and procedure for specific aspects of termination.

Sustainable Action:

The CSR team will check relevant documentation each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress is underway

## FINDING NO.7

### GRIEVANCE SYSTEM

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

The factory established a grievance mechanism including the grievance procedure, channels, and records. However, the following deficiency was observed:

There are five grievance channels in the factory – face-to-face individual talks with a supervisor/HR, suggestion boxes, administrative departments, the meals committee, and the trade union. However,

- a) Most of the interviewees were not aware of the channels of administrative departments, the meals committee, and the trade union;
- b) The factory maintained only three grievance records from the suggestion box and did not maintain any grievance records from other channels. The factory does not manage grievances and resolutions from all five grievance channels, which carries the risk that the grievance system is ineffective.

#### Local Law or Code Requirement

FLA Workplace Code and Benchmarks (Employment Relationship Benchmarks ER.2.1, ER.16.1, and ER.25.3.2)

### COMPANY ACTION PLANS

1. Immediate Action:

Factory will enhance the communication of the channels of administrative departments, the meals committee, and the trade union. Factory will maintain records of all channels.

Sustainable Action:

The CSR team will check relevant documentation each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 03/31/16

**Progress update:** 02/25/16 : Progress is underway

## FINDING NO.8

### INDUSTRIAL RELATIONS & FREEDOM OF ASSOCIATION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has a trade union under the ACFTU (All China Federation of Trade Unions) that was established in 2004. However, the factory management took up all seven trade union committee member positions.
2. The factory automatically enrolls every worker as affiliated members in the trade union without the written application or consent of these workers; all interviewed workers were unaware that they were union members.
3. No workers or union members were involved in drafting the Collective Bargaining Agreement (CBA); additionally, copies of the current CBA were not provided to workers. Based on worker interviews, workers (except for union committee members) were not aware of the CBA's existence.
4. The factory pays the union dues; workers do not pay union dues, thus the union is financially dependent on the factory.
5. The factory human resource department, rather than the trade union, established The Trade Union Management Procedure, posing the risk of management interference. The procedure include the election process for trade union committee members, the trade union's responsibility, and how to resolve industrial relations issues.
6. FLA comments: 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 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. 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.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.16)

### COMPANY ACTION PLANS

#### 1. Immediate Action:

The new election of the Trade Union will be conducted in March 2016, factory will encourage workers to committee member positions.

#### Sustainable Action

Factory will continue to encourage workers to workers to committee member positions.

**Action plan status:** Planned

**Planned completion date:** 03/31/16

#### 2. Immediate Action:

Factory will keep the written records of workers' consent to join the trade union as of 2016. Also, factory will enhance the training about Trade Union.

#### Sustainable Action:

The CSR team will check relevant documentation each month during the internal assessments.

**Action plan status:** Planned

**Planned completion date:** 03/31/16

3. Immediate Action:

Factory will provide Collective Bargaining Agreement to workers afterwards and will enhance training of Collective Bargaining Agreement to workers. Factory will communicate to workers that if they have any doubts about the current Collective Bargaining Agreement, they are encouraged to establish a new one.

Sustainable Action:

Factory will review the files every six months.

**Action plan status:** Planned

**Planned completion date:** 03/31/16

4. Factory will hold meetings to encourage suggestion from workers.

**Action plan status:** Planned

**Planned completion date:** 06/30/16

5. Immediate Action:

Factory has discussed with HR Department and the Trade Union. Factory will abolish the current Trade Union Management Procedure previously established by HR Department and instead require the Trade Union to establish a new procedure.

Sustainable Action:

All related trade union files will be established by Trade Union afterwards.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Initial discussions have occurred, and progress is underway.

## FINDING NO.9

### ENVIRONMENTAL PROTECTION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The factory does not arrange for a licensed waste handler for hazardous waste management. Thus, waste chemical containers of dyes, variable dyeing, finishing auxiliaries, oily rags, and waste machine oil containers were not disposed by a licensed waste handler. Currently, only the sludge and fluorescent lamps are disposed of by licensed waste handler.
2. There is no air emission test report for the two diesel power generators. Therefore, whether or not the air emissions exceed the legal limits is unknown.
3. The factory's environment policy/procedure does not cover enabling workers to raise environmental concerns, and protecting workers who allege environmental violations.

##### Local Law or Code Requirement

Prevention and Control Law of Environmental Pollution, Solid Waste (2004), Articles 57 and 59; Law of the PRC on the Prevention and Control of Atmospheric Pollution (2000), Article 13; National Environmental Protection Authority Notification 2005-No.350 with respect to discharge limit of diesel power generator; FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

##### Recommendations for Immediate Action

1. Arrange for a licensed institution to conduct the air emission test for the two diesel power generators.
2. Ensure that all hazardous wastes are disposed by a licensed waste handler.

