



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: GTM SPORTSWEAR
Hanesbrands

COUNTRY: China

ASSESSMENT DATE: 12/21/17

ASSESSOR: Elevate

PRODUCTS: Apparel

NUMBER OF WORKERS: 170

FLA Comments

Hanesbrands completed production at this factory in September 2018 due to consolidation. Hanesbrands remediated with the factory at the time sourcing ended and there were no critical issues present.

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 job application form includes a question regarding marital status, which might lead to discrimination during the recruitment process. ER.3, ND.1, ND.2
2. The factory has not hired any disabled workers. The local law requires that at least 1.5% of the total workforce (three workers) be comprised 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 and Benchmarks. ER.14
3. There are no policies and procedures regarding production workers' career path and Personnel Development. The Recruitment, Hiring & Personnel Development procedures do not include steps and requirements for promotion, demotion, and job reassignment. The written outcomes of promotion, demotion, and job reassignment are not provided to workers. ER.28, ER.30
4. Written job descriptions are only prepared for the sewing section when personnel need to be hired. ER.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.3, ER.14, ER.28 and ER.30; Non-discrimination Benchmarks ND.1 and ND.2)

Recommendations for Immediate Action

1. Remove the question regarding marital status from the job application form.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory management did not realize that marital status would involve the seriousness of discrimination. Factory management has made improvements to the problem, deleting the marital status of applicants and removing the marital status from the job application.
2. The management of the factory has established procedures for the protection and recruitment of disabled workers. In the later stage, if a disabled worker is employed, the recruitment will be incorporated into the formal contract as long as it meets the requirements of the position.
3. The management of the factory has formulated relevant policies and procedures for promotion, wage transfer and demotion,

and will follow the policy implementation. 4、 Management has set up documents for all position.

Company Action Plan Update

06/13/18 : 1. Factory management did not realize that marital status would involve the seriousness of discrimination. Factory management has made improvements to the problem, deleting the marital status of applicants and removing the marital status from the job application. 2、 The management of the factory has established procedures for the protection and recruitment of disabled workers. In the later stage, if a disabled worker is employed, the recruitment will be incorporated into the formal contract as long as it meets the requirements of the position. 3、 The management of the factory has formulated relevant policies and procedures for promotion, wage transfer and demotion, and will follow the policy implementation. 4、 Management has set up documents for all position.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. 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. ER.1, ER.16, ER.25, ER.29, ER.30 C.17

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.29, ER.30 and ER.32; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、 Factory has established related procedures, set in the factory, to implement any employee related policies, procedures, system and make a change in the decision-making process, all functional departments will fully consult staff Suggestions and comments.

Company Action Plan Update

06/13/18 : 1、 Factory has established related procedures, set in the factory, to implement any employee related policies, procedures, system and make a change in the decision-making process, all functional departments will fully consult staff Suggestions and comments.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not periodically review its policies or procedures for any of the Employment Functions. ER.1, ER.29, ER.30, ER.31

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks, ER.1, ER.29, ER.30, and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、 The factory has established regular procedures for assessing employment policies or procedures and designating individuals to be responsible for organizing assessments.

Company Action Plan Update

06/13/18 : 1、 The factory has established regular procedures for assessing employment policies or procedures and designating individuals to be responsible for organizing assessments.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. About 80% of the interviewed workers do not know who the worker representatives are. ER.25

2. 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, FOA.13

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25; Freedom of Association Benchmarks FOA.2 and FOA.13)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、 Management has informed employee who is responsible and posted on the factory bulletin board.

Company Action Plan Update

06/13/18 : 1、 Management has informed employee who is responsible and posted on the factory bulletin board.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not take workers' cumulative work experience (previous job experience prior to employment at the factory) into account when calculating annual leave, as legally required. Additionally the factory's working hours policy states that workers are only able to take annual leave once they have been working for the factory for at least one year. ER.22

2. The factory does not pay social insurance for all workers; 11.1% of workers are not covered with injury, medical, pension, unemployment, and maternity insurance. The factory has purchased commercial insurance for all workers. C.10

3. The social insurance contribution base is not aligned with workers' actual earnings. The factory calculates the contribution base according to the minimum legal contribution standard, while 91% workers' actual earnings are higher than the minimum standard. ER.22

