


# The Declaration of Social Compliance by China Textile and Apparel Industry

China textile industry is fully aware of its historical mission to facilitate the establishment of a responsible global supply chain in the provision of quality products for the benefits of international consumers. At the invitation of China National Textile and Apparel Council (CNTAC), delegates inside and outside China who are concerned about the social compliance performance of China textile and apparel industry convened at the Great Hall of the People, Beijing, on 12 December 2006, and discussed issues of strategic significance on building a responsible global supply chain for the industry. The Conference passed this present "Declaration on the Social Compliance by China Textile and Apparel Industry" to engrave the following consensus:

1. China textile industry will devote themselves to promoting the social and ethical accountability and taking a human-oriented approach towards its employees, consumers and all stakeholders, which is an intrinsic requirement for achieving sustainable development. The establishment of the CSR management system within Chinese textile enterprises is an endeavor to path-find a systematic solution addressing industry-specific CSR issues along the supply chain, with an aim to proactively facilitate the foundation of the new industrial civilization and to contribute to the building of the harmonious society both in China and in the world.

2. Chinese textile and apparel enterprises will persevere with the self-discipline of CSR on a voluntary basis, which requires full support of multi-stakeholders. The Chinese government is taking a positive approach and vigorous measures are in place to back the initiative. International brands and organizations have made their historical contributions to the advocacy of the CSR culture, and would further take concrete steps to support business social compliance initiatives that are in line with Chinese laws and industry specifics, and assist the proactive CSR actions taken by Chinese enterprises for continuous improvements.

3. Chinese textile and apparel enterprises will put into effect the human-



oriented approach with a stress on the lawful business practice and the improvement of working conditions and the health and safety protection of employees, and will establish effective implementation modalities for the key CSR elements, and incorporate them into the management system.

4. Employees of Chinese textile and apparel enterprises would raise their own awareness of labor rights and of the legal means to protect their rights and interests, and shall make efforts to learn production know-how and management knowledge to enhance their competence and bargaining power. Trade unions at all levels shall strengthen their role in establishing trade unions or bodies within eligible enterprises, to represent employees in accordance with relevant regulations, and advocate for effective collective consultation mechanisms.

5. Industry associations could play an active role in conducting CSR education and training to enterprises and their management in particular. Civil societies and public media shall actively participate in the awareness-raising of consumers in terms of ethical business practice, taking full advantage of their expertise and strengths as a core driving force to advance the social compliance campaign.

6. The support of governments at all levels will facilitate the incorporation of the social compliance concept into the building of a harmonious society. By exercising strict law enforcement and regulating market competition, governments could steer businesses to the way of generating profits in compliance with the rules and regulations of the state. They can also encourage and support the textile industry, industrial clusters and enterprises in their endeavors to address CSR issues through macro and industrial policies as well as effective rules and regulations.

7. Stakeholders of the global textile and apparel industry would make sustained efforts to promote the exchange of views and ideas and dialogues in all forms, and seek more in-depth collaborations to accelerate the building of a responsible global supply chain.

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Annual Report

on Social Responsibility  
of China Textile and Apparel Industry



**2006**

# Foreword

Since the nineties of the 20th century, globalization and sustainability have had a tremendous impact on the global economy and social values. In this context, corporate social responsibility (CSR) has become a worldwide social campaign. In January 1999, the UN Secretary General, Kofi Annan put forward the Global Compact, an initiative to encourage business leaders worldwide to adopt sustainable and socially responsible approach while operating their business, so as to protect labor rights and environments, which signifies the mainstreaming of CSR issues among the concerns of the whole international community. According to the Company Law of the People's Republic of China as amended in 2005, in conducting its business, a company "must abide by laws and administrative rules and regulations, observe social morals and business ethics, conduct businesses in good faith, subject itself to the supervision of the government and the public and fulfill social responsibilities." This demonstrates in Chinese legal system an entirely new legal principle and a value objective in regulating business behaviors.

It was against this background that the textile and apparel industry – China's traditional labor-intensive sector, has, in the first place, realized the social compliance originated from the global supply chain. Meanwhile, it also ignites an in-depth study within the industry on CSR issues, and takes a proactive approach to solutions. As a result, China Social Compliance for Textile and Apparel Industry (CSC9000T) – Principles and Guidelines was released in 2005, which is a groundbreaking initiative and the first, so far also the only CSR guideline and framework in China.

Over the past year, China National Textile and Apparel Council (CNTAC) has begun providing guidance to Chinese textile and clothing businesses and encourage them to take more active measures to addressing CSR related issues by the implementation of CSC9000T. The endeavors have generated an initial result and accumulated valuable experiences. In the meantime, CSC9000T has also received immense attention

from the parties concerned both at home and abroad.

CSR requires stakeholders to exchange ideas and share information. Reporting has long been a way of communication commonly adopted by CSR practitioners. CNTAC anticipates that this Report will facilitate all stakeholders concerned, including company management and employees, brand owners, retailers, buyers, suppliers, government and civil society, to better understand the status quo of CSR in China textile and apparel industry, and pay greater attention to the achieved results and major challenges and issues that are encountered with. It is also expected that all stakeholders will have better understanding and build up confidence in China's textile industry, and address CSR issues in a systematic and widely involved way on the entire international supply chain. In addition, CNTAC intends to set up a regular mechanism for communicating with multi-stakeholders, in the anticipation of demonstrating the progress made on CSR in the past years, while bringing forth to the public new issues and challenges within the industry.

This Report is conceived by CNTAC, and compiled by the CSR Office of CNTAC. CNTAC leaders and its individual departments have provided great support and proposed a number of good comments and revisions. The report is composed of five parts: Part 1 introduces basic CSR concepts and its development in China; Part 2 discusses and examines the role of the textile and apparel industry in the national economy and international supply chain, major challenges and issues it faces, as well as the impact of existing relevant rules and regulations on CSR performance of the industry; Part 3 presents the historical background and main features of CSC9000T, and CNTAC's communication and collaboration with international stakeholders based on the implementation of this system; Part 4 details CSC9000T pilot program, analyzes the experiences of the pilot program and recommendations to various stakeholders for improvement; Part 5 presents the action plan and major areas of focus of CSC9000T in 2007.

# Part 1.

## The Development of CSR in China

### 1. The Concept of Corporate Social Responsibility

The recognition of corporate social responsibility (CSR) is an outcome of social civilization and economic development. In the initial stage of capital accumulation, multinational companies strived for development by sacrificing the environment resources and labor welfare of developing countries. However, as the ideas of “human-oriented” and “sustainable development” are widely recognized, the civil society, with consumers as the mainstay, has paid increasing attention to the production process of the commodities they have purchased, and began to boycott the products from “sweatshops”. As a result, related issues are gradually brought into the scope of government supervision and legislation control. To redeem reputation and enhance investor confidence, multinational companies took the lead in establishing their own codes of conduct. Related survey shows currently there are more than 400 social responsibility-related codes of conduct, standards and systems worldwide, most of which are management systems or codes of conducts established by non-government organizations, international buyers and brand owners, including some third party certification systems. For many years, the International Organization for Standardization (ISO) has been dedicating itself to develop guidance standards on social responsibility. But due to various reasons, the standard named “ISO26000” has not yet come to the stage. Up to now, unified guidance standards on social responsibility are not yet available.

The corporate social responsibility means that an enterprise should bear certain responsibilities to its stakeholders in its various business activities, so that it is capable of maintaining sustainable development in economic, social and environment aspects. In other words, apart from earning profit for its owner(s), a business enterprise shall also integrate concerns of all stakeholders in the business decisions. The so-called shareholders refers to any local or overseas individuals or groups that either affect or who are affected by the enterprise’s decisions and activities. This could include employees, customers, suppliers, business partners, mass organizations and social groups, local neighboring communities, environments, etc., with employees being the main shareholders. The definition of CSR widely covers prohibition of using child labor and forced or compulsory labor. prohibition on discrimination, harassment and abuse. honoring related regulation on working hour. guarantees on occupational health and safety, environment protection, observing business ethics as well as assisting the healthy development of the community or country where the enterprise operates.

Today, CSR is no longer an individual problem of a region or an industry, but a common problem faced by all enterprises. Therefore, each enterprise should find its proper position in the overall environment of the society, and while pursuing economic benefits, pay more attention to social benefits brought by the enterprise’s behaviors. Objectively, the promotion of CSR has considerable positive significance. From a macro point of view, promoting CSR can help an industry and even a country to realize sustainable development. From a micro point of view,

many enterprises will realize the benefits brought by implementing CSR in their practice. Especially, implementing CSR will help protect brand image, improve production efficiency, safeguard the interests of shareholders, satisfy the need of consumers, enhance legal sense of enterprise, avoid risks and evade trade sanctions.

## 2. The Development of CSR in China

Social responsibility is not a new idea in China. In fact, as early as in the ancient times had a simple concept of “responsible business” emerged. Wang Wenxian, a businessman from Shanxi Province in the Ming Dynasty (1368-1644) said, a good businessman should make profits in accordance with “*yi*” (rightness, or virtue). This indicates the concept of “making profit from rightness” had become the business ethics of good Chinese businessmen long time ago. Many ancient Chinese businessmen hang the couplet saying “a superior man (*junzi*) makes profit from being benevolent, and a true man (*da zhangfu*) makes money from being righteous” or “honesty attracts customers from the whole world, righteousness draws wealth from all directions”, which is the most popular way to show their business ideal. Such plain consciousness of responsibility helped ancient Chinese businessmen achieve great success even under the cultural tradition of despising commerce, and it has since then become an animating part of the cultural tradition.

Today, the Chinese government places greater emphasis on safeguarding the legal rights and interests of citizens and has established a well-founded and complete legal system, in which, many laws and regulations, such as “Labor Law of the People’s Republic of China”, “Trade Union Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Protection of Rights and Interests of Women”, “Provisions

on Special Protection for Juvenile Workers”, “Production Safety Law of the People’s Republic of China”, “Code of Occupational Disease Prevention of the People’s Republic of China”, “Cleaner Production Promotion Law of the People’s Republic of China” and “Regulations on Enterprise Minimum Wage”, all contain CSR elements and requirements. However, China is still in the initial stage of developing a standardized, systematic and widely participated CSR social movement.

Over the past decade, the development of CSR in China has gone through three stages:

The first stage was from the mid 1990s to the early 21st century, during which the CSR requirements were mainly applied to the international supply chain. In this stage, driven by the consumer market, international retailers and brand owners began to pay attention to the CSR issue, establish and implement CSR codes of conduct, standards or systems. Some Chinese enterprises, which had joined the global supply chain, began to accept factory auditing by multinational corporations. The management of these export-oriented enterprises was the first social group contacting CSR concept.

The second stage was from the early 21st century to 2003, during which the CSR concept was introduced to the society, drawing wide attention and debate. At that time, Chinese academic institutions, non-government organizations and international organization in China began to systematically introduce this concept and carry out extensive study and discussions. Under the background of global economic integration and fast-growing foreign trade, trade authorities called on all interest parties to pay attention to CSR, so as to avoid the negative impact it may bring to trade. At the same time, government departments began to show concerns to the development of CSR among enterprises. The Ministry of Labor, the Ministry of Commerce and the Chinese Enterprise Confederation (CEC) all created CSR investigation committees to study the development of CSR in China.

The third stage began from 2004. It is a stage of active actions. Chinese government departments, industries and enterprises all have realized that developing CSR is an effective means to build a harmonious society, carry out the scientific approach to development and realize sustainable development. Accordingly, they have taken a series of positive measures to promote the maturity of CSR movement:

As the representative of manufacturing industries, the textile and apparel industry takes the lead in promoting CSR in China. China National Textile and Apparel Council has developed the CSC9000T system and started to promote it among enterprises.

Chinese government departments have taken more positive attitude towards CSR and developed related encouraging policies. For example, the "Development Guidelines on the Textile Industry in the 11th 'Five-year Plan' Period (2006-2010)" and the joint circular of "Some Suggestions on Accelerating the Restructuring and Promoting the Upgrading of the Textile Industry", both clearly call on "positively promoting the development of CSC9000T system and materializing the implementation".

Some enterprises have taken measures to voluntarily improve CSR management. For example, in March 2006, the State Grid Corporation released its CSR Annual

Report, which is the first State-owned enterprise to demonstrate its CSR performance to the public. On June 23, 2006, Shanghai Pudong Development Bank issued its CSR Report on both public and internal websites, which became the first Chinese commercial bank that published a CSR report.

Extensive international exchanges and symposiums are held. During this period, almost every month there is an important international symposium or forum on CSR held in China. Among them, the China-EU Conference on CSR held in Beijing in September 2005 and the "Global Compact China Summit" held in Shanghai in November 2005 are the most influential two.

In this stage, the implementation of CSR has shifted from passive to voluntary, from isolated behavior of certain enterprises to generalized social action. This indicates that the concept of CSR has stricken root in the hearts of the people and some well-performed Chinese enterprises have realized that bearing social responsibility will not increase their operational costs; Instead, it will help improve their competitiveness and build up good reputation and brand images, and boost the confidence of investors. Moreover, more and more enterprises have realized that being socially responsible will help enterprises attract and retain competent talents.



## Part 2.

# The Current Situation of Chinese Textile Industry and Its Impact on CSR

A review of the global social responsibility campaign shows that both internationally and domestically, textile and apparel industry is the first to initiate social responsibility actions. For example, in early 1990s, after being exposed by media for sweatshop production, and as a result of U.S. labor and human rights organizations' "Anti-Sweatshop Campaign", American jeans maker Levi-Strauss formulated the World's first code of conduct in 1991. Since then, many well-known brand owners developed their own codes of conduct one after another, which evolved into the so-called "Codes of Conduct Campaign". In 1995, a contractor of GAP in El Salvador sacked 350 workers, because they set up unions and protested for poor working conditions. Under the pressure of various non-government organizations, GAP became the first retailer promising to monitor its overseas contractors. In addition, some famous early CRS standards and civil society campaigns such as WRAP and CCC are also directly related to the textile and apparel industry.

Domestically, the CSR concept was also first introduced and carried out in the textile industry. During the period of time when CSR was introduced to Chinese export-oriented enterprises, most of the Chinese factories that were regularly audited by international retailers and brand owners were garment enterprises in the southeast coastal areas. Later when CSR concept spread to the society more widely, many domestic CSR discussions and proposals concerned the textile and apparel industry as well. At the present stage, the textile and apparel industry

is the first to sit down to review its CSR task and to explore an independent and effective way to implement it. For example, the well-known CSR case of Chaida Garment Co., Ltd. in Guangdong Province, which set up the first Employee Committee in China. In May 2005, China National Textile and Apparel Council (CNTAC) launched the "CSC9000T China Social Compliance for Textile and Apparel Industry" and put it into practice in March 2006. It is the first and only CSR management system developed by Chinese industries and a milestone in the development of CSR in China, laying a solid foundation for the systematic and regular work on CSR in the industry and the improvement of CSR management of enterprises which will promote the sustainable development and productivity upgrading of the whole industry.

It should be noted that the fact that textile and apparel enterprises at home and abroad often take the lead in CSR initiatives is not an aggregation of many coincidences; instead, there are some deep-rooted reasons. First, from a micro point of view, among the industries close to consumers, the textile and apparel industry is the most market-oriented one, while most of the CRS concerns are from consumers. Another reason lies in the international trade relations. The worldwide transfer of production capacity started from labor-intensive industries, while textile and apparel industry is the first to bear the brunt. Multinational corporations move their production, especially the labor-intensive textile and apparel production to developing countries

where cheap labor is often accompanied with labor, environment and corruption issues. Therefore, the claims of responsibility is naturally associated with and focused on the textile and apparel industry.

In China, CSR is first tackled in the textile and apparel industry. This is also decided by its status, characteristics and the development policies of the country.

## 1. The Leading Role of the Textile and Apparel Industry in National Economy

Textile and apparel industry is the most market-oriented industry in China which experiences the fullest competition and is closest to markets and end-users. It is one of the pillar industries in national economy, a labor-intensive industry with comparative competitive advantages in the world market. So it is no doubt that the CRS issues of the textile and apparel industry have attracted intensive attention.

