



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** PVH Corp.  
**COUNTRY:** China  
**FACTORY CODE:** 1000151194I  
**MONITOR:** Verite  
**AUDIT DATE:** September 10, 2010  
**PRODUCTS:** Knitwear  
**PROCESSES:** Pressing, Labeling, Packing  
**NUMBER OF WORKERS:** 1143

**FLA Comment:** 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.



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### **Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

#### **Noncompliance**

**Explanation:** 1) Insufficient social insurances. 789 workers out of 1366 are not covered with retirement, medical, unemployment, and work-related injury insurances. None of the workers are covered by childbearing insurance. The factory management reported that many migrant workers did not want to participate in social insurances, and provided waiver signed by workers for review. However, according to the local law, all workers should be covered with all the insurance benefits.

2) The factory rules indicated that the factory provided 3 days of marriage leave to all employees including who were late married, although the late married (male ages 25+; female, 23+) workers should be given 10 extra days.

3) The factory did not provide 15 days extra child bearing leave to female workers who experienced a miscarriage or difficult childbirth, which was not in compliance with the local regulations on maternity leave.

Legal References: The Protection of Female Employees Regulations, Article 8, PRC Labor Law article 72, Provisional Regulations for Local Employees Leave Compensation, Article 3

**Plan Of Action:** 1) PC would suggest that the factory implement an action plan, which can demonstrate at least 30% of total workforce are provided with applicable insurance and have 30% additional total workforce implemented each year. Among those applicable categories of insurance, work injury must have 100% of total workforce provided immediately.

3) Provide paid maternity leave to female workers who have had miscarriages or difficult childbirth as in accordance with the local law.

**Deadline** 11/30/2010  
**Date:**

**Supplier** 1) All new workers who are hired will undergo training sessions with our Personnel & Administrative Department to introduce the workers and explain to them the advantage of the social security insurance. Factory top management and worker association will encourage worker to motivate the workers so that they can understand the benefits of such schemes.  
**CAP:**

3) The factory's Personnel & Administrative Department will add this regulation to the factory handbook in order to comply with the local regulations.

**Supplier CAP** 12/31/2010  
**Date:**

**Action** A follow up visit was conducted on January 5,2011. Evidence of trainings and postings to  
**Taken:** the employee handbook were reviewed. Workers interviewed were aware of the advantages of the SSI scheme in China, and factory has increased the numbers who are enrolled in the SSI, however not all workers are yet enrolled. During exit meeting, the factory and assessor continued their discussions on the importance of full workforce enrollment.

**Plan** No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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## Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

**Explanation:** FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); 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 FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 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. Trade unions also have an enhanced role in dispute resolution. In Dec. 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. Monitor's note: Workers interviewed were not aware of the trade union at the factory, while the factory management reported that all workers are members of the trade union.

**Plan Of Action:** Organize and conduct awareness sessions to explain to workers the purpose of the trade union. It is important that the workers know about the existence of the trade union, as well as its goals, activities, etc.

**Deadline Date:** 12/31/2010

**Supplier CAP:** Factory will post notices and conduct trainings to ensure all workers are aware of such trade union. Factory will ensure workers are aware of the intentions of such trade union and ensure their understanding of its objectives and goals.



**Supplier** 12/31/2010  
**CAP Date:**

**Action Taken:** A follow up visit was conducted on January 5, 2011. Evidence of trainings and postings of the notices have been shown to the assessors. Workers interviewed were aware of the existence of the trade union and have participated in meetings. Meeting notes had been reviewed and goals/objectives of the trade union have been explained to its members.

**Plan Complete:** No

**Plan Complete Date:**

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**Harassment or Abuse: Discipline/Monetary Fines and Penalties**

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

**Noncompliance**

**Explanation:** The factory management use monetary penalties as a disciplinary measure. Workers are fined RMB 5-20 for violating the disciplinary rules. The monetary penalties are deducted from workers' wages. For instance, a disciplinary record and payroll record showed that a worker who violated the dormitory management rules on June 6, 2010 was docked RMB 20 from her wage of that month. Another worker was fined RMB 20 for having breakfast at the workshop on August 27, 2010. Workers interviewed reported that they would be fined RMB 5-20 for violating factory rules.

**Plan Of Action:** Monetary fines are prohibited from being imposed on workers. Factory policies must be amended to reflect this.

