



**COMPANY: Gildan Activewear Inc**

**COUNTRY: China**

**ASSESSMENT DATE: 09/28/15**

**MONITOR: SMT-Global**

**PRODUCTS: Apparel**

**PROCESSES: Sew, Other**

**NUMBER OF WORKERS: 180**

**NUMBER OF WORKERS INTERVIEWED:**

**ASSESSMENT NUMBER: AA0000001892**

## **What's Included in this Report**

- Understanding this Assessment Report
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## **FLA Comment**

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

*Improving Workers' Lives Worldwide*

# 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.

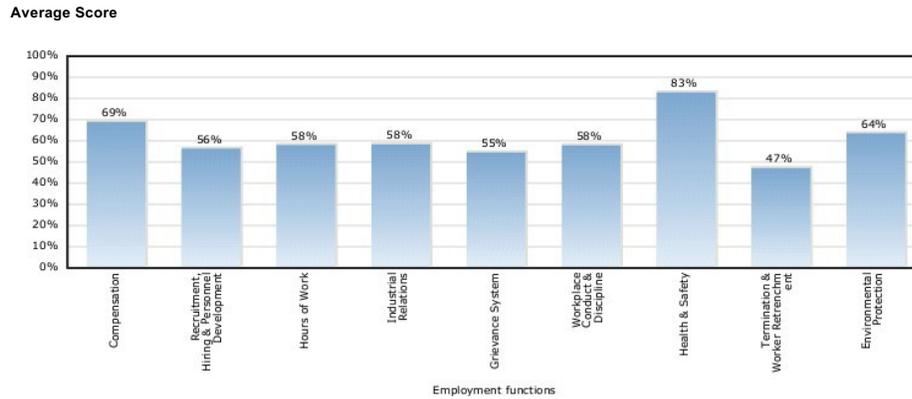
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be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

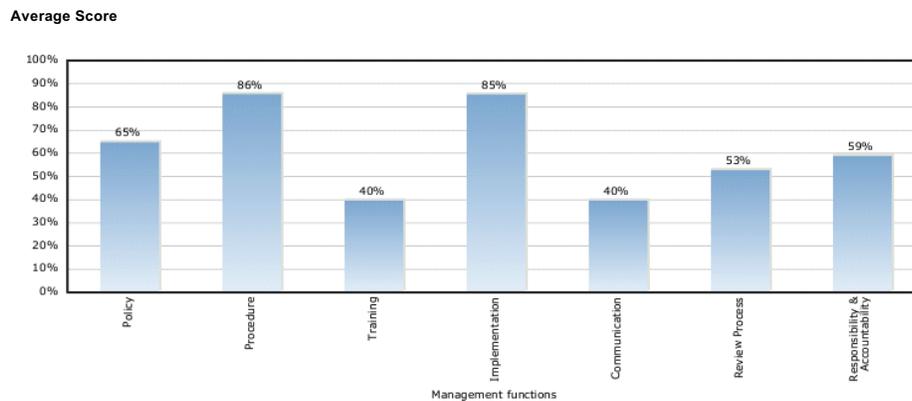
## Score by Employment Function

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	33.4%	66.67%	50%	33.5%	50%	50%	37.5%	66.67%	75%
Procedure	55.67%	66.67%	66.67%	50%	80%	83.33%	37.5%	98.39%	100%
Responsibility & Accountability	60%	60%	71.43%	66.67%	53.4%	53.4%	46.6%	55.67%	66.67%
Review Process	50%	50%	50%	0%	50%	50%	50%	66.67%	66.67%
Training	34.62%	0%	0%	0%	33.33%	25%	0%	84.62%	37.5%
Implementation	83%	80.79%	75%	91.3%	88.89%	88.24%	85%	89.31%	89.13%
Communication	33.33%	62.5%	25%	50%	25%	41.67%	16.67%	66.67%	0%

## 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
Compensation	5	Compensation Receipt Record Maintenance Workers Awareness and Understanding of Compensation Minimum Wage Calculation Basis for Overtime Payments
Employment Relationship	16	General/Human Resource Management Systems Terms and Conditions/Contract, Contingent or Temporary Workers Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Time Recording System Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	2	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs
Hours of Work	3	Annual Leave Annual Leave/Wage Payments Overtime/Calculation over Period Longer than One Week
Health, Safety and Environment	4	General Compliance Health, Safety, and Environment Ergonomics Document Maintenance/Workers Accessibility and Awareness Evacuation Requirements and Procedure
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