### COMPANY ACTION PLANS

1. Immediate Action:

Factory has required the Administration Department to identify all hazardous waste and identify a licensed waste handler. The

Administration Department is in the processes of searching for the licensed waste handler in local area, who will dispose of waste chemical containers of dyes, variable dyeing, finishing auxiliaries, oily rags, and waste machine oil containers.

Sustainable Action:

The CSR team will monitor progress and maintenance against standard each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 03/31/16

**Progress update:** 02/25/16 : Identification of waste handler is underway.

2. Immediate Action:

Factory has required the Administration Department to contact local bureau to conduct emission test.

Sustainable Action:

The CSR team will monitor progress and maintenance against standard each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 06/30/16

**Progress update:** 02/25/16 : Internal plan established, and responsible parties assigned.

3. Immediate Action:

Factory will add the content of enabling workers to raise environmental concerns, and protecting workers who allege environmental violations in the environmental policy.

Sustainable Action:

Factory will review the environmental policy every six months.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress underway

## FINDING NO.10

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The factory has not arranged for a licensed institution to test fire-fighting and prevention facilities, including fire hydrants, fire water pool, smoke detectors, and fire alarms, on an annual basis.
2. There are no marks of emergency assembly meeting points.
3. There are no clear markings on the floor to indicate the secondary exit in the cylinder-knitting workshop.

##### Local Law or Code Requirement

PRC Fire Protection Law (1998) Amendment (2009), Article 16; Code of Design on Building Fire Protection and Prevention GB50016-2006, Article 11.3.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

##### Recommendations for Immediate Action

1. Arrange for a licensed institution to test fire-safety/prevention facilities on an annual basis.
2. Mark signs for the emergency assembly meeting points.
3. Make clear markings on the floor indicating all exit routes in the cylinder knitting workshop.

## COMPANY ACTION PLANS

1. Factory has required the Administration Department to contact local bureau to annually test fire-fighting and fire-prevention facilities, including fire hydrants, fire water pool, smoke detectors, and fire alarms and provide recommend appropriate steps.

**Action plan status:** Planned

**Planned completion date:** 06/30/16

2. Immediate Action:

Factory has required the safety director to mark the points.

Sustainable Action

The CSR team will check every month to ensure the locations remain appropriately identified.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress with safety director is underway.

3. Immediate Action:

Factory has added the missing evacuation markings on the floor.

Sustainable Action:

The safety director will check every week, and the CSR team will check each month during their internal assessments.

**Action plan status:** Completed

**Planned completion date:** 12/30/15

**Progress update:** 02/25/16 : Factory has added the missing evacuation markings on the floor.

**Completion date:** 12/30/15

## FINDING NO.11

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. There are no reports available for the pre-assessment of occupational hazards or the assessment of effects of occupational hazards control, prior to the acceptance check of the construction project and formal production as required by local law.
2. The factory has not reported its occupational health hazards to the local Administrative Department of Work Safety.
3. There are no occupational hazard notification posters posted at the work sites.
4. The factory installed three rapier looms in August of 2015. These machines generate a high noise level. However, the noise level had not been tested. Additionally, the factory does not provide the machine operators with earplugs as Personal Protective Equipment PPE.

##### Local Law or Code Requirement

Law of the PRC on the Prevention and Control of Occupational Diseases (2012), Articles 16, 17, 18, and 34; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 13(3), Article 15, and 16; Norms of Employers' Notification and Warning Signs of Occupational Hazards (2014), Article 16; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.7)

##### Recommendations for Immediate Action

1. The mentioned legally required two reports on pre-assessment of occupational hazards and the assessment report on the effects of occupational hazards control cannot not be retroactively obtained since the factory has formally started the production. However, the factory should arrange for a licensed institution to conduct the assessment for the current situation

- of occupational hazards.
2. After conducting the assessment for the current situation of occupational hazards, report occupational hazards to the local Administrative Department of Work Safety. Maintain the relevant document.
  3. Post occupational hazards notification cards at respective worksites. (Please refer to [http://www.chinasafety.gov.cn/newpage/Contents/Channel\\_6288/2014/1121/243207/content\\_243207.htm](http://www.chinasafety.gov.cn/newpage/Contents/Channel_6288/2014/1121/243207/content_243207.htm))
  4. Provide workers who operate rapier looms with earplugs as PPE. Include the workers in the occupational health examination track list.

## COMPANY ACTION PLANS

1. Factory has required the Administration Department to contact local bureau to conduct and provide reports on occupational hazards.

**Action plan status:** Planned

**Planned completion date:** 06/30/16

2. Factory has required the Administration Department to contact local bureau about how to report occupational health hazards. Factory will provide such report to local bureau upon completion of occupation hazard assessment. Factory will develop and execute plan to remediate hazards and mitigate risks.

