



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Gildan Activewear Inc
COUNTRY: China
ASSESSMENT DATE: 08/19/19
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 3000

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations
Compensation	1
Hours of Work	1
Employment Relationship	2
Health, Safety, and Environment	6

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There are no policies or procedures related to production workers' career paths and personnel development. The factory does not have career path or skill development training for production workers, even though production workers are more than 70% of the total workforce.
2. The factory does not have written policies and procedures that outline review steps and processes for performance reviews. Additionally, the factory does not conduct regular performance reviews for employees.
3. The job application form includes questions regarding marital status and political opinion, which could lead to discrimination during the recruitment process.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, and ER.29, Nondiscrimination Benchmark ND.2.1)

Recommendations for Immediate Action

1. Remove questions regarding marital status and political opinion from job application forms.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. (Remediated) The factory has established policies and procedures related to production workers' career paths and personnel development, and provided career path and skill development training to production workers as well.
2. (Not Remediated) The factory does not have written policies or procedures outlining the process for performance reviews.

Additionally, the factory does not conduct performance review for any workers. [ER.29.1]

3. (Remediated) The factory has never used job application form, but entry registration form, and the content of which remains unchanged. However, the factory has adjusted recruitment procedure to have the candidates fill in entry registration form after they have been recruited by the factory, which means the questions regarding marital status and political opinion are only for information purpose and has no influence on the hiring decision.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.29)

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Based on a review of social insurance payments from September 2013 to August 2014, as well as worker and management interviews, the employer is not providing sufficient social insurance coverage for employees. All employees are provided with work-related injury and maternity insurance, 76.6% of employees are covered by pension, unemployment, and medical insurance. No additional insurance, such as commercial insurance, is provided to employees.

2. The basis of the social insurance contribution for the five types of social insurance is not in line with legal requirements. For example, pension insurance should be based on an employee's average total wage over the past 12 months (about CNY 2,900 per month based on payroll review); however, the employer only contributed CNY 2,230 per month to pension insurance.

3. The factory does not pay into the housing provident fund for all workers as required by local law. Only 26.3% (71 out of 270) of the employees were provided with housing provident funds in September 2014.

4. The factory does not provide prenatal leave as required by local law. For example, there was an employee who was over seven-months pregnant, and was not provided prenatal leave. A private interview found that she did not fully understand this regulation.

5. The factory has a sick leave policy; however, interviewed employees were not clear about the policy, and no employees have used this benefit in the past 12 months.

Local Law or Code Requirement

China Labor Law, Articles 45, 72, and 73; Social Insurance Law of the PRC, Article 12; Regulations On Management Of Housing Provident Fund, Article 15; Special Provisions on Labor Protection for Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.22, Compensation Benchmark C.1; Nondiscrimination Benchmark ND.8, Hours of Work Benchmarks HOW.16)

Recommendations for Immediate Action

1. Provide all workers with social insurance including Medical, Maternity, Work-related Injury, Pension, and Unemployment Insurance at the legally required contribution level.

2. Provide Housing Provident Funds for all employees.

3. Provide prenatal leave for all employees.

4. Provide sick leave for all employees.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. (Not Remediated) The factory does not provide social insurance to all eligible workers. There are total 341 workers working in the factory, including 6 recruited after retirement workers and 34 interns. The factory provided 171 out of 301 eligible workers (57%) with pension, medical and unemployment insurances, 197 out of 301 eligible workers (65%) with maternity insurance, and all 301 eligible workers plus all 34 interns (100%) with work-related injury insurance in the latest payment month of July 2019. As a supplement, the factory has provided commercial accidental injury insurance to another six workers not covered with work-related injury insurance, which

is valid from November 7, 2018 to November 6, 2019 and has a maximum benefit amount of CNY 200,000 (USD 28,184) per worker. [C.1]

2. (Not Remediated) The contribution base of the five types of social insurance is not in line with legal requirements. The contribution is based on the local minimum requirement of CNY 3,300 (USD 465) per month instead of worker's average monthly wage of previous year as required by local law. About 90% of workers' average monthly wages of previous year were higher than local minimum contribution base, ranging from CNY 4,000 (USD 564) to CNY 6,000 (USD 846). [C.10.1]

3. (Not Remediated) The factory contributed Housing Provident Fund for 59 out of 301 eligible workers (20%) in the latest payment month of July 2019. Moreover, the Housing Provident Fund contribution is based on CNY 2,000 (USD 282) per month instead of worker's average monthly wage of previous year as required by local law. All workers' average monthly wages of previous year were higher than current contribution base. [ER.22.1]

4. (Remediated) The factory has established the policy on prenatal leave as required by local law and informed pregnant workers of the benefit.