The textile and apparel Industry plays an important and multi-dimension role in national economy and social development.

\* The unique status of the textile industry in national economy:

For many years, textile industry has been a traditional pillar industry in the national economy and provided great amount of capital to the national economic construction during the industrialization process. At present, the textile and apparel industry remains to be one of the most important industries (Table 1). It is worth to be mentioned that the textile industry has contributed in increasing foreign exchange

and maintaining balance of international payments. In the 'Tenth Five-year' (2000-2005), the exports of textile and clothes added up to 335.2 billion USD favorable balance of trade, which was as 1.6 times as the national favorable balance of trade made in the corresponding period. It has become one important industry to raise foreign exchange reserves. Meanwhile, the textile industry has played an important role in promoting coordinated development of relevant industries by offering large quantity of associated products. According to the statistics of national economy input and output released by National Bureau of Statistics of China, every time the textile industry added one unit in the input, its effect coefficient to the national economy would be 1.25, 25% higher than the average number. It effectively drove the development of related industries including agriculture, transportation, architecture, medical and health, petroleum and chemicals, machinery, logistics and trade.

\* The textile industry's role in meeting the demand of domestic market and raising people's living standard

**Table 1 Major Economic Indicators of the Textile Industry in 2005 and Their Share in National Total**

	Nation	Textile Industry	Share in Total %
Industrial added value of above-scale enterprises /RMB 100 million yuan	66,425	4,999	7.5
Profit of above-scale enterprises /RMB 100 million yuan	14,362	690	4.8
Export/US\$ 100 million	7,620	1,175	15.4
Import/US\$ 100 million	6,601	171	2.6
Favorable trade balance /US\$ 100 million	1,019	1,004	98.5
employment of above-scale industrial enterprises in 2004/10,000 persons	6,099	839	13.7

Source: China Statistics Yearbook 2005", the National Bureau of Statistics (employment), and "The Report on the Development of Chinese Textile Industry 2005/2006", China Textile Press (figures other than that of employment)

The development of domestic textile production has met the continuously increasing domestic consumption needs. From 2000 to 2005, the average per capita clothes consumption in China was up by 74.2%. The per capita fiber consumption was increased from 7.5 kg to 13 kg, much higher than the world average amount of 10kg.

\* The textile industry's special role in maintaining social stability and development

Textile industry creates numerous job opportunities. The amount of employment in the whole textile industry reached 19.6 million in 2005. Meanwhile, it has played an important role in alleviating the pressure caused by the issue of 'agriculture, rural areas and farmers'. Among the employees in the textile industry, above 70% were from rural areas. The rural income has been increased above 100 billion Yuan annually, making full use of the important role of Industry nurturing agriculture. In 2005, the consumption of domestic natural fabric was around 7,300,000 tons, which was directly associated with 100 million farmers' livelihood.

\* The textile industry's contribution to promoting regional economic development

The development of industrial clustering let thousands of hundreds of farmers change their industrial status. It also had great significance to the urbanization of rural areas and the gradually changing of dual structure in urban and rural economy.

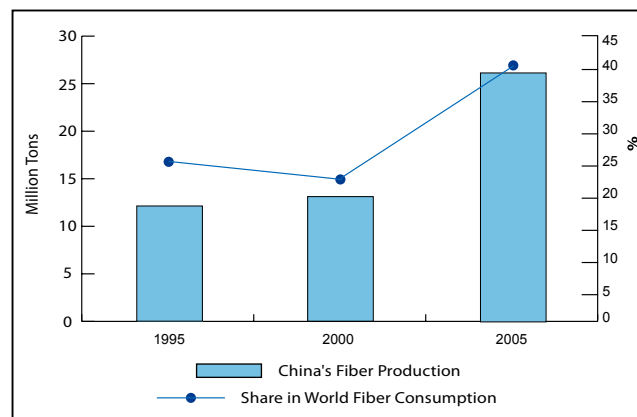
## 2. The Position of China Textile and apparel Industry in the Global Textile Chain

Since China adopted the policy of reform and opening up to the outside world, the Chinese textile industry has been growing rapidly. Up to now, it has basically finished the process of developing from primary industry into a mature one, and established a vertically integrated industrial system comprised of cotton, wool, silk, chemical fiber, apparel and textile machinery sectors with constantly improved competitiveness and a more and more important position in the global textile supply chain.

\* China's textile industry is an important part of

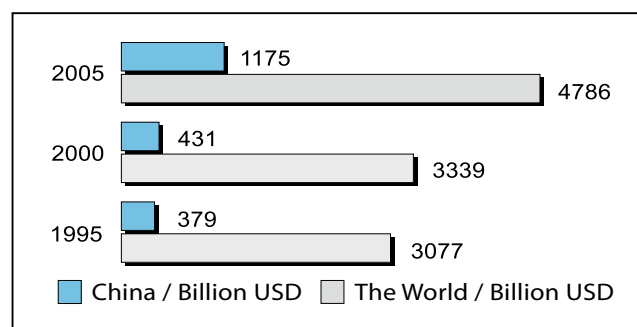
the global textile chain and the most important textile production base in the world.

Chinese production in man-made fiber, cotton yarn, cloth, wool fabric, silk products, apparel all stand the first place in the world, and the fiber processing volume grew from 25% in 2000 to 41% in 2005 in a global market share to continue keeping the largest standings in the world textiles and apparel production (Diagram 1).



**Diagram 1: China's Fiber Production in 1995-2005 and Its Shares in World Fiber Consumption**

\* China's textile industry supplies huge amount of inexpensive textile products with good quality to the world market, which has benefited world consumers and has provided imponderable profits to brand owners, retailers and other textile marketing channels in different countries, significantly promoting the economic development of these countries. In 2005, China's exports of textiles and apparel amounted to US\$ 117.5 billion, covering about 24% of the world textile and apparel trade, ranking the first place in the world for many consecutive years (Diagram 2).



**Diagram 2: Exports of Textiles and Apparel in 1995-2005: China vs. the World**

\* China's textile industry offers a huge market for the global textile chain. China is the largest importer of textile technologies and equipments, cotton and chemical fibers, and also the most important market for investors, occupying a decisive position in the global textile chain. In the 2001-2005 period, the import of cotton increased from 110,000 tons to 2.65 million tons, and import of chemical fibers from 5.60 million tons to 13.08 million tons. In this period, China imported US\$ 18.9 billion worth of textile machinery. Textile industry also took the lead in opening up to the outside world and taking foreign investment, from which it has benefited a lot. It is one of the most attractive industries for foreign investors. In the 2001-2005 period, the industry utilized foreign investment of US\$ 22.86 billion, and foreign funds as well as Hong Kong and Macao capital covered 1/3 of the paid-up capital of above-scale (annual turnover more than RMB 5 million yuan) textile enterprises. Enterprises with foreign investments hold about 34.3% of the US\$ 117.5 billion total exports in these five years.

The rising status of Chinese textile and apparel industry in the world and its increasing influence on related global industries are the right reasons to explain why the CRS issues of this industry have attracted worldwide attentions. Therefore, the Chinese textile and apparel industry is taking positive measures to help enterprises enhance their sense of responsibility, so that they can pursue international business goals in a more responsible manner and play a greater role in the global textile supply chain.

### **3. The Developments of the Textile Industry and Their Influence on CSR Performance**

In the last "Five-year Plan" period (2001-2005), China textile and apparel industry hit the historical record of growth speed and profit making. As have mentioned in Part I, this is also the period for social responsibility campaign in China to develop from the initial stage to a more mature status. During this period, CSR-related

issues became prominent and gradually evolved into a systematical social concern. The textile industry has realized this concern and begun to voluntarily explore a way out. Therefore, CSR issues at all levels and all degrees are reflected or implied in both the achievements made and the challenges faced by the industry.

#### **(1) The Influence of Growth Mode**

The extensive economic growth mode, which is characterized by high input, high consumption of environment and social resources at low efficiency, can not guarantee the sustainable development of the textile industry. Under the combined action of many factors including increasing investment, strong demand on domestic market, China's entry to the WTO and sudden growth of textile export after textile quota was abolished, the production capacity of Chinese textile industry expanded rapidly and investment kept at a high growth rate. In the 2000-2005 period, the average annual growth is up to 50.4%. As far as investment structure is concerned, the investment in upper-stream primary processing sectors such as cotton spinning and chemical fiber covers 79.2% of the total investment, which means sharp expansion of cotton spinning and chemical fiber production capacity. Some areas and certain enterprises pursue unilaterally shortsighted profit through enlarging scale and increasing output, consequently aggravating the disorder in competition and causing enormous waste of resources.

#### **(2) The Influence of Restructuring**

The restructuring of the textile industry over the past few years has also exerted certain effects on CSR, which is reflected in the following aspects:

- The increasing number of enterprises (especially small- and medium-sized enterprises, SMEs which cover 90% of the total) and employment (small- and medium-sized enterprises hold about 80% of the total employment, including about 60% of the employment from countryside). The direct impact of all these factors on CSR is that the labor relation has become increasingly diversified and complicated, and consequently resulting in a number of subtle changes in the relation

between labor supply and demand and the situation of competition. These changes have all brought direct effects on the behavior of enterprises in terms of employment contract, child labor, and especially working hours and wages.

- The changing structure of ownership and the fast-growing non-state-owned economy. In 2005, non-state-owned enterprises covered 95.9% of above-scale enterprises, 90.8% of the turnover, 99.0% of total profit and 88.0% of the employment within the industry, which indicates that the textile industry has established a brand new competition structure. This change has exerted both positive and negative impacts on the CSR issue. The positive impact is reflected in the diversified forms of ownership, the increasing share of non-state-owned economy and its leading position in the textile industry, which has injected fresh blood to the industry. The intensive competition can help the industry reallocate internal resources, especially the labor resource. Under the background of increasing shortage of labors, the comparative advantages of an enterprise in terms of wages and welfare, infrastructure facilities, labor protection and corporate culture have become important elements in attracting the new generation of workers. In a sense, CSR performance has begun to play a role in judging who is the fittest to survive. From another point of view, non-state-owned economy comprises different forms of ownership, including foreign-owned enterprises, joint ventures and private enterprises. They have different CSR standards and adopt different ways to implement them. Similarly, as the number of non-state-owned enterprises, which are not under the guidance of government overall economic policy, is increasing, disorderly competition has been aggregating. The unruly competition on price, quantity and delivery time, especially the price war, has directly infringed the interests of employees in terms of wages and welfare, working hours and occupational health and safety.

- The mushroom of large-sized enterprises and industrial clusters based on small and medium enterprises in the coastal areas. As the textile industry has become more market-oriented, market began to exhibit its decisive

power in the allocation of resources, pushing forward enterprises to optimize their organizational structure and facilitating the industry to form a new structure in which large-sized enterprises, coastal regions and industrial clusters play the leading role. The eastern part of China remains the most important region for textile industry. More than 80% of the above-scale enterprises are based in five provinces and one municipality, namely Jiangsu, Zhejiang, Guangdong, Shanghai, Shandong and Fujian. They represent 73% of the employment, 82% of the turnover, 88% of the export shipments and more than 90% of foreign investments. In counties and towns, industrial clusters comprising mainly small and medium enterprises focusing on particular products have emerged one and another, showing strong growth, vitality and competitiveness. Many industrial clusters in Xiaoshan and Shaoxing (Zhejiang Province), Jiangyin (Jiangsu Province), Dongguan (Guangdong Province), etc., all generated an industrial value of more than RMB30 billion with some even reaching as high as RMB100 billion in 2005.

Industrial clusters have become the most energetic economic carrier accelerating the urbanization process of rural areas. The scale economy of textile and apparel industry has laid a favorable condition for the emergence of large-sized enterprises that tend to expand or consolidate their brand images through improving CSR performances, which could create a driving force and a resonance atmosphere for CSR popularization. The textile clusters have integrated the systematic efficiency of the industry, which can significantly improve productivity. Therefore, textile clusters represent new competitiveness and future growth potential of the industry. In addition, the centralization of specialized enterprises can help disseminate the CSR philosophy through extending their experiences, hence improving the overall CSR performance of the textile and apparel industry. At the same time, the close connection between the industry and local community can also boost the healthy development of enterprises as well as promote the social and economic development of local communities. On the other hand, the clusters are mainly composed of SMEs, household makers and the number of enterprises is

beyond the ordinary scale. Therefore, it remains a critical issue on how to regulate the competition order and run business in compliance with the CSR requirements such as working hours, salaries, trade unions and collective bargaining. In addition, most of the enterprises in the clusters have only small production scales and their products are distributed in different channels, the realization of CSR requirements by them may therefore go beyond the restrictions of the market mechanism as well as the policy guidance and supervision of the government. In this context, the CSR performance inside industrial clusters may instead face some difficulties that a single enterprise may not find, which in turn, may also influence the enthusiasm of innovation and the sound growth of innovative enterprises.

- The change of technological structure. During the previous "Five-year Plan" period, the Chinese textile industry has undergone large-scale technical reforms at various levels and various scopes, and the investment in modern technology and equipment increased continuously. By upgrading domestic machinery manufacturing technology and introducing advanced technology and equipment from abroad, both the technology and equipment of the textile industry have been significantly improved. The local-made textile complete-set machinery equipped during 2000 to 2005 has reached the international level of the 1990s. Up to 2004, state-of-the-art technology and equipment had covered 50% of the total equipment of the cotton textile sector, remarkably improved the international competitiveness of this sector. Meanwhile, local-made textile machinery industry has improved both its competence and market share of the products; innovative products cover 1/4 of the total industrial output value of this sector; the application of independent innovative technologies has significantly reduced the investment cost; local-made blowing-carding range covers about 65% of the domestic market; and a number of new technologies and equipments such as digital printing and laser engraving technology have been applied to mass production. Many original technologies with independent intellectual property

rights have been popularized and applied to practical production, helping improve the added value of products. Great breakthroughs have been made in both modification technology and weaving techniques of various natural fibers including bast fibers, bamboo fiber and silk, which have made great contributions to the development of new fabrics and the improvement of the overall competence of entire textile chain.

The adoption of advanced technology and equipment may influence enterprises' CSR practice in three ways. First, advanced technology and equipment can improve productivity and efficiency, hence facilitate enterprises in making rational use of workers and consequently increase the profit of enterprises and the welfare of employees, Secondly, it may push other industries to involve in the CSR campaign and promote the CSR performance of the entire supply chain. Thirdly, new technologies and equipments can help reduce environment pollutions during the production process, reduce the consumption of energy and other resources, alleviate labor intensity and improve working conditions. However, whether these effects can be brought into play depends on the volunteer actions of enterprises, for instance, active investments in high-efficiency and low-pollution technology or equipment, or voluntary introduction of CSR requirements to cross-industry sourcing activities.

### **(3) The Influence of Technological Innovation Ability**

The insufficient R&D capability and input has obstructed the industry's innovation ability and core competitiveness. Figures from the general economic survey in 2004 showed that the overall technological and equipment level of the Chinese textile industry still lays far behind the world advanced level, and above-scale textile and apparel enterprises only invest 0.25% of their turnover in R&D, much lower than the average 5% of developed countries.

The poor innovation ability and low technological level influence the CSR performance of Chinese textile and apparel industry in three ways.

- The innovation ability and technological level is directly related to productivity of enterprises, hence

influencing the utilization of labor force and realization of labor force value. For instance, few enterprises have the ability to develop new chemical fibers by using advanced technologies such as simulation technology and natural fiber modification technology and biological resources and put the newly developed production into scale production. As a result, they can not provide new fibers and materials needed by textile industry to develop value-added textiles and apparel.

- The less advanced R&D and capability applied technology and equipment make China textile and apparel industry develop at a high environment and resource cost. The textile industry still has a long way to go in the research of fiber recovery and recycle technologies and in developing regenerated fiber, clean production techniques, energy-saving technology, eco-friendly products and waste disposal. Main efforts of environment protection are only made to the "end-of-pipe treatment". Poor quality consistency, high water consumption and high sewage discharge remain the major problems in printing and dyeing sector (in this sector, only a few factories can guarantee 80% of the qualified products for color difference at level three to four or above, and many others only reach around 50%, while the advanced level abroad has reached 90%. Also, the general water consumption of most Chinese dyeing and printing companies is about three times bigger than those in developed countries. The dyeing and printing industry takes up 80% of the total national textile industry water wastage, and the average recycle rate on

waste water is only around 7%.)

