



COMPANY: **prAna, Delta Apparel, Inc**
COUNTRY: **China**
ASSESSMENT DATE: **10/22/13**
MONITOR: **FLA Assessor Team (China)**
PRODUCTS: **Apparel**
PROCESSES: **Cut, Sew, Full [= full package]**
NUMBER OF WORKERS: **4002**
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: **AA0000000325**

FLA Comments

FLA Comments: This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

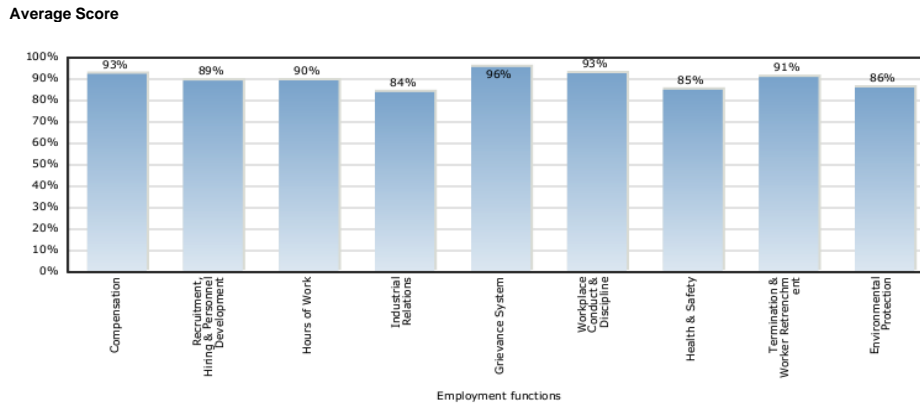
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

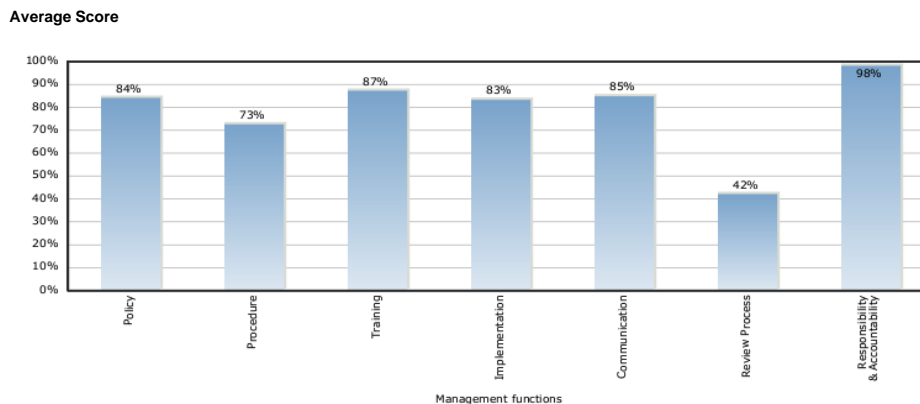
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	86.36%	83.33%	80%	87.5%	100%	64.29%	100%	100%	100%
Procedure	72.73%	45.75%	65.63%	52.94%	100%	83.33%	64.29%	79.88%	60.71%
Responsibility & Accountability	100%	100%	100%	100%	91.75%	100%	100%	100%	100%
Review Process	50%	50%	50%	50%	25%	25%	50%	25%	50%
Training	78.57%	88.1%	100%	91.67%	93.75%	100%	75%	85.22%	91.67%
Implementation	82.07%	92.5%	89.71%	69.23%	86.36%	96.15%	100%	82.19%	76.04%
Communication	100%	100%	55%	50%	75%	100%	100%	87.5%	75%

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	Violations
Compensation	1	General Compliance Compensation
Employment Relationship	10	General/Human Resource Management Systems Terms and Conditions/Communication General/Documentation and Inspection Administration of Hours/Time Recording System Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures
Freedom of Association and Collective Bargaining	8	General Compliance Freedom of Association Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Right to Collective Bargaining/Good Faith Deduction of Union Dues and Other Fees
Health, Safety and Environment	5	Material Safety Data Sheets/Workers Access and Awareness Ergonomics Medical Facilities Toilets Chemical Management and Training

Findings and Action Plans

FINDING NO.1

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory management has not yet arranged for an occupational health risk assessment. The factory is legally required to execute an occupational health risk assessment once every 3 years.
2. The occupational health examination program did not cover all eligible workers who work with hazardous materials. For example, workers in the special cutting workshop are exposed to dust and high noise, but not all were provided with occupational health examinations.
3. There are gaps in the factory's chemical management system. Some chemicals handled by the service and finishing departments are not monitored by the factory:
 - a. There is no Material Safety Data Sheet (MSDS) available for some chemicals (e.g., Grafic HU, 1400GK photo-emulsion agents, BINDER DP, printing plate cleansers).
 - b. The MSDS for several types of adhesive cement are not in available in the local language.
 - c. Some MSDS are not up to date and do not match the chemicals that are in use.
 - d. One type of glue used in the screen-making area contains high levels of hazardous substances, such as toluene and n-hexane.