5. (Remediated) The factory has provided training to workers on sick leave and the interviewed workers know the process of sick leave application.

Local Law or Code Requirement

The China Labor Law, Article 72; Social Insurance Law of the PRC, Article 60; The Regulations on Management of Housing Provident Fund, Article 15 and Article 16. FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1 and C.10)

Recommendations for Immediate Action

1. Provide social insurance to all eligible workers.

2. Contribute to social insurance based on worker's average monthly wage of previous year.

3. Provide Housing Provident Fund to all eligible workers. Contribute to Housing Provident Fund based on worker's average monthly wage of previous year.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. According to time records for Sept. 2013 to Sept. 2014 and worker interviews, monthly overtime hours for 80% of workers exceeded the 36 hours legal limit, with a maximum of 96 hours in July 2014.

Local Law or Code Requirement

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

FLA's Recommendations for Sustainable Improvements

1. Ensure that overtime hours are within the 36 hours per month legal requirement.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. (Not Remediated) According to time records from August 2018 to August 28, 2019 and worker interviews, monthly overtime hours for 80% of workers exceeded legal limit of 36 hours in a month in all reviewed months except February 2019, with a maximum of 66 overtime hours in March 2019. [HOW.1.1]

Local Law or Code Requirement

The China Labor Law, Article 41. FLA Workplace Code (Hours of Work Benchmark HOW.1)

Recommendations for Immediate Action

1. Ensure overtime hours do not exceed 36 in a month.

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Several secondary containers for the knitting machines are damaged, and some machine oil has leaked on the ground. Leaked machine oil in the knitting workshop and the chemical warehouse was not cleaned up in a timely manner, as per the requirement in the chemical management procedure. 2. The factory has not maintained hazardous waste disposal records for rags contaminated by hazardous chemicals and waste machine oil from air compressing machines.

Local Law or Code Requirement

The Regulation for Safety of Dangerous Chemical, Article 16; The China Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 59; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9.1)

Recommendations for Immediate Action

1. Repair secondary containers, and clean up spills in a timely manner. 2. Dispose of hazardous waste with a qualified company, and keep complete disposal records.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. (Partially Remediated) Onsite observation notes that two out of twenty secondary containment for the knitting machines is still damaged and machine oil has leaked on the ground. Leaked machine oil in the knitting workshop is not cleaned up in a timely manner as per the requirement in the chemical management procedure.

Remark: The chemical warehouse is no longer in use. The factory only uses small amount of machine oil as chemical and the supplier can deliver to the factory upon request. [HSE.9.1]

2. (Remediated) Rags contaminated with waste machine oil are not classified as hazardous wastes based on the updated National Catalog of Hazardous Wastes. The factory disposes of contaminated rags as household wastes and has maintained the disposal records.

Local Law or Code Requirement

The Regulation for Safety of Dangerous Chemical, Article 20. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. Repair the secondary containment for the knitting machines and clean up spills in a timely manner.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Material Safety Data Sheet (MSDS) for the machine oil is incomplete; it is missing the CAS Number and supplier information. 2. Three knitting workers were not wearing earplugs in the knitting workshop where noise level exceeds 85 dB. 3. The factory has not conducted occupational health examinations for 5 knitting workers who began working at the factory more than one month ago, or for workers who have recently resigned. 4. The factory has only kept health examination records for 90% of the workers. Additionally the factory has not tracked and done statistical analysis for all illnesses.

Local Law or Code Requirement

The safety data sheet for chemical products – Content and order of sections GB16483-2008, 4.1; The Law of the China on Work Safety, Article 37; The China Law of Prevention and Control of Occupational Diseases, Article 32; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, and HSE.7)

Recommendations for Immediate Action

1. Provide and monitor the use of Personal Protective Equipment (PPE) for workers who work in the knitting process. 2. Provided complete MSDS. 3. Provide occupational health examination for all eligible workers.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. (Remediated) The factory has maintained complete Material Safety Data Sheet (MSDS) for machine oil, including the CAS Number and supplier information.