4. The factory does not contribute to the Housing Provident Fund for any of the workers. C.10

5. The factory does not deducted the personal tax from workers paychecks. Interviewed workers and management stated that they do

not pay personal tax; however, the total wages of 72% employees' are more than CNY 3,500 (USD532.06) per month, which is the baseline of having to pay personal income tax. ER.22

6. Piece rate workers are only paid at their normal rate for all overtime hours. Therefore the overtime wages for 25% of total workforce are not paid according to legal requirement. The gap varies between RMB 603 (USD 91.66) to RMB 1970 (USD 299.49) per month. C.7

Local Law or Code Requirement

PRC Regulations on Employee's Paid Annual Leave article 3; Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 58 and 60; Regulation on the Housing Provident Fund Management (2002), Article 15; PRC Labor Law article 44; FLA Workplace Code (Employment Relationship Benchmarks ER.22; Compensation Benchmarks C.7 and C.10)

Recommendations for Immediate Action

1. Update the annual leave policy to be in line with legal requirements. Train workers on the newly updated policy.
2. Ensure 100% of the workers are covered by the five categories of social insurance and the contribution base of social insurance is workers' actual earnings as legally required.
3. Contribute to the Housing Provident Fund for all workers.
4. Ensure the legally mandated deduction of personal tax is available on payroll and pay stubs for employees.
5. Ensure all workers are paid overtime wages according to the law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、 Management has updated the new policy documents for the latest annual leave, and will be required to carry out the latest requirements and provide training to staff. 2、 Management has trained staff to emphasize the importance and necessity of purchasing social security, and will gradually increase the proportion of social security. 3、 The management of the factory has already trained employees to be willing to pay the actual wage rate to purchase social security. 4、 The management of the factory has trained the employees to explain the advantages of housing provident fund and try to make the employees actively purchase the housing fund. 5、 Management has trained employees to pay individual income tax in China and try to persuade employees to pay individual income tax on their own. 6、 Regarding piecework wages, if the piece rate is lower than the hourly wage workers will be paid as per the hourly wages, and they will get piecework wages if it higher than the hourly wage calculation, thus all the employees are get overtime pay in accordance with the law.

Company Action Plan Update

06/13/18 : 1、 Management has updated the new policy documents for the latest annual leave, and will be required to carry out the latest requirements and provide training to staff. 2、 Management has trained staff to emphasize the importance and necessity of purchasing social security, and will gradually increase the proportion of social security. 3、 The management of the factory has already trained employees to be willing to pay the actual wage rate to purchase social security. 4、 The management of the factory has trained the employees to explain the advantages of housing provident fund and try to make the employees actively purchase the housing fund. 5、 Management has trained employees to pay individual income tax in China and try to persuade employees to pay individual income tax on their own. 6、 Regarding piecework wages, if the piece rate is lower than the hourly wage workers will be paid as per the hourly wages, and they will get piecework wages if it higher than the hourly wage calculation, thus all the employees are get overtime pay in accordance with the law.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory has no system to monitor working hours for pregnant women and the status of pregnant workers. HOW.5
2. The factory did not provide one day off in each seven-day period for any of the workers at least once per month from November 2016 to October 2017. All of the workers worked 9 to 20 days consecutively on a regular basis, with a maximum of 20 days from April 10th to

3. A review of the time records for the period from November 2016 to October 2017 showed that 98% of workers' weekly hours exceeded 60 hours at least once every month, with a maximum of 72.5 hours in October 2017. HOW.1

4. The monthly overtime hours of 100% workers during the last 12 months from November 2016 to October 2017 exceeded the legal monthly limit of 36 hours, ranging from 40 hours to a maximum of 119 hours. The highest monthly overtime recorded was 119 hours in April 2017. HOW.1

Local Law or Code Requirement

PRC Labor Law article 41; PRC Labor Law article 38; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2 and HOW.5)

Recommendations for Immediate Action

1. Establish a monitoring system to identify pregnant workers and the status of pregnant workers.
2. Ensure that all workers have at least 24 consecutive hours of rest in every 7-day period.
3. Ensure weekly working hours are within 60 hours per week.
4. Ensure the monthly overtime hours within 36 hours per month.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、The management of the factory has established a monitoring and recognition system for the working hours and conditions of pregnant women, which will effectively protect pregnant employees. 2、Factory management has asked each department according to customer requirement to arrange material purchasing, production planning and workforce preparation in advance,thus factory work time can achieve a day off every seven days. 3、Management has asked each department to achieve working hours are within 60hours per week. 4、Management has asked each department to ensure the monthly overtime hours within 36 hours per month.

