



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Delta Apparel, Inc
COUNTRY: China
ASSESSMENT DATE: 10/25/16
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 650

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

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have written policies or procedures on Personnel Development, including: a) a policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements; b) policies and procedures that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory and beyond, and; c) policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment.
2. The factory does not have policies or procedures on Retrenchment.
3. The factory does not have any policies or procedures on Industrial Relations.
4. The factory's Health, Safety & Environmental Protection procedures do not include procedures on reserving food samples, as legally required.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.29, and ER.30; Health, Safety & Environmental Protection Benchmark HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory is currently developing written policies that address all the issues that were identified in #1 of the SCI review. This includes but not limited to developing performance reviews for all employees, developing ongoing training programs, and personnel policies that address items such as promotions, demotions, job reassignments, retrenchment and industrial relations. A policy that addresses the proper procedure on reserving food samples will also be developed and implemented.

Planned completion date

02/10/17

Company Action Plan Update

05/22/17 : Currently developing policies and procedures. Completed

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide specific training for the relevant managers and supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection.
2. The factory does not provide ongoing training for workers on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection.
3. Workers do not receive written documentation of all issues covered during orientation training, including a copy of the workplace rules.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.3, ER.17, and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory, upon completion of the new and updated policies, train all manager and supervisors of all the personnel and safety related policies. After management training all employees will be trained on the new and updated policies and written copies of any new rule additions or changes will be provided to all employees prior to effective date. Employee group will be consulted with in developing these new policies and procedures. Documentation will be provided when completed along with employee signatures page of training.

Planned completion date

02/10/17

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate with the general workforce regarding the policies, procedures, and possible updates for the following Employment Functions: Personnel Development, Retrenchment, and Industrial Relations.
2. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16, ER.25, ER.28.2, ER.29.1.1, and ER.30.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

As mentioned in #2, factory will involved employee input in the developing and the new policies and procedures. Also training of these new procedures will be conducted prior to there effective date.

Planned completion date

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

As the factory does not have policies and procedures on the following Employment Functions, there is also no review process: Personnel Development, Retrenchment, and Industrial Relations.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, and ER.30.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

As already addressed in previous plans, factory will involve employee representatives in the developing of personnel policies, specifically to retrenchment and industrial relations.

Planned completion date

02/10/17

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The job application form used for all positions includes questions regarding marital and health status, which could lead to discrimination during the Recruitment process.
2. 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. Furthermore, the factory does not contribute Employment Security Fund in lieu of hiring disabled workers.

Local Law or Code Requirement

Regulation on the Employment of the Disabled (2007), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmark ER.3; Nondiscrimination Benchmarks ND.2, ND.4, and ND.9)

Recommendations for Immediate Action

1. Remove all discriminatory questions regarding marital and health status from the job application form.
2. Hire the legally mandated number of disabled worker.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory has updated the job application which has eliminated questions concerning marital status and health status. See Attached. Also the factory has hired disabled workers to fulfill legal requirement. See attached

Update-Disabled workers were already employed when the audit was conducted. They were not onsite at the time of the audit because they do not work every day but are paid according to law. Please see attached list.

When the audit was being done, the person from the HR department didn't know that disabled workers had been hired. After the audit was completed, the Senior HR Manager noticed the discrepancy and provided the list of disabled workers that had been hired. Since this audit the record keeping records are now up to date along with the payment to the government. These records are now kept with all other employee records and the HR department will be more diligent in keeping the attendance and payments records up to date. Concerning the Employment Security Fund, the factory provided the receipt showing that the fund was paid in April 2016. The factory may not have had the receipt at the factory location when the audit was done. A copy of the the disabled workers payment record is attached.

Planned completion date

02/10/17

Company Action Plan Update

05/22/17 : Completed Updated 3/3/17-See attached list of disabled employees. Updated 4/25/17

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not have written job descriptions for production workers.
2. The factory does not conduct performance reviews for any of its workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.29)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Job descriptions are currently being created or updated. Also as stated earlier, performance reviews will be conducted on all employees.

