



**COMPANY:** Yee Tung Garment Co., Ltd  
**COUNTRY:** China  
**ASSESSMENT DATE:** 07/23/14  
**MONITOR:** FLA Assessor Team (China)  
**PRODUCTS:** Apparel  
**PROCESSES:** Cut, Sew, Full [= full package]  
**NUMBER OF WORKERS:** 800  
**NUMBER OF WORKERS INTERVIEWED:**  
**ASSESSMENT NUMBER:** AA0000000480

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

## What's Included in this Report

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# 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.

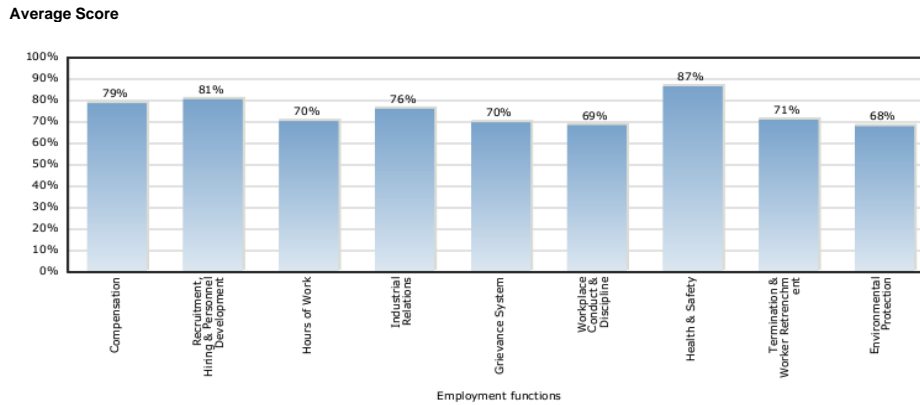
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be 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

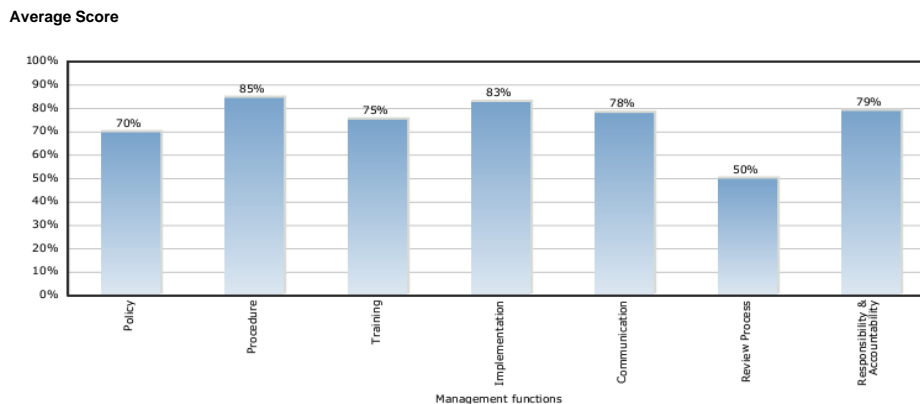
## Score by Employment Function

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	51.42%	81.82%	66.67%	87.5%	72.73%	50%	53.85%	90%	88.89%
Procedure	88.03%	75%	61.11%	76.47%	55.56%	55.56%	71.43%	97.73%	100%
Responsibility & Accountability	75%	87.5%	75%	83.33%	70.75%	70.75%	70.75%	83.33%	72.33%
Review Process	50%	0%	50%	50%	50%	50%	50%	66.67%	66.67%
Training	82.5%	66.67%	66.67%	50%	66.67%	50%	50%	84.25%	40%
Implementation	89.43%	87.69%	77.63%	87.5%	77.27%	85.71%	100%	86.06%	56.81%
Communication	83.33%	87.5%	50%	50%	100%	100%	100%	80%	0%

## 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	2	General Compliance Compensation Workers Awareness and Understanding of Compensation
Employment Relationship	13	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures
Forced Labor	1	Freedom of Movement/Workers Ability to Terminate
Freedom of Association and Collective Bargaining	5	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces
Hours of Work	4	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Protected Workers (Women and Young Workers)/Regulations on Hours of Work
Health, Safety and Environment	6	General Compliance Health, Safety, and Environment Food Preparation Notification and Record Maintenance Evacuation Requirements and Procedure Safety Equipment and First Aid Training Chemical Management and Training
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