- With poor technology and information capacities, enterprises can hardly adapt to the special demands of the industry, and therefore have to sacrifice their commitment to social responsibility in terms of working hours and wages as well as occupational health and safety. For example, Chinese textile and apparel enterprises are still in the early stage of applying information technology such as ERP. Among enterprises with annual turnover more than RMB 10 million yuan, only 7% have introduced such kind of information technology. As a result, most enterprises can not adapt to the swift changes in the world market and this has put them in an inferior position in the international competition.

#### **(4) The Influence of Expanding International Trade & Enterprises' Ability to Handle Trade Disputes**

As the pace of global economic integration is accelerating, China's export of textiles and apparel grows rapidly. Such measures as "anti-dumping", "special safeguard measures" and "technical trade barriers" deteriorating the environment of international textile trade have been utilized by some countries. As a result, trade disputes are increasing. The textile industry and enterprises have not paid enough attention to the effect of changing trade environment, trade protectionism and trade disputes and failed to take effective measures to cope with the situation. They have insufficient experience in protecting themselves by making use of WTO rules and lack the ability to withstand sudden crashes and avoid risks. Moreover, they have not set up a perfect warning system and a healthy market order for export. And the internationally accepted industry standards and technical regulations are not fully understood. In the post-quota era, foreign trading partners and competitors began to shift their focus from product-related issues to IPR, CRS and anti-dumping issues. However, many Chinese textile enterprises have not yet realized such a move.

For the social responsibility performance of textile and apparel industry, the fast-growing international trade



The Dynamic Development of China's Textile & Apparel Industry

is a double-edged sword. On the one hand, the growth of foreign trade has promoted the development of Chinese textile and apparel industry and opened up broader space for the presence of Chinese textile industry. This has materially ensured the industry's ability to offer more job opportunities and fulfill social responsibility. At the same time, in the process coping with the social responsibility requirements of international supply chain, the concept and basic ideas of social responsibility has deeply rooted in the minds of Chinese entrepreneurs and popularized among ordinary employees. Many enterprises began to readjust their operation and management mode. This is mainly reflected in the change from passively accepting inspections to voluntarily developing internal CSR management system. On the other hand, with the rapid growth of trade, CSR requirements become more and more common. Facing such situation, many enterprises at first were at a loss as to what to do, and then tried every means to cope with inspections and various certificates became a fashion as a result. This is why during 2002-2003, the misunderstanding that "a company would be ineligible to export without getting certain certification" was very popular. The frequent inspections and auditing as a result of fast-growing international trade had also led to the misunderstanding that CSR is only a concern of export-oriented enterprises. Consequently, while export-oriented enterprises were weighted down with inspections, those serving the domestic market often neglected CSR issues. Meanwhile, some enterprises regard CSR as a kind of trade barrier, or "blue barrier", "social clause barrier" practiced by western countries in China, while ignoring the positive role of CSR in creating a fair and healthy international trade environment.

### **(5) The Influence of the Low-end Position on Global Supply Chain**

The Chinese textile industry is at the low end on the global supply chain and lacks of independent brands. International famous and secondary brands hold high share on the Chinese market for high-grade textiles and apparel. The major exports of textiles and garment are conducted by OEM, while OEM enterprises obtain only

about 10% of the total profit of the products. Chinese independent textile and apparel brands hold a tiny share in the world market and no brands have obtained international fame. It is therefore, very difficult for Chinese textile industry to get hold of the upper end of the supply chain via taking control of export marketing channel.

The fact that China textile industry is at the low end of the global textile supply chain has caused all-around influences on the CSR performance of Chinese textile industry.

- This fact at the very beginning put Chinese textile enterprises at a passive position in the global CSR campaign and they had no choice but to accept CSR requirements and audits of downstream buyers. They lost their right to speak and to be heard in the CSR dialogues and failed to voluntarily lead the CSR campaign in China and become the active mainstay of CSR, which is actually the essence of this movement. For example, some textile and apparel enterprises are inspected dozens of times a year by brand owners and suppliers, but none of them voluntarily has established its own code of conduct or published CSR or sustainability reports.

- The position of Chinese textile industry at the low end of supply chain itself could imply many CSR-related problems: a) Wages and welfare -the narrow profit margin at the low end of supply chain forces enterprises to cut costs and their first choice in so doing is often cutting down wages and welfare of employees; b) Working hours -the quantity and delivery requirements of brand owners and buyers may directly lead to extension of working hours; c) Occupational health and safety -the combination of a) and b) may threaten (when enterprises reduce investments and costs in this aspect) or infringe (when employees are required to work extra time or in tiredness) the interests of employees in terms of occupational health and safety.

- Such position of China textile industry also leads to disorderly competition among Chinese enterprises, especially the price wars or shortened delivery time. This has further damaged the overall image of Chinese enterprises in the CSR context and such competition will



inevitably bring negative impact on the improvement of CSR performance of Chinese textile and apparel enterprises.

To sum up, although the Chinese textile and apparel industry has made great achievements, it still lags far behind its international competitors in terms of technology, management skills and innovation capabilities, and still faces many contradictions and problems especially accumulated during the shift of economic growth mode. The main reasons for such situation include the huge scale of the industry, diversified economic players as well as different competitiveness of different enterprises and sectors. In the global textile chain, China's textile industry is only playing the role of a manufacturer and the extensive growth mode remains the major bottleneck for the further development of the industry. Therefore, although the textile and apparel industry has enhanced its CSR awareness and made certain progresses in practice, the negative effects of above-mentioned factors still restrain the industry from making further improvements in CSR.

#### **4. Applicable State Policies concerning Textile Industry and their CSR Implications**

The passages above mainly analyze the impact of the market on the CSR performance of Chinese textile and apparel industry. Besides, government policies that contain CSR elements can also bring considerable effect on the industry's performance of CSR.

##### **(1) State Policies Underlining the Idea of a Harmonious Society and the Scientific Approach to Development**

As the CSR campaign reached the voluntary action stage in China, the Chinese government advanced the scientific approach to development and the idea of building a harmonious society, which set the national goal of realizing all-around development of people and their society and coordinating economic, cultural and social progresses, shifting the center of development from economic growth to human who call for a "human-

oriented" value system and development concept. A harmonious society means the harmony and balance between man and the nature, man and society, which highlights that people are the major subject in social development. The social interaction in the context of building a harmonious society refers mainly to the proper handling of the interests of different social groups including the employers and the employees. The social vitality, equity and justice, and social stability and unity require each has a role to play in the society according to his ability and each is in his proper place and in harmony with other people. Undertaking social responsibility by business is the practice at the enterprise level to realize the scientific approach to development and make contributions to the harmonious economic foundation of the harmonious society under construction.

##### **(2) Policies Accelerating the Restructuring of the Textile Industry**

In April 2006, the National Development and Reform Commission (NDRC), the Ministry of Labor and Social Security and eight other central government departments issued a joint circular calling for accelerating the restructuring of the textile industry. It points out the significance of rapid restructuring and industry upgrading and calls on the industry to make greater efforts to promote technological advancement, conscientiously implement state policies, pay greater attention to the development of textile raw materials, strengthen the construction of information steering and warning system, standardize the environment for market competition and reinforce the role of industrial associations. When addressing the regulation of market competition order, it stresses that the government will "encourage the textile industry to promote the implementation of CSC9000T system among enterprises."

##### **(3) The Development Guidelines on the Textile Industry in the 11th Five-year Plan Period**

Based on the national 11th "Five-Year Plan", the "Development Guidelines on the Textile Industry in the

11th "Five-year Plan" (2006-2010)" issued on June 13, 2006 calls on the industry to "adhere to the scientific approach to development, give full play to the essential role of market-oriented allocation of resources in accordance with the need to explore the new path to industrialization, change the growth mode by relying on technological advancement and independent innovations, optimize the structure of export products, make effort to brand building and accelerate the steps of industry upgrading". The guideline suggests efforts should be made to upgrade textile industrial clusters and expedite the development of the industry in less developed central and western regions. It urges the textile industry to enhance international economic and technological cooperation, making full use of both domestic and international markets and available resources, in order to develop and strengthen the CSR system, maintain a good order of market competition, and push the textile industry to realize all-around, coordinated and sustainable development, etc. It puts the "construction of CSC9000T system and implementing CSR" into the list of prime tasks of the textile industry in the coming five years.

#### **(4) Changes of the Growth Mode and the "Go Out" Policy**

The "Circular on Related Policies in Accelerating the Change of Export Growth Mode of Textile Industry and Encouraging Textile Enterprises to 'Go Out'" jointly issued by the Ministry of Finance, the National Development and Reform Commission and the Ministry of Commerce in July 2006, points out that in order to further promote the healthy development of China's textile industry and effectively mitigate trade frictions, the central government will allocate special funds to support the textile industry to accelerate restructuring and the change of export growth mode and to encourage textile enterprises to invest overseas. The Circular says, on the construction of innovative public service platform for the textile industry, that the government will "support the textile industry to develop CSR system, establish and improve CSR standards and promote the implementation

at home and abroad".

#### **(5) Investment Reform**

On July 25, 2004, the State Council promulgated the "Decision on the Reform of Investment System", which is targeted to change the existing approval and examination system and let enterprises play the leading role in investment activities. For the textile industry, only "polyester project with a daily production capacity of or aver 300 tons" is in the list of projects to be registered and authorized by related development of the State Council, while other projects just need to be put on records. With the change of investment system, textile enterprises could enjoy more freedom of making own investment decisions on new projects. Financial institutions can serve as a lever to curb low-level repeated projects demanding loans, since they have their own check-up system and could provide loans by judging the risks of the project. Under the strict confinement of laws and regulations concerning land resources, environment protection, safety production and urban layout, the repeated construction of some heavy pollution projects (such as printing and dyeing and viscose fiber ) and irrational investment activities are brought under control.

#### **(6) The Change of Investment-inviting Policies**

Based on implementing the existing investment-inviting policies, the National Development and Reform Commission issued the amended "Catalogue for the Guidance of Foreign Investment Industries" on November 30, 2004. The Catalogue encourages investors to invest in textile industry, synthetic fiber materials industry and special machinery manufacturing industry that can help promote the technological progress of domestic enterprises, while restricts inflow of foreign investment to some relatively backward, competition-intensive and high-pollution sectors. The implementation of this Catalogue can help enhance the technological and managerial standard of the textile industry and effectively avoid the competition between foreign-funded enterprises and domestic enterprises on raw

materials, energy and market in certain sectors.

### **(7) The Intensified Implementation of Textiles-related Health and Safety Technologies**

In order to regulate markets and to guarantee the health and safety of consumers, the General Administration of Quality Supervision, Inspection and Quarantine issued the "National General Safety Technical Code for Textile Products" (GB18401-2003), a compulsory national standard that became effective on January 1, 2005. This new standard has accelerated the process of "survival of the fittest". It imposes new requirements on technical and quality inspection personnel, facilitating textile producers to adjust their production process and strengthening control over dyestuff purchasing. Those enterprises whose products fail to meet the requirements or show an inconsistent quality will face an austere future. To strive for existence under high criteria, it is necessary for enterprises to improve their own competence and make more efforts in developing new products. Therefore, the new standard will promote the development of enterprises and the entire industry. The incorporation of safety and eco-friendly requirements into national compulsory standard can help improve the competitiveness of Chinese-made textile products in the international market.

It goes without saying that the above-mentioned policies will encourage, promote and support Chinese textile and apparel enterprises to have better performance in CSR context. The concrete significance of CSR in China lies in the implementation of the scientific approach to development at enterprise level and laying economic foundation for building and maintaining a harmonious society. In implementing CSR, the scientific approach to development and the essence of the harmonious society also require Chinese industries first carry out a study on China's practical situations and adopt the strategy and mode of implementation in conformity with such situations. The reform on investment system and investment-inviting policies can help optimize the allocation of resources, strengthen environment protection, create an environment for

healthy competition and improve management skills. Meanwhile, the restructuring of textile industry and the implementation of safety technical code and "Go Out" strategy all contain CSR elements, urging enterprises to act according to CSR requirements.

## **5. Undertaking CSR Is a Voluntary Measure for Chinese Textile Industry to Meet Challenges**

In conclusion, China textile and apparel industry is in an environment with similarly distinct favorable and adverse factors. Although it has made unprecedented progress and has a wide presence in both domestic and international markets, it also faces many severe problems and great challenges. With these problems and challenges, especially the pressure of narrow profit margin and over-heated competition, it is necessary for the textile industry to change its mode of growth, readjust structure and upgrade the industry to a higher level, in order to obtain new development opportunities. It should further improve competitiveness by attaching special attention to the issues of resources, service and self-discipline. Under such circumstances, CSR has become an issue posed in front of the entire textile and apparel industry that neither can be avoided nor can be solved all at once. It is also one of the key problems to be tackled in a long term. All criticisms, suggestions, support and concerns of all interested parties indicate that the CSR practice of China's textile and apparel industry is not merely a reputation work, but rather, from certain point of view, a problem vital to the development of the textile industry, and even one relating to the national economic construction and social development. Due to the characteristics of CSR issue, i.e. widespread influence, pressing importance and high technical requirements, it is necessary for the textile and apparel industry to take voluntary, systematic and long-term actions. The whole industry should be aware that CSR has become an indispensable factor for Chinese textile and apparel industry to gain favorable position in international trade and maintain sustainable development, while enhancing CSR practice must be one of the voluntary actions of self-discipline within the industry.

## Part 3.

# China National Textile and Apparel Council and CSC9000T

China National Textile and Apparel Council (CNTAC), is the national federation of all textile-related industries, and is a non-profit organization formed on voluntary basis. The aim of CNTAC is to provide services in the modernization of China's textile industry. For this purpose, its mission is to guide the industry into a healthy and sustainable development, standardize industry behaviors, and establish industry self-disciplinary mechanisms and safeguard the interests of the industry as a whole. On May 31, 2005, CNTAC, in response to the appeals of over 140 textile and apparel enterprises for CSR initiatives, jointly formed the Responsible Supply Chain Association (RSCA) with these enterprises. In the meantime, CSC9000T China Social Compliance for Textile & Apparel Industry - Principles and Guidelines (2005) was released, and since then has received a positive response from the industry and organizations both at home and abroad. Up to present, members of RSCA have increased to more than 200 from the original 140 since its birth.

China has already created a legal framework in better shape, covering many areas of social compliance, therefore, CSC9000T is not an “add-on”. It neither creates or sets any CSR standards, nor simply quotes other relevant norms and standards. But rather, it embodies the relevant Chinese laws and regulations as well as international conventions ratified by the Chinese government, and it is based on specific conditions of the industry, and properly referred to the international practices that are regarded reasonably compatible with Chinese enterprises (Diagram. 3). Therefore, CSC9000T places an emphasis on operating business under the law and applying systematic management. Businesses are expected to respect the rules of law and strengthen CSR

practice by means of establishing and perfecting internal management system that controls key CSR elements. In this sense, CSC9000T sets its bottom line at observing Chinese rules and regulations concerning these elements, which is determined by the development status quo of Chinese textile and apparel industry.



**Diagram 3: CSC9000T Management System & Principles**

CSC9000T consists of 10 elements, including management system, employment contract, child labor, forced or compulsory labor, working hours, wages and welfare, discrimination, trade union and collective bargaining, harassment and abuse, health and safety. Apparently, CSC9000T covers all the key CSR issues within the Chinese textile and apparel industry that international brand owners and retailers are most concerned about and these issues are also specified in their codes of conduct.

Meanwhile, it also contains other elements determined by the practical conditions of the Chinese textile and apparel industry. Methodologically, CSC9000T has identified the fundamental rules concerning these elements as stipulated both in Chinese laws and in relevant international conventions ratified by China, expecting enterprises to establish their proactive management systems to identify, control and implement these regulations and stick to the bottom line of CSR, i.e. operating business pursuant to the applicable laws. In this sense, CSC9000T serves as a management tool for implementing legal rules and regulations, aiming to lay a solid foundation for enterprises to perform CSR at a higher level.