**Deadline Date:** 10/01/2010

**Supplier CAP:** Monetary fines will be removed from the factory's policies and appropriate training will be provided for all management and supervisors to ensure fines are not imposed on workers going forward.

**Supplier CAP Date:** 11/30/2010

**Action Taken:** A follow up visit was conducted on January 5,2011. The assessors reviewed the factory's policies and found that the fines had been deleted from the policies. Worker and management interviews supported this finding. No fines have been imposed on the workers since the change in policy and notices have been posted to reflect this.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2010

**Miscellaneous: Illegal Subcontracting**

MISC.1 Illegal Subcontracting

**Noncompliance**

**Explanation:** The factory employs 127 contract workers dispatched from a private labor contractor. This contractor is not qualified by government.

1) The payroll records of contract workers showed that those contract workers were paid based on piece rates, but these workers did not receive any overtime pay. In average, the wage level of contract workers was higher than the wage level of the workers employed by factory directly.

2) There were no other benefits for those contract workers, such as paid leaves and social security.

3) The factory had not maintained the working time of contract workers. The factory management and contract workers interviewed reported that they are paid by piece rate and their working hours are the same as other workers. The attendance records of direct workers showed that their working hours and overtime hours did not exceed the legal limits and requirements of FLA CoC.

4) The contract workers did not sign employment contracts with the factory or the private contractor.

**Plan Of Action:** Factory hired 127 temporary workers through an illegal labor contractor. PC does not agree with this practice. Factory must provide compensation for overtime hours provided for these workers who are paid by piece rate only. The piece rates of contract workers are higher than workers employed by factory directly. Factory must provide legally required benefit provided to these workers, i.e., paid leave and social security insurance. Factory must record their working hours. Factory must ensure that these workers sign any contract with both factory and private contractor. Unauthorized subcontracting is in direct violation of supplier's code.

**Deadline Date:** 09/30/2010





**Supplier CAP:** The factory was in urgent need of workers due to their high production schedule. Some of the factory's workers went home due to the rainstorms and flooding in June; therefore there was a need to recruit workers. Factory needs to examine their production schedules and ensure that they do not overbook. It is understood that the PC does not allow unauthorized subcontracting and factory will rework schedules to ensure all unexpected occurrences may be dealt with without using subcontracting and excessive overtime.

**Supplier CAP Date:** 12/31/2010

**Action Taken:** A follow up visit was conducted on January 5, 2011. The assessors reviewed with the management the importance of not subcontracting out product explaining the implications that may occur. The factory has paid the contract workers the correct wage for the time worked, including the overtime that had been performed. This was verified thru relevant documentation. A formal subcontracting policy has been implemented by the factory to ensure this issue does not occur again.

**Plan Complete:** Yes

**Plan Complete Date:** 12/30/2011

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## Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

### Noncompliance

**Explanation:** There are no mechanisms for involving workers or worker representatives in the development of the health and safety policy and implementation.

**Plan Of Action:** The factory needs to engage with workers in the development of the health and safety policy and implementation of the factory. It is important the workers are involved in this policy making and its implementation.

**Deadline Date:** 09/30/2010

**Supplier CAP:** The factory has begun the formation of a Health & Safety Committee in which workers will be engaged and asked to participate to ensure its implementation and effective policy making.

**Supplier CAP Date:** 10/29/2010

**Action Taken:** A follow up visit was conducted on January 5,2011. It was noted that a health and safety committee was formed and periodic trainings of workers and supervisors have been given to ensure workers/supervisors are trained in H&S. Through interview of workers, assessors found that H&S issues have been highlighted to workers to ensure workers are aware of the risks that can occur when certain practices are not followed. H&S handbooks have been distributed to workers. Workers are involved in the policy making for the factory.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2011

## Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

### Noncompliance

**Explanation:** 1.The factory does not have a health and safety policy with a management system defining and communicating the responsibilities and duties of designated personnel.

2.The factory does not encourage workers to raise health and safety concerns. There is no procedure for reporting near-miss accidents.

**Plan Of Action:** The factory should implement a mechanism to consult with workers on their health & safety policy. The factory should define and clearly communicate the various responsibility in H&S management The factory should encourage workers to voice their concerns on H&S. The factory should have a certain number of qualified H&S officers as per the legal requirements of the region. The factory needs to implement an effective Health and Safety Committee about consulting with workers or their representatives, appoint members and monitor the progress and routine meetings of the Committee.