Planned completion date

02/10/17

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Through interviews and a review of social insurance payments from September 2015 to September 2016, assessors determined that the factory does not provide workers with sufficient social insurance. For example, in September 2016, 456 out of 487 (93.6%) workers were provided with work-related injury insurance and 256 out of 487 (52.5%) workers were provided with maternity, pension, unemployment, and medical insurance.
2. The factory does not properly calculate its social insurance contributions. The contributions should be based on a worker's average monthly wage over the previous year (about CNY 2,800 to CNY 3,000 per month (USD 419.8 to ~ USD 450)). The factory's contribution base is only CNY 2520 (USD 377) for work-related injury insurance and CNY 2590 (USD 388) for medical, maternity, unemployment and pension insurance.
3. The factory does not compensate resigned workers for their unused annual leave. Almost none (10%) of interviewed workers were aware of this legal requirement. According to a review of sampled records and interviews with factory management, at least one resigned worker was not compensated for their unused annual leave.
4. The factory pays 90% of the workers via bank transfer, however, the workers do not sign the payroll records as acknowledge of payment.
5. Workers' personal deductions for social insurance and the Housing Provident Fund are not listed on the factory's payroll before

January 2016. Thus, assessors could not verify that the deductions were provided and transmitted to the legally defined agency.

6. Although the factory has policies and procedures on sick leave that comply with local law and FLA requirements, about 80% of interviewed workers were not aware of this benefit. No workers have taken sick leave in the past 12 months.

7. The factory only contributes to the Housing Provident Fund for 78 out of 487 (16%) workers. Furthermore, the contribution base for the Housing Provident Fund is not in line with legal requirements. The contribution should be based on an worker's average monthly wage over the previous year (about CNY 2,800 to CNY 3,000 per month (USD 419.8 to ~ USD 450)). However, the factory only contributes to the Housing Provident Fund based on CNY 1,660 (USD 248.8) per month.

Local Law or Code Requirement

China Labor Law, Articles 72 and 73; Social Insurance Law of the PRC, Articles 12 and 58; The Regulations on Annual Leave for Employees, Articles 2 and 3; The Opinion of the Ministry of Labor on Several Questions Concerning the Implementation of the China Labor Law, Article 59; The Regulations of Zhejiang Province on Wage Payment, Article 13; Regulations on Management of Housing Provident Fund, Articles 2, 3, and 15; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.22; Compensation Benchmarks C.1, C.10, C.14, and C.17; Hours of Work Benchmarks HOW.1, HOW.11, and HOW.16)

Recommendations for Immediate Action

1. Provide all workers with all forms of social insurance.
2. Calculate the contribution base for all five types of social insurance based on workers' actual wages, as legally required.
3. Compensate resigned workers for unused annual leave. Retroactively compensate any workers who did not receive unused annual leave payments upon resignation during the last 12 months.
4. Ensure that workers who are paid via bank transfer sign the payroll records to acknowledge payment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory will correct the contribution base from March. They will calculate the contribution base for all five types of social insurance based on the workers actual wages. Factory will increase communication and public announcement concerning the importance of all the insurance programs. They currently have seen 0.5% increase in these four programs and their goal is to increase 0.5% each month. Resigned workers will be compensated for any annual leave. All workers who are paid via bnk transfer now signs the payroll records acknowledging the payment.

5. The payroll deductions were not listed on the payroll in 2016 but have been listed since January of 2017. Brand will monitor this situation every 6 months.

6. Training was conducted with all associates in February of 2017 to help the workers understand this benefit. A notice is also posted with procedures concerning sick leave for all associates to view. Photo's attached.

7. The associates of Bada were not familiar with the benefit of the Housing Provident Fund and the majority are not interested in participating in this benefit. Training on this benefit started in February and will continue until all associates are more educated on this benefit. We continue to encourage all to participate in this fund. However it is the factory's belief that they currently are not in violation of the local law and have attached the relevant document for reference. Softe will continue to monitor the progress concerning this benefit and it is our goal to see that a continued growth of the participation rate, increasing 20% per year until eventually 100% of Bada employees have coverage.

Factory will work with workers to add 20% housing fund participation per year.

Planned completion date

02/10/17

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

The factory has obtained written approval to adopt a Comprehensive Working Hours System (CWHS), valid from June 2015 to May 2016. The total working hours for about 80% of workers during this period ranged from 2,498 to 2,644 hours, which exceeds the CWHS limit of 2,440 hours.

Local Law or Code Requirement

The Instruction on the Implementation of the China Labor Law, Article 65; FLA Workplace Code (Hours of Work Benchmark HOW.1)

Recommendations for Immediate Action

Ensure workers' hours do not exceed the Comprehensive Working Hour System limit.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The working hours schedule is currently being reviewed and changed in order to comply with the local regulation and FLA requirement. This will be achieved over the next several months.