As the first and only standardized system of social responsibility in China, and a social responsibility management tool featuring Chinese characteristics, CSC9000T displays distinct characteristics as follows.

### **(1) Important Initiative of Self-discipline in China Textile Industry**

Textile industry is one of the most internationalized manufacturing industries in China, which has the closest relationships with international retailers and consumers, and is an industry gained worldwide attention. Some enterprises address CSR issue differently in terms of the understanding on CSR and the way of implementation, which has cast a shadow on the overall industry environment against rational competition, orderly development and international market expansion. As an industry self-discipline and upgrading task, CSC9000T was first introduced to elite domestic textile enterprises, with an aim to set the industry a benchmark to standardize an ordered market and to uphold sound business ethics. CSC9000T will help to protect employees' interests and promote their productivity, improve the competitiveness of human resources, and finally elevate the international image of China's textile and apparel industry.

### **(2) Management System-oriented and Different from Other Third-party Standards**

At present, the conventional ways for implementing CSR are code-of-conduct supervision and the third-

party standard accreditation or certification. Objectively speaking, both ways have helped promote the awareness of CSR ideas in China, and to certain extent improved the social responsibility performance in some enterprises. However, the limitations of these two methods are obvious.

As far as codes of conduct and factory auditing are concerned:

First of all, the contracting-out and outsourcing within production chain have become more and more popular as the production expands. For example, during midseason, the order-taking factory usually transfers its order to subcontractors or household workshops. For Multi-National Corporations (MNCs), who have already found difficult to control their detailed outsourcing suppliers, it would be even harder for them to effectively monitor the actual implementation of their many orders.

Secondly, when factories get increasingly used to the inspection routines, it would be rather difficult for the MNC appointed inspectors to find out the real problems which might have been disguised before they arrive. The commercial nature of this process, and the inter-dependence business partnerships between MNCs and manufacturers, make it hard to fulfill the promised codes of conduct. They are more easily observed as a pose part of the brand promotion with a public relation nature.

Thirdly, the direct relation between factory auditing and product order will possibly cause repulsion towards social responsibility. The purpose of factory auditing is to ensure that the social responsibility conditions have been met. However, it will inevitably create a moral disparity between the two parties of the contract, when brand owners and buyers send their inspectors for factory auditing. This subjective gap will cause supplier's negative feeling or even hostility towards social responsibility, which is not conducive to the actual implementation of social responsibility. This explains why many factories actively prepare for the factory auditing, while often neglecting the long-term and effective solutions to social responsibility issues.

Fourthly, whether the factory can pass the auditing or

not is directly related to the interests of many stakeholders. For example, if the factory fails the auditing, the supplier may lose its order, the wages and welfare of the employees may not be ensured, the government may lose some revenues, and brand owners and buyers may have to keep on investing to find other suppliers.

Fifthly, workers, as the main beneficiary body of the codes of conduct, often have poor participation in the process of factory auditing. Their weak economic power hinders their claims of rights. On the other hand, the interest connection between workers and the orders could also hold back their willingness of bargaining through establishing internal organizations or borrowing strength from external pressures.

In reality, the codes of conduct of many companies have not been continuously and effectively complied with. For example, the failure of some big brands in avoiding international lawsuits due to insufficient implementation of codes of conduct within the entire supply chain indicates that factory auditing and codes of conduct have failed to solve many practical problems.

The accreditation or certification mechanism also faces many serious problems.

Firstly, the accreditation bodies have changed the supervision of social responsibility into a genuine commercial instrument. When it turns into a business, the impartiality and objectivity of the accreditation would be at stake.

Secondly, the common practice of accreditation is that a qualification certificate of a certain standard will first be awarded to accreditation firms, and it is these firms who send auditors to inspect the work of the factory. Actually, the quality of the auditors may to a large extent decide the credibility of the certification. It is difficult to guarantee a consistent and fixed standard, consequently.

Thirdly, when carrying out the accreditation, the auditors may give a notice prior to the auditing, which enables the factory to be fully prepared. Therefore, the actual situation within the factory is often disguised. Meanwhile, the players in the accreditation process are mainly top managers of the factory and the accreditation

firm, factory workers and lower-rank managers have little chance to participate in it. This situation, thereby, will obstruct workers' expression of opinions. As long as the factory meets the auditors' requests and obtains the certificate, the CSR performance of the factory becomes a prima facie success.

In addition, the impact of the accreditation towards the enterprise seems to be too sudden and harsh. This process only gives enterprise an all-or-nothing choice, which will surely bring temporary but fierce impact to the enterprise, leaving no space or time for continuous improvements. If certain standards are strictly conducted, factories might not be able to adapt to new situations, which is not beneficial to the development of the enterprise and the protection of employees' interest.

Finally, as it has turned out, accreditation is not as omnipotent as one may imagine. Actually, it is almost impossible to fully judge and explain the situations of the social responsibility management within an enterprise merely on a piece of "certificate", let alone help them improve their CSR management. In fact, no single case indicates that a factory's export has been choked for not passing certain accreditations. But, it really occurs from time to time, that export could be influenced when some factories fail to meet foreign buyers' social responsibility requirements.

International buyers and brand owners who have more than 10 years experience in factory auditing in China, have been reviewing and questioning their own means of implementing CSR through factory auditing. They are increasingly aware of the fact that a simple inspection is never a solution to the CSR problems within a Chinese factory. To help Chinese suppliers improve their CSR performance, it is necessary for them to explore a suitable and effective way in accordance with Chinese practical conditions.

Having taken into consideration the above factors, CSC9000T was designed to establish a social responsibility management system within enterprises. The system will automatically prevent and rectify related problems, taking management operation as an immune system and self-healing mechanism. Instead



**Diagram 4: Functional Mechanism of CSC9000T**

of the "surgical" approach taken by the accreditation and factory auditing, CSC9000T puts stress on problem identification, management system and continuous improvements. The effective operation of a management system for controlling social responsibility factors will also enhance the competitiveness of human resources and brand image, so as to guarantee sustainable development of the business (Diagram 4).

The system functions as follows:

Firstly, CSC9000T adopts PDCA (plan – do – check – action) management pattern, to enable the enterprises to incorporate CSC9000T into their overall management system. CSC9000T puts even more emphasis on encouraging enterprises to gradually bring CSR management into their routine management and integrate it into their corporate culture, by helping enterprises establish and improve their social responsibility management system and ensure the continuous and effective operation of the system. By so doing, the idea of social responsibility can be implanted in the minds of decision-makers of the enterprise, which can foster a long-term mechanism of social responsibility implementation.

Secondly, CSC9000T adopts the mode of "performance evaluation" to judge enterprises' social responsibility performance, giving up the conventional way of accreditation. CSC9000T performance evaluation is to help enterprises to review their own CSR management system and to find out the gap between voluntary social responsibility actions and the requirements of CSC9000T, in order to identify the needs

of improvement. Hence, enterprise management and CSC9000T experts will work together to find appropriate solutions. This evaluation process will help buyers understand the actuality, the existing problems, and the causes of problems in social responsibility management of the supply chain, and ultimately achieve continuous improvements of CSR on the whole supply chain. CSC9000T performance evaluation system is presented with a description of the status of the CSR management based on concrete and objective facts, including major concerns, cause analysis and recommendations to improvement.

Thirdly, from the micro point of view, the management system expresses the requirements of the 2nd to the 10th elements of CSC9000T through systematic documentation and reflects the actual implementation of all the elements. Meanwhile, the management system and the operation records will turn the performance of enterprises in these elements into objective evidences, which can be checked and verified by all stakeholders. CSC9000T requires enterprises "to establish, implement, maintain and continually improve the Social Responsibility Management System based on related Chinese laws and legislations as well as international conventions and in accordance with the requirements of this CSC9000T. The management system should be documented, and include procedures to meet the objectives and targets. The senior management shall also review the performances to ensure the continual improvement." Accordingly, CSC9000T requires the establishment of 12 basic social responsibility management procedures, including laws & regulations identification procedure, awareness enhancement procedure, communication procedure, documentation procedure, and operation control procedure, etc., and 10 basic documents, including the code of conduct document, responsibilities and duties document, capacity identification records and external communication document. With these 12 basic procedures and 10 basic documents, enterprises are able to take control and manage the other 9 elements related to corporate social responsibility, to establish

corporate social responsibility element monitoring and control system, and to integrate them into the existing management system. CSC9000T also requires enterprises to incorporate social responsibility components into their existing organizational system, so as to create a socially responsible organizational structure and define corresponding duties with the enterprise on CSR.

Fourthly, CSC9000T functions on the basis of enterprises' optimistic, placid and cooperative attitude. CSC9000T team represents an industry association who provides services and assistance to enterprises. Without the commercial implications of accreditation or factory auditing, the relationship is rather cooperative and harmonious. The inter-relation and identical goal shared by enterprises and the CSC9000 team will help establish an effective dialogue and cooperation mechanism, and create the partnership to solve the identified problems. With this psychological state, enterprises are more willing to expose the real situation and the specific problems to CSC9000T expert team, and participate in figuring out the solutions. Thereby, the CSC9000T operation is an initiative process and the outcome of industry-wide cooperation.

### **(3) Social compliance management system that is in line with specific Chinese conditions**

CSC9000T consists of 10 elements, which takes specific Chinese conditions into consideration in all dimensions. For example, the management system itself is an independent component, though, it also integrates all other elements based on the PDCA management model. It emphasizes on the processes of transforming awareness into management system practice and of achieving continuous improvements by conducting assessment. Taking the forced labor for example, it concerns the situations in which factories or companies force employees to pay deposit and hold their ID cards. In addition, some other points are also worth mentioning.

#### **1) Health and safety management system**

Considering the status of safety production

in Chinese enterprises, CSC9000T highlights the management system concerning occupational health and safety so as to facilitate enterprises in effectively improving management practice and reducing their operative risks, while paying attention to the health and safety of employees. CSC9000T emphasizes that businesses should establish, implement, maintain and improve the health & safety management system based on the PDCA model. It is focused on developing, implementing, improving and assessing the process or system of health and safety management (incl. employee dormitory). Given that a greater percentage of female workers employed in textile enterprises and a part of factories having workers under age, CSC9000T places an emphasis on the protection of female workers and those under age. CSC9000T also concerns proper management of chemicals in the workplace, taking industrial specifics into account.

#### **2) Employment contract**

Taking the particular situation into consideration, e.g. most employees in Chinese textile enterprises being migrant workers and that some factories do not sign employment contracts with employees, CSC9000T purposely includes the provision of labor contract to facilitate employees in protecting their labor rights and urging employers to observe the labor standards by signing valid labor contracts.

#### **3) Unfixed working time and comprehensive working hours system**

Based on the Chinese laws and regulations and current development stage of Chinese enterprises, CSC9000T comprises the unfixed working time and comprehensive working hours system to assist enterprises in better adapting to the laws and regulations and to the increasingly fierce market competition as well. It is specified, "The Comprehensive Working Hours System allows enterprises to use average working hours for the period of a week, or month, or season, or year, as long as the average daily working hours and average weekly working hours are in compliance with the legal standards." This rule helps enhance the adaptability of enterprises to market demand while running business



according to the rules and regulations.

#### **4) Trade union and collective bargaining**

As the "Trade Union Law of P.R.C. " explicitly stipulates that All-China Federation of Trade Unions (ACFTU) and its trade union organizations represent the interests of employees, safeguard their legitimate rights and interests, and employees have the right to organize the trade union and to become its members as required by law, CSC9000T includes the provision of the trade union and collective bargaining to adapt to the Chinese law and regulations, and makes it clear that trade unions at all levels are the organization or body that protect labor rights and interests of employees.

## **2. The Promotion Mode of CSC9000T and the Implementation Guidance**

The above-mentioned features of CSC9000T determine a unique approach to its practice. First, the CSC9000T promotion mode puts a particular focus on the concept of the "supply chain based social compliance", which implies the involvement of all parties concerned to promote CSC9000T. Therefore, the Responsible Supply Chain Association (RSCA) of CNTAC was established, a body specially responsible for its promotion. It makes efforts to involve international buyers, brands and other related organizations to form partnerships with CNTAC, integrating strengths of all stakeholders on the supply chain to advocate CSC9000T. For example, the Canadian Hudson's Bay Company (HBC) took the lead in signing a letter of endorsement on CSC9000T with RSCA in October 2005, and committed to the implementation of CSC9000T among its Chinese suppliers, which marked a substantial progress. Secondly, with regard to promotion modalities, CSC9000T is focused on providing training and consulting services to Chinese textile enterprises (suppliers) in the area of performance assessment and improvements, in assisting them to establish and implement the CSC9000T management system. This approach has long been determined by CNTAC, even when the CSC9000T management system documents

were in the pipeline. In so doing, it is intended to discard conventional auditing and certifications. It will enhance the competence of Chinese textile manufacturers through continued training and consultancy, and improve enterprise management through timely and objective performance assessment, to achieve greater competitiveness.

After the CSC9000T - Principles and Guidelines (2005) was published, the RSCA started working on the preparation of its implementation Guidance to facilitate textile enterprises in putting it into practice by conducting training programs. On March 27th, 2006, CNTAC published the CSC9000T Implementation Guidance documents, following 10 months' deliberation and preparation. It is the key training material for CSC9000T management system. The launch of this implementation guidance documents marked a groundbreaking work for the industry. It also demonstrated the determination of CNTAC to follow the human-centered ideal, scientific approach to the development in building a harmonious society, leading the industry onto a newly industrializing path, establishing industry self-disciplinary standards for sustainable development, and particularly assisting enterprises to improve their social compliance management practice. The issue of CSC9000T Implementation Guidance is the symbol of initial completion of CSC9000 documentation. The CSC9000T Implementation Guidance Functions as a further refinement of the CSC9000T - Principles and Guidelines, a supportive document, a training material of companies, and also a guideline of CSR managements. The first edition of CSC9000T Implementation Guidance Documents (2006) has a total number of documents covering the requirements of all the 10 components stated in its Principles and Guidelines, including "Occupational Health and Safety Management", "Employment Contract Management", "Chemicals at the Workplace Management", "Prevention of Child Labor", "Working Time Management", "Unfixed Working Time and Comprehensive Working Time Systems", "Protection of Labor Under Age and Female Workers", "Casual Labor

Management", "Employee Handbook", etc. Table 2 presents the content of the implementation guidance documents.

