



**COMPANY: PVH Corp**  
**COUNTRY: China**  
**ASSESSMENT DATE: 10/22/12**  
**MONITOR: Openview Service Limited**  
**PRODUCTS: Apparel**  
**PROCESSES: Cut, Other**  
**NUMBER OF WORKERS: 2400**  
**ASSESSMENT NUMBER: AA000000023**

## **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 the 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.

**Company action plan:** a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

**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.

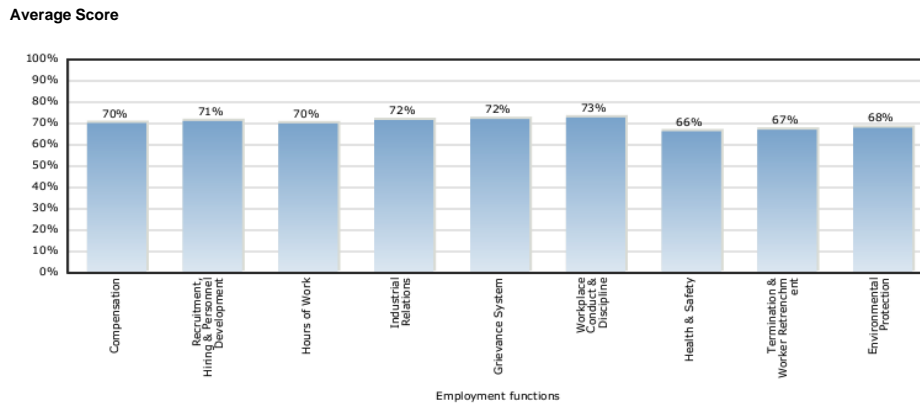
**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

**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.

**Uncorroborated Risk of Noncompliance**: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

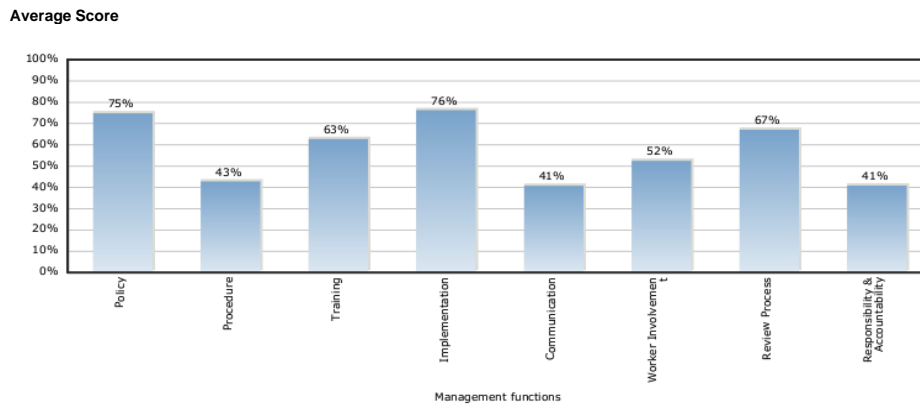
## Score by Employment Function

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 FLA assessment. 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	88.14%	87.5%	100%	66.75%	71.43%	44.44%	61.11%	50%	100%
Procedure	58.09%	51.16%	38.71%	29.17%	80%	70.83%	37.88%	33.68%	41.11%
Responsibility & Accountability	47.61%	46.6%	61.86%	46.6%	46.6%	46.6%	46.6%	55.5%	80%
Review Process	77.27%	81.82%	93.75%	81.82%	68.18%	77.27%	80%	77.27%	73.08%
Training	64.77%	66.83%	65.95%	74.07%	66.67%	54.8%	56%	63.86%	66.67%
Implementation	78.18%	73.04%	70%	91.3%	75%	92.59%	93.33%	76.45%	66.39%
Communication	0%	45%	25%	0%	50%	62.5%	18.75%	93.75%	20%
Worker Involvement	66.67%	N/A	N/A	100%	0%	N/A	N/A	41.67%	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
Compensation
Employment Relationship
Harassment and Abuse
Hours of Work
Health, Safety and Environment
Non-Discrimination

## Findings and Action Plans

### FINDING NO.1

#### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. Based on factory regulations and labor contract review, employees signed a 4-year contract, which provides for an extended probation period of 6 months. This is in compliance with the local legal requirements; however, FLA Workplace Code and Benchmarks require that probation periods shall not exceed 3 months.

#### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.3)

#### Root Causes

1. The factory's current operations were in compliance with the legal requirements of the China Labor Contract Law that allows for an extended probation period of up to 6 months in 3-year employment contracts.
2. Factory management was not aware of FLA limits for probationary periods.

## FINDING NO.2

### COMPENSATION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory failed to pay workers legally required minimum wages on a systematic basis. Review of payment and time records from September 2011 to August 2012 found that 25% of piece rate employees were paid between RMB 5.02/hour and RMB 6.16/hour during 9 of these months; these wages do not meet the local minimum wage standards of RMB 6.32/hour.
2. Review of payment and time records from September 2011 to August 2012 found that: a) for piece rate workers, their overtime for both working days and rest days was paid at a straight piece rate, plus a daily overtime allowance ranging from RMB 1.0 to RMB 2.0 and b) for workers paid by the hour, their overtime on both working days and rest days was paid at the normal rate of regular hours.
3. The employer does not establish a paid annual leave policy; subsequently, no workers have enjoyed paid annual leave.
4. Workers: a) were not paid for public holidays before June 2012 and b) had been paid RMB 45 per day for public holidays since June 2012, which is lower than the legal requirement of RMB 50.57 per day.
5. The factory did not provide workers paid sick leave before June 2012. Since June 2012, the factory has started paying workers RMB 30 per day for sick leave, instead of RMB 40.46 (80% of the local minimum wage) as per law.
6. The factory did not provide training to workers and managerial staff so that they understand the: a) legal minimum and overtime wages and b) mandatory benefits they are entitled to.

##### Local Law or Code Requirement

China Labor Law, Articles 44 and 48; Regulations on Paid Annual Leave for Employees, Articles 3 and 5; Regulation for the Payment of Wages in Guangdong Province, Article 24; FLA Workplace Code (Hours of Work Benchmarks HOW.10, HOW.11, and HOW.16; Compensation Benchmarks C.2, C.7.2, C.17.1)

##### Root Causes

1. Management lacks awareness of laws and regulations on wages and benefits.
2. Management lacks of knowledge of FLA Workplace Code and Benchmarks.
3. Workers and managers are not informed of the legal requirements regarding wages and benefits.
4. Many workers do not demand the legally required overtime wages because they: a) are not educated on labor law and b) rely on overtime to earn more.
5. Lack of government enforcement of labor laws.

##### Recommendations for Immediate Action

1. Ensure that both piece rate and hourly rate workers are paid minimum wages, overtime wages, statutory holiday wages, and sick leave wages in accordance with legal requirements.

## FINDING NO.3

### HOURS OF WORK

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. During the period between September 2011 and October 22, 2012, 80% of workers worked overtime beyond FLA code standards (60 hours per week) 1 – 3 weeks a month; the highest weekly working hours (78 hours) were recorded in April 2012.
2. The overtime hours for 80% of workers exceeded the limit of the Cumulative Hours Working System (432 hours per year), which was valid from January 1 to December 31, 2012. The maximum cumulative overtime hours for a representative sample of workers reached 1295 hours.
3. Except for October 2011 and January, February, and March 2012, about 80% of workers did not receive 1 day off for every 7-day period on a regular basis between September 2011 and October 2012. In May 2012, they consecutively worked a maximum of 25 days.

### Local Law or Code Requirement

China Labor Law, Article 38; Instruction on the Implementation of the China Labor Law, Article 65; FLA Workplace Code (Hours of Work Benchmarks HOW.1.3 and HOW.2)

### Root Causes

1. Labor shortage issues in the local area means that factories need to request active workers to work more hours.
2. Inadequate preparation for dealing with current production orders means staffing levels may be out of sync with production volumes; subsequently, this leads to excessive hours of work.
3. Production and capacity planning does not include the adequate safeguards to: a) prevent workers from working more than 48 hours a week with 12 hours of overtime and b) ensure workers are provided 1 day off in every 7-day work period.
4. There are no practices in place that conduct regular analysis of hours of work with a view to progressively reducing excessive hours of work.