## Findings and Action Plans

### FINDING NO.1

## INDUSTRIAL RELATIONS

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory's orientation training does not cover the following Employment Functions: Industrial Relations; Freedom of Association; Grievance System; and Environmental Protection. Additionally, there is no ongoing training for any of the Employment Functions through workers' entire employment cycle, from hiring through termination.
2. There is no supervisor training on the: a) existing policies and procedures, b) national law or c) FLA Workplace Code and Benchmarks.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16, and ER.17)

#### Root Causes

1. Management considers Recruitment, Hiring & Personal Development; Hours of Work; Compensation; Termination & Retrenchment; and Health & Safety topics that are more relevant and more of a priority for workers; therefore, the current orientation training only covers these areas. Also, management does not see the need to provide ongoing training for workers on any topic other than those directly related to production.
2. Training for supervisors is mainly focused on production, rather than social compliance. The factory does not fully recognize the benefits of training supervisors on social compliance; therefore, they do not allocate enough resources to it.
3. Currently, there is only 1 staff member in the factory's Human Resources (HR) department, who is also responsible for corporate social responsibility (CSR) program and delivering training.

## FINDING NO.2

## RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory does not conduct a periodic review of its policies or procedures. Instead, the factory reviews and revises its policies and procedures after its customers conduct CSR audits. Also, there are too many versions of the review documents. For instance, there are 2 versions of the Non-Discrimination Policy (versions MK-SC-02 and MK-SC-07); 1 version lists the circumstances of direct discrimination, indirect discrimination, etc., while the other does not. As a result, there are no uniform rules to follow.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER.31.1)

#### Root Causes

1. Management relied on customer audits to identify issues and has not seen the need to develop a comprehensive review mechanism.
2. There are limited resources in the HR and CSR Departments. The staff member who is responsible for reviewing policies and procedures is on maternity leave.

## FINDING NO.3

## RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory does not conduct performance reviews; it also has not established related policies and procedures.
2. While the factory has written down the responsibilities for most of its positions, they are not constructed robustly enough to qualify as job descriptions.
3. The factory updated the information on occupational disease hazards in its labor contracts; however, any labor contracts kept by the workers were not updated. This discrepancy was found through a review of the labor contracts kept by workers and worker interviews. As a result, concerned workers were not informed in writing as to which occupational disease hazards they could be exposed to, which is in violation of legal requirements.
4. Based on employee interviews and review of factory practices, although it is not written in the factory's policy, the factory does not hire workers younger than 18 years old. This practice carries a risk of age discrimination, as individuals 16 years of age and older are legally eligible for employment.

#### **Local Law or Code Requirement**

Law of Employment Contracts, Articles 8 and 17; Law of the PRC on the Prevention and Control of Occupational Diseases, Article 34; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3.2, and ER.29.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

#### **Root Causes**

1. Management has not seen the need to establish personnel development systems or performance reviews; therefore, there is little opportunity for workers to be promoted. Also, the factory's current HR department is insufficiently staffed.
2. Management believes that apparel production is not very complex; therefore, they did not see the need to draft written job descriptions. Additionally, management prefers to verbally communicate a position's responsibilities to the related worker.
3. The factory considers it time-consuming to update worker contracts; however, HR recently updated the contracts kept by the factory. The factory has informed workers about the occupational disease hazards verbally, but has not updated workers' contracts accordingly.
4. The factory considers protection requirements for young workers cumbersome (e.g., restrictions on overtime work) and, therefore, it prefers not to hire workers under 18 years old.

## **FINDING NO.4**

### **COMPENSATION**

#### **FINDING TYPE: Sustainable Improvement Required**

#### **Finding Explanation**

1. The following noncompliances were identified with respect to workers' social insurance:
  - a) 15% of eligible workers are not covered by pension and unemployment insurance.
  - b) The social insurance contribution base was not aligned with workers' actual earnings as per local law. The factory calculates the contribution base according to the minimum contribution standard (2,225 CNY), while most workers' earnings (on average 2,600-3,000 CNY) are higher.
2. The factory did not pay into the housing provident fund for any workers, which is against local law.
3. The factory does not take workers' external seniority (previous job experience prior to the employment at the factory) into account when calculating annual leave. The factory's benefits policy is missing this component and the workers lack awareness on this fringe benefit.