## Findings and Action Plans

## TRAINING (MACRO)

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. Training activities, including orientation training, supervisor training and on-going training, are not adequate for all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Grievance System, Workplace Conduct & Discipline, Termination & Retrenchment, Health & Safety, and Environmental Protection.
2. The factory provides orientation training to new workers at the time of hiring. The contents of orientation trainings only cover factory rules, non-discrimination, and Health & Safety; however, the compensation package, human resources policies, and industrial relations are not included. Moreover, the workers are not provided with written documentation substantiating all issues covered in orientation briefings.
3. None of the supervisors are formally trained on national law, regulations, FLA Workplace Code, and appropriate practices. They are only informed of some basic information, such as disciplinary procedures, factory rules through internal meetings.
4. The training module is not updated on a regular basis, except for the Health & Safety training. In particular, no on-going training is provided to regular workers and managerial staff on updated factory policies, procedures, or legal requirements. Furthermore, no on-going training is provided to all categories of workers with the goal of raising or broadening skill in order to advance their careers.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.15.3, ER.17.1, ER.17.3, and ER.28.2)

### COMPANY ACTION PLANS

1. Establish orientation training procedure of the company executives, middle management, professional and technical personnel, qualifications of the training of the staff, at all levels of management personnel and professional personnel qualification training and improve the training content, to achieve full coverage of staff training, on-going training.

3/15/18 Update: Factory has established the training procedure to all management, including the technical staffs and all executives.

**Action plan status:** Completed

**Completion date:** 3/15/2018

2. Change and improve the content of the new staff training, Compensation scheme, human resources policy, industrial relations and other aspects of the training content into the training, the implementation and evaluation of a unified, to ensure that the training staff to master. 12/1/2018 Update: Factory has included improve the content of the new staff training, Compensation scheme, human resources policy, industrial relations, and other aspects of the training content into the training.

**Action plan status:** Completed

**Completion date:** 12/1/2018

3. Specify the company's management on a regular state regulations (such as the FLA Workplace Code) training, to ensure that the company to understand the latest laws and regulations timely. 1/1/18 Update: Training provided to company's management to ensure all staff at the factory has the update of the laws and regulation.

**Action plan status:** Completed

**Completion date:** 1/1/2018

4. Update the training module regularly, especially for the update module in a timely manner to the employee advocacy training, to achieve sustained and effective. 1/1/ 2018 Update: Factory has regular review of the training module, and 2018 has added mental compliance training to further improve the work safety on the work floors.

**Action plan status:** Completed

**Completion date:** 1/1/2018

### FINDING NO.2

### POLICIES & PROCEDURES (MACRO)

### FINDING TYPE: Sustainable Improvement Required

## Finding Explanation

1. There are no written policies and procedures regulating the Recruitment, Hiring & Personnel Development of contract, contingent, and temporary workers.
2. The training policies and procedures do not encourage ongoing training for all workers with the goal of raising or broadening their skills in order to advance workers' careers.
3. There are no policies and procedures for any aspects of performance reviews.
4. Although there are some written policies and procedures for termination, they do not govern all aspects and modes of Termination & Retrenchment. Furthermore, there is no written procedure for determining termination payouts, although assessors verified the termination payout is paid as per legal requirements.

## Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.7.2, ER19.1, ER.27.1, ER.28.1, ER.29.1, ER.30, and ER.32.1; Health, Safety & Environment Benchmark HSE.5.4)

## COMPANY ACTION PLANS

1. Establish the procedures regulating the Recruitment, Hiring & Personnel Development of contract, contingent, and temporary workers, make a reasonable planning and training for the company's entry, exit, and job evaluation.

