



COMPANY: **Gildan Activewear Inc, H & M Hennes & Mauritz AB**
COUNTRY: **China**
ASSESSMENT DATE: **10/15/14**
MONITOR: **Openview Service Limited**
PRODUCTS: **Accessories [items, such as handbag clasps, that are affixed to other products]**
PROCESSES: **Other**
NUMBER OF WORKERS: **369**
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: **AA0000000519**

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

FLA Comment

Due to a recent system transition, some reports may not reflect the most recent remediation updates.

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.

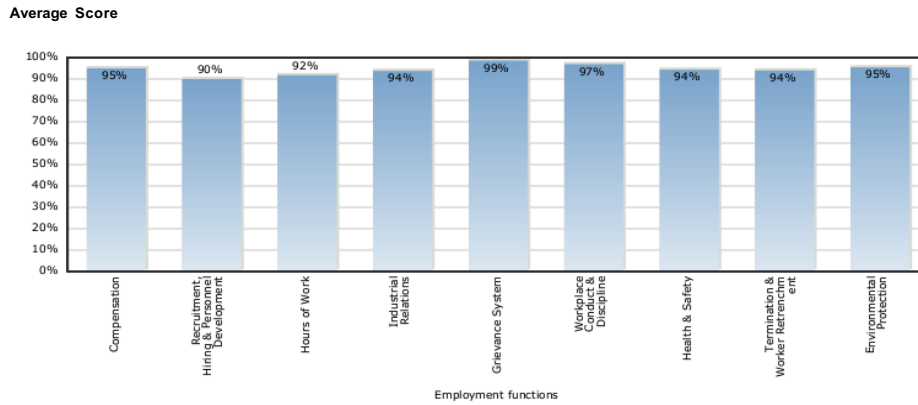
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

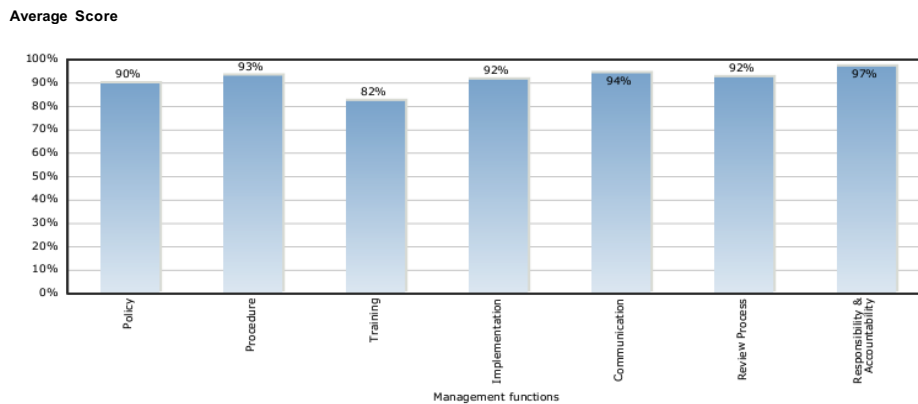
Score by Employment Function

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 | 66.71% | 100% | 100% | 100% | 100% | 100% | 91.67% | 100% | 100% |
| Procedure | 79.67% | 100% | 100% | 100% | 100% | 100% | 87.5% | 92.19% | 100% |
| Responsibility & Accountability | 100% | 100% | 100% | 100% | 100% | 100% | 83.25% | 100% | 100% |
| Review Process | 100% | 100% | 100% | 50% | 100% | 100% | 75% | 100% | 100% |
| Training | 85% | 66.67% | 66.67% | 50% | 66.67% | 75% | 50% | 100% | 66.67% |
| Implementation | 90.98% | 90.38% | 87.5% | 88.89% | 100% | 96.43% | 100% | 91.44% | 86.5% |
| Communication | 100% | 100% | 100% | 100% | 100% | 83.33% | 83.33% | 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 | 9 | General/Human Resource Management Systems Terms and Conditions/Communication Terms and Conditions/Supervisor Training General/Documentation and Inspection Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Management of Performance Reviews Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures |
| Freedom of Association and Collective Bargaining | 2 | General Compliance Freedom of Association Employer Interference/Constitution, Elections, Administration, Activities and Programs |
| Hours of Work | 2 | General Compliance Hours of Work Sick Leave |
| Health, Safety and Environment | 3 | General Compliance Health, Safety, and Environment Ergonomics Notification and Record Maintenance |
| Non-Discrimination | 1 | Protection and Accommodation of Pregnant Workers and New Mothers |

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no policies or procedures related to production workers' career paths and personnel development. The factory does not have career path or skill development training for production workers, even though production workers are more than 70% of the total workforce.
2. The factory does not have written policies and procedures that outline review steps and processes for performance reviews. Additionally, the factory does not conduct regular performance reviews for employees.
3. The job application form includes questions regarding marital status and political opinion, which could lead to discrimination

during the recruitment process.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, and ER.29, Nondiscrimination Benchmark ND.2.1)

Recommendations for Immediate Action

1. Remove questions regarding marital status and political opinion from job application forms.

COMPANY ACTION PLANS

1. 1. The facility has established the procedure documents related to worker's career path and personnel development.