2. (Remediated) All knitting workers are wearing earplugs in the knitting workshop where noise level is above 85 dB.

3. (Partially Remediated) The factory has provided annual on-job occupational health examination to all knitting workers with exposure to noise level of above 85 dB. However, the factory has not provided pre-job or post-job occupational health examination to any knitting workers. Additionally, the factory has not provided pre-job, on-job or post-job occupational health examination to sewing or boarding workers with exposure to noise level of 80 dB to 84.5 dB. [HSE.1]

4. (Not Remediated) The factory arranged about 140 out of a total of 307 workers for health examination in June 2019 and has kept the health examination records on file. Additionally, the factory has not tracked or conducted statistical analysis for all illnesses. [HSE.3.2]

Local Law or Code Requirement

The China Law of Prevention and Control of Occupational Diseases, Article 35. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.3)

Recommendations for Immediate Action

1. Provide on-job occupational health examination to sewing and boarding workers with exposure to noise level of 80 dB to 84.5 dB every two years as required by local law. Provide pre-job and post-job occupational health examination to knitting, sewing and boarding workers in a timely manner as required by local law.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory production plan is based on 54 hours per week. The factory management sets production targets and production system at a level that workers need to work 14 overtime hours per week. [ER.24]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.24)

Recommendations for Immediate Action

1. Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. In Zhejiang Province, female workers are entitled to 30 days of reward leave following maternity leave based on local law requirement. The factory has not yet implemented this policy. [ER.22.1]
2. The factory does not take workers' external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law. [C.6]

Local Law or Code Requirement

Zhejiang Population and Family Planning Regulations, Article 30; The Implementation Measures for Employee Paid Annual Leave, Article 4. FLA Workplace Code (Employment Relationship Benchmark ER.22, Compensation Benchmark C.6)

Recommendations for Immediate Action

1. Ensure length of maternity leave in compliance with legal requirement.
2. Calculate annual leave based on worker's cumulative working experience (working age).

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Two fire extinguishers in knitting workshop are placed directly on the floor, which is not in compliance with local law requirement that fire extinguishers should be mounted on the wall or placed in a fire extinguisher box. [HSE.6.2]
2. The factory rents the whole first floor of three-floor Production Building #8, the half of first floor of three-floor Production Building #9 and the half of first floor of four-floor Production Building #10 from their parent company Zhejiang Mengna Socks & Hosiery Co., Ltd. The factory has installed fire alarm system covering all rental areas. However, the fire alarms in Production Building #9 and Production Building #10 are not centralized with other fire alarms in the same building. [HSE.5.1]
3. The factory conducted occupational hazard (noise and dust) test in March 2019. The noise level in knitting workshop exceeds legal limit of 85 dB and the other test results comply with legal requirement. However, the factory does not post test results in each workshop for workers' information. [HSE.1]
4. The factory outsourced a qualified company to conduct Assessment of Current Conditions of Occupational Disease Hazards in March 2019, which indicates that the noise level in sewing and boarding workshops ranges from 80 dB to 84.5 dB and earplugs should be provided accordingly. However, the factory has not provided earplugs to workers working in sewing or boarding workshops. [HSE.7]

Local Law or Code Requirement

The Code for Design of Extinguisher Distribution in Buildings, Article 5.1.3; The Code for Design of Automatic Fire Alarm System (GB50116-2013), Article 4.8.5; China Law of Prevention and Control of Occupational Disease, Article 24; Law of the China on Work Safety, Article 42. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.6 and HSE.7)

Recommendations for Immediate Action

1. Install fire extinguishers by mounting on the wall or placing in a fire extinguisher box.
2. Install a centralized fire alarm system in each shared production building.

3. Post occupational hazard test results in each workshop for workers' information.

4. Provide earplugs to workers working in sewing and boarding workshops.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory stores three empty machine oil containers in open area with no secondary containment.

Remark: The factory does not have designated hazardous waste storage area, because they only use small amount of machine oil as chemical. The disposal of empty machine oil containers is handled through their parent company. Disposal company qualification records and disposal records are provided for review, demonstrating that the empty machine oil containers are disposed of by using qualified company with records on file. [HSE.9.1]

Local Law or Code Requirement

The Standard for Pollution Control on Hazardous Waste Storage, Article 6.2.4, Article 6.2.5 and Article 6.2.6. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. Store empty machine oil containers in designated area with secondary containment.