**Action plan status:** Completed

**Planned completion date:** 12/31/16

**Progress update:** 04/26/16 : The written policies and procedures was provided

**Completion date:** 03/30/16

2. Encourage more employees to participate in training, improve their skills, to enhance the ability to provide opportunities for employees to enhance their ability to work

**Action plan status:** Completed

**Planned completion date:** 12/31/16

**Progress update:** 04/26/16 : The training with the goal of raising workers' skills and advance workers' careers was arranged on Mar 22, 2016

**Completion date:** 03/31/16

3. Facility has established the Performance Review Procedure Document, please refer to the attachments.

**Action plan status:** Completed

**Planned completion date:** 12/31/16

**Progress update:** 04/26/16 : The policy regarding to the performance review was provided

**Completion date:** 03/30/16

4. We will develop a procedure to establish the termination and the operation procedure of the layoffs

**Action plan status:** Completed

**Planned completion date:** 12/31/16

**Progress update:** 04/26/16 : The written procedure for determining termination payouts was provided

**Completion date:** 03/30/16

## FINDING NO.3

## RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

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

### **Finding Explanation**

1. There are nine contract workers at the factory, including four security guards and five canteen staff, who are directly hired and paid by the security company and catering service. However, neither personnel files nor employment agreements were maintained for any of the contract workers and no age proof documents have been kept in their files.
2. The factory has not hired enough disabled workers, as per local law. There are 406 workers in the factor, so disabled workers should constitute at least 1.5% of total workforce (6 workers) as per legal requirement. There are only three disabled workers at the factory. Although the factory has contributed to the Employment Security Fund in lieu of employing disabled workers, this practice carries the risk of discrimination based on FLA Benchmarks.

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

The Regulations of Banning Child Labor Recruitment, Article 4; The PRC Employment Contract Law, Article 10; The Regulations of Employment for Disability Person, Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.4.1, ER.11.3, ER.11.5 and ER.11.6, Child Labor Benchmark CL.1; Nondiscrimination Benchmark ND.2.1)

### **Recommendations for Immediate Action**

1. Maintain personnel files with proof of age documentation and copies of employment agreements for all contract workers.

## **COMPANY ACTION PLANS**

1. Provide security and restaurant staff entry registration form and contract.

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 04/26/16 : security guards and canteen staff contract employees age proof included in files.

**Completion date:** 12/31/15

2. To provide more employment opportunities for disabled employees, according to local regulations. Update 1/1/2018: The factory has maintained the personal files of all contractors.

**Action plan status:** Completed

**Completion date:** 1/1/2018

## **FINDING NO.4**

### **REVIEW PROCESS (MACRO)**

## **FINDING TYPE:** Sustainable Improvement Required

### **Finding Explanation**

1. The factory management does not periodically review its policies and procedures for any of the Employment Functions.

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

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER 31.2)

## **COMPANY ACTION PLANS**

1. Follow and evaluate the rationality of the policy procedures being used by the company, and revise it at any time to ensure compliance with the company's needs and employee needs. Update 1/1/2018: The factory has followed and evaluated the rationality of the policy and procedures used by the company, and revise regularly to ensure compliance with the company's needs and employee needs.

**Action plan status:** Completed

**Planned completion date:** 1/1/2018

## FINDING NO.5

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Workers are not fully covered with the five types of mandatory social insurances. According to the social insurance receipts provided by the factory, only 223 of 406 (55%) workers were provided with pension, accident, medical, maternity and unemployment insurance in August 2015.
2. None of the workers are provided with the Housing Provident Fund.
3. The factory provides paid annual leave to workers based on their length of employment in the factory, not their cumulative working experience (working age), as required by local law. Currently, workers receive 5 or 10 days of annual leave, but some workers are eligible for 20 annual leave days based on their working age.
4. The factory does not maintain the payroll records for all contract workers, including the four security guards and five canteen staff. The assessor was not able to verify the payroll records for contract workers at the time of the assessment.
5. The accuracy of the payment records cannot be verified based on the existing time keeping system, as there is no reliable and effective time keeping system to record working hours for all workers.

##### Local Law or Code Requirement

The PRC Labor Law Articles 44, 48, 72 and 73; The Housing Fund Management Regulation Articles 15 and 17; The Provisional Regulations for the Payment of Wages Article 6; The Employee Paid Annual Leave Regulation Article 2 FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER11.2, and ER.22.1; Hours of Work Benchmarks HOW.11, and HOW.14; Compensation Benchmarks C.1, C.2, C.5, C.6, C.7, C.14, C.15, and C.16.1.1)

##### Recommendations for Immediate Action

1. Provide accident insurance to all workers.
2. Provide annual leave to all workers based on their working age.
3. Maintain complete and accurate payroll records for all workers, including contract workers.

