



COMPANIES: VF Corporation

COUNTRY: China

ASSESSMENT DATE: 08/01/18

ASSESSOR: Openview

PRODUCTS: Accessories [items, such as handbag clasps, that are affixed to other products]

NUMBER OF  
WORKERS: 773

## FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to the FLA.

## 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.

## Findings and Action Plans

### FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. The factory has not hired any disabled workers, which is a violation of legal requirements that state at least 1.5% of the total workforce should be composed of disabled workers. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries the risk of discrimination based on FLA Workplace Code of Conduct and Benchmarks. [ER.3, ND.2]
2. There are no policies and procedures regarding workers' career paths or personnel development, therefore, the factory does not have specific career paths or skill development plans for workers. [ER.1, ER.28.1, ER.29]
3. The job advertisement posts at the factory gate includes questions regarding gender and age, which may lead to discrimination during the recruitment process. [ER.3.2, ND.2.1]

##### Local Law or Code Requirement

Regulation on the Employment of the Disabled, Articles 8 and 9. FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.28 and ER.29; Nondiscrimination Benchmark ND.2)

##### Recommendations for Immediate Action

1. Remove the questions regarding gender and age from job advertisement. Employment decisions should solely be based on a candidate's qualifications.

### FINDING NO.2

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The contribution base of the five types of social insurances is not in line with the legal requirement. The contribution is based on CNY 3,279/USD 481.5 per month rather than the 80% of workers' actual monthly wages (about CNY 3,300/USD 484.6) to CNY 5,000/USD 734.2 per month). [ER.22, C.1, C.10]
2. The factory does not pay into the legally required Housing Provident Fund for workers. [ER.22, C.1, C.10]

3. The factory does not pay warehouse workers (approximately nine at the time of the assessment) who work outdoors the legally-required high temperature work subsidy. [C.1]
4. There is one employee who is in lactation period; however, the factory did not provide paid leave for the prenatal health examination for this employee. [C.1]
5. There is one employee who asked for private affair leave starting from March 2018 and has not lived in the dormitory building until now. However, the factory still deducted her cost of water & electricity of CNY 124.5 (USD 18.3) in June 2018. [C.11.1]
6. The factory collects a campaign fund of CNY 5 (USD 0.74) per month without workers' consent. [C.11.1]

#### Local Law or Code Requirement

China Labor Law, Articles 72 and 73; Social Insurance Law of the PRC, Articles 12 and 58; Regulations on Management of Housing Provident Fund, Articles 2, 3 and 15; Heatstroke Prevention Management Approach, Article 17; The Special Provisions on Labor Protection for Female Employees, Article 6. FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1, C.10 and C.11)

#### Recommendations for Immediate Action

1. Calculate the social insurance contribution based on workers' actual monthly wages.
2. Contribute to the Housing Provident Fund
3. Pay workers who work outdoors the high temperature subsidy.
4. Provide paid leave for prenatal health examination for pregnant employees.
5. Stop the practice of unreasonable deductions. Pay back the funds to the worker who had funds deducted when they were not living in the dorms.
6. Collect campaign fun through workers' consent.

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

#### Finding Explanation

1. According to the time records for the period from July 2017 to July 2018 and worker interviews, the monthly overtime for 95% of workers exceeded the legal limit of 36 hours every month in the reviewed period except February 2018, with a maximum of 142.4 hours in September 2017. [HOW.1.1]
2. According to the time records for the period from July 2017 to July 2018 and worker interviews, the daily overtime for 90% of workers exceeded the legal limit of three hours and up to 3.9 hours on 10 to 23 weekdays per month in the reviewed period. [HOW.1.1]
3. According to the time records for the period from July 2017 to July 2018 and worker interviews, working hours for 90% of workers exceeded 60 hours per week in 80% of the weeks in the reviewed period, with an average of 68 hours. The maximum working hours were 81.3 in one week in September 2017. [HOW.1.3, HOW.8.3]
4. According to the time records for the period from July 2017 to July 2018 and worker interviews, about 2% of workers did not regularly receive one day off in every seven-day period in September 2017. They worked a maximum of 13 consecutive days from September 4 to 16, 2017. [HOW.1.1, HOW.2]
5. The factory production plan is based on a 66-hour work week. Factory management sets production targets, piece rates, or any other incentive or production system at a level such that workers need to work 26 overtime hours per week. Based on worker interviews, overtime work is consensual. [HOW.8.1]
6. Based on document review and interviews with workers and management, the factory has not conducted an analysis of regular working hours with the aim to progressively reduce excessive hours of work. [HOW.1.2]

#### Local Law or Code Requirement

China Labor Law, Article 41. FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8)

### Recommendations for Immediate Action

1. Ensure overtime hours do not exceed the legal limit of 36 overtime hours per month.
2. Ensure that the overtime hours do not exceed the legal limit of three hours per day.
3. Ensure that the the working hours do not exceed 60 hours a week.
4. Ensure that employees have at least one day off in every seven-day period.
5. Base the production plan on the regular work week without including overtime.
6. Conduct an analysis of regular working hours with the aim to progressively reduce excessive hours of work.