Company Action Plan Update

06/13/18 : 1、The management of the factory has established a monitoring and recognition system for the working hours and conditions of pregnant women, which will effectively protect pregnant employees. 2、Factory management has asked each department according to customer requirement to arrange material purchasing, production planning and workforce preparation in advance,thus factory work time can achieve a day off every seven days. 3、Management has asked each department to achieve working hours are within 60hours per week. 4、Management has asked each department to ensure the monthly overtime hours within 36 hours per month.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory does not maintain any disciplinary records in workers' personnel files. The management stated that there was no disciplinary action has occurred in the last 12 months; however, based on worker interviews, there have been verbal warnings issued. ER.2, ER.27

2. The factory management does not include a third party to witness in disciplinary actions. ER.27

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、Management has established a disciplinary system and trained all the employees. The following will be carried out as per the system, and the disciplinary record will be kept in the personnel files accordingly.
2、All of the implementation of disciplinary action will ensure a third party witness.

Company Action Plan Update

06/13/18 : 1、Management has established a disciplinary system and trained all the employees. The following will be carried out as per the system, and the disciplinary record will be kept in the personnel files accordingly. 2、All of the implementation of disciplinary action will ensure a third party witness.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory relocated and started the production at current site in 2008; factory had arranged for a third party to conduct the Environmental Impact Assessment and applied for approval of local environmental bureau at that time. However, factory does not conduct the acceptance check according to legal requirement for this project. As a result, there is no completion acceptance report for the environmental construction project in 2008 provided for review. However, the Factory extend the production area in 2016 year, related permits such as EIA, approval and completion acceptance report were provided for review for the extended project. HSE.2

2. Four empty glue containers were stored in open air in the factory. HSE.9

Local Law or Code Requirement

The Implementation Program of Reforming Environmental Impact Assessment in "13th Five-Year", Article 9; Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001) Article 6.2.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.2 and HSE.9)

Recommendations for Immediate Action

1. Keep completion acceptance report for each environmental construction project in factory.
2. Ensure all hazard waste is identified to store and dispose of the same.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、Factory management will strictly comply with the local environmental protection law to operate the factory and strictly abide by the relevant laws. 2、Management has arranged daily inspection to check the open storage of hazardous waste materials and set up special areas for storage.

Company Action Plan Update

06/13/18 : 1、Factory management will strictly comply with the local environmental protection law to operate the factory and strictly abide by the relevant laws. 2、Management has arranged daily inspection to check the open storage of hazardous waste materials and set up special areas for storage.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is one six story office building that was converted to a workshop by the factory in 2011; however, the factory does not have the updated fire safety approval or registration. HSE.1

2. Two aisles are blocked by raw material in raw material warehouse on the third floor of the production building. HSE.5

3. Five fire extinguishers besides the emergency exit of the rented raw material warehouse were placed on the ground and blocked by raw material. HSE.6

Local Law or Code Requirement

PRC Fire Prevention Law article 11; PRC Fire Prevention Law article 16(4); PRC Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005) article 5.1.3; PRC Fire Prevention Law article 28; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5 and HSE.6)

Recommendations for Immediate Action

1. Obtain updated fire safety approval or registration one 6-storey production and office building.
2. Ensure that all evacuation passages and emergency exits are clear at all times.
3. Adjust the fire extinguishers to proper height ensure fire extinguishers are unblocked.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1、Management has contacted the thread company and asked them to re-inspect the plant.
- 2 & 3、Management has arranged daily inspection of the aisles of the warehouse and explained the importance to ensure that such problems will not occur again.

Company Action Plan Update

06/13/18 : 1、Management has contacted the thread company and asked them to re-inspect the plant. 2、Management has arranged daily inspection of the aisles of the warehouse and explained the importance to ensure that such problems will not occur again.