### COMPANY ACTION PLANS

1. Has been identified at the end of December reached more than 70%, and in the end of next year 2017 to reach 100%

**Action plan status:** Completed

**Planned completion date:** 12/31/16

**Progress update:** 04/26/16 : 1. As per the social insurance receipt of Jan 2016, the current coverage for pension, accident, medical, maternity and employment insurances is more than 70% of all employees. 2. Facility has made a plan that how to increase the coverage concerning to pension, accident, medical, maternity and employment insurances step by step and finally meet 100% by the end of this year. 3. Also the related training was provided to employees on Mar 15, 2016 to let them better understand the benefits of join in social insurance system 4. Please refer to the attachments:

**Completion date:** 03/31/16

2. For the Housing Provident fund, organization training program encourages employees to participate actively

**Action plan status:** Completed

**Planned**

**completion date:** 12/31/16

**Progress update:** 04/26/16 : 1. We have provided the training to all employees on Mar 19, 2016, to encourage them to join in Housing Provident Fund System. 2. We also made a plan that how to increase the coverage of housing provident fund step by step.

**Completion date:** 03/31/16

3. According to the labor law, to ensure that workers enjoy the paid annual leave

**Action plan status:** Completed

**Planned completion date:** 02/29/16

**Progress update:** 04/26/16 : 1. We have updated our annual leave policy to ensure that the adequate annual leaves will be paid to the employees based on their cumulative working ages 2. We have counted the cumulative working ages for the related workers and made a list 3. Please refer to the attachments:

**Completion date:** 03/31/16

4. Provide security and canteen staff salary record

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 04/26/16 : Staff salary records have been provided

**Completion date:** 12/31/15

5. Provide correct payment record and time keeping system.

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : The time records for canteen staff and security guards were provided

**Completion date:** 03/30/16

## FINDING NO.6

### HOURS OF WORK

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. There is no reliable and effective time keeping system to record working hours. While the factory stated there is an electronic card swipe system to maintain time records, the factory was not able to provide complete time records during the assessment.
2. The factory does not record working hours for all contract workers, including four security guards and five canteen staff.
3. Records for broken needles show that one worker in the linking workshop changed a broken needle, which was confirmed by her supervisor, on March 15, 2015 (Sunday). However, corresponding attendance records showed that this worker and her supervisor did not work or swipe electronic identification card that day. Both of them confirmed that the broken needle can only be changed during working time, but they were not sure about this specific day. Management stated that the date of the record might be a mistake in the records.
4. The working hours data for September 2015 was not accessible in the time keeping system during this assessment. The factory claimed that the time keeping system only shows the time records from the previous month.
5. The monthly overtime hours exceed the legal limit of 36 hours per month. 40% workers work 38 to 68 overtime hours per month

throughout last 12 months, except for October 2014, February 2015, and June 2015. The highest amount of overtime (68 hours) occurred in July 2015.

6. Broken needle records and worker interviews indicate that workers have worked on Sundays, thus not receiving 1 day off for every 7 days worked on a consistent basis.

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

The PRC Labor Law, Articles 38 and 41; The Provisional Regulations for the Payment of Wages, Article 6; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23.2, ER.23.3, and ER.24; Hours of Work Benchmarks HOW.1.1, HOW.2, and HOW.8.1)

### **Recommendations for Immediate Action**

1. Adopt a reliable and effective time keeping system to record working hours for all workers, including contract workers.
2. Ensure that monthly overtime hours do not exceed the legal limit of 36 hours per month.
3. Ensure that workers receive one day of rest every 7-day period.
4. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and coordinate on the topics mentioned below to help the factory address its excessive hours issue:
  - a. How to provide better order forecasts to the factories;
  - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
  - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
  - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
  - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks.
  - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime

## **COMPANY ACTION PLANS**

1. Provide effective time and attendance system

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : The Swipe IC Cards were provided to canteen staff & security guards, and the accurate time records were kept

**Completion date:** 03/31/16

2. Provide related security and canteen hours record

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 04/26/16 : security and canteen hours record provided

**Completion date:** 12/31/15

3. Already verified, the workers wrote the wrong date.

**Action plan status:** Completed

**Planned completion date:** 02/29/16

**Progress update:** 04/26/16 : After checking with this employee, confirmed that the worker has made a mistake and written the wrong date. The line supervisor will strengthen their management on this part. Also we have issued the notification to emphasize our policy that the 7th day of rest should be provided onsite. Please refer to the attachment named: "Working Time-3-Notification"

**Completion date:** 03/31/16

4. The company talk to the attendance data software supplier, to improve the system, ensure that at any time to view the previous day's attendance data.