Action plan status: Completed

Planned completion date: 11/01/14

Progress update: 03/11/16 : 1. The has established the procedure documents related to worker's career path and personnel development

Completion date: 11/01/14

2. 2. Training related to career path or skill development was provided to all production workers on Oct 30, 2014.

Action plan status: Completed

Planned completion date: 11/01/14

Progress update: 03/11/16 : Training related to career path or skill development was provided to all production workers on Oct 30, 2014.

Completion date: 10/30/14

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on a review of social insurance payments from September 2013 to August 2014, as well as worker and management interviews, the employer is not providing sufficient social insurance coverage for employees. All employees are provided with work-related injury and maternity insurance, 76.6% of employees are covered by pension, unemployment, and medical insurance. No additional insurance, such as commercial insurance, is provided to employees.
2. The basis of the social insurance contribution for the five types of social insurance is not in line with legal requirements. For example, pension insurance should be based on an employee's average total wage over the past 12 months (about CNY 2,900 per month based on payroll review); however, the employer only contributed CNY 2,230 per month to pension insurance.
3. The factory does not pay into the housing provident fund for all workers as required by local law. Only 26.3% (71 out of 270) of the employees were provided with housing provident funds in September 2014.
4. The factory does not provide prenatal leave as required by local law. For example, there was an employee who was over seven-months pregnant, and was not provided prenatal leave. A private interview found that she did not fully understand this regulation.
5. The factory has a sick leave policy; however, interviewed employees were not clear about the policy, and no employees have used this benefit in the past 12 months.

Local Law or Code Requirement

China Labor Law, Articles 45, 72, and 73; Social Insurance Law of the PRC, Article 12; Regulations On Management Of Housing Provident Fund, Article 15; Special Provisions on Labor Protection for Female Employees, Article 6; FLA Workplace

Recommendations for Immediate Action

1. Provide all workers with social insurance including Medical, Maternity, Work-related Injury, Pension, and Unemployment Insurance at the legally required contribution level.
2. Provide Housing Provident Funds for all employees.
3. Provide prenatal leave for all employees.
4. Provide sick leave for all employees.

COMPANY ACTION PLANS

1. Since employees themselves also need to pay the certain part of social insurance, the facility will arranged a training to let them better understand the benefits of joining in social insurance system, then try to increase the coverage step by step.

Action plan status: Completed

Planned completion date: 01/01/15

Progress update: 03/11/16 : Training was help on Dec 15, 2014.

Completion date: 12/15/14

2. We plan to increase the coverage of social insurance gradually, and finally meet 100% within the following one to two years.

Action plan status: Planned

Planned completion date: 12/31/16

FINDING NO.3

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. According to time records for Sept. 2013 to Sept. 2014 and worker interviews, monthly overtime hours for 80% of workers exceeded the 36 hours legal limit, with a maximum of 96 hours in July 2014.

Local Law or Code Requirement

China Labor Law, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1)

Recommendations for Immediate Action

1. Ensure that overtime hours are within the 36 hours per month legal requirement.

COMPANY ACTION PLANS

1. We will work with production department to make the adequate production plans, in order to reduce the overtime hours for all employees. 2. HR department will hire more workers to share the current workload.

Action plan status: Completed

Planned completion date: 12/31/14

Progress update: 03/11/16 : 3. As per the provided sample time records in Dec 2014, we have reduced our monthly overtime hours to be within 36 hours, which is in compliance with law. And we will try our best to control and monitor overtime hours in our future work

FINDING NO.4

TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no retrenchment policy and procedure in the factory

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.16, and ER.32)

COMPANY ACTION PLANS

1.

| | |
|---------------------------------|--|
| Action plan status: | Completed |
| Planned completion date: | 12/01/14 |
| Progress update: | 03/11/16 : The facility has established a retrenchment policy. |
| Completion date: | 11/15/14 |

FINDING NO.5

INDUSTRIAL RELATIONS

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 2000. There are neither written procedures, nor records on file that indicated that any elections have been held.
2. Factory management automatically enrolls all workers as trade union members without workers' consent. About 80% of the interviewed workers did not know if they were members of the trade union. Factory management pays union dues rather than the workers.
3. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA), and 80% of the interviewed workers did not know the content of the CBA.
4. 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 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 (Freedom of Association Benchmarks FOA.1, FOA.2, and FOA.11; Employment Relationship Benchmark ER.26)

COMPANY ACTION PLANS

1.
Action plan status: Completed
Planned completion date: 04/01/15
Progress update: 03/11/16 : The facility has established the written procedures for election.
Completion date: 03/03/15

2. The next elections will be held in April, 2015, we will keep the records then
Action plan status: Planned
Planned completion date: 05/01/15