#### **Local Law or Code Requirement**

Labor Law of PRC, Article 72; Announcement of 2014 Social Insurance Declaration and Payment, Tongxiang Social Security Bureau, No. 9 Announcement (2014); Regulation of Zhejiang Province on Housing Provident Fund, Article 11; Implementation Measures of Employees' Paid Annual Leave (2008), Articles 4 and 5; FLA Workplace Code (Employment Relationship Benchmarks ER.16.1, ER.18, and ER.22.1; Hours of Work Benchmark HOW.11; Compensation Benchmarks C.1 and C.17)

#### **Root Causes**

1. The employer considers making full contributions to social insurance and the housing provident fund financially burdensome.
2. The Chinese social insurance system is under development and, as a result, the process of transferring insurance between provinces remains complicated. The workers who are not covered by pension insurance are all migrant workers. They are not provided with adequate support and assurance from the local government or their employer with respect to the transfer of their pension funds back to their hometowns. As a result, these workers prefer higher disposable income in the short-term to long-term benefits and opt to partially contribute to social insurance.
3. The local labor and social security bureaus do not strictly enforce social insurance contributions.
4. Management considers full compliance with annual leave disruptive to production planning and financially burdensome.

## FINDING NO.5

### HOURS OF WORK

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. According to document review and interviews with management and workers, the monthly overtime exceeded the legal limit of 36 hours every month from July 2013 through July 2014 (except for February 2014, Chinese New Year). Between July 2013 and January 2014, the monthly overtime averaged 60 – 80 hours; the highest monthly overtime was 130 hours for workers working in the automatic knitting workshop. Between March 2014 and July 2014, the monthly overtime was an average of 40 hours per month; the highest monthly overtime during this period was 80 hours for workers in the automatic knitting workshop. Although the factory obtained a Comprehensive Working Hour System Waiver for 2013 and 2014, the total overtime limit of the waiver was breached in 2013.
2. Based on worker interviews and time record review, 1 worker who was 7-months pregnant, worked overtime on a Saturday, in violation of the local law.
3. The factory sets production planning/targets at a level that requires work beyond regular working hours. According to the Employee Handbook's section on working hours/rest day (page 17), under normal circumstances, workers are to have only 1 day of rest per week. Also, based on management and worker interviews, the routine arrangement is working 6 days in a row; work on Saturdays is treated as overtime and workers are paid the overtime premium rate.

##### Local Law or Code Requirement

Labor Law of PRC, Article 41; Special Rules on the Labor Protections of Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmarks ER.14 and ER.24; Forced Labor Benchmark F.7.5; Hours of Work Benchmarks HOW.1 and HOW.4.1)

##### Root Causes

1. Inadequate preparation for dealing with current production orders means that staffing levels may be out of sync with production volumes, leading to excessive hours of work.
2. The factory's production planning includes overtime. Additionally, the factory normally plans 6 workdays per week; most workers agree to and prefer this arrangement.
3. Since workers' basic wages are low (but still in compliance with the legal minimum wage), most workers rely on overtime premiums to earn more income.
4. Since a 6-day workweek is the norm at the factory, the immediate supervisor and the pregnant workers were not aware that working on Saturday is considered overtime.

##### Recommendations for Immediate Action

1. The factory is to stop the practice of assigning overtime work to female employees who are more than 7 months pregnant, including work on Saturdays.

## FINDING NO.6

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. For the first half of 2012, only the disciplinary records for severe infringements were maintained. Since July 2012, no disciplinary records have been maintained. According to management, verbal warnings issued for violations that were not considered severe were not recorded.
2. Currently, the factory does not have written disciplinary procedures. According to factory practice, both workers facing disciplinary action and their supervisors need to sign the disciplinary records; however, this process does not include the review by a management staff member who is senior to the personnel who imposed the disciplinary action.

##### Local Law or Code Requirement



### **Root Causes**

1. The current disciplinary practices are considered to be more efficient according to factory management.
2. Since there were not many disciplinary actions taken, the factory did not see the need to establish any written procedure.
3. The factory is not aware of the FLA Workplace Code and Benchmarks related to Workplace Conduct & Discipline.

## **FINDING NO.7**

### **ENVIRONMENTAL PROTECTION**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. The hazardous waste storage room contains 2 air compressors, which bear increased risks.
2. The discharged wastewater test result (COD 950 mg/L) exceeded the legal limit of 500 mg/L.

#### **Local Law or Code Requirement**

Standard for Pollution Control on Hazardous Waste Storage GB18597-2001, Articles 8.1.2 and 8.1.3; Comprehensive Discharge Standard for Waste Water, GB8978 -1996, Sheet 2, COD - 3 level; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1)

#### **Root Causes**

1. The Environmental, Health and Safety (EHS) Department is responsible for many tasks; therefore, insufficient resources have been allocated to environmental protection.
2. The wastewater treatment facility was not regularly maintained.
3. Internal monitoring was not well implemented.