**Action plan status:** Completed  
**Planned completion date:** 12/31/16  
**Progress update:** 04/26/16 : Facility has updated the time records system, the working hours could be checked for anytime  
**Completion date:** 03/31/16

5. According to the actual situation of the factory, adjust the working hours. for example shiftwork or increase the number of operator's , to slow the increase of overtime hours

**Action plan status:** Completed  
**Planned completion date:** 06/30/16  
**Progress update:** 04/26/16 : 1. Facility has provided the training to all supervisors/managers that they should make the adequate production plan, also need monitor the overtime hours status, try their best to reduce the monthly overtime hours 2. Per the smple time records of Mar 2016, the monthly overtime hours are within 36 hours  
**Completion date:** 03/31/16

6. Regulate the rest time, make sure the broken needle record and the actual rest time to match

**Action plan status:** Completed  
**Planned completion date:** 06/30/16  
**Progress update:** 04/26/16 : 1. We have provided the training to all supervisors on Mar 16, 2016 and let them make the adequate production plan, in order to ensure that 7th day of rest could be guaranteed. We have pasted the notification onsite to inform the employees that the 7th day of rest should be guaranteed 3. Please refer to the attachment:  
**Completion date:** 03/31/16

## FINDING NO.7

### COMMUNICATION & WORKER INTEGRATION (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory does not formally communicate its policies and procedures for almost all of the Employment Functions to the general workforce and management staff. Although the factory introduces some factory rules and practices to workers during orientation trainings, and posts relevant policies and procedures on site, this communication is not effective and comprehensive. All interviewees only roughly understood some points, but had no idea about details for overtime policy, compensation deduction, process to track complaints, and appeal channels, etc. There is no planned follow-up to communicate updates and legal revisions.
2. The worker integration component is missing for all Employment Functions. The factory has not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Also, workers are

neither systematically integrated nor consulted in the decision-making processes.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.15, ER.16.1 ER.25.1, ER.25.2, and ER.27.3; Compensation Benchmark C.17)

## COMPANY ACTION PLANS

1. Further standard factory existing related regulations, and update the existing regulations. The orientation training of employees will be improved to ensure that employees understand and grasp the new rules and regulations.

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : 1. Facility has provided the training to all employees and managers on Mar 21 & Mar 22, 2016 to further explain policies, working hours, compensations, overtime policies etc.. 2. Facility also establish the procedure documents for suggestion box, to keep the close communication with workers. This policy was pasted onsite, so employees could reflect their thoughts via hotline or suggestion box

**Completion date:** 03/31/16

2. The facility will develop a procedure to ensure that before policies and procedures are being modified and communicated to all employees, employees feedback will be gathered and considered for integration to the policies and procedures. A consultation process with employees will be established.

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : 1. Facility has established the procedure document to encourage employees to join in the process of decision-making 2. Employee could express their points via suggestion box or directly call the hotline of management.

**Completion date:** 03/31/16

## FINDING NO.8

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory has a worker representative body with six worker representatives. Instead of being elected by workers directly, all of the worker representatives are nominated by supervisors from each department. Although there is a documented election procedure and an announcement that indicates the workforce elects the representatives, interviewed workers had no knowledge of the election activities. Furthermore, the factory was unable to provide election records.
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 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.2, FOA.10, and FOA.11)

## COMPANY ACTION PLANS

1. Follow the documented election procedure, and provide a record of the entire electoral process.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	06/30/16
<b>Progress update:</b>	04/26/16 : 1. Facility has updated the election procedure document 2. Facility has provided a training on Mar 16, 2016 to all workers regarding to the election procedure and the functions of worker union 3. Facility has kept the records that employees themselves are willing to join in worker union 4. Please refer to the attachments:
<b>Completion date:</b>	03/31/16

## FINDING NO.9

### WORKPLACE CONDUCT & DISCIPLINE

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. Records of disciplinary actions are not maintained in workers' personal files.
2. The disciplinary system does not include a third party witness during the imposition and appeal processes.