The CSC9000T Implementation Guidance is specifically intended for the current management status of Chinese textile enterprises. Being the key training material, it is used as management tools and techniques to help identify problems and analyze the causes, and

work out solutions together with the enterprise and eventually to achieve continuous improvements. The launch of CSC9000T Implementation Guidance ensures that the CSC9000T management system could be put into practice more easily. For example, the "Employee Handbook Template" is a customized and exceptionally practical management tool designed to deal with improper management practice or a lack of systematic

**Table 2: CSC9000T Implementation Guidance Contents**

<b>Element</b>	<b>Document name</b>
<b>Management system</b>	<ol style="list-style-type: none"> <li>1. <b>Management appraisal procedure</b></li> <li>2. <b>Record management</b></li> <li>3. <b>Inward &amp; outward info communication procedure</b></li> <li>4. <b>Training procedure</b></li> <li>5. <b>Internal auditing procedure</b></li> <li>6. <b>Recruitment management</b></li> <li>7. <b>Documentation management</b></li> <li>8. <b>Responsibility and Duties</b></li> <li>9. <b>Supervision and measurement procedure</b></li> <li>10. <b>Employee handbook</b></li> </ol>
<b>Employment contracts</b>	<ol style="list-style-type: none"> <li>11. <b>Establishment and preservation of employment contracts</b></li> <li>12. <b>Casual labor management</b></li> </ol>
<b>Child labor</b>	<ol style="list-style-type: none"> <li>13. <b>Prevention of Child Labor Recruitment</b></li> <li>14. <b>Protection of minor labors</b></li> </ol>
<b>Forced or compulsory labor</b>	<ol style="list-style-type: none"> <li>15. <b>Effective prevention of forced or compulsory labor</b></li> </ol>
<b>Working time</b>	<ol style="list-style-type: none"> <li>16. <b>Working time management</b></li> <li>17. <b>Unfixed working hour and comprehensive working time systems</b></li> </ol>
<b>Salary and welfare</b>	<ol style="list-style-type: none"> <li>18. <b>Wage management</b></li> <li>19. <b>Welfare management</b></li> </ol>
<b>Trade union &amp; collective</b>	<ol style="list-style-type: none"> <li>20. <b>Trade union &amp; collective bargaining</b></li> </ol>
<b>Discrimination</b>	<ol style="list-style-type: none"> <li>21. <b>Effective prevention of discriminations in work</b></li> <li>22. <b>Protection of female labors</b></li> </ol>
<b>Harassment and abuse</b>	<ol style="list-style-type: none"> <li>23. <b>Effective prevention of harassment and abuse management</b></li> </ol>
<b>Health &amp; safety</b>	<ol style="list-style-type: none"> <li>24. <b>Health &amp; safety management</b></li> <li>25. <b>Chemicals at workplace management</b></li> <li>26. <b>Casualty (official injury accidents) management</b></li> <li>27. <b>Special equipments management</b></li> <li>28. <b>Protection of minors and female labors</b></li> <li>29. <b>AIDS &amp; other epidemics prevention and control</b></li> </ol>

management solutions in some textile companies. Based on the rules and regulations regarding corporate governance and success stories of domestic and foreign enterprises, this “Employee Handbook Template” integrates basic corporate management rules, builds a management framework for enterprises. Not only does it cover CRS related issues, but also includes other management knowledge. In this case, it is a lot easier for enterprises to set up a complete package of internal management rules of their own, simply by enriching its modules based on their specific conditions. In so doing, it will help them incorporate CRS into their day-to-day management practice.

### 3. CSC9000T and International Cooperations

The success of CSC9000T implementation depends on effective international cooperation within the whole supply chain and other multi-stakeholders. Therefore, CNTAC has been active in establishing contacts with international organizations, government agencies and NGOs ever since its existence. Some initial results have been achieved in the collaboration with the EU. At the invitation of EU-China Trade Project, CNTAC and representatives of CSC9000T members formed a 19-person delegation with the Ministry of Commerce, ACFU and news media to visit Germany, Belgium and Italy on a study tour from July 2 – 9, 2006. The exchange was one of the bilateral cooperative projects

and also regarded as one of the steps that CSC9000T pilot programs were going to take. The delegation held meetings with representatives of government, trade unions, NGOs and enterprise from the EU and its member states, including EU DG Enterprises, ETUC, FTA, Eurotex, the Ministry of International Trade of Italy, Clean Clothes Campaign (CCC) and Puma company, etc. All the parties conducted an in-depth exchange of views on CSR related issues and a wide range of the CSC9000T publicity. The multi-stakeholders from Europe expressed their appreciation and support to the CNTAC’s initiative, in the sense that it was not merely a discussion of CSR issues, but more importantly, a concrete action taken to implement a self-disciplined CSR management system in line with specific Chinese conditions. In addition, the delegation also visited Italian garment enterprises. The highly awareness and popularity of CSR in the EU fairly impressed all members of the delegation, which in return helped a better understanding of CSR within the delegation members. This visit facilitated bridging a communication platform for all stakeholders involved from China and Europe, enabling Chinese stakeholders – governments, trade unions and industry associations to have direct exchange of ideas with European counterparts, particularly European organizations that are concerned about CSR issues, on the confusions, challenges, good experiences and lessons in addressing CSR issues. Furthermore, Chinese representatives have also given fuller explanations to inadequate perceptions of Chinese textile and apparel manufacturers by some European stakeholders, which won their better understanding towards Chinese textile industry.

On November 11-18th, 2006, the EU-China Corporate Social Responsibility Forum and its related training programs jointly organized by CNTAC and EU DG Enterprise was respectively held in the City of Humen (Guangdong Province), the City of Shishi (Fujian province) and the City of Haining (Zhejiang Province), three major textile industrial cluster areas. This was another important bilateral collaborative project. The industrial cluster is featured by its specialized production, vertically integrated supply chain,



President Du's Media Interview on the Candian Retailers Conference

concentration of small-and medium-sized enterprises, energetic and flexible operative modalities, which meet the needs of the consumer market at different levels. Some of them have stronger competitiveness in the world market and have become major forces of the Chinese textile industry, promoting local economic and social development. As there are numerous small-and medium-sized firms in the industrial clusters and a large number of employees, it is a major challenge for these enterprises to improve CSR performance. At the same time, an effective CSR management system in industrial clusters will serve as a good example for the entire industry. During these events, the CSR concept, issues and challenges in front of Chinese enterprises were well discussed via the dialogue among multi-stakeholders, including international brands, retailers, international organizations, government agencies, industry associations and domestic suppliers. On these occasions, the CSC9000T was also greatly promoted. The forum gained a widespread attention and attracted more than 300 audience respectively from local companies. The training sessions following the forum were primarily focused on four major areas of concern, i.e. working hours & overtime, salary, HRM and health & safety. More than 200 junior managers and workers from dozens of enterprises within the three industrial clusters attended the training programs.

In April 2006, the training program "Environmental and Social Compliance of the Chinese Textile Industry" was initialized. This program was jointly issued by the CSR Office, CNTAC, the University of Amsterdam, the University of Shandong, the Shandong Environmental Protection Bureau and Shandong Provincial Association

of Textile and Apparel Industry. It was designed to introduce the CSR concept to textile and apparel enterprises in Shandong Province. Based on an analysis of the current status of CSR development in the Chinese textile industry, and the enterprises field study in Shandong, main contents of the training program were formulated including topics as international and Chinese viewpoints on CSR, the best CSR practices, dialogue between Dutch buyers and Chinese suppliers, etc. The training program was successfully conducted between November 24th and December 1st 2006 in Dezhou, Binzhou, Weifang and Zibo, four cities in Shandong Province. Participants were satisfied with the contents of the training program, and developed better understanding of the current status and future CSR development trend in China as well as an urgent need of implementing CSR management in Chinese enterprises. The enterprises exchanged ideas with the expert team on CSR-related issues that they were encountered with, by various channels such as questionnaires and post-training evaluation forms.

The CSR Office, CNTAC has also established contacts and collaborative projects with United Nations Industrial Development Organization (UNIDO) and International Labor Organization (ILO). Furthermore, the World Economic Forum initiated the China Health Alliance (CHA) in 2006 and CNTAC became one of its founding members. Through this project, CNTAC will collaborate with various international organizations, brands on HIV and TB prevention projects. Currently, this project is in its pilot stage in Guangdong Province. CNTAC and other members of the alliance are making joint efforts to promote the project.

# Part 4.

## CSC9000T Pilot Implementation Program and Recommendations to Stakeholders

The CSC9000T implementation combines two methods, i.e. expert panel assessment and enterprise self-assessment. Once CSR related issues are identified, the CSC9000T expert panel would discuss with the enterprise to work out solution plans and provide training programs.

After CSC9000T pilot program was initiated on 28 March 2006, the first batch of 10 enterprises and 1 textile cluster were selected for conducting this program, which has been carried out since April 2006 in three phases: initial assessment, training and re-assessment. The program was conducted upon on-site visits, employee interviews and document reviews, and the evaluation report was prepared on the CSR improvements of the enterprise. When the report is presented to the enterprise, it needs to take corrective measures according to the identified deviations as indicated in the report. Meanwhile, the management of pilot enterprises had 2 days' training sessions conducted by CSC9000T experts for improving their CSR performance and system building, and preparing the action plan to set up the management system with the expert team after training. After the establishment of the system and before the re-

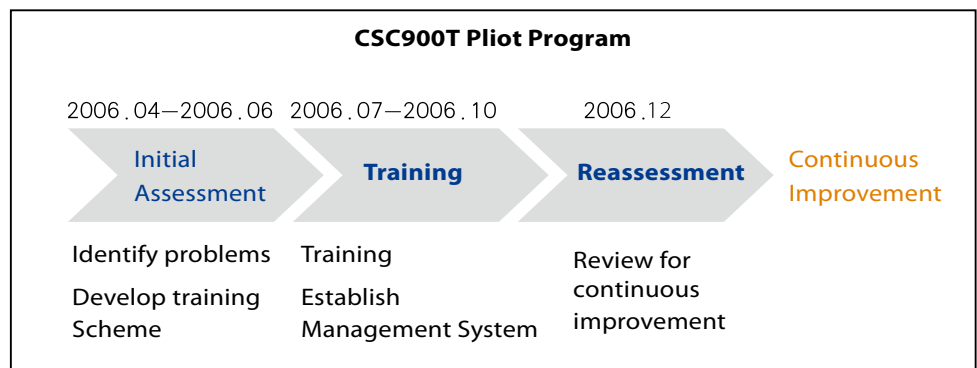
assessment, the enterprise had about 2 months for a trial operation, while the re-assessment put an emphasis on testing the integrity and effectiveness of the system.

The selection criteria for pilot enterprises primarily comprise the following:

- \* Prior experiences in CSR practices;
- \* Willingness to continuously improve its CSR performance;
- \* Intention of cooperating with CNTAC in addressing CSR related issues;
- \* Membership of the Responsible Supply Chain Association (RSCA);
- \* Balanced geographical locations.

Based upon the above-stated factors, the first 10 pilot enterprises and 1 industrial cluster have been finally selected.

Beijing Aimer Lingerie Co., Ltd  
Beijing Topnew Stock Co., Ltd



**Diagram 5: Operational Procedure of CSC9000T Pilot Program**

Zhejiang Baoxiniao Garment Co., Ltd  
Dalian Dayang Trends Co., Ltd  
Gaiqi Garment Co., Ltd  
Hempel China Limited  
Hongdou Group  
China Jodoll Garments Enterprise Co., Ltd  
Shandong Ruyi Group  
Guangdong Esquel Textiles Co., Ltd  
Zhang Cha Neighborhood Committee of the Chan  
Cheng District, Foshan City, Guangdong (textile cluster)

It is worthy of mentioning the fact that once been reckoned as pilot enterprises has directly generated economic benefits for certain companies.

In May 2005, the expert panel of the CSR Office, CNTAC started conducting the initial assessment to the above-mentioned 10 pilot enterprises. It was completed at the end of June, and the hands-on information on CSR performance (improvements and deviations) was acquired. The management system training period initiated at the beginning of August, and ended by the beginning of November 2006. At present, the trial operation of CSC9000T is underway at pilot enterprises.

## **1. Findings of the Initial Assessment**

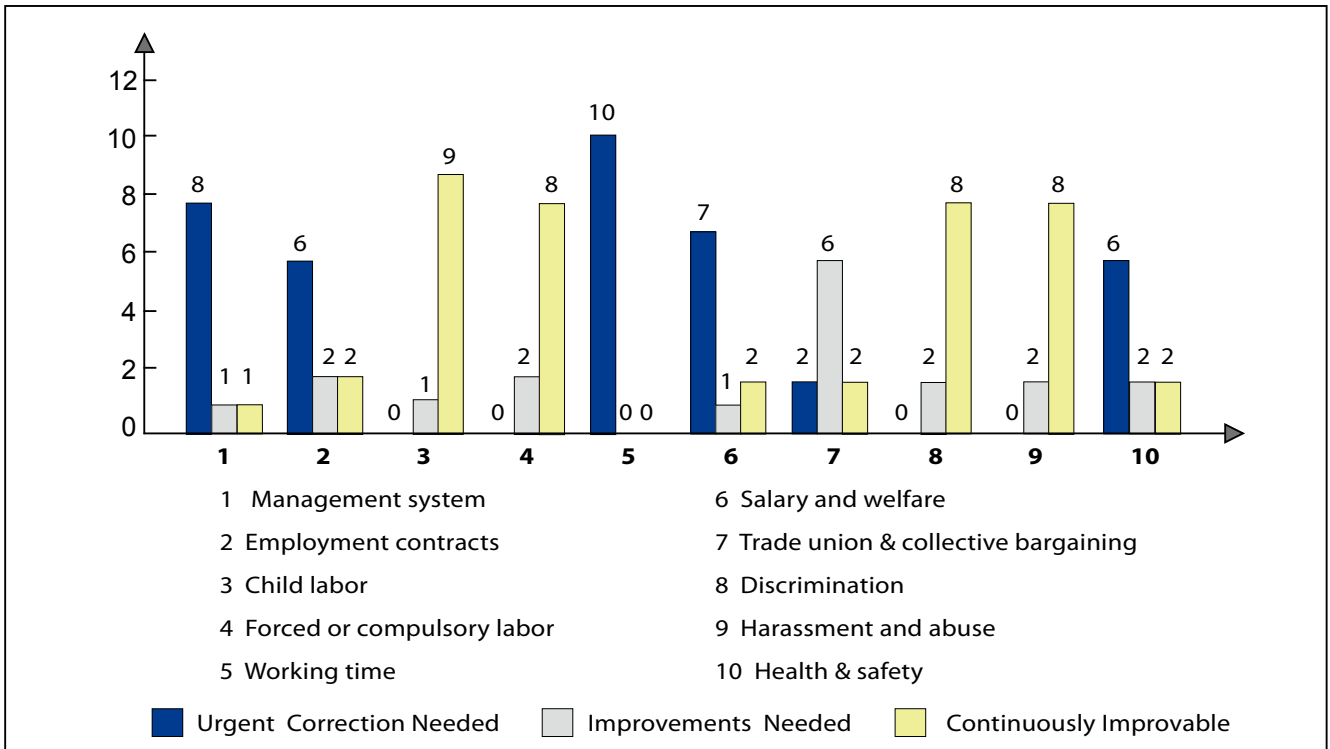
In April 2006, the CSR Office, CNTAC developed the evaluation tool specially designed for CSC9000T – “Key Components for CSC9000T Performance Assessment”. In mid May, the CSR Office, CNTAC organized the training on CSC9000T assessment and the pre-training session for CSC9000T pilot enterprises. The former was intended for training the evaluation team for the initial assessment mainly according to “Key Components for CSC9000T Performance Assessment”; the latter was focused on training about 30 project team leaders of the first pilot enterprises and textile clusters based on CSC9000T Principles and Guidelines (2005). The training programs have laid a solid foundation for further carrying-out of the initial assessment on a larger scale. In the last 10 days of May toward the end of June,

the CSR Office sent two expert teams to conduct the initial assessment to the 10 pilot enterprises. It was carried out primarily by means of on-site visits, internal document review and employee interviews. Based on an incomplete statistics, 13 experts spent 25 working days on the initial assessment, and on-site visits exceeded 100 hours. They also reviewed more than 2,000 internal documents and interviewed over 1,000 employees (incl. questionnaires).

### **(1) Initial Assessment Results**

Based on the assessment report submitted to the 10 pilot enterprises when completed, the CSR performances of pilot enterprises are divided into two categories, i.e. the achievements and the concerns. The achievements refer to those aspects accomplished by the pilot enterprise that are in compliance with the requirements of CSC9000T elements and system, which shows the progress and positive results obtained on CSR performance. The identified concerns refer to the requirements that the enterprise has not yet met, based on the information acquired in the assessment and according to the requirements of CSC9000T elements and system, which indicates the shortcomings and areas for improvement on CSR performance. All performance achievements and the concerns bear relevance with one or more elements of CSC9000T. At the same time, they also suggested certain connections with the management system. In other words, the identification of the performance achievements and the concerns may also demonstrate the efficacy or malfunctions of the management system.

On the basis of the specific performance of pilot enterprises evaluated according to the 10 elements, they are categorized into three groups: a) Urgent corrections needed, which means major concerns deviating from CSC9000T requirements; b) Improvements needed, meaning minor concerns or deviations and no crucial problems with a certain element; c) Continuously improvable, which means no crucial deviations from the requirements and future continuous improvements can



**Diagram 6: Initial Assessment Results for CSC9000T Pilot Program**

be made in a certain CSC9000T element.