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The covers of one power switch is damaged on the first floor of the production building. HSE.13
2. Five workers in sewing section on the fifth floor of the production building are not using the safety eye-shields properly when operating high-speed sewing machines. HSE.14

Local Law or Code Requirement

Safety Code of Electric Power Industry—Part 1: Thermal and Machine, 3.5.5; Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.13 and HSE.14)

Recommendations for Immediate Action

1. Ensure the covers of power switches are completed.
2. Ensure all workers use safety eye-shields properly when operating high-speed sewing machines to comply with the law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1、Management has arranged electrician to repair the cover of the electric box, and required the electrician to check all power facilities in the factory regularly every week, and repair timely if any problem.
- 2、Management has arranged relevant training of handbag department, and arranged daily inspection.

Company Action Plan Update

06/13/18 : 1、 Management has arranged electrician to repair the cover of the electric box, and required the electrician to check all power facilities in the factory regularly every week, and repair timely if any problem. 2、 Management has arranged relevant training of handbag department, and arranged daily inspection.

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. No label is attached to one chemical bottle stored in the rented raw material warehouse. HSE.9
2. Three barrels of glue were stored together with raw materials in the rented raw material warehouse. HSE.9

Local Law or Code Requirement

Regulation for Chemical Usage Safety in Workplace, article 12; Regulation on the Safety Management of Hazardous Chemicals article 24; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.9)

Recommendations for Immediate Action

1. Ensure chemical containers in the working area are labeled with safety precautions.
2. Ensure the chemicals are stored at a specific warehouse, location or storeroom.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Management has trained the warehouse staff to put up chemical safety labels for incoming chemicals and put them in the chemical warehouse in time. Ensure that chemicals are kept separate from other materials.

Company Action Plan Update

06/13/18 : Management has trained the warehouse staff to put up chemical safety labels for incoming chemicals and put them in the chemical warehouse in time. Ensure that chemicals are kept separate from other materials.

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not keep illness records. HSE.1, HSE.3
2. The factory did not conduct the regular testing of occupational hazardous factors in 2016. HSE.1
3. The factory does not provide pre-job and after-job occupational disease health check to its workers in hazard position. HSE.12
4. The factory does not have an ergonomics program; it has not taken steps to reduce repetitive-motion induced stress or injuries. HSE.17
5. Individual workstations are not adjustable to fit individual workers, and chairs do not have proper backrests. Anti-fatigue mats are not provided for standing workers. HSE.17
6. Food samples are not kept for 48 hours, as per local legal requirements. HSE.22

Local Law or Code Requirement

Regulations of Occupational Hazardous Factor Regular Testing, Article 4; PRC Occupational Disease Prevention Law article 35; Hygienic

standard of the catering and collective-eating distribution unit, Article 35; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.12, HSE.17 and HSE.22)

Recommendations for Immediate Action

1. Conduct regular testing of occupational hazardous factors in factory.
2. Provide pre-job and after-job occupational disease health check to its workers in hazard position.
3. Ensure food samples are not kept for 48 hours.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1、 Factory has established sick leave system and will strictly follow the system. 2、 The factory will conduct regular inspection of workplace occupational hazards every year. 3、 Management will conduct relevant physical examination of pre-job and after-job occupational disease health check from now on. 4、 Management has established the relevant procedures of ergonomics and trained employees to effectively protect employees. 5、 Factory has installed a backrest for the staff's chair, a height adjuster for the workbench, and an anti-fatigue mat for the standing workers. 6、 The management of the factory has requested the retention of samples for 48 hours for each batch of food and arranged for special management.

Company Action Plan Update

06/13/18 : 1、 Factory has established sick leave system and will strictly follow the system. 2、 The factory will conduct regular inspection of workplace occupational hazards every year. 3、 Management will conduct relevant physical examination of pre-job and after-job occupational disease health check from now on. 4、 Management has established the relevant procedures of ergonomics and trained employees to effectively protect employees. 5、 Factory has installed a backrest for the staff's chair, a height adjuster for the workbench, and an anti-fatigue mat for the standing workers. 6、 The management of the factory has requested the retention of samples for 48 hours for each batch of food and arranged for special management.