Planned completion date

02/10/17

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

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.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory understands that there is great importance to labor relations. We respect the right of employees to freedom of association and there is a Workers' Representatives Committee in the factory. The workers representatives are elected by the employees which comprise of eight members. The establishment of the Workers' Representatives Committee will help improve labor relations. Please see attached documents.

Planned completion date

02/10/17

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Disciplinary actions are not witnessed by a third-party witness during imposition.
2. The factory does not maintain records of disciplinary actions in workers' personnel files.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will allow a third party to witness any disciplinary action toward an employee. Also written records of these actions will be kept in the employees personnel file.

Planned completion date

02/10/17

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

Management does not maintain grievance records. According to interviews with workers and management, there were some grievances in past year, but all the complaints were handled verbally.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Written records are now kept when complaints are made.

Planned completion date

02/10/17

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Some wires in the factory are spliced with duct tape (wires for the hand fabric cutting machines, logo presser, and removable fans in the kitchen).
2. The grid covers on four electrical fans in the sewing workshop on the second floor of production Building B are broken, which poses a risk of workers cutting their fingers.
3. There is no finger protection installed on seven out of nine hand fabric cutting machines.
4. The medical gauze in the first aid kit in the garment workshop (on the second floor of production Building B) expired as of May 2016.
5. The traffic lanes and sidewalks on the factory premises are not clearly marked. There are no signs or other safe driving aids (such as indicators, convex mirrors, vehicle speed limit signs, and reflectors) installed to ensure that workers use safe driving practices on the factory premises.
6. The factory does not test the lightning protection system annually. The last recorded test was performed in 2013.
7. The factory has not conducted an Assessment of the Current Condition of Occupational Disease Hazards.
8. The factory does not provide workers who lift heavy objects with lifting belts or training on proper lifting techniques.
9. The factory is not taking proactive steps to reduce repetitive-motion stress or injuries. The workstations are not adjustable workstations for individual seated workers and there are no removable armrests or proper backrests on the chairs. Ant-fatigue mats are

- not provided for workers who work in a standing position.
10. The factory does not reserve food samples for 48 hours.
11. The factory's Occupational Disease Hazard Factor Test results are not made available to workers.

Local Law or Code Requirement

General Guide for Safety of Electric User, Article 6.7; Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; Standards for the Design of Industrial Enterprises (GBZ1-2010), Article 8.3.3; Health Standard of Catering and Collective Meal Distribution Unit [2005]260, Article 35; Fire Prevention Regulation for Government Offices, Organizations and Enterprises, Article 40, GBT21431-2008; Technical Specifications for Inspection of Lightning Protection System in Building, Article 6; Provisions on the Supervision and Administration of Occupational Health at Work Sites, Article 20; China Law of Prevention and Control of Occupational Diseases, Article 27; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.4, HSE.13, HSE.14, HSE.17, HSE.18.3.1, and HSE.22)

Recommendations for Immediate Action

1. Replace or properly repair any wires spliced with duct tape.
2. Repair the broken fan covers.
3. Install finger protection for hand fabric cutting machines.
4. Dispose of and replace any expired first aid supplies.
5. Install signs and safe driving aids for the traffic lanes and sidewalks on the factory premises.
6. Test the lightning protection system annually.
7. Commission a qualified third party to conduct an Assessment of the Current Condition of Occupational Disease Hazards.
8. Provide lifting belts to workers who lift heavy objects and train workers on their use.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Replaced the wires that were spliced and duct taped. Also purchased a new logo presser. See Attached Photo.
2. The broken fan covers were repaired or replaced. See Photos.
3. Finger protection devices were installed on all hand fabric cutting machines. Also steel mesh gloves are to be worn by all employees that opera cutting devices. Employees were trained on the proper use of these gloves. See attached photos.
4. Medical gauze in first aid kit was replaced. See attached photo.
5. Traffic lanes and sidewalks are clearly marked. See attached photos. Also driving signs will be posted to help control traffic.
6. The lightning protection system will be scheduled for testing and done annually.
7. We did commission a third party to assess the current condition of occupation disease hazards this past August. Please see attached results.
8. We will provide lifting belts to those employees who lift heavy weights and train them on there proper use.
9. Cushions and back support have been provided to those employees as well as seats for those employees who currently stand.
10. Factory now reserves food samples for 48 hours. See attached photos.
11. Results of the third party test are now available for employees to review.

Planned completion date

02/10/17

FINDING NO.13

NOTABLE FEATURE

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory provides free housing and meals to workers.
2. The workshops and dormitory rooms are air conditioned.
3. The factory provides recreational activities such as Ping-Pong, basketball, and Saturday films for workers.