### Recommendations for Immediate Action

1. Ensure workers receive 1 day off in every 7 working-day period, as consistent with FLA Workplace Code and Benchmarks.

## FINDING NO.4

### FREEDOM OF ASSOCIATION

#### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. It was stipulated in the Employee Handbook that workers who instigated a strike or work stoppage would be fired without compensation. Although this provision has not been applied and there have been no cases of dismissal owing to this regulation, it should be removed, as it is not in compliance with FLA Workplace Code and Benchmarks.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmarks FOA.4, FOA.5, and FOA.22)

### Root Causes

1. Factory management was not aware that this policy was in violation of FLA Workplace Code and Benchmarks.
2. This issue has never been brought to the attention of the factory management during previous external audits.
3. **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relation mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at member assemblies and trade unions must be accountable to their members. The trade union has the responsibility of consulting with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 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.
4. The factory did not take any action on workers' freedom of association so far. Although there was a trade union in the facility, it was not independent, and there was no evidence to indicate that management had encouraged the union to collect any suggestions from employees and adopt them when revising factory policies.
5. Since there is not clear law in China that relates to worker organized strikes, factory management developed this policy to maintain worker conduct.

## FINDING NO.5

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

### **Finding Explanation**

1. Factory has not obtained the Special Equipment Registration or Regular Safety inspection report for 2 forklifts.
2. Factory has not obtained the special equipment operator certificate for 2 forklift drivers and 5 boiler operators.
3. The Waste Discharge Permit expired in May 2012.

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

Safety Monitoring Regulation of Special Equipment (PRC State Council Order # 373), Article 28; Measures for Supervision and Management of the Operating Personnel of Special Equipment, Article 2; Law of the People's Republic of China on Prevention and Control of Water Pollution, Article 20; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.4)

### **Root Causes**

1. There was no effective monitoring procedure to track the validation of permits and certificates.
2. Factory did not take the necessary steps to meet related legal requirements regarding obtaining the certificates accordingly.

### **Recommendations for Immediate Action**

1. Obtain: a) the valid certificates for the forklift driver and boiler operator and b) the Waste Discharge Permit in accordance with legal requirements.

## **FINDING NO.6**

### **RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

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

### **Finding Explanation**

1. There are no written policies or procedures governing personnel development, retrenchment, and retirement.

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

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

### **Root Causes**

1. Management was not aware of the importance of personnel development.
2. Management stated that since they have never experienced any downsizing or workers' retirement, they do not need policy and procedures on retrenchment and retirement.

## **FINDING NO.7**

### **HEALTH & SAFETY**

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

### **Finding Explanation**

1. The fire evacuation exit was not kept open during work hours. For example, fire exits were locked/blocked at the following workplaces during work time: a) 1 out of a total of 2 fire exits was blocked in the semi-finished products warehouse on the 5<sup>th</sup> floor; b) 1 out of a total of 4 fire exits was locked in the raw material treatment section on the 6<sup>th</sup> floor; c) 1 out of a total of 2 fire exits was locked on the 1<sup>st</sup> floor of the sewing workshop; and d) 1 out of a total of 2 fire exits was either locked or blocked in the staff dormitory C on the 1<sup>st</sup>, 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> floors.
2. Fire fighting facilities are not properly equipped or maintained. For example: a) there was no fire extinguisher in the raw materials storage room; b) the 2-storey dormitory building had no fire fighting facilities; and 3) 2 fire extinguishers in the chemical warehouse on the 4<sup>th</sup> floor were damaged.
3. The factory did not conduct specific workplace safety training to designated employees with special responsibilities.
4. Only some responsible persons were trained on their responsibilities during fire safety; other employees were not trained on



their duties in the event of an emergency.

5. No employees were trained on procedures concerning the provision of first aid.

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

China Fire Prevention Law, Articles 28 and 16; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5.1, HSE.5.2, HSE.6.1 and HSE.6.2)

### **Root Causes**

1. The implementation of the HSE system is not effective in many areas, due to: a) the ineffectiveness of the HSE Committee, b) lack of HSE expertise, c) lack of HSE routine inspections, and d) the absence of an effective review process.
2. There is no active worker representation and participation on the HSE Committee; therefore, there is no active system for encouraging workers to participate in ongoing HSE efforts.
3. No effective system for controlling or implementing fire safety inspection on a periodic basis.

### **Recommendations for Immediate Action**

1. All fire exits should be kept open during work hours.

## **FINDING NO.8**

### **HEALTH & SAFETY**

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

#### **Finding Explanation**

1. 50% of laundry workers did not wear personal protective equipment (PPE), such as waterproof boots, masks, and glasses.
2. The covers of drink machines in the following areas were missing: a) 2 pieces on the 4<sup>th</sup> floor of the production building, b) 1 piece on the 3<sup>rd</sup> floor, and c) 2 pieces on the 1<sup>st</sup> floor of dormitory building A.
3. There was no injury record kept at the factory. Management said that no major accidents had happened before and that minor injuries had not been recorded.