Diagram 6 illustrates an even mixture of both positive and negative results concerning in the CSC9000T elements at the well-selected 10 pilot textile/apparel manufacturers. Apart from the element of the management system, these enterprises showed a good performance and achievement in the areas of child labor, forced labor, discrimination, and harassment and abuse, particularly in the respect of child labor, where only one child labor was found in the whole initial assessment process who held an ID of another person to join the company. Critical deviations from the requirements or concerns, however, were found at all most pilot enterprises in the areas of employment contract, working time, wages and welfare, and occupational health and safety, esp. working time regarded the most critical issue, where they all failed to reach the legal requirements as prescribed in the Labor Law.

## (2) Primary Achievements of the Pilot Enterprises

### 1) Attentive management and well-defined responsibilities

All the pilot enterprises have well defined

individual functional divisions responsible for certain aspects of CSR work, and assigned at least one senior manager (e.g. deputy general manager) in charge of the CSC9000T pilot program. In the process of the assessment, the senior management of the majority of enterprises worked as facilitators and involved in the assessment process. For instance, the General Manager and Vice General Manager of Hongdou Group took part in the whole process of assessment; Hempel (China) set up a section specially responsible for CSR; Ruyi Group had already made its efforts to prepare the management system document prior to the initial assessment, and it submitted the document draft upon the completion of the assessment. In communication with the management executives, they highly recognized the CSC9000T management system, and expressed the intention to improve their CSR management systems under the guidance of CNTAC. Most of the enterprises adequately allocated human and financial resources to establish their CSC9000T management systems, conducted a review on their previous management systems and made necessary revisions accordingly.

## **2) Harmonious employment relations and sound basis for improvements**

The survey on employee satisfaction was found most impressive. In more than 1,000 employee interviews and questionnaires, their answers to the CSR related issues of the company were fairly positive. When asked if the toilets, bathrooms, canteens and dormitories furnished by the company were clean and big enough, over 90% of the interviewed employees in some enterprises gave the answer "Yes, big enough"; On average, over 80% of the interviewed employees in these 10 enterprises gave positive answers to this question; As to the working conditions on the factory floor, such as light, temperature, cleanness, smell, safety and noise, etc., the employee satisfaction in some enterprises was over 80%. When asked "Do you know how to deal with the issues concerning your wages, working conditions or working time when you had them? ", 75% of the recipients said yes. This generally reflected good employment relationship between the pilot factory and employees, and also showed that the CSR practices of the pilot enterprises could anchor their employees and foster, to some extent, the loyalty of employees.

In addition, all the assessed factories performed well in the areas of child labor, forced labor, discrimination and harassment and abuse, and no conclusive evidence was found that they used child workers intentionally, nor any crucial points in terms of forced labor, discrimination, harassment and abuse. Basically, those factories were in the position to pay salaries on time, and the majority of them had trade unions. In the meantime, they made efforts to improve employee welfare. For example, some factories furnished their employees with free accommodation and meals, or provided free shuttle bus service and social facilities, such as basketball courts, libraries and fitness rooms, etc..

## **3) Active involvements and interactive communications**

In the process of the initial assessment, the expert panel found deviations based on facts, and rendered services to the assessed factories actively. By the completion of each assessment, they allocated time on

the meeting with the management of the enterprise, where the assessor discussed and reported the findings by presenting the pictures taken during on-site visits. In the discussion, the findings by the expert panel shook up the management people a lot, and they were particularly moved by the unbiased comments and recommendations made by the expert panel, having indeed realized the big difference between the CSC9000T assessment and factory auditing. Most of the factories record the deviations down instantly and promised to make improvements as soon as possible.

## **(3) Concerns Identified in the Pilot Program**

### **1) Management system**

The majority of the pilot enterprises have passed such management system certifications as ISO9000, ISO14000 or OHSAS18000. They had got some good experiences in management system, however, most of them have not established their own management system in terms of CSR. Although the pilot enterprises have been inspected or audited very often, but generally they dealt with the situation in a passive manner. It revealed some areas of the compliance with regard to the CSC9000T standards, but also showed the lack of an overall management system put in place. In other words, the management practice has not been proactively performed. In addition to that, some of them have not yet set up an effective internal dialogue channel with stakeholders, and lacked institutionalized capabilities and proper training, especially training programs for new employees hired in the peak production period and for junior management staff.

### **2) Employment contract**

Generally speaking, the pilot factories were in the position to sign employment contract with employees. It revealed, however, some issues of non-compliance with regard to the rules and regulations. For example, some labor contracts have not specified the legal requirements in terms of job positions, working time and compensation. Some were in breach of the legal requirements, e.g. a prolonged probation period. Some factories did not sign any labor contracts with those under age and interns.



In some enterprise where contract were signed with employees, copies of the signed contract were kept by the company, and did not give a copy to the employee. Some did not specify in the labor contract that the employee who has worked at the company for more than 10 years has the right to sign a labor contract without a fixed term. Furthermore, most of the factories did not set up the collective contract system.

### 3) Child labor and juvenile workers

Although only one child labor was detected in the initial assessment and all the factories expressed their opposition to hiring child labor, but most of them did not set up the procedure of preventing child labor and handling of the child labor when found. In the respect of juvenile workers, some factories have not taken protective measures for them. Some enterprises needed to improve qualification measures and training on safety and occupational skills for them, and some lacked examinations of juvenile workers and relevant records. Furthermore, even some factories stood short of the registries of those workers and their name lists.

### 4) Forced labor

A few factories required employees to pay a deposit or kept their ID cards. Some non-compliance problems were also detected in the areas of holiday and resignation. For instance, some enterprises specified in their "Employees Manual" that a compassionate leave is not allowed, or an employee whose annual illness leave exceeds 15 days will be required to quit on his/her own. Some employers required that the employee who worked at the company

less than one year would be deducted from his salary RMB500 for training fee upon his leaving the enterprises. Some were claiming that an employee who got only proper reasons can quit, e.g. military service, pursuance of advanced education studies and going abroad, etc.

### 5) Working time

The initial assessment revealed the pervasiveness of overtime in violations of relevant rules and regulations at all pilot enterprise. Employees of some of the assessed factories worked 13 hours per day, and worked extra 4-5 hours in the evening with the total working time per week reaching 83-90 hours. Employees of some assessed factories only had one day off in 3 months time, and 3 days off in 4 months. Although some factories applied comprehensive working time system, but the aggregated working hours still broke the ceiling of overtime by law. Some companies applied for this system with local labor authorities and got the endorsement to carry out it, but apparently, the documentation was in conflict with the rules and regulations concerning working time stipulated in the Labor Law. In addition, some factories failed to pay overtime compensation to employees in accordance with the stipulations of the Labor Law. In the respect of working hour management, at some factories, the staff doing piecework did not have detailed records of working hours and they only had employee attendance records, while others didn't figure out working time in their records of working hours. A number of fake records of working time were also found.

### 6) Wages & welfare

With regard to wage and compensation, the prime concern was the level of minimum wage, which was reflected in various situations. A few factories failed to establish the management procedure of timely identification of the local level of minimum wages, while employees were not familiar with it. Some factories did not review the actual piecework values following the increase of local minimum wages.

The second major concern was the method of wages calculation. As some factories didn't reveal the calculating method, therefore, most of the interviewed employees were not clear about it, though their salaries



The Protection of Labor Right is the Core of CSR

generally reached or outreached the level of local wages. There were also some problems in the area of social insurance. On the one hand, the majority of the pilot enterprises did not pay any insurance for their employees, on the other hand, employees and migrant workers in particular, however, refused to get insured, as they basically showed no confidence in the social insurance system, which caused a dilemma to the enterprise. In terms of employee benefits, a part of the enterprises didn't have the benefits, such as paid annual leave, etc. in compliance with the legal requirements, and even some of them changed the terms on their own. For instance, a female worker who has worked at the enterprise for over 3 years can have a paid maternity leave for 70 days. In addition, a part of the factories did not pay any salaries or compensation to employees in the slack season or production stoppage period.

#### **7) Trade unions and collective bargaining**

Most of the enterprises have established trade unions, but employees were lack of proper understanding of them, and they did not know their functions and didn't care about their organizational set-ups. The organizational structures of some enterprises needed to be improved. In some cases, the senior management held a concurrent position of the trade union president, which could implicate that the trade union stands closer to the capital.

#### **8) Discrimination**

The discrimination was apparently found in the process of recruitment. For example, some enterprises imposed unreasonable conditions in their recruitment documents, such as residence registration, age and physical status. The other discrimination was the pervasiveness of penalties. In some cases, one single fine can be as high as RMB 1,000.

#### **9) Harassment and abuse**

There were three kinds of problems identified at the enterprises in this respect: 1) Some have not established the management procedure of handling complaints for harassment and abuse which may leave the cases of harassment and abuses unreported; 2) A part of the factories did not place gender sign at toilets or dressing

rooms, or it was in a bad shape and difficult to recognize; 3) Employees of some factories had to be inspected when they left the factory.

#### **10) Occupational health and safety**

There existed numerous complicated problems in these areas. For instance, most of the factories had poor management practice on fire extinguishers. Some had the emergency evacuation passage blocked and the exit locked most of the time. Some did not have timely provision of personal protective equipment (PPE) for key position. Most of the factories did not have the processes of measuring and monitoring key indicators concerning health and safety at the workplace, such as temperature, moisture, dust, light, and noise, etc.. Few material safety data sheets (MSDs) for chemicals were provided at the workplace. In essence, all these illustrated poor management practice, e.g. the lack of regular training on health and safety, lack of well-defined indicators and duties for health and safety, lack of complete documentation like operational instructions, and lack of communication channels for employees to settle issues and make recommendations.

## **2. Improvements, Trainings and Management System Construction**

The deviations and concerns identified in the Assessment Report in compliance with CSC9000T are categorized into three groups: 1) Critical =Urgent improvements needed 2) Improvements needed 3) Good = Continuous improvements needed. Category 1 needs immediate corrective measures for improvement; Category 2 requires longer period of time to make improvements while category 3 needs long-term efforts to make continuous improvements. At the same time, CSC9000T allows the pilot enterprise to give explanations or make remarks on the identified problems so as to define the concerns commonly recognized by both enterprises and the expert team parties on an objective basis.

Before the Assessment Report was submitted in mid July 2006, the pilot enterprises had already started taking corrective measures. When received the report, they

began making systematic improvements. The majority of them defined the non-compliance concerns as specified in the report, and then developed the detailed action plan for improvement based on the functions of internal divisions and nature of deviations. There were staff specially assigned for dealing with each of the non-compliance deviations, the deadline for improvement was fixed and necessary resources were put in place based on the nature of concerns.

In mid August 2006, the pilot program got into the stage of training. The expert panel conducted a 3-days training (16 hours) to management executives and employee representatives. The training included two topics, i.e. an analysis on the results of the initial assessment and the establishment of the CSC9000T management system. The first topic focused on analyzing the non-compliance concerns detected in the initial assessment, while the second one illustrated the ways on how to establish a CSR management system within the pilot enterprises, and also on how to prepare their own relevant documents and the effective control of the system. In so doing, it is expected of the management to better understand the fundamentals of the CSR management system. Most of the companies were in the position to send mid or junior level management staff to fully attend the training sessions in the midseason, and even some senior management people were also present. An analysis of more than 200 evaluation forms filled in by trainees suggested an encouraging result with the average marks being 4 plus (full marks-5.0) given to the answers like "To what extent does the company benefit from the training program?", "To what extent do you (as a trainee) benefit from the training program? and "To what extent does the training program help you with your day-to-day business? ". At the same time, they also gave an average mark 4 plus to the lecturers in the areas of pre-training preparations, expertise and interactivity. During the training period, some companies voluntarily invited the trainers to have on-site visits to review the improvements made in compliance with the assessment report.

Upon the completion of the training in each

individual enterprises, the expert panel held discussions with the management people (incl. senior management) to clarify post-training action plans (team building, resource allocation, dissemination, re-training and document preparation and scheduling, etc.) Document preparation is a crucial part of CSR management system. Based on the training programs, most enterprises started preparing their own CSR documents in accordance with the CSC9000T Implementation Guidance and sample documents provided by the expert panel. Currently, the CSR documents of most pilot enterprise are being reviewed by the CSR Office, CNTAC. All the CSC9000T management system pilot enterprises are to be completed by the end of 2006.

### **3. Recommendations to Multi-stakeholders**

#### **(1) Chinese textile and apparel enterprises**

First of all, employers and management people should raise their own CSR awareness in the first place, and be aware of the fact that CSR issues are unavoidable to the sustainable development of enterprises today. Therefore, employers and management executive should pay greater attention to running business in compliance with the rules and regulations, human-centered approach and improving working conditions (incl. safety protection), while incorporating the key CSR components into their routine business operations and also effecting management control system. On the other hand, businesses should not increase their profit margins by lowering labor costs, prolonging working time and reducing inputs in health and safety protection measures. From the perspective of enterprises, a well designed and proactive CSR management system will be the best solution to improving the CSR performance of Chinese textile and apparel enterprises. In the area of working hours, for instance, the thorough settlement of this issue primarily depends on building up an effective and complete management system, thus enhancing productivity therefrom. Optimized health and safety management practice will enable employees to generate greater productivity and reduce employee turnover as well. Better management practice – e.g. an effective

communication between the production section and marketing/sales will be able to alleviate irregularities of production scheduling and delivery time.

Meanwhile, Chinese textile and apparel enterprises as a whole need to adopt a new approach to carry out strategies in the competition market and should try to avoid duplicate production of similar nature, which may, otherwise, affect working time and salary/compensation of employees. They should put more efforts on creating own brand names within their capabilities to generate value addition to products, aiming to elevate the position in the international supply chain. This is the key to addressing all CSR related issues of China textile and apparel industry.

## **(2) Employees and trade unions**

Employees are the major stakeholder of an organization, while the trade union embodies the collective force of employees. In fact, the employee is a driving force of addressing CSR. Should they protect their own labor rights and exercise the right to supervise CRS performance of the company, the supervision of its CSR could be resulted from the company itself, which is a lot more effective than external pressure. Therefore, employees should raise the awareness of protecting own labor rights and understand the way to safeguard their rights. Furthermore, they also need to learn production know-how and management knowledge to enhance their competence, enabling them to have more job opportunities. On the other hand, the higher level trade union should strengthen grass-rooted trade union organizations, trying hard to establish trade unions and bodies representing employees at all enterprises in accordance with the relevant rules, and actively promoting collective consultations. Meanwhile, it is highly advisable to consolidate the role and position of trade union in the enterprise so as to enable it to really perform its duties by law. More efforts should also be made on the education of employees on labor rights and obligations and on mediating in the industrial dispute and alleviating their conflicts.

## **(3) Government**

Local governments should enhance the

understanding of CRS practice and its promotion. The enterprise is a driving force of the local economy, and the government provides services to them. In other words, government and enterprise are stakeholders to each other. Local government authorities not only need to focus on profits and tax collection, but also should strengthen the supervision of business behaviors or running business by law. Local governments should pay more attention to the inter-relation between the healthy growth of enterprises and long-term development of the local economy. As far as the governments at all levels are concerned, the top priority on addressing CSR issues is to strengthen strict law enforcement to ensure that businesses generate profits in compliance with the legal requirements. Only when government conduct the evaluation of business behaviors on the three basis lines (economic, social and environmental), can it cope with the globalization and sustainability, which will be able to enhance the welfare of the local country. For this purpose, government should fully understand the CSR performance of local enterprises and carry out evaluations on a regular basis, and officially recognize socially responsible enterprises, at the same time, condemn and punish those in violation of the rules and regulations of the Labor Law, Production Safety Law and Environmental Protection Law in accordance with the legal requirements. In doing so, it is expected of the government to guide enterprises to change their mindset to proactively address CSR issues.

In addition, government should do their utmost to regulate the market and encourage textile and apparel industry to do business on a larger scale, and also encourage them to cooperate and to achieve a win-win situation. Government should be in alignment with the trend of international concentrated procurement, promoting the streamlined product development of enterprises on the entire supply chain and integrated delivery of goods encouraging outstanding enterprises to join forces to build an innovative service system in the entire industry.