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

1. There are no policies and procedures regarding Termination and Retrenchment. [ER.19.1, ER.32.1]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.32)

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. There are no policies and procedures regarding Industrial Relations in the factory. [ER.26, FOA.1]
2. FLA Comments: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All-China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements. [FOA.2]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmarks FOA.1 and FOA.2)

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. The factory's disciplinary system is incomplete. It does not cover a process for having a third party witness during imposition and a worker appeal process. [ER.27.4]

2. The records of disciplinary actions are maintained in a centralized file but not in workers' personnel files. [ER.27.3.4]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has established a written lockout-tagout (LOTO) policy and procedures, but it does not include a list of equipment and machines that require the LOTO procedure, and therefore LOTO has not been implemented in the factory. [HSE.14]
2. The factory does not have any guidance document for external contractors or service providers concerning Health and Safety. [ER.31.1]
3. The factory does not use positive incentives to ensure that workers use machinery and tools safely. [HSE.15]
4. The factory does not conduct ergonomics management for workers, e.g. taking steps to reduce repetitive-motion stress/ injuries and providing adjustable workstations for sitting workers. There are no removable armrests or proper backrests on chairs for seated workers. There are no anti-fatigue mats provided for workers who work in a standing position. [HSE.17.1]
5. The factory does not provide safety information to contractors. [ER.31.1]
6. The factory does not track and conduct statistical analysis for workers' illnesses. [HSE.3.2]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety and Environment Benchmarks HSE.3, HSE.14, HSE.15 and HSE.17)

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has only provided the occupational health examinations for 18 workers who are in contact with loud noise during their work. The factory does not provide examinations before and after these workers hold their work posts, which violates the legal requirements. [HSE.1]
2. The result of the Occupational Disease Hazard Factor Test is not announced to workers. [HSE.2]
3. Three exit signs on the first and second floors of the cutting workshop do not illuminate. [HSE.6.1]
4. Three fire extinguishers in the cutting workshop and the material warehouse are placed directly on the floor instead of being mounted or placed in a fire extinguisher box. [HSE.6.1]
5. There are no easily identifiable evacuation markings on the floor of the temporary finished goods warehouse of #3 building. [HSE.5.1]

#### Local Law or Code Requirement

The China Law of Prevention and Control of Occupational Diseases, Articles 20 and 36; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; Code of Design on Building Fire Protection and Prevention, Article 10.3.5; Code for Design of Extinguisher Distribution in Buildings, Article 5.1.3. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.2, HSE.5, and HSE.6)

##### Recommendations for Immediate Action

1. Provide examinations before and after these workers hold their work posts.

2. Ensure that the result of the Occupational Disease Hazard Factor Test is publicly available to workers.
3. Re-wire the exit signs in the cutting workshop to ensure they illuminate.
4. Mount or place fire extinguishers properly as per legal requirements.
5. Equip easily identifiable evacuation markings on the floor of the temporary finished goods warehouse.

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The transmission belts for four button machines are not equipped with complete pulley guards. [HSE.14]
2. One cutting worker does not wear metal gloves and four sewing workers near the embroidering workshop do not wear earplugs during work even though factory has provided PPE for them free of charge. [HSE.8]
3. The factory has only provided the fire brigade with fire extinguishers and fire hydrants and has not provided the appropriate equipment to fight fires, such as breathing apparatus and fire-proofed clothing. [HSE.6.1]
4. The lights in the cutting-piece warehouse of #3 building are not explosion-proof. [HSE.13]
5. One forklift was not annually inspected as per legal requirement. The last annual inspection was conducted in July 2017. [HSE.4]

##### Local Law or Code Requirement

Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The Law of the China on Work Safety, Article 42; The Rules on Administration of Fire Safety in Warehouses, Article 38; The Special Appliance Quality Safety Monitoring Regulation, Article 28. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4, HSE.6, HSE.8, HSE.13 and HSE.14)

##### Recommendations for Immediate Action

1. Install complete pulley guards on the transmission belts of all button machines.
2. Ensure that employees use PPE properly.
3. Provide the fire brigade with all equipment and Personal Protective Equipment necessary to fight fires.
4. Install explosion-proof lights in the cutting-piece warehouse of #3 building.
5. Inspect the forklift annually as per legal requirement.

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory does not sign contracts with a qualified hazardous waste disposal company to dispose of the hazardous waste. [HSE.1, HSE.4]
2. The factory does not have the procedures to enable workers to raise and report environmental concerns or procedures to protect workers who allege environmental violations. [ER.31.2.4, ER.31.2.6]

##### Local Law or Code Requirement

The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 57. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.4; Employee Relationship Benchmark ER.31)

## FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The factory does not provide orientation training to new employees on the following: Freedom of Association; Recruitment, Hiring & Personnel Development; and Termination & Retrenchment. [ER.1.2, ER.15.1]
2. The ongoing training for employees is missing for the following Employment Functions: Recruitment, Hiring & Personnel Development; Termination & Retrenchment; Industrial Relations; Freedom of Association; and Workplace Conduct & Discipline. [ER.1.2, ER.15.2, ER.17.3]
3. The specific training for managers and supervisors is missing across the following Employment Functions: Recruitment, Hiring & Personnel Development; Hours of Work; Compensation; Industrial Relations & Freedom of Association; Grievance System; Workplace Conduct & Discipline; Termination & Retrenchment; and Environmental Protection. [ER.17.1, ER.17.2, ER.27.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17 and ER.27)

## FINDING NO.12

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

1. The factory does not periodically review and update the policies and procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development; Termination & Retrenchment; Workplace Conduct & Discipline; Grievance System; Environmental Protection; and Health & Safety. [ER.1.3, ER.30.2]
2. The factory does not clearly define the responsible/accountable person(s) in writing for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Freedom of Association, Workplace Conduct & Discipline; Grievance System; and Environmental Protection. [ER.31.2]
3. There is no management sign off (personal accountability) on the factory's policies and procedures. [ER.1.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.30 and ER.31)