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

Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Article 20; Law of the People's Republic of China on Production Safety, Article 37;  
FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.7, HSE.19 and HSE.3; Employment Relationship Benchmark ER.31)

### **Root Causes**

1. Workers' awareness on the importance of using PPE is low. There was no effective training and monitoring for workers related to using PPE properly.
2. Management is not aware of the possible legal and financial consequences of work accidents and occupational diseases.
3. The implementation of the HSE system is not effective in some areas, due to: a) the ineffectiveness of the HSE Committee, b) lack of on-site HSE supervision, and c) the absence of an effective review process.

## **FINDING NO.9**

### **INDUSTRIAL RELATIONS**

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

#### **Finding Explanation**

1. A written grievance procedure established by the factory suggests that workers could report any of their concerns or complaints to either their supervisors or top management directly. However, almost 80% of interviewed workers mentioned that they do not know the grievance procedure.

2. There were no records maintained at the factory to demonstrate that workers' complaints had been investigated and that the results of investigations had been fed back to workers.
3. The factory did not review the grievance system policy and procedures periodically.

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

FLA Workplace Code (Employment Relationship Benchmark ER.25.3.2)

#### **Root Causes**

1. Workers do not understand how the grievance system functions and therefore fear retaliation.
2. No worker representatives have been involved in reviewing the current grievance policy and procedure. There is no system to document workers' complaints and give feedback; therefore, workers do not trust the system.
3. Training for workers and managerial staff on the function of the grievance system is not sufficient.

## **FINDING NO.10**

### **INDUSTRIAL RELATIONS**

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

#### **Finding Explanation**

1. The factory posted some disciplinary actions, with the names of the workers subjected to these actions on the factory's notice boards.
2. There is no procedure for employees to appeal the disciplinary actions.

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

FLA Workplace Code (Harassment or Abuse Benchmark HA.6, Employment Relationship Benchmark ER.27.4)

#### **Root Causes**

1. Factory management did not realize that: a) the posting of disciplinary action was a "double punishment" to workers and b) it is also a kind of psychological abuse.
2. This practice is in line with local law and regulations, but is in violation of FLA Workplace Code and Benchmarks.

## **FINDING NO.11**

### **HEALTH & SAFETY**

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

#### **Finding Explanation**

1. No specific training provided for tasks and functions related to managing the chemicals at the factory for those employees working with chemicals in any manner.
2. No specific training provided on the tasks and functions of chemical tank management for those employees working with chemical tanks in any manner.
3. The factory did not provide training to wastewater/effluent treatment plant employees.
4. Some chemicals were not stored in a proper manner and different chemicals were not segregated clearly.
5. The factory did not perform any risk assessments to reduce their environmentally hazardous materials and practices.
6. The factory did not review its environmental protection policy and procedures on a periodic basis.

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

FLA Workplace Code (Employment Relationship Benchmarks ER.31.1, ER.31.2, ER.31.3; Health, Safety and Environment Benchmarks HSE.9.1, and HSE.9.2)

#### **Root Causes**

1. There is no effective EHS Committee established or methodology and tools used for internal audits and routine HSE inspections. Additionally, there is an absence of an effective review process.
2. Most managerial staff interviewed mentioned that these issues were not raised during previous external audits.

3. The management lacks awareness of FLA Workplace Code and Benchmarks.
4. There is no active worker representation or participation on the EHS Committee nor is there a system for encouraging workers to actively participate in ongoing EHS efforts.
5. There is no system for conducting periodic assessments of the environmental issues in the factory.
6. EHS staff is trying to deal with all environmental-related issues rather than collaborating with the EHS Committee.

## FINDING NO.12

### COMPENSATION

#### FINDING TYPE: Uncorroborated Risk of Non Compliance

##### Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income. *(FLA Comment: The assessment methodology in use by the FLA at the time of this assessment did not involve collection of compensation data nor specific benchmarks against which to measure the adequacy of compensation received by the workers. Fair Compensation findings were based solely on worker interviews/perception and are therefore not actionable for remediation purposes. In 2015, the FLA launched its Fair Compensation Work Plan which requires the collection and benchmarking of compensation data.)*

##### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

##### Root Causes

1. The Chinese apparel industry currently does not provide wages that allow for the fulfillment of basic needs plus a discretionary income.
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.