3.
 1. The factory will organize the training for all the workers about the duty being a member of the union. And the factory trainers are talking about the training method which can persuade the worker effectively and collecting the training materials.
 2. After the training for all the workers, the factory will organize specific training for all the managers and group leaders. And the factory will ask the managers to pay the union dues at first. And then the group leaders.
 3. And the factory will ask the group leaders to organize the training for their department workers frequently. And persuade a few workers to pay it. And finally the factory will ask all the workers to pay it by themselves.
 4. By the step 1 to 4, the factory is planning to increase the rate by 8% every month and will achieve the aim that 100% workers will pay the union dues by themselves in December, 2016.
Action plan status: Planned
Planned completion date: 12/26/15

FINDING NO.6

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The disciplinary system does not include a third party witness during the imposition process.
2. According to employee and management interviews, there have been few cases of regulation violations in recent years, and the management handles them verbally without written records.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2 and ER.27)

COMPANY ACTION PLANS

1.
Action plan status: Completed
Planned completion date: 01/01/15
Progress update: 03/11/16 : Facility has updated their disciplinary policy, and worker union will be the third party witness during the imposition process .
Completion date: 12/03/14

FINDING NO.7

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The factory does not provide specific training for managers and supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Environmental Protection.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.17)

COMPANY ACTION PLANS

1.

| | |
|---------------------------------|--|
| Action plan status: | Completed |
| Planned completion date: | 11/01/14 |
| Progress update: | 03/11/16 : Training for managers and supervisors was held on Oct 25, 2014 regarding to these topics. |
| Completion date: | 10/25/14 |

FINDING NO.8

HEALTH, SAFETY & ENVIRONMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Several secondary containers for the knitting machines are damaged, and some machine oil has leaked on the ground. Leaked machine oil in the knitting workshop and the chemical warehouse was not cleaned up in a timely manner, as per the requirement in the chemical management procedure.
2. The factory has not maintained hazardous waste disposal records for rags contaminated by hazardous chemicals and waste machine oil from air compressing machines.

Local Law or Code Requirement

The Regulation for Safety of Dangerous Chemical, Article 16; The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 59; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9.1)

Recommendations for Immediate Action

1. Repair secondary containers, and clean up spills in a timely manner.
2. Dispose of hazardous waste with a qualified company, and keep complete disposal records.

COMPANY ACTION PLANS

1.

| | |
|---------------------------------|--|
| Action plan status: | Completed |
| Planned completion date: | 11/01/14 |
| Progress update: | 03/11/16 : secondary containers for the knitting machines which were damaged have been repaired. Also the leaked machine oil was cleaned up on the working floors. |
| Completion date: | 10/17/14 |

FINDING NO.9

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The Material Safety Data Sheet (MSDS) for the machine oil is incomplete; it is missing the CAS Number and supplier information.
2. Three knitting workers were not wearing earplugs in the knitting workshop where noise level exceeds 85 dB.
3. The factory has not conducted occupational health examinations for 5 knitting workers who began working at the factory more than one month ago, or for workers who have recently resigned.
4. The factory has only kept health examination records for 90% of the workers. Additionally the factory has not tracked and done statistical analysis for all illnesses.

Local Law or Code Requirement

The safety data sheet for chemical products – Content and order of sections GB16483-2008, 4.1; The Law of the China on Work Safety, Article 37; The China Law of Prevention and Control of Occupational Diseases, Article 32; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, and HSE.7)

Recommendations for Immediate Action

1. Provide and monitor the use of Personal Protective Equipment (PPE) for workers who work in the knitting process.
2. Provided complete MSDS.
3. Provide occupational health examination for all eligible workers.

COMPANY ACTION PLANS

1.

| | |
|---------------------------------|--|
| Action plan status: | Completed |
| Planned completion date: | 11/01/14 |
| Progress update: | 03/11/16 : CAS Number and supplier information are updated on the MSDS for machine oil |
| Completion date: | 10/17/14 |

FINDING NO.10

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

COMPANY ACTION PLANS

1.

| | |
|----------------------------|-----------|
| Action plan status: | Completed |
|----------------------------|-----------|

Planned completion date: 04/01/15

Progress update: 03/11/16 : From now on, the facility allow workers to join in the process of creation, implementation and updating of its policies and procedures. A procedure was established (see evidence provided).

Completion date: 03/25/15

FINDING NO.11

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not provide adjustable chairs for seated workers.
2. Traffic lanes and walking paths on the factory premises are not clearly marked.
3. The factory has not assessed or adopted any visual management system (indicators, convex mirrors, reflectors etc.) to ensure safe driving practices on the factory premises.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmark HSE.17)

COMPANY ACTION PLANS

1. The adjustale chairs were provided to the seated workers.

Action plan status: Completed

Planned completion date: 04/07/15

Progress update: 03/11/16 : The adjustale chairs were provided to the seated workers.

Completion date: 04/07/15