**Action plan status:** Planned

**Planned completion date:** 06/30/16

3. Immediate Action:

Factory has required the Administration Department to develop occupational hazard notification posters and post them onsite.

Sustainable Action:

The safety director will monitor weekly, and the CSR team will monitor monthly during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress on posters is underway.

4. Immediate Action:

Factory has provided earplugs to workers in the area immediately. For the noise test, factory will include the area when conducting noise test in year 2016.

Sustainable Action:

Department supervisors will randomly check whether the workers wear earplug while working each day. The CSR team will monitor PPE usage monthly during internal assessments. For the noise test, factory will continue conducting noise tests in the area annually.

**Action plan status:** In Progress

**Planned completion date:** 03/31/16

**Progress update:** 02/25/16 : Earplugs have been provided to workers in the aforementioned area.

## FINDING NO.12

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. There is no ventilation facility to prevent chemicals from building up in the dye preparation room of the dying workshop, where around 40 dye containers are placed.
2. Three diesel tanks and a number of Liquefied Petroleum Gas (LPG) barrels are placed in the open-air areas. These tanks

did not have covers to prevent the LPG from being exposed to direct sunlight or other weather conditions, which poses a safety risk.

3. While Oil (a type of lubricating oil) is stored in the cylinder knitting workshop in amounts that are more than the daily consumption quantity, which violates local law on inflammable materials. Factory management reported it was meant for more than 3-months consumption. There were three barrels, around 600 liters in total. Since lots of yarn (combustible material) is processed in this workshop, large amounts of oil increase the fire risk in this workshop.
4. There was a chemical warehouse set up in September of 2014 that does not have an eye wash station, spill response equipment, or an emergency alarm.

### **Local Law or Code Requirement**

Regulations on the Safety Administration of Dangerous Chemicals (2011), Articles 20 and 21; Standard for Fire Safety Management of Assembly Occupancies, GA654-2006, Article 7.10.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

### **Recommendations for Immediate Action**

1. Install a ventilation facility in the dye preparation room of the dying workshop.
2. Ensure that the diesel and Liquefied Petroleum Gas (LPG) barrels are stored in a secure manner.
3. Relocate three barrels of While Oil from the production area of the cylinder knitting workshop to a dedicated storage area. Maintain oil required for short-term consumption in a secure manner at the production area.
4. Provide an eye wash station and spill response equipment, and install an alarm, at the chemical warehouse.

## **COMPANY ACTION PLANS**

### 1. Immediate Action:

Factory reported issue to the upper management and contacted professional staff to evaluate the situation. The ventilation facility has already been installed in the dyeing department.

### Sustainable Action:

The CSR team will check every month to ensure the ventilation facility is in working condition.

**Action plan status:** Completed

**Planned completion date:** 01/06/16

**Progress update:** 02/25/16 : The ventilation facility has been installed.

**Completion date:** 01/06/16

### 2. Immediate Action:

Factory has communicated to workers that diesel tanks and Liquefied Petroleum Gas (LPG) barrels are not allowed to be placed in open-air areas. Factory moved them from the open-air area immediately.

### Sustainable Action:

The safety director will monitor every week, the CSR team will check month during their internal assessments.

**Action plan status:** Completed

**Planned completion date:** 10/16/15

**Progress update:** 02/25/16 : Factory moved the containers from the open-air area immediately.

**Completion date:** 10/16/15

### 3. Immediate Action

Factory communicated with the workers the safety risks of keeping large amounts of white oil onsite and required them to keep the amount of white oil which would not exceed one week's usage.

### Sustainable Action:

The safety director will monitor every week, the CSR team will check month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Safety risk has been communicated to workers.

4. Immediate Action:

Factory has required relevant staff to install eye wash station, spill response equipment, and an emergency alarm in the newly established chemical warehouse.

Sustainable Action:

The safety director will monitor every week, the CSR team will check month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Requirement has been communicated to relevant staff, and progress is underway.

## FINDING NO.13

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Except for in the linking department, all seats provided for workers are not adjustable and ergonomically designed with a backrest to minimize bodily strain.
2. The factory has recorded but not tracked or analyzed workers' illnesses to take preventative measures.
3. There is a drinking water test report to demonstrate that sampled water quality is satisfactory, However, management reported that the filters of the boiling water machines are regularly replaced, but there was no maintenance record in place. This lack of records instance poses the risk of poor drinking water quality.
4. The factory has yet to identify confined spaces. Therefore, there are no warning signs and precaution procedures posted governing people's entry into these confined spaces. The factory has a number of confined spaces, such as the fire pool, waste water treatment facility, water tanks for dying process, and sewers.
5. The factory has not posted any Standard Operating Procedure (SOP) at the heat press machine, which exposes workers to 170 degree Celcius.
6. The factory does not have procedures in place to protect workers who raised concerns on Health & Safety against retaliation.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety, & Environment Benchmarks HSE.3, HSE.14.3, HSE.17, and HSE.23)

### COMPANY ACTION PLANS

1. Factory will keep providing trainings to workers regarding the benefits of using ergonomic chairs and provide chairs with back support to more workers gradually.

