



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Gildan Activewear Inc
COUNTRY: China
ASSESSMENT DATE: 08/20/20
ASSESSOR: Openview
PRODUCTS: Other
NUMBER OF WORKERS: 285

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	3
Employment Relationship	2
Health, Safety, and Environment	1
Nondiscrimination	1
Freedom of Association	1

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory sets production plan based on 48 to 58 hours per week (one to two overtime hours per day on up to five workdays and eight overtime hours on Saturday). Factory management sets production targets and production system at a level that workers need to work eight to eighteen overtime hours per week. [ER.24]
2. Overtime hours exceed legal limit of 36 hours per month. Time records for the period from July 2019 to August 19, 2020 and worker interviews indicate that the monthly overtime hours for about 80% of workers exceeded 36 in all reviewed months, with a maximum of 90 hours in December 2019. [HOW.1.1]
3. Total working hours exceed 60 per week. Time records for the period from July 2019 to August 19, 2020 and worker interviews indicate that the weekly working hours for about 30% of workers exceeded 60 in one to two weeks per month from July 2019 to January 2020, in March and August 2020, with a maximum of 66 hours in the week from August 10 to 16, 2020. [HOW.1.3]
4. Workers are not provided with one day off for every seven-day work period. Time records for the period from July 2019 to August 19, 2020 and worker interviews indicate that about 30% of workers worked more than six consecutive days for once or twice per month from July 2019 to January 2020, in March and August 2020, with a maximum of 13 consecutive days from December 16 to 28, 2019. [HOW.2]

Local Law or Code Requirement

The China Labor Law, Articles 38 and 41. FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1 and HOW.2)

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 legal limit of 36 hours per month.
3. <!--[endif]-->Control total working hours do not exceed 60 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, Ensure that overtime is not included as a general practice into the factory's production planning. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

In order to ensure that the orders are shipped on time, the factory arranges overtime work as there is insufficient staff.

Improvement plans:

1. In order to reduce overtime work, the factory sets production plan based on 5 working days per week with 8 hours per day as well as tries to avoid temporary insertion of orders and urgent orders.
2. The factory will provide trainings for employees to improve their skills , work efficiency as well as effective capacity.
3. The factory will increase the number of employees appropriately to reduce overtime hours and pay the full wages of workers on the premise of ensuring production capacity and delivering goods on time.

FINDING NO.2

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 and FOA.10)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Improvement plans:

1. All employee representatives of the factory are elected by employees by secret ballot. The employee representatives include managers, production-line employees and administrative personnel.
2. The factory has procedures about freedom of association and fully respects all employees' agreements to form freely, join trade

unions and conduct collective bargaining.

3. The factory trains and explains the content of the Fair Labor Association and collective labor contracts to employees every year.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory provides pre-job and on-job occupational health examinations to eligible workers with hazardous exposure to noise and dust. However, the factory does not provide post-job occupational health examination to 20% of the resigned workers who are eligible for occupational health examination. [HSE.1]

Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Article 35. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1)

Recommendations for Immediate Action

1. <!--[endif]-->Provide post-job occupational health examination to workers with hazardous exposure to noise and dust.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Improvement plans:

The factory will provide more trainings on occupational health examination to improve employees' awareness of the importance of it, and inform them that the factory will provide workers with free occupational health examination before, during and after the job.

FINDING NO.4

NOTABLE FEATURE

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory is equipped with solar power generation equipment on the roofs of four production buildings. The solar power generation equipment was installed in the factory by the local power supply bureau in 2019. The total installed capacity is 1.08 MW, and the annual power generation capacity is 1.08 million kWh, which is expected to reduce 1,076 tons of CO2 emission per year. Solar power is directly connected to the factory transformer for use by the factory. The electricity price is CNY 0.58 (USD 0.082) kWh, which is 76% of the market price. This project not only brings economic benefits to the factory, but also reduces environmental pollution.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. There are 253 workers including 18 retired but re-recruited workers in the factory. The factory provides social insurance to all 253 eligible workers. However, the contribution base of the five types of social insurances is not in line with legal requirement. The factory contributes to work-related injury, medical, maternity, unemployment and pension insurances based on local minimum requirement of CNY 3,322 (USD 482) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. About 50% of workers' average monthly wages of previous year were higher than local minimum contribution base, ranging from CNY 3,323 (USD 483) to CNY 5,000 (USD 726). [C.10.1]
2. The factory only contributes to Housing Provident Fund for 178 out of 235 eligible workers (76%). [ER.22.1]
3. The contribution base of Housing Provident Fund is not in line with legal requirement. The factory contributes to Housing Provident Fund based on local minimum requirement of CNY 2,000 (USD 290) per month, which is not in line with legal requirement of contribution based on worker's average monthly wage of previous year. All workers' average monthly wages of previous year were higher than local minimum contribution base, ranging from CNY 2,800 (USD 436) to CNY 5,000 (USD 726). [ER.22.2]

Local Law or Code Requirement

Social Insurance Law of the PRC, Article 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15 and Article 16. FLA Workplace Code (Compensation Benchmark C.10; Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

Improvement plans:

1. The factory adjusts social insurance according to local policy. It is implemented according to current policy that is upper limit of 300% and the lower limit of 60% of the average salary of employees in the province.
2. Housing Provident Fund are based on employees' own wishes. Non-payment of Housing Provident Fund is their own voluntary application. The factory has added company payable part to their wages.