### Local Law or Code Requirement

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

## COMPANY ACTION PLANS

1. The facility will maintain the record of disciplinary action in the employee's personal file.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	06/30/16
<b>Progress update:</b>	04/26/16 : The disciplinary action records are kept in workers' personal files
<b>Completion date:</b>	03/31/16

2. TheAdd third party witnesses to the employee complaints policy to ensure the credibility and impartiality of the complaint.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	06/30/16
<b>Progress update:</b>	04/26/16 : The disciplinary procedures are adding the 3rd party witness during the imposition and appeal processes
<b>Completion date:</b>	03/31/16

## FINDING NO.10

### HEALTH & SAFETY

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The chairs provided to seated workers are not adjustable and do not have backrests to minimize workers' bodily strains. Furthermore, no floor mats are provided to standing workers.
2. Training on lifting techniques is not provided to loading workers. Additionally, no lifting belts are provided to loading workers.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.17.1 and HSE.17.2)

#### Recommendations for Immediate Action

1. Provide lifting belt to all loading workers.

### COMPANY ACTION PLANS

1. Provide adjustable chairs and place mats on the ground

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : Facility has provided the accurate chairs and the floor mats are provided to standing workers

**Completion date:** 03/31/16

2. arrange the training, and provide the required tools

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : 1. The poster was pasted onsite to indicate the accurate action for lifting, also the training was provided to the loading workers on Mar 9, 2016 2. The belts are provided to the loading workers

**Completion date:** 03/31/16

## FINDING NO.11

### HEALTH & SAFETY

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory did not conduct the occupational hazard pre-assessment prior to commencing operation, and did not provide occupational health checks to affected workers in the knitting workshop.
2. 6 out of 40 (15%) workers who are exposed to high noise levels in the knitting workshop do not wear the provided earplugs.

#### Local Law or Code Requirement

### **Recommendations for Immediate Action**

1. Provide occupational health checks for all workers who are exposed to high noise levels.
2. Train and monitor all workers who are exposed to high noise levels regarding the proper use of earplugs.

### **COMPANY ACTION PLANS**

1. The factory conduct the occupational hazard pre-assessment , and provide occupational health checks to affected workers in the knitting workshop.

**Action plan status:** Completed

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

**Progress update:** 04/26/16 : The occupational hazard pre-assessment was conducted, also the occupational health check records were kept

**Completion date:** 03/31/16

2. Conduct training to employees as required

**Action plan status:** Completed

**Planned completion date:** 01/20/16

**Progress update:** 04/26/16 : The training was provided, also employees are wearing earplugs during the working hours.

**Completion date:** 03/31/16

## **FINDING NO.12**

### **HEALTH & SAFETY**

#### **FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. There is no exit sign and emergency light installed above one of the two safety exits on the 1<sup>st</sup> dormitory floor.

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

The Fire Safety of Building Design Regulation (GB50016-2014), Articles 10.3.4 and 10.3.5; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

#### **Recommendations for Immediate Action**

1. Install exit signs and emergency lights above all safety exits in the dormitory building.

### **COMPANY ACTION PLANS**

1. Installed safety exit sign and emergency lighting lamp

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 04/26/16 : sign installed

**Completion date:** 12/31/15

## FINDING NO.13

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The power switch boxes are not properly maintained, and do not have proper insulation covering. Two of the eight power switch boxes (25%) in the knitting workshop, and all of the switch boxes in the laundry workshop are exposed without insulation covering.
2. The factory has installed incandescent lamps in the semi-finished goods warehouse, but not anti-explosive lighting.

##### Local Law or Code Requirement

The General Guide for Safety of Electric User, Article 6.7; The Rules on Administration of Fire Safety in Warehouses, Article 38; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13)

##### Recommendations for Immediate Action

1. Install insulation for all power switch boxes. Ensure that all power switch boxes are accurately maintained.
2. Install anti-explosive lighting instead of incandescent lamps in the warehouse.

### COMPANY ACTION PLANS

1. The electric meter box switch box is maintained, and the insulation cover is installed. To ensure that the entire company's electric meter box has insulation cover device

**Action plan status:** Completed  
**Planned completion date:** 12/31/15  
**Progress update:** 04/26/16 : boxes installed.  
**Completion date:** 12/31/15

2. Installation of explosion-proof lighting

**Action plan status:** Completed  
**Planned completion date:** 12/31/15  
**Progress update:** 04/26/16 : We have installed, please refer to the picture of explosion-proof lights in the warehouse, please refer to the attachment:  
**Completion date:** 12/31/15