Finally, the state should take the specific conditions of individual industries and sectors into consideration

in the legislation process. For instance, a great number of textile and apparel enterprises have stressed that the rules and regulations concerning working hours stipulated in the Labor Law are incompatible with the specific conditions of the sector, which caused the prevalent overtime within the industry. In this particular situation, it is advised that the concerned authorities review the case more holistically and discuss the possibilities to revise the rules regarding working hours in the legislation.

#### **(4) International retailers and brands**

The international retailer is an important part of the entire textile supply chain, which could put a direct impact on the establishment of a harmonious society and responsible supply chain. They are in the position to influence business behaviors of Chinese textile and apparel industry, particularly those of export-oriented companies, as they have purchase orders. On the other hand, the purchase order itself has objectively caused the CSR deviations like overtime and bad competition. Therefore, it is advisable of international retailers and brands to be aware of their responsibilities on the supply chain in the first place when placing orders. Purchase orders need to be placed reasonably on the basis of the Chinese legal environment and production capacities of suppliers, trying to avoid placing orders in large quantities in a short period of time. At the same time, they should also avoid too much squeezing the profit margin of Chinese suppliers, thus forcing them to reduce their inputs on labor cost, health and safety. Secondly, they should take a proactive approach to introducing CSR related standards in their selection of suppliers, taking CSR performance of suppliers as one of important criteria in the procurement market, which may lead to good competition on the supply chain. At last, they should play an active role in the support of the CSR capacity building in China textile and apparel industry, particularly industry-specific social compliance standards formulated according to the Chinese laws and specific conditions of individual

industries and sectors. They should also encourage their suppliers to build up the social compliance management system and support the implementation strategies proactively formulated by Chinese textile and apparel enterprises for continuous improvement, thus reducing or getting rid of such passive measures as auditing and certification, etc.

#### **(5) Industry association and civil society**

Industry associations and civil societies should provide public services to create industrial brands that are innovative and capable of performing quality management and assuming social responsibilities to enhance overall international competitiveness of the industry.

They have a role to play in CSR primarily in areas of services and education. In terms of service, Chinese textile and apparel industry associations should realize that brand building, technological advancement and good international reputation are the key to the sustainable development of China, which is also the foundation of improving overall CSR performance of Chinese textile and apparel enterprises. Therefore, each individual industry association should take the advantage of their expertise and provide timely and better services, and assist the Chinese textile and apparel industry in the strategic transformation. The civil society, such as CSR consulting services, scientific research institutions and international exchange agencies should also play a more active role in the improvement of CSR performance of Chinese enterprises and companies. In terms of education, business associations should be active in providing CSR related education and training programs to textile enterprises to enhance their capacity building. The civil society may also utilize its expertise and resources in the education of the general public to enhance their awareness of CSR as consumers, who shall choose products ethically made in compliance with the social standards of China textile and apparel industry, enabling the market to exert a positive influence on supply.

# Part 5.

## CSC9000T Work Plan 2007



The part of the “key areas of development” indicated in the Development Guidelines on the Textile Industry in the 11th Five Year Plan Period underlines the importance of intensifying standardization of the textile industry, explicitly stating that “the industry should actively push and improve the establishment of the CSC9000T management system and realize corporate social responsibility”. Therefore, the CSC9000T management system and its implementation have become an area of strategic importance for the development of China textile industry in the next 5 years. 2007 will be the second year of the 11th Five Year Plan and the CSC9000T implementation will be also phased into its second year in 2007. In the year of 2007, the implementation program will be launched at a larger scale with the pilot program growing more mature. To reach the goals and objectives of the transitional period, the CSR Office, CNTAC has formulated the work plan for 2007 as follows:

### \* **Completion of the pilot program**

At the beginning of 2007, the CSC9000T expert panel will conduct the re-assessment of the management system of the pilot enterprises and CSR performance improvements, while actively collecting data, to test the operation of the CSC9000T and its suitability for China textile and apparel industry. In the meantime, the experience accumulated in the pilot period will be disseminated to more enterprises and companies. The expert panel will follow up the operation of CSR management systems of pilot enterprises, and will carry out re-training and re-assessment if necessary.

### \* **10+100+1000 Program**

This is referred to the pilot program for textile industry clusters. This program will select 10 export oriented textile clusters as CSC9000T pilot regions. From the middle of 2007, it will take two years for all the 100 selected large scaled enterprises out of these 10 textile clusters to establish CSC9000T management systems and for 1000 SMEs within the 10 regions to receive capacity building trainings.

### \* **Business structure and public information platform for CSC9000T implementers**

Along with the progress of abovementioned two projects, CSC9000T will establish a data bank on the CSR performance of its implementation enterprises, which will serve as a reference platform for international brands and buyers on Chinese enterprises with good CSR performance, as well as an information provider for the general public, e.g. all stakeholders. This data bank will include such information as product index, the operation of CSC9000T management system, CSC9000T evaluation reports and the correction plan and its implementation provided by enterprises, whose overall effect is to form a basis for international buyers, brands and investors in choosing Chinese suppliers, and a public information source on the CSR work of all CSC9000T implementers.

In the meantime, greater efforts will be made on strengthening cooperation with international retailers, brands and international organizations on building a responsible international supply chain, and carrying out the basic education and research on CSR to explore the sustainable development strategy for future China.



# The First Ten Pilot Enterprises of CSC9000T

## Hongdou Group



The group has 9 subordinate companies including one public-listed marketed company, 106 grade-3 enterprises and 2 branch companies respectively in New York and Los Angeles. It has more than 20,000 employees and the products involving garments, rubber, machinery, tenement and bio-agriculture. Its products are exported to over 20 countries and regions. In 1994, garments branded "Hongdou" was listed as "China's Top Ten Brands" and in 1997, the group was among 120 pilot enterprises recommended by the State Council for further reformation. The brand of "Hongdou" was honoured as famous brand by China National Industrial and Commercial Administration Bureau. The shirt and suit, both branded "Hongdou", were awarded "China's Famous Brand" and "The Product Exempted from Inspection" by both the Commission for the Promotion of China's Famous Brands and the National Check Bureau.

The company has passed ISO9001 and part of its products passed 3C accreditation.

## China Jodoll Garments Enterprise Co., Ltd.

# JODOLL

China Jodoll Garments Enterprise Co., Ltd

is a public -listed holding company for production and

sales of high-grade suit and leisure wear, also the trade for fabrics and trims, with 1,300 employees, 4 production lines of the advanced level in the world for suit and high production capacity up to 600,000 suits. The annual sale income amounts to RMB600 millions. The company has more than 300 speciality stores or sales counters nationwide for its image and its products are exported to as far as Japan and Europe.

The company has passed ISO14001 and GB/T28001.

## Shandong Ruyi Scientific and Technological Group



山东如意科技集团  
SHANDONG RUYI TECHNOLOGY GROUP

Shandong Ruyi Scientific and Technological Group produces and trades for worsted and high-grade garments. Its worsted branded "Ruyi" as a main product was entitled "China's Famous Brand" and the company itself was chosen as worsted development base by China Textiles Development Center. Now the company owns quite a few patents and every year develops hundreds of products up to 10,000 varieties. In 2002, its state-level project of "Bi-component Spinning and Its Product Series" for technology innovation was awarded top prize of new China's textile industry, namely, "China's Second Prize for Science and Technology Advancement".

The company has passed ISO9001, ISO14001 and Oeko-Tex Standard100.



## Zhejiang Baoxiniao Garment Co., Ltd.



Baoxiniao Garment Co., Ltd is an investing and stock holding company for both garment production and capital

operation. The company owns three brands and its production capacity is high enough to 600,000 sets of west suit. In succession of the 9th year, the company was among the ranks of top 100 for its earned profits and that for its paid taxes. Its backstone brand of "Baoxiniao" was successively honoured with "China's Resounded Brand", "China's Famous Brand" and "The Product Exempted from Inspection".

The company has passed ISO9001 and ISO14001.

## Hempel China Ltd.



HEMPEL INTERNATIONAL  
汉帛国际

Hempel China Ltd is solely owned by a Hong Kong based company. With over 6,000 employees, it earned annual sale income of RMB 650 millions from

produced various ladies' wear of 15 million pieces (sets). The products are mainly exported to Europ, USA, etc..

The company has passed ISO9001.

## Beijing Aimer Lingerie Co., Ltd.



Beijing Aimer Lingerie Co., Ltd, with over 2000 employees, is a lingerie producer well known in China. Incorporating Chinese culture in the lingerie

branded "Aimer" to generate a unique style, a designing team is approaching perfection. The company has a perfect sale network nationwide and 300 speciality stores over in the medium and high grade bazaars of China's big cities. The company's sale record was kept in the leading ranks for the 5th year in succession.

The company has passed ISO9001 and ISO14001.

## Beijing Topnew Stock Co., Ltd.



Beijing Topnew Stock Co., Ltd is a public-listed company embodied with multi-elemental investments.

The company upholds its "Topnew" brand for development of lingerie, children's wear and leisure wear as pivot through weaving, dyeing & finishing, printing and sewing production lines.

The company has been long term engaged in the promotion of enterprise culture, adhering to the

values of "Human Oriented" as core and implementing its obligation for social accountability. It has passed ISO 9001, ISO14001, GB/T28001 and Oeko-TexStandard100.

### **Shishi Gaiqi Garment Co., Ltd.**



盖奇  
GAI QI

Shishi Gaiqi Garment Co., Ltd was invested in by a company in Hong Kong for production integrated with knitting, finishing and garment making. The main brand is "Gaiqi" for high grade 100% cotton T-shirt. The company is one of top 100 non-state owned enterprise and one of the Pioneer Plants under China Textiles Development Center. It has advanced machinery and equipment for production capacity of one million T-shirts per day. Now the company is very influential in the industry for T-shirts and fabrics.

The company has passed ISO9001.

### **Dalian Dayang Co., Ltd.**

Dalian Dayang Co., Ltd, with its stocks mostly held by Dayang group , is a garment producer with its stocks marketed at Shanghai Stock Exchange. The company is specially for west suit production and business and it has over 10 factories with up to 7,000 employees. Annually 3



million or more sets of medium and high grade west suits are exported to the foreign companies including M&S, Macys, P&C, Aoki in the countries like Japan, Britain, USA, Germany, etc..

The company has passed ISO9001, ISO14001 and GB/T28001.

### **Esquel Group**



ESQUEL GROUP

Esquel Group is one of the world's leading companies for high-grade shirt production and one of the most positive and the most advanced globalized

textile and garment producers as well. Its factories can be found all over China and even in foreign countries like Malaysia, Vietnam, Mauritius and Sri Lanka. Its sales network provides service throughout the world for famous brands like TOMMY HIFIGER, HUGO BOSS, etc. and well known retailers like Marks & Spencer, Nordstrom and Jusco.

Most of factories under the group have passed ISO9001 and ISO14001 or ISO9001: 2000, ISO14001: 2004 and OHSAS18001: 1999.



# A Brief Introduction to Pilot Industrial Clusters and Pilot Producers

## Haining, Zhejiang

Textile industry has been a backstone industry for economic development in Haining. Through development for scores of years, Haining is now featured with production of upholstery, warp-knitted fabrics and hosiery. In 2002, Haining was nominated "China's Textile Production Base" by China National Textile and Apparel Council. According to statistics for year 2005, there were 12,000 textile producers with 113,000 employees in Haining, The industrial gross output value amounted to RMB25 billions and profits & taxes to RMB1.61 billion in the same year.

## Kaiping, Guangdong

Production of textiles and garments is remarkably featured and important and mainstay for economy development in Kaiping. In 2005, the industrial output value of textiles and garments reached RMB12.398 millions including chemical fibre industrial output value of RMB7.545 billions sharing 77.3% of the total value of chemical fibre production in Guangdong. In the same year, denim of 200 million meters was produced and the output was 25% of that in the whole province. The export value was then as high as USD212 millions and the textile products were mainly exported to USA, Canada, Europe and South Africa. In Kaiping, the value of textile production and sales increased by 20% or higher from year to year and it is estimated that it will be high up to RMB14.9 billions this year, 20.2% higher over last year.

## Zhongshan, Guangdong

Textile industry is one of the five great backstong

industries. In December of 2002, the city was entitled "China's City-Level Textile Production Base", its Shaxi town honoured with "A Famous town for Leisure Clothes" and its Dayong town with "A Famous Town for Cowboy Suit". In 2005, the enterprises for textile and garment production were as many as 3400 ones with 239,000 employees and the industrial output value was as high as RMB30.97 billions, 15.9% increased over last year. The textiles and garments were exported by 40% of the total to Hong Kong, Macao, USA, Japan and Europe.

## Pinghu, Zhejiang

Production of garments is the first important backstone. More than 1000 garment producers with 105,000 employees are located in the city. The garments or apparel are categorized into 8 kinds as business wear, leisure/sports wear, leather-like garments, cotton jacket, down wear, donkey jacket, knitted wear and ladies' fashion. In 2005, the gross industrial output value amounted to RMB11.37 billions, the total output to 215 million pieces, export to RMB8.5 billions of garments sharing 95% of the total output and exported to 56 countries and regions including Japan, Europe and USA.

## Shishi, Fujian

Shishi city has the garment wholesale market of the longest history in China. It is also a cradleland and a distributing area for Fujian style garments. More than 10,000 enterprises for garment making and business in the areas centered by Shishi. In 2005, the garment output value in those areas amounted to RMB60 billions

including RMB19.2 billions of that value from the city. The total garment output value shared 62% of the gross urban industrial output value. In Shishi, there are 4,500 garment producers. In December of 2002, Shishi was nominated as "China's Famous City for Leisure Wear" by both China National Textile and Apparel Council and China National Garment Association.

### **Jintan, Jiangsu**

Garment-making industry is the first backstone in Jintan city, featuring high concentration and high production capacity. In 2002, it was entitled with "China's Famous City for Export-Oriented Garment Making" by China National Textile and Apparel Council. In 2005, Jintan had 421 garment producers and the sale value amounted to RMB 6.92 billions and profits & taxes to RMB 560 millions. There are totally 42,000 employees and the industry has established long-term partner relationship with quite a few well-known large companies.

### **Zhili, Zhejiang**

Children's wear in Zhili town originated in early 1980s of the 20th century. Through development for over 20 years, the industry for children's wear came into a period of rapid growth at the early stage of this century and was gradually growing to a very characteristic backstone of great influence in the local economy. In 2002, Zhili was nominated as China's first famous town for children's wear by both China National Textile and Apparel Council and China National Garment Association. The town has 5,700 producers with 120,000 employees for children's wear production. In 2005, the output was as high as 270 million pieces (sets) and the sale value amounted to RMB 6.23 billions.

### **Humen, Guangdong**

According to the statistics by the end of 2005, Humen town had more than 2,000 garment-making enterprises to a output of 200 million pieces (sets); there were 18 garment wholesale markets and 6 shell fabric & trim markets, and the sale value amounted to RMB 12 billions. The garment industry in Humen features industrial musters as those of enterprises, markets, shops, employees, customers, freights, products, etc..

### **Shenhu Town, Jinjiang City, Fujian Province**

Shenhu town is an area of garment production featuring lingerie, swimwear and panties. There are now 280 lingerie producers and 89 factories for fabrics and trims like lace, zipper, printing, packing, bleaching and dyeing. There are totally 15 enterprises with their annual output value amounting to RMB 100 millions each. The town has achieved two Chinese resounded brands, treatment as exemption from inspection of the product of one kind and 3 provincially well known brands. The gross output value of the garment industry amounted to 4.5 billions and 45% products are export-oriented.

### **Puyuan Town, Tongxiang City, Zhejiang Province**

Puyuan town has now 3500 sweater producers with over 200,000 employees. In 2005, sweater deals came up to 600 million pieces and the annual RMB 17 billions. A sweater transaction market has, with a background of traditional industry and abundant local sweater productions as superiority, developed to the largest sweater distributing center in China. The products are sold nationwide and worldwide

# A Brief Introduction to the CSR Office of China National Textile and Apparel Council (CNTAC)

The CSR Office, CNTAC was established in May 2005, which is directly under the administration of CNTAC, and an executive body of the Responsible Supply Chain Association (RSCA).