**Deadline Date:** 12/31/2010

**Supplier CAP:** The factory will issue and combine the Fire and First Aid Committee to Health & Safety Committee. The factory will provide a Health & Safety notice board in factory and dormitory area. Also the factory will launch a Heath & Safety handbook for the workers.

**Supplier CAP Date:** 09/30/2010



**Action Taken:** A follow up visit was conducted on January 5, 2011. It was noted that a health and safety committee was formed and periodic trainings of workers and supervisors have been given to ensure workers/supervisors are trained in H&S. Through interview of workers, assessors found that H&S issues have been highlighted to workers to ensure workers are aware of the risks that can occur when certain practices are not followed. H&S handbooks have been distributed to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 12/31/2010

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## Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

### Noncompliance

- Explanation:**
1. There is no visual alarm (e.g., flashing red lights) equipped in certain areas, such as washing house where ear protective equipment are used.
  2. There are not enough fire extinguishers equipped in some areas as per requirement of GB 50140-2005 article 5.1.3, such as in canteen and the warehouse of clothing dept.
  3. There is no fire safety warning sign for the area for storing diesel near canteen.

- Plan Of Action:**
1. The factory should provide visual alarms (e.g. flashing lights) in the areas where protective ear equipment is used.
  2. The factory should provide adequate number of fire extinguishers in the canteen and warehouse.
  3. The factory should post a warning sign for the area storing the diesel near the canteen.

**Deadline Date:** 09/30/2010

- Supplier CAP:**
1. The factory will increase the number of red alarm lights.
  2. The factory will add one more fire extinguisher based on the FLA's suggestion.
  3. The factory will place a sign by the diesel area and have regular checks by security.



**Supplier CAP** 10/31/2010

**Date:**

**Action Taken:** A follow up visit was conducted on January 5, 2011. It was noted that through the health and safety committee these issues have been corrected. The H&S Committee is responsible for the upkeep of all health & safety issues. Interviews conducted of its members have been performed and it is clear that they are aware of their responsibilities in maintaining the health and safety concerns of the factory.

**Plan Complete:** Yes

**Plan Complete Date:** 12/30/2010

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#### **Health and Safety: Personal Protective Equipment**

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

#### **Noncompliance**

- Explanation:**
- 1.The masks, which workers used in washing dept., are not clean. There are some oil stains on them.
  - 2.There are no signs posted near some working areas to remind workers wearing appropriate PPE, such as masks sign for weaving and wood model processing sections which are subject to dust.
  - 3.The sign for reminding workers to wear earplugs in weaving section is not correct. It's not the same as required in GB2894-1996.
  - 4.A worker who is processing wood model in ironing section does not wear any PPE, such as masks, glasses. And there is no any safety management regulation for this section.



**Plan Of Action:**

1. Masks used in the washing department will be cleaned
2. Post signs to remind workers to wear appropriate protective equipment in the weaving and wood model processing sections
3. Post signs to remind workers to wear earplugs.
4. Create safety management regulation for the workers who process wood in the ironing section. Factory should provide proper protective equipment, describe and train workers on its use and benefits

**Deadline Date:** 09/30/2010

**Supplier CAP:** The factory will post the appropriate signs in the working areas. A department supervisor will perform random checks on the workers and educate them on using personal protective equipment. There will be a meeting in November to educate the workers on health and safety and periodically thereafter. Persons responsible are Department Supervisor, Personnel & Administrative Department

**Supplier CAP Date:** 11/30/2010

**Action Taken:** A follow up visit was conducted on January 5, 2011. It was noted that a health and safety committee was formed and periodic trainings of workers and supervisors have been given to ensure workers/supervisors are trained in H&S. Through review of documentation and interview of workers, assessors found that these issues have been corrected and will be maintained through this committee. H&S handbooks have been distributed to workers.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2010

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## Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

### Noncompliance

**Explanation:** 1. There is no sign of name, supplier information and hazardous marks for solvent that is used for cleaning clothes in chemical store.

2. There is no effective measure to contain solvent leakage in chemical store.

**Plan Of Action:** 1. Provide signs of the name, supplier information and hazardous marks for the solvent used in cleaning clothes and chemical storage.