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites, 2012, Articles 20, 24, and 30; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.2, HSE.9 and HSE.10)

Root Causes

1. An occupational health risk appraisal implies additional costs for factory management.
2. Since the factory has not undergone an occupational health risk assessment, the occupational health examination program was based solely on the staff's knowledge of health risks.
3. There is a lack of coordination and effective communication between the Health and Safety (H&S) Department and other areas/departments in the factory.

Recommendations for Immediate Action

1. The Health, Safety and Environment (HSE) Department is to track all chemicals that are used in the factory and incorporate them into a factory-level chemical management system.
2. HSE Department is to keep all MSDS updated in the local language and available in areas where chemicals are being used and stored.
3. Management is to replace hazardous chemicals with substitutes that are less dangerous to workers' health.

FINDING NO.2

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not have illumination level standards in place. According to random testing at several stations in warehouses where paperwork is required, the illumination level ranged from 50 to 90 lux. The legal requirement for warehouses is 100 lux at a minimum.
2. The factory did not monitor noise levels in the special cutting workshop (located in building project #1). The assessor recorded a noise level of around 92db(A). Workers work full time in this section, but they are not provided with personal protective equipment (PPE), such as earplugs, although the factory is legally required to provide PPE if the noise level exceeds 85db(A).
3. Not enough helmets were available in some warehouses where goods are stacked up to 7 meters high. The number of helmets provided to electricians was also inadequate.
4. Several contractors were found handling waste without masks or gloves.
5. The laser cutting machines were not installed with interlocking devices that prevent workers from opening the guard door during operation.
6. There were an insufficient number of toilets for female workers in the Sampling # 1 workshop. There were around 120 female workers, but only 4 toilets were available. Legally, there should 6 toilets. Additionally, most of the toilets were not kept clean.

Local Law or Code Requirement

Standard for lighting design of buildings GB50034-2004, 6.1.7; Hygienic Standards for the Design of Industrial Enterprises GBZ1-2010, 7.3.4.2; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.7, HSE.14, HSE.19, and HSE.20)

Root Causes

1. The internal Health & Safety (H&S) monitoring checklist was superficial and incomplete and did not cover all production areas
2. Although the factory allocated a certain amount of resources to health and safety affairs, due to the factory's size and the presence of a variety of production processes on site, these resources are relatively limited.
3. The system for the factory to monitor H&S issues with contractor workers was not implemented well.
4. Management was aware of the insufficient number of toilets for female workers in the Sampling #1 workshop, but due to limited space for enlarging the restroom, failed to rectify the situation.

Recommendations for Immediate Action

1. Provide earplugs for workers in the special cutting workshop;
2. Provide a sufficient number of helmets in warehouses where the goods are stacked high;
3. Ask the contractor to provide masks and gloves for contract workers dealing with waste;
4. Install interlocking devices onto laser cutting machines.

FINDING NO.3

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. 20% of the workforce was not provided with chairs with backrests.
2. Based on physical observation and worker interviews, despite training on ergonomics, workers who lift goods did not know about and apply proper lifting techniques.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.17)

Root Causes

1. Management has some understanding of the benefits of ergonomics, but did not make sufficient effort on training and the implementation of ergonomic principles.
2. The H&S Department did not include ergonomic risks in their risk assessments.

FINDING NO.4

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory had not registered with the local environmental protection bureau; nor did the factory report their atmospheric pollutants discharged from the screen-printing workshop to the bureau. The factory did not monitor the quality of emissions discharged from some workshops, including the screen-printing, laser cutting, and chemical spraying chemical workshops. Additionally, the factory has not installed any pre-treatment facilities for these emissions before their discharge.
2. The factory has signed a contract with a certified service provider to dispose hazardous wastes. But there has been no official disposal record for transferring hazardous wastes like sludge, chemical waste containers, and toner cartridges since November 2012.
3. The factory did not contract a certified authority to analyze the wastewater sludge.
4. There was no weatherproof facility in the general industrial waste storage area. This creates a risk of soil contamination.

Local Law or Code Requirement

Prevention and Control Law of Atmospheric Pollution 2000, Article 12 & 36; Prevention and Control Law of Environmental Pollution, Solid Waste, 2004 Article 17 & 59; Ministry of Environmental Protection PRC, Announcement [2010] No.129, Article 2
-- [2010]129; FLA Workplace Code(Employment Relationship Benchmark ER.31; Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

Root Causes

1. The factory has allocated inadequate resources for environmental affairs. The facility is big and includes many types of production units, but only has one officer in charge of Environmental Protection.
2. Communication with local environmental protection bureau is irregular.
3. The risk assessment of Environmental Protection is incomplete and has not been updated.
4. There is no internal monitoring system on Environmental Protection in the factory.