**Action plan status:** In Progress

**Planned completion date:** 10/16/16

**Progress update:** 02/25/16 : Progress is underway.

2. Immediate Action:

Factory will require the HR Department to track workers' illnesses records beginning in 2016.

Sustainable Action:

The CSR team will check records every month.

**Action plan status:** Planned

**Planned completion date:** 03/31/16

3. Immediate Action:

Factory has required the Administration Department to maintain records of replacing filters of boiling water machines.

Sustainable Action:

The CSR team will monitor records each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress is underway.

4. Immediate Action:

Factory will arrange professional staff to identify the confined spaces and post warning signs governing people's entry.

Sustainable Action:

The safety director will monitor every week, and the CSR team will monitor monthly.

**Action plan status:** Planned

**Planned completion date:** 06/30/16

5. Immediate Action:

Factory has required the respective department supervisor to post the appropriate warning sign and SOP.

Sustainable Action:

The safety director will monitor every week, and the CSR team will monitor monthly.

**Action plan status:** In Progress

**Planned completion date:** 01/08/16

**Progress update:** 02/25/16 : Progress is underway.

6. Immediate Action:

Factory has required the HR Department to add the content of protecting workers against retaliation.

Sustainable Action:

Factory will review the files every six months.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress is underway.

## FINDING NO.14

### TRAINING (MACRO)

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

There are deficiencies in the factory's training system:

1. There is no orientation training on the factory's policies and procedures related to Environmental Protection.
2. There is on-going training for workers and supervisors on most of Employment Functions, but not on the Employment Functions of Termination, Industrial Relations & Freedom of Association, and Environmental Protection.

##### Local Law or Code Requirement

## COMPANY ACTION PLANS

1. Immediate Action:

Factory has required the HR Department to add Environmental Protection content in the orientation training.

Sustainable Action:

The CSR team will monitor each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress is underway.

2. Immediate Action:

Factory has required the HR Department to add contents of the Employment Functions of Termination, Industrial Relations & Freedom of Association, and Environmental Protection in the ongoing training material.

Sustainable Action:

The CSR team will monitor each month during their internal assessments.

**Action plan status:** In Progress

**Planned completion date:** 01/29/16

**Progress update:** 02/25/16 : Progress is underway.

## FINDING NO.15

### REVIEW PROCESS (MACRO)

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Although the factory conducts an annual document review of all policies and procedures, the review was not performed in an effective way. Some of the policies/procedures outlined in the Employee Handbook and the document on Environmental Protection have not been updated in accordance with FLA standards and local regulation. For instance:

1. The probation period is still set at up to six months, although factory management has been aware of the maximum period of 3 months as per FLA standard, which has been implemented and enforced in practice.
2. The policy and procedure on Environmental Protection states that the waste chemical containers(dyes, finishing auxiliaries, and machine oil) and oily rags can be disposed by the suppliers instead of the licensed handlers, which violates legal requirements.

##### Local Law or Code Requirement

Prevention and Control Law of Environmental Pollution, Solid Waste (2004), Article 57; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.2.1, and ER.31.1)

## COMPANY ACTION PLANS

1. Immediate Action:

Factory updated the probation period to three months in the Employee Manual immediately.

Sustainable Action:

The HR Department will check the Employee Manual every month to ensure all contents are updated timely. Also factory will review the files every six months.

**Action plan status:** Completed  
**Planned completion date:** 10/23/15  
**Progress update:** 02/25/16 : Factory updated the probation period to three months in the Employee Manual immediately.  
**Completion date:** 10/23/15

2. Immediate Action:  
Factory will update the environmental policy.

Sustainable Action:  
The HR Department will check the employee manual every month to ensure all contents are updated timely. Also factory will review the files every six months.

**Action plan status:** In Progress  
**Planned completion date:** 01/29/16  
**Progress update:** 02/25/16 : Progress is underway.

## FINDING NO.16

### COMMUNICATION & WORKERS' INVOLVEMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

The worker integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Furthermore, workers are neither systematically integrated, nor consulted in the decision-making processes.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

### COMPANY ACTION PLANS

1. Immediate Action:  
Factory has required the HR Department to establish the procedure and subsequently communicate to all workers.

Sustainable Action:  
Trade Union and/or other worker representatives will be consulted when factory reviews and updates policies or procedures. The HR Department will check the employee manual every month to ensure all contents are updated timely. Also factory will review the files every six months.

**Action plan status:** In Progress  
**Planned completion date:** 01/29/16  
**Progress update:** 02/25/16 : Progress is underway.