#### **Recommendations for Immediate Action**

1. Remove the air compressors from the hazardous waste storage room and move them to a dedicated and secure storage area.

## **FINDING NO.8**

### **HEALTH & SAFETY**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. Several noncompliances with respect to chemical management were observed:
  - a) In the chemical storage room, the material safety data sheet (MSDS) is not aligned with GB16483 – 2008.
  - b) there is no ventilation, fire safety equipment, or personal protective equipment (PPE) in the chemical storage room.
  - c) the silicone oil in the cutting room is stored without a secondary container.
2. The main substance of the chemical detergent for decontamination is Trichloroethylene (CAS No. 79-01-6); however, the occupational health examination for concerned workers reports that the hazardous chemical is Hexane (CAS No. 110–54-3), which is not in the detergent. This inconsistency means that the actual risks of occupational health diseases caused by Trichloroethylene are not being identified and addressed.

#### **Local Law or Code Requirement**

Safety data sheet for chemical products – Content and order of sections, GB16483 – 2008; Regulations on the Safety Administration of Dangerous Chemicals (2011), Article 20; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.9.1)

#### **Root Causes**

1. The EHS officer has many other responsibilities. As a result, insufficient resources were allocated to the factory's EHS concerns.
2. The health and safety (H&S) risk assessment report is incomplete. Many risk factors were not identified, which means that internal monitoring is not being properly implemented.
3. The factory explained that the hospital does not have the ability to conduct Trichloroethylene examinations; the hospital suggested for the factory to conduct a Hexane examination instead and the factory accepted it.

#### **Recommendations for Immediate Action**

1. Install a secondary container for the silicon oil in the cutting room.
2. Install a ventilation facility; provide suitable PPE and fire fighting equipment in the chemical storage room.

## **FINDING NO.9**

### **HEALTH & SAFETY**

#### **FINDING TYPE: Immediate Action Required**

##### **Finding Explanation**

1. On the 2<sup>nd</sup> floor of Building 1, the evacuation routes between 2 "linking" production lines were blocked by workers and their chairs, which bears a risk of difficult evacuation.
2. The canteen does not keep food samples for 48 hours, as required by local law.
3. The factory had no system to track all work-related injuries or accident/incident records. The factory was tracking major accidents/incidents, but not minor or near-miss cases.

##### **Local Law or Code Requirement**

Regulation on Hygienic of Food Industry and Delivery Unit of Group Meals (2005), Article 35; Fire Protection Law of PRC (2008), Article 28; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.3.2, HSE.5, and HSE.22)

##### **Root Causes**

1. The factory finds it cumbersome to rearrange the workstations on the factory floor.
2. Management does not strictly monitor the canteen and kitchen operations.
3. Management lacks awareness of the possible benefits of: a) keeping records of all work-related accidents and incidents and b) analyzing them to implement preventive measures.
4. The EHS Committee lacks the related H&S knowledge and has not received any formal training.

#### **Recommendations for Immediate Action**

1. Ensure food samples are kept for at least 48 hours.
2. Re-arrange the production layout to make sure that the evacuation routes are not blocked.

## **FINDING NO.10**

### **INDUSTRIAL RELATIONS**

#### **FINDING TYPE: Sustainable Improvement Required**

##### **Finding Explanation**

1. Management occupied all of the Trade Union Committee member positions.
2. Union representatives, although nominated and elected by workers themselves, need to be ultimately approved by the factory's general manager.

##### **Local Law or Code Requirement**

FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11, and FOA.12)

##### **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. Management lacks awareness of FLA Workplace Code and Benchmarks in regards to Industrial Relations and freedom of association.

## **FINDING NO.11**

### **GRIEVANCE SYSTEM**

#### **FINDING TYPE: Sustainable Improvement Required**

##### **Finding Explanation**

1. The current grievance system only covers the reporting channel (e.g., suggestion box) and lacks a clear and transparent procedure. There are no non-retaliation commitments or a process/timeframe to address grievances. Additionally, grievance records are not maintained on site.

##### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25.2)

##### **Root Causes**

1. Workers and line supervisors settle most grievances directly and verbally; therefore, management did not feel the need to adopt comprehensive grievance procedures.
2. Insufficient human resources were allocated for the handling of complaints and grievances.