



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Peter Millar LLC

COUNTRY: China

ASSESSMENT DATE: 09/15/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 1007

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

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. 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, HOW.11]
2. The factory contributes to The Housing Provident Fund for 810 out of 874 eligible workers (93%). [ER.22.1]
3. The contribution base of the Housing Provident Fund is not in line with the legal requirement. The factory contributes to the Housing Provident Fund based on CNY 2,105 (USD 311) per month, which is not in line with the legal requirement of contribution based on worker's average monthly wage of the previous year. All workers' average monthly wages of the previous year were ranging from CNY 2,800 (USD 414) to CNY 6,200 (USD 916), higher than the local minimum contribution base. [ER.22.2]

Local Law or Code Requirement

Implementation Measures of Paid Annual Leave for Employees of Enterprises, Article 4; Regulations on Management of Housing Provident Fund, Article 15 and Article 16. FLA Workplace Code (Compensation Benchmark C.6; Employment Relationship Benchmark ER.22; Hours of Work Benchmark HOW.11)

Recommendations for Immediate Action

1. Calculate annual leave based on worker's cumulative working experience (working age).
2. Provide all workers with legally required Housing Provident Fund.
3. Contribute to the Housing Provident Fund based on worker's average monthly wage of the previous year.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory arranges 8 out of 13 female workers in the lactation period to work the same overtime hours as other workers, including 6.5 overtime hours on Saturdays. [ND.8.1]
2. The factory sets the production plan based on 46.5 hours per week (6 days per week with 6.5 hours on Saturday). Factory management sets the production targets and production system at a level that workers need to work 6.5 overtime hours per week. [ER.24]

Local Law or Code Requirement

Special Rules on the Labor Protection of Female Employees, Article 9. FLA Workplace Code (Non-discrimination Benchmark ND.8; Employment Relationship Benchmark ER.24)

Recommendations for Immediate Action

1. Ensure female workers in the lactation period do not work overtime.
2. Set the production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
3. 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:

- 1) Implement FLA Principles of Fair Labor and Responsible Sourcing and
- 2) 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.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. All 11 union committee members are department managers and supervisors. They are appointed by top factory management and Federation of Trade Unions. There is no Collective Bargaining Agreement in the factory.[FOA.11]
2. 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 Benchmarks FOA.2, FOA.10 and FOA.11)

Recommendations for Immediate Action

- . Ensure all union committee members are freely elected by all workers and are made up of workers.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not installed explosion-proof lights in the fabric warehouse located on the first floor of the production building. [HSE.13]
2. The factory was established in March 2007 and the products are shirts. There is one kind of chemical (lubricating oil) being used. The major production processes include cutting, sewing, QC and packing. The occupational hazards risk level is low. However, the factory has not conducted the pre-assessment of occupational disease hazards, assessment of the effects of occupational disease hazards or assessment of current conditions of occupational disease hazards. [HSE.4]

Local Law or Code Requirement

Rules on Administration of Fire Safety in Warehouses, Article 38; Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Article 17 and Article 18. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4 and HSE.13)

Recommendations for Immediate Action

1. Install explosion-proof lights in the fabric warehouse.
2. Conduct the assessment of current conditions of occupational disease hazards and obtain the assessment report.