



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: G-III Apparel Group Ltd.

COUNTRY: China

ASSESSMENT DATE: 08/13/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 128

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 | 4 |
| Employment Relationship | 2 |
| Health, Safety, and Environment | 7 |
| Nondiscrimination | 3 |

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not take worker's external seniority (previous job experience prior to factory employment) into account when calculating annual leave, as required by law. [C.6]
2. The factory does not provide social insurance to all eligible workers. There are 109 workers in the factory, including eleven retired but re-recruited workers and nine newly hired workers. According to the social insurance receipt and name list for June 2020, 19 out of 89 eligible workers (21.3%) were provided with pension, unemployment, medical, maternity, and work-related injury insurances. As a supplement, the factory has bought group accidental injury insurance for all 109 workers, which is valid from August 17, 2019 to August 16, 2020 and has a maximum benefit amount of CNY 500,000 (USD 72,297) per worker. The factory is in the process of renewing the group accidental injury insurance. [C.1]
3. The contribution base of the five types of social insurances is not in line with the legal requirement. The factory contributes to work-related injury, medical, maternity, unemployment, and pension insurances based on local minimum requirement of CNY 3,030 (USD 441) per month. This is not in line with the legal requirement of a contribution based on the worker's average monthly wage of the previous year. About 90% of workers' average monthly wages of the previous year were higher than the local minimum contribution base, ranging from CNY 3,031 (USD 442) to CNY 6,200 (USD 903). [C.10.1, ER.22]
4. The factory does not contribute to the legally required Housing Provident Fund for eligible workers. [ER.22]

Local Law or Code Requirement

Implementation Measures of Paid Annual Leave for Employees of Enterprises, Article 4; China Social Insurance Law, Article 72; Social Insurance Law of the PRC, Article 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15. FLA Workplace Code (Compensation Benchmarks C.1, C.6 and C.10; Employment Relationship Benchmark ER.22, Hours of Work HOW.11)

Recommendations for Immediate Action

1. <!--[endif]-->Calculate the annual leave based on worker's cumulative working experience (working age).

2. Provide social insurance to all eligible workers.
3. <!--[endif]-->Contribute to social insurance based on worker's average monthly wage of the previous year.
4. <!--[endif]-->Provide all workers with legally required Housing Provident Fund.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory sets a production plan based on 60 hours per week (one overtime hour per day on two workdays, three overtime hours per day on three workdays and nine overtime hours on Saturday). Factory management sets production targets and a production system at a level that workers need to work 20 overtime hours per week. [ER.24]
2. Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from July 2019 to August 12, 2020 and worker interviews indicate that almost all workers' monthly overtime hours exceeded 36 hours in all reviewed months except February 2020, with a maximum of 103 overtime hours in June 2020. [HOW.1.1, HOW.8.1]
3. Total working hours exceed 60 hours per week. Time records for the period from July 2019 to August 12, 2020 and worker interviews indicate that about 90% of workers' weekly working hours exceeded 60 hours in one week per month in all reviewed months except January and February 2020. About 80% of workers' weekly working hours were up to 69 hours in the week from June 15 to 21, 2020. [HOW.1.3, HOW.8.3]
4. Workers are not provided with one day off in every seven-day work period. Time records for the period from July 2019 to August 12, 2020 and worker interviews indicate that almost all workers worked more than six consecutive days once or twice per month in all reviewed months except February 2020. About 80% of workers worked a maximum of 13 consecutive days from May 11 to 23, 2020. [HOW.2]
5. The factory did not consult with workers before arranging for them to take five to ten days of annual leave during the Chinese New Year Holiday in January 2020. About 50% of interviewed workers are unaware of their annual leave balance. [HOW.12]

Local Law or Code Requirement

Implementation Measures of Paid Annual Leave for Employees of Enterprises, Article 4; The China Labor Law, Articles 38 and 41. FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1, HOW.2, HOW.8, HOW.12)

Recommendations for Immediate Action

1. <!--[endif]-->Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
2. <!--[endif]-->Ensure overtime hours do not exceed the legal limit of 36 hours per month.

3. <!--[endif]-->Control total working hours so that the total hours do not exceed 60 hours in a week.
4. <!--[endif]-->Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.
5. Consult with workers before determining the time at which annual leave is taken. Provide training so that workers are aware that they can take annual leave any time throughout the year except during CNY holiday.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comment: 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.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2, FOA.10)

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Factory is developing a Health, Safety and Environment (HSE) management system. They have never conducted a risk assessment before. In addition, the HSE policy and procedure does not meet the requirements to identify and minimize the risk of production processes, which should include:

- a. Steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated
 - b. Steps to identify all special categories of workers
 - c. A list of equipment and machines that require lockout and/or tagout
 - d. Steps to report death, injury, illness, and other health and safety issues
 - e. A guidance document for external contractors and service providers concerning health and safety [HSE.1]
2. The factory has never conducted an inspection for the lightning protection system in the production building. [HSE.13]
3. The transmission belts on about 90% of the punching machines are not fully enclosed by their pulley guards. [HSE.14.1]

4. About 30% of the appliances (mostly high-power fans) in the production area are connected to extension cords, which are not used properly. Several appliances are plugged into same extension cord. Some extension cords are plugged into one another. And some cords are covered with semi-products. [HSE.13]
5. About 10% of exit signs in the factory are malfunctioning. In addition, the factory does not have an emergency light at the outdoor stairway of the production building. [HSE.5.1]
6. The factory has not installed an automatic fire extinguishing system in the production building, which was constructed in 2007 with a floor area of 4,000 square meters and a building area of 7,000 square meters. [HSE.5.1]
7. The factory has not conducted an environmental measurement for dust, lighting or noise in the last 12 months. [HSE.13]

Local Law or Code Requirement

Technical Specifications for Inspection of Lightning Protection System in Building, Article 6; Code of Design of Manufacturing Equipment Safety and Hygiene, Article 6.1.6; The Rules on Administration of Fire Safety in Warehouses, Article 40; Electricity Safety Guidelines, Article 5.1.1; The Code of Design on Building Fire Protection and Prevention, Article 8.3.1, Article 10.3.1 and Article 10.3.5; Measures for the Administration of Environmental Surveillance, Article 21. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.13 and HSE.14)

Recommendations for Immediate Action

1. <!--[endif]-->Develop an HSE management system. Conduct a risk assessment covering all risks and appropriate ways to eliminate and control hazards.
2. <!--[endif]-->Conduct an annual inspection on the lightning protection system and maintain the inspection reports.
3. <!--[endif]-->Fully enclose the transmission belts on punching machines with pulley guards.
4. <!--[endif]-->Install additional outlets to avoid heavy reliance on extension cords. Use extension cords properly. Avoid using an extension cord for more than one appliance or plugging multiple extension cords into one another. Keep cords uncovered at all times when they are being used.
5. <!--[endif]-->Conduct regular inspection for exit signs to ensure functionality. Install emergency lights at the outdoor stairway of the production building.
6. <!--[endif]-->Install automatic fire extinguishing system in workshops and warehouses as per the legal requirement.
7. <!--[endif]-->Conduct environmental assessments as per the legal requirement.