2. Implement effective measures to contain solvent leakage in the chemical storage area.

**Deadline Date:** 09/30/2010

**Supplier CAP:** Factory posted the proper signage for all solvents used in the cleaning of clothes. All workers will receive training on effective measures on how to prevent solvent leakage and how to handle if it should happen. Responsible party for maintaining this practice is the Washing Department Supervisor.

**Supplier CAP Date:** 09/30/2010

**Action Taken:** Follow up was conducted on January 5, 2011. Assessor reviewed documentation (signs, supplier information and other signage for the chemicals used in the cleaning of clothes) and interviewed workers to ensure that they were aware of the proper measures to take if there should be solvent leaks. Adequate and proper training has been provided to all workers concerned.

**Plan Complete:** Yes

**Plan Complete Date:** 10/08/2010



### Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### Noncompliance

**Explanation:** MSDS for clothes cleaning solvents and washing additives are not available at chemical usage and storage sites.

**Plan Of Action:** Keep the MSDS on file for clothes solvents and washing additives. Also make these files available in the chemical usage and storage sites.

**Deadline Date:** 09/30/2010

**Supplier CAP:** The factory will implement the MSDS sheets, and educate workers to fill out the form after use. Responsible party for maintaining this practice is the Washing Department Supervisor.

**Supplier CAP Date:** 09/30/2010

**Action Taken:** A follow up visit was conducted on January 5, 2011. It was found that the MSDS are now kept in the appropriate place. This was verified thru review of documentation and interview of workers.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2010

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### Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

#### Noncompliance

**Explanation:** There is no certain number of qualified safety officers in charge of health and safety issues in the factory according to legal requirements in "province registered safety officer regulation."

**Plan Of Action:** Factory must organize and ensure an appropriate number of safety officers are appointed in accordance with the local law.

**Deadline Date:** 09/30/2010

**Supplier CAP:** Factory will organize a health and safety committee to ensure all health and safety issues are and will be addressed. The committee will be responsible for the training and supervision of all workers as far as H&S is concerned. This will be monitored by the Top Management, Personnel & Administrative Department

**Supplier CAP Date:** 12/30/2010

**Action Taken:** A follow up visit was conducted on January 5, 2011. It was noted that a health and safety committee was formed and periodic trainings of workers and supervisors have been given to ensure workers/supervisors are trained in H&S. Through interview of workers, assessors found that H&S issues have been highlighted to workers to ensure workers are aware of the risks that can occur when certain practices are not followed. H&S handbooks have been distributed to workers. A qualified number of safety officers have been appointed to this committee.

**Plan Complete:** Yes

**Plan Complete Date:** 12/30/2010

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### Health and Safety: Food Preparation

H&S.25 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws. All workers handling food shall be provided with the tools and equipment necessary to do so in a safe and sanitary manner. (S)

#### Noncompliance

**Explanation:** Cooked and uncooked foods are stored together in refrigerator in canteen. This is poor sanitation.

**Plan Of Action:** Cooked and uncooked food should be stored separately in the canteen.

**Deadline Date:** 09/30/2010

**Supplier CAP:** Factory contacted the canteen sub-contractor to fix the storage problem. The security and the Personnel & Administrative Department will conduct random inspections of the canteen fridge.

**Supplier CAP Date:** 09/30/2010

**Action Taken:** A follow up visit was conducted on January 5, 2011. It was noted that the storage issues was corrected. The assessor again explained how important it is to keep sanitary conditions in the kitchen.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2010

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### Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

#### Noncompliance

**Explanation:** 1.In some working areas there is no facility provided to place cups for drinking water. Workers just place cups on worktables. This is not sanitary due to the dust generated from the work floor.

2.There is no drinking water facility provided on first floor of workshop and in dormitory.

**Plan Of Action:** The factory should provide drinking a water facility on the first floor of the workshop and in the dormitory. Also management should provide a facility for workers to place their cups for drinking water in some work areas.

**Deadline Date:** 09/30/2010

**Supplier CAP:** The factory found a place on the first floor for a drinking water facility. The factory will provide drink water in the security room on the dormitory's 1st floor.

**Supplier CAP Date:** 10/31/2010



**Action Taken:** A follow up visit was conducted on January 5,2011. An appropriate place was installed to keep the drinking water. The H&S committee will maintain this.

**Plan Complete:** Yes

**Plan Complete Date:** 10/29/2010

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