Recommendations for Immediate Action

1. The factory is to weatherproof the general industrial waste area in order to prevent leakage into the soil.

FINDING NO.5

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers are not provided with copies of the collective bargaining agreement (CBA). None of the workers interviewed were aware of the existence of CBA.
2. Employee Handbook, part 6, article 3, clause 17 stipulates that workers would be given a final written warning in the event of any involvement in strikes or work stoppages.
3. The factory deducted 1 CNY from wages to cover trade union membership without workers' written consent; nor is this included in the text of the CBA.
4. Management held all committee membership posts in the trade union. Of a total of 11 members, 6 were managers, 1 was a supervisor and 4 were office staff.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.26 and ER.16.2; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, FOA.16, FOA.22, and FOA.24)

Root Causes

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 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 does stipulate 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.
2. Factory management lacks awareness of FLA's Work Code of Conduct related to CBA and Freedom of Association. Factory management does not think it is necessary to provide employees with copies of the CBA, which is not legally required in China).
3. The personnel who created employee handbook lack awareness and knowledge of Industrial Relations.
4. The trade union is managed in a top-down manner with limited communication or input from workers.

Recommendations for Immediate Action

1. The factory is to get union members' written consent to deduct trade union membership fees from workers' wages.
2. Remove Part 6, Article 3, Clause 17 (related to strikes) from the employee handbook and cross check all relevant documents accordingly.

FINDING NO.6

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. According to management interviews, the factory did not maintain written records of all disciplinary actions taken, particularly those disciplinary actions considered not severe by management, such as verbal warnings.
2. The factory did not implement the disciplinary actions in accordance with internal discipline procedure. In some disciplinary records, the applicable factory rules that the worker was found in violation of were not cited. HR reviewed some disciplinary actions, but not others.

Local Law or Code Requirement

FLA Workplace Code (Employment Relations Benchmarks ER.2 and ER. 27.2)

Root Causes

1. The factory lacks awareness of FLA's Workplace Code and Benchmarks related to discipline.
2. Responsible staff did not recognize the importance of reviewing the disciplinary process to ensure fairness and consistency of disciplinary decisions.

FINDING NO.7

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory did not have an effective grievance system. The current system lacks the following components: a) recording of all worker complaints, b) following up with the workers on the results of the complaints, and c) providing management review of worker complaints.
2. Based on worker interviews, most workers were not clear about the current grievance rules and practices.

Local Law or Code Requirement

FLA Workplace Code (Employment Relations Benchmarks ER.25.2 and ER.25.3.2)

Root Causes

1. The workers and line supervisors directly and verbally settled many grievances, so management did not feel the need to adopt a comprehensive grievance system.

FINDING NO.8

REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not conduct periodic review of its policies or procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.31.1)

Root Causes

1. Factory management does not see the need to periodically update its policies and procedures.
2. No members of staff are responsible for reviewing and updating policies and procedures.

FINDING NO.9

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have job descriptions for all production positions.
2. Although there is a performance review policy in place, it is not in use. Promotions were not based on the results of any formal performance review.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and E.R.29)

Root Causes

1. The factory lacks awareness of FLA's Workplace Code and Benchmarks related to performance review.
2. Workers are traditionally promoted in an informal way based on supervisors' recommendations. Management has not seen the need for developing a systematic personnel development plan for production workers.

FINDING NO.10

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have a prenatal care leave policy. Most female workers were not aware of this benefit.
2. Workers' termination payout is not paid within 2 days of leaving the factory, as per the legal requirement, but on the next regular payday.

Local Law or Code Requirement

Workplace Special Protection Regulation for Female Workers, Article 6; Regulation on Wage Payment of Jiangsu Province, Article 19; FLA Workplace Code (Compensation Benchmarks C.1 and C.4)

Root Causes

1. HR lacks of awareness of the legal requirements regarding fringe benefits.
2. Management considered prenatal care leave as disruptive to production.
3. Management found it inconvenient to process workers' termination payout separately on a different day than the regular payday.

Recommendations for Immediate Action

1. Provide workers with prenatal care leave.

FINDING NO.11

TERMINATION AND RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The current policy on termination is not in line with local labor law. The procedure on retrenchment does not include the reporting to the local labor bureau, as mandated by the Employment Contract Law.

Local Law or Code Requirement

Law of Employment Contract, Article 37; FLA Workplace Code (Employment Relationship Benchmark ER.32.1)

Root Causes

1. There have not been any cases of retrenchment in the factory, so the factory has not felt the need to fully develop related policy and procedure.
2. The issue has not been raised in previous external audits.

FINDING NO.12

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. The local industry currently does not provide wages that allow for the fulfillment of basic needs plus a discretionary income;
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.