



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Delta Galil Industries Ltd.

COUNTRY: China

ASSESSMENT DATE: 09/10/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 535

## 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	2
Hours of Work	3
Employment Relationship	4
Health, Safety, and Environment	5

## Findings and Action Plans

### FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. Job application form contains questions regarding politics status, gender, height, weight, age, hometown, health status, marital status, and household registration type, which might lead to discriminatory practice during recruitment process. [ND.2.1]

##### Local Law or Code Requirement

The China Labor Law, Article 12. FLA Workplace Code (Non-discrimination Benchmark ND.2)

##### Recommendations for Immediate Action

1. <!--[endif]-->Remove discriminatory questions from the job application form. Employment decisions are to be made solely on the basis of a person's qualifications and abilities.

### FINDING NO.2

#### 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. There is a total of 740 workers including 106 retired but re-recruited workers and one new hire in the factory. The factory provides five types of social insurance including work-related injury, medical, maternity, unemployment and pension insurances to all 633 eligible

workers. However, the factory contributes to social insurance based on the local minimum requirement of CNY 2,100 (USD 307) per month, which is not in line with the legal requirement of contribution based on worker's average monthly wage of the previous year. About 80% of worker's average monthly wages of previous year were higher than the local minimum contribution base, ranging from CNY 3,000 (USD 439) to CNY 4,000 (USD 585). [C.10.1, ER.22]

3. The factory does not contribute to the Housing Provident Fund for eligible workers. [ER.22.1]

4. The factory does not provide pay slips to workers. [C.13]

#### Local Law or Code Requirement

Implementation Measures of Paid Annual Leave for Employees of Enterprises, Article 4; Social Insurance Law of the PRC, Article 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15; Regulation of Guangdong Province on the Payment of Wages, Article 17. FLA Workplace Code (Compensation Benchmarks C.6, C.10 and C.13; Employment Relationship Benchmark ER.22)

#### Recommendations for Immediate Action

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

2. <!--[endif]-->Contribute to social insurance based on worker's average monthly wage of previous year.

3. <!--[endif]-->Provide all workers with legally required Housing Provident Fund.

4. <!--[endif]-->Provide pay slips to workers on each payment day.

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. The factory does not provide female workers in the seventh or greater month of pregnancy with one-hour of paid break each day during work hours. In addition, the factory arranges female workers in the seventh or greater month of pregnancy to work overtime during weekend. [ND.8.1]

2. Overtime hours exceed the legal limit of 36 hours per month. Time records for the period from August 2019 to August 2020 indicate that the monthly overtime for 80% of workers exceeded 36 hours in all reviewed months, with a maximum of 121 overtime hours in August 2019. [HOW.1.1]

3. The factory sets the production plan based on 60 hours per week (a total of six days per week with two overtime hours on each workday and ten overtime hours on Saturday). Factory management sets production targets and production system at a level that workers need to work 20 overtime hours per week. [ER.24]

4. Total working hours regularly exceed 60 hours in a week. Time records for the period from August 2019 to September 9, 2020 indicate that about 40% of workers worked more than 60 hours and up to 66 hours per week in one to two weeks per month in November 2019, January, February and May 2020. About 50% of workers worked more than 60 hours and up to 66 hours per week in three to four weeks per month in August and December 2019, March and April 2020. [HOW.1.3, HOW.8.3]

#### Local Law or Code Requirement

#### Recommendations for Immediate Action

1. <!--[endif]-->Provide one-hour of paid rest break each day during work hours to female workers pregnant for seven months and above. Ensure female workers workers in the seventh month of pregnancy and beyond do not work overtime.
2. <!--[endif]-->Ensure overtime hours do not exceed the legal limit of 36 hours per month.
3. Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.
4. Control total working hours so they do not exceed 60 hours in a week.
5. <!--[endif]-->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.4

#### 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 Benchmarks FOA.2 and FOA.10)

## FINDING NO.5

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

1. The factory was founded in 1997 and moved to the current location between 2003 to 2007. The factory has not conducted any kind of assessment on occupational disease hazards. [HSE.4]

2. The factory installs about 90% of evacuation signs at around 2.0 meters from the floor, which is higher than the legal requirement of less than 1.0 meter. [HSE.5.1]

3. The water pressure of the eyewash facility in the maintenance room is too high, which is dangerous for worker's eyes. [HSE.9.1]

4. The factory has not obtain the Material Safety Data Sheets (MSDS) for the universal glue and grease being used in the maintenance room and for diesel in the generator room. [HSE.10.1]

### Local Law or Code Requirement

The Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Disease Protection facilities at Construction Projects, Article 4; The Code of Design on Building Fire Protection and Prevention (GB50016-2014), Article 10.3.5; The China Law of Prevention and Control of Occupational Diseases, Article 25. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4, HSE.5, HSE.9 and HSE.10)

### Recommendations for Immediate Action

1. <!--[endif]-->Conduct assessment of current condition of occupational disease hazards and obtain valid reports.

2. <!--[endif]-->Install evacuation signs at a proper height as per the legal requirement.

3. <!--[endif]-->Maintain proper water pressure at eyewash station.

4. <!--[endif]-->Obtain complete MSDS for all chemicals in the local languages of all workers.

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The compressed air generates a small amount of oil water from the air compressor, which is not collected and discharged into the storm-water system directly, causing negative impact on the surrounding environment. [HSE.1, ER.31.3]

##### Local Law or Code Requirement

Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (2016 Amendment), Article 55. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, Employment Relations Benchmark ER.31.3)

##### Recommendations for Immediate Action

1. <!--[endif]-->Collect the oil water and properly dispose of as hazardous waste.