## Aims

To establish the CSR management system in Chinese textile enterprises according to specific Chinese conditions;

To protect labor rights and provide assistance to businesses in establishing the management system for social compliance;

To disseminate the industry specific social compliance in collaboration with the multi-stakeholders including government, trade union, civil society and all interested parties on the supply chain;

To guide businesses to follow the scientific concept of development and to enhance core competence;

## Goals and Objectives

To facilitate businesses in achieving the CSR based management by providing professional services, elevate the level of modern corporate management, enhance a healthy and sustainable development of the industry, promote the building of a responsible global supply chain;

## Professional Services

\* Establishing and improving CSC9000T – China

Social Compliance for Textile and Apparel Industry which is in line with the rules of law in China, international practices and specific Chinese conditions;

\* Disseminating the CSR ideas and concept to the industry and general public by organizing forums, symposiums and seminars, etc.;

\* Organizing training programs, consulting services, conducting the performance assessment for the CSC9000T management system, issuing the performance report, providing assistance to businesses in the establishment of CSR management system;

\* Setting up the performance management database of textile and apparel manufacturers, building the information sharing platform of international textile and apparel supply chain and business decision supporting system;

\* Collaborating on the CRS related research and its dissemination with Chinese and foreign government departments, international organizations, trade unions, education and scientific research institutions, news media, retailers and brands;

## Contact

Address: 12 East Chang An Ave. Beijing, China

Post code: 100742

Tel: 010-51651528

Fax: 010—84549483

Website: <http://www.csc9000.org.cn>

e-mail: [info@csc9000.org.cn](mailto:info@csc9000.org.cn)

# Quality Service based on Supply Chain Integration

——Linmark Group Ltd.

Established in 1964, Linmark is a Hong Kong based fast growing one-stop global sourcing and supply chain management solutions provider for leading retail chain operators, well-known brands, wholesalers, mail order houses and departments stores in the U.S., Canada, Europe, South Africa, Asia and Australia. Our global sourcing network, encompassing a presence in 36 cities across 25 countries and territories, focuses on ensuring the quality and on time delivery of consumer products to our clients.

On May 10, 2002 Linmark was listed on the Main Board of the Stock Exchange of Hong Kong Limited (Code: 915), which underlines the corporate governance and financial standards to which we adhere.

Linmark offers a modular range of services precisely tailored to the needs of each of our clients, emphasising on the management of their brands. Services include product development and design, sourcing, merchandising follow-up, factory evaluations, quality control, social compliance auditing and shipping coordination.

In order for customers to focus on their core businesses, Linmark Group strives to be their leading state-of-the-art value-added supply chain management partner. Linmark Group is committed to providing our customers the best quality products and cost effective services in apparel and hardgoods.

Corporate Social Responsibility (SCR) has been attracting more and more attention at home and abroad with the process of human civilization and society development, which requires that enterprises should completely fulfill their commitments to the society i.e. prohibition of child labor, wages and welfare safeguard,

etc, as they are earning profits. CSR has been developing to be the indispensable and whether an enterprise assumes the CSR requirements has also developed to be a key criteria for multinational sourcing agents to select a eligible supplier or partner.

Assuming CSR is one of the most important standards which Linmark Group will adhere to select partners. Linmark's partners, especially the service providers in global supply chain, will be the positive pioneers in the field of CSR.

With CSR development, Linmark Group is keeping close cooperation with China National Textile and Apparel Council (CNTAC) and positively concerned with the establishment and promotion of China Social Compliance Management System (CSC9000T) as CNTAC is advocating self-discipline in China textile industry. China Textile Information Center (CTIC), Linmark Group and Hudson's Bay Company held signing ceremony for corporation in CSR field on Oct.24 2004 in Shanghai, and made co- endorsement to CSC9000T Implementation Agreement on Jan.17, 2005 in Beijing, illustrating three involved parties' agreement reached upon CSC9000T establishment and promotion in China Textile Industry. Linmark Group will work closely together with other two parties and provide Chinese textile manufacturers with consultancy service related with CSR issue.

Linmark Group would be committed to providing best support to CNTAC for CSC9000T establishment and promotion in modernization of China Textile industry, which we believe will strengthen the public awareness of CSR in China Textile industry and improve Chinese textile manufacturers' competitiveness in the long run.

# Social responsibility plays a significant role in GSE corporate cultures

Glorious Sun Enterprises Limited(GSE), with its core business in garment retailing, trading and manufacturing, employs more than 30,000 employees globally and own an assets value of over 3.4 billion Hong Kong dollars. GSE became a publicly listed company in Hong Kong in 1996.

“Jeanswest” is the prominent retailing arm of GSE, which operates more than 1,500 causal wear chain store in Mainland China, Australia and New Zealand. Besides retail business, GSE also provides “one-stop-shop” sourcing services to mainland and overseas buyers. Our sourcing network covers the whole PRC and Southeast Asian countries. In the manufacturing side, GSE also runs its own woven, knitwear and sweater factories in Mainland China and other Asian countries with an annual capacity of more than 30 millions pieces of garments.

Social responsibility plays a significant role in GSE corporate cultures. GSE donated more than 30 “JEANSWEST PROJECT HOPE PRIMARY SCHOOL” in the past few years. Furthermore, to help the needed university student from the rural area of Mainland China, GSE set up a “JEANSWEST SCHOLARSHIP for UNIVERSITY STUDENT” with a donation of 9 million dollars recently.

To reinforce the deployment of social accountability, safety production arrangement, working environment and healthy hygiene matters in our suppliers’ factories, GSE built and conduct its own supplier evaluation system to make sure all the above areas practiced in our suppliers’ factories are up to international standards.

Moreover, besides fulfilling all the requirements of the related labor ordinance, GSE also protect its workers with a working and living environment which is safe

and with full cover of social insurance. GSE also adopted international quality assurance and environmental protection management system in the whole company. One of our subsidiaries, the Advancetex Garment Manufacturing (Hui Zhou) Limited, is the first ISO 9002 certified garment factory in China and have been issued with the “Certificate for the exemption of import and export commodities from inspection” since 1996. The same management system is introduced to the rest of GSE’s factories worldwide.

GSE are very glad to become a strategic partner of Responsibility Supply Chain Association (RSCA) under the China National Textile & Apparel Council, who launched CSC9000T Social Responsibility Management System. Sharing the same mission of RSCA, we also take up the sponsorship of “2006 Annual Conference on CSR for China Textile & Apparel Industry”. By putting belief into action, we wish this cooperation could arouse more attentions of social responsibility among the whole industry.





# Sustainability Management at Novozymes

## ——Novozymes(China)

As a company operating world wide Novozymes has a vision: "We imagine a future where our biological solutions create the necessary balance between better business, cleaner environment and better lives". To realize this vision, Novozymes actively seeks to integrate economic profits, environmental protection and social responsibility into day-to-day business. Thereby Novozymes know how, technology and products most effectively create value.

Novozymes is the world leader in industrial enzymes and microorganisms with more than 40% share of the global market. Dedicated to biotech research over the past four decades, Novozymes has pioneered many discoveries and applications in the field of industrial enzymes, introducing approximately 75 types of enzymes and more than 500 products for application in more than 40 industries, including detergent, textile, starch, leather, alcohol, food, feed and brewing. The headquarter is in Copenhagen, Denmark, and Novozymes has affiliates in 30 countries, and markets its products in more than 130 countries.

As early as in 1970s Novozymes' enzyme products were introduced in China. In 1994, Novozymes started its investment plan in China, and by now the company has become the largest foreign company in the biotechnology sector in China.

Committed to developing new enzymatic processes that will specifically address the needs from Chinese industries and applications, Novozymes strives to be the best provider of bio-solutions and a strategic partner in sustainable development in China. Novozymes vigorously pursues the vision of growing the business while simultaneously contributing to environmental

protection and social responsibility.

In 1974, Novozymes formulated its first environmental policy. From then on, environmental protection has become an issue which is being paid very close attention to. In 1993, Novozymes compiled the first environmental report, and from then on the corporate agenda became still more complex. In 1998, Novozymes compiled the first social report and in line with integrating sustainability into day-to-day business Novozymes in 2002 integrated the financial, social and environmental reporting into an annual report for all stakeholders.

The achievements Novozymes has made in sustainability and the proactive approach today to further developing the concept are widely recognized.

These efforts have been acknowledged outside the company. As an example Novozymes has been ranked by Dow Jones Sustainability Indexes as No. 1 in the biotechnology sector both in Europe and world wide for six consecutive years since 2001.

## Novozymes and sustainability

### 1. From "sustainable development" to "sustainability"

Sustainable development is the global political response to economical, social and environmental problems such as poverty, inequality and environmental problems. In late 1980s and early 1990s and specifically at the UN World Summit in Rio de Janeiro in 1992, sustainable development was defined and gradually refined to be a comprehensive global vision for

development. Intrinsic to sustainable development is a call for corporate responsibility.

In a corporate responsibility context “sustainability” has become the business term derived from the global vision for development. From a business point of view it is basically about awareness and responsiveness to a changing global community, a changing market and changing stakeholder expectations. At Novozymes, sustainability is about integrating relevant economic, environmental, and social aspects of business activities into decision making processes.

“Triple Bottom Line (TBL)” accounting is a concept closely related to sustainability, and it is about reporting not only on the company’s financial performance but also on environmental and social performance.

## 2. Products

Novozymes’ slogan is “unlocking the magic of nature”, that is, to offer innovative and efficient and sustainable solutions to industries by using “nature’s own technology”. The company is business-to-business and focuses on finding innovative biological solutions to solve industrial problems and thereby creating value to business partners and society.

Novozymes is committed to a vision to use biological solutions to create the necessary balance between better business, cleaner environment and better lives. This calls for an industrial evolution where customers get more and better output from less input. Enzymes are one of the biotechnological answers to this challenge.

Enzymes are biological catalysts and responsible for most biochemical reactions taking place in living cells. Enzymes are working very specifically – they only do what they are meant to do – and they work at physically and chemically mild conditions. They are produced from renewable resources in fermentation plants and are fully biodegradable. The excess biomass from production of enzymes is transferred to the agricultural

land as soil conditioners and fertilizers. Compared to conventional technology the application of enzymes technology in industrial processes typically decreases the environmental impact and saves resources.

Following from those characteristics it has been presumed for years that enzyme technology was environmentally friendly and the right choice in a sustainable development context. However, it was never thoroughly and scientifically documented. For about three years Novozymes has put effort into such documentation by making life cycle analyses (see below).

## 3. Environmental responsibility

Novozymes environmental commitment is about applying enzymes in industrial processes where appropriate, and meanwhile minimizing negative environmental impact from producing them. This commitment applies to all the products that Novozymes provides.

One main goal of Novozymes is to supply environmentally friendly products. Novozymes factories around the world have made their due contribution



to the local industry – e.g. local recycling of waste and mutual utilization of by-products among industries. The one in Tianjin, for example, won the National Environment Friendly Company Award 2005 by the State Environment Protection Administration, the highest government authority in this field, due to Novozymes' remarkable environmental performance in the past 8 years.

Novozymes' environmental responsibility includes the following aspects:

- \* In product development there is focus on proactively solving potential problems prior to product application.

- \* Striving to be open and responsive with regard to biological ethics by taking a precautionary approach to the application of genetic engineering.

- \* Documenting impacts from applying enzymes technology compared to traditional technology by adopting Product Life Cycle Assessments (LCA).

- \* Ensure focus on the environmental impact of new product and its application.

- \* Compliance to the relevant national and international environment laws & regulations and commitment to ICC charter for sustainable development, as well as the principles in UN Convention on Biological Diversity.

- \* Engaging with stakeholders and reports on the environment performance companion an annual basis.

Moreover, Novozymes pays close attention to specific issues such as energy consumption, carbon dioxide emission, potential environmental benefits, health and safety and biological diversity.

#### 4. Social responsibility

Novozymes continuously strives to further integrate social responsibility into all management systems and business processes to ensure compliance with its values and commitments.

As outlined above Novozymes' values and commitments are clarified by the means of corporate

policies and quality management standards. All Novozymes' employees must comply with these means as part of their employment terms.

### Business integrity

One example is Novozymes' efforts related to business integrity. Novozymes attaches great importance to carrying out its business with integrity. This principle of openness and honesty forms a basic part of social responsibility in Novozymes.

Novozymes' business integrity measures include corporate business integrity principles and management systems, as outlined in a particular corporate quality management standard on business integrity. These measures ensure that Novozymes observes relevant national and international laws and regulations, prohibiting acts of corruption and bribery, e.g. the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption. At the same time, Novozymes' business integrity measures in some instances raise the bar beyond ensuring law compliance, e.g. by setting high-principled standards for giving and receiving gifts.

There are several reasons why Novozymes' business integrity measures make sense from a business point of view; both in terms of addressing risk and business opportunities. As for the former, Novozymes' measures safeguard Novozymes' brand and reputation and ensure compliance with relevant laws and regulations. As for the latter, they ensure alignment with customer expectations and enable Novozymes to meet demands from ethical investment funds.

### Responsibility to employees

Novozymes strives to be a preferred employer, which is able to attract and retain the best employees. Fairness is of course important to employees and Novozymes

makes an effort to establishing a working climate based on openness and universal human values.

As an example Novozymes is committed to ensuring equal opportunities of development and to create an environment without discrimination. No discrimination means that there is no distinction, exception or preferential employment with backgrounds irrelevant to working ability as race, color of skin, sex, religion, etc. Novozymes strives to promote mutual trust and respect, and values diversity in the workforce.

Novozymes believes that employees are the key to its success.

## Health and safety

From product development to its product application safety has always been a high priority for Novozymes.

As in all other companies health and safety is a complex issue. However, Novozymes have a distinct challenge, which is the safety related to producing enzymes. Enzyme allergy among employees is an issue. Like any other type of protein dust, enzyme dust can cause allergy if not managed correctly. Enzyme allergy can therefore be a challenge in both research environments and production units if management of occupational health and safety is not fully up to scratch. Measures to prevent allergy therefore include raising awareness among management and employees of the risks associated with working with enzymes.

A new ambitious project to prevent allergy began with the adoption of a set of global standards for working with enzymes, including concrete limit values for the amount of enzyme dust in buildings. Against this background employees have identified possible critical areas and come up with solutions. The project is addressing both the way the workplace is organised, and the attitudes and behaviour of employees, including more consistent use of safety equipment and a sharper focus on hygiene. The monitoring of dust levels and

allergy cases has also been stepped up.

All employees who work with enzymes at Novozymes are offered an annual test for enzyme allergy. The results and subsequent consultation are confidential, and it is up to the individual employee to decide how to use the advice. When job applicants are offered positions in research or production, they are also offered an allergy test so that they can weigh up the risk of allergy for themselves.

These efforts appear to have borne fruit in terms of dust levels, but it is still too early to draw any conclusions about the impact on the number of cases of allergy. The project started in the Danish part of the organisation in 2005 and will be rolled out to the rest of the world in 2006.

Encouraging partners to commit themselves to social responsibility too

Novozymes has also engaged in social responsibility issues with business partners.

One example is raw material suppliers to Novozymes' production of enzymes. Such suppliers are required to undertake a self-evaluation of their compliance with Novozymes' social minimum standards, derived from international conventions. Currently, suppliers equivalent to 80% of the total value of raw material purchases undertake such self-evaluations. If a supplier is unable to answer satisfactorily or if its performance does not meet Novozymes' standards, a closer dialogue the specific issues is initiated. However, if a supplier cannot or is unwilling to improve its performance, Novozymes may end the business relationship.

While establishing joint ventures around the world, Novozymes also persists in reviewing its business based on globally recognized environmental and social standards.

Novozymes keeps refining its social responsibility work by self-supervision and cooperation with suppliers and subcontractors. Novozymes keeps challenging itself in order to enhance the social achievements, by setting and achieving local and global goals.

# To Build A Harmonious Society with Human-oriented Approach

——High Fashion Silk ( Zhejiang) Co., Ltd.

Human resource management, Maintainable development and Harmonious society establishment is becoming the main trend of today's society development. When an enterprise struggles for economic values, he or she also should take social responsibilities and obligations more actively, so that to create social values significantly.

These few years, High Fashion Silk ( Zhejiang) Company Limited has not only focused on company development, but also been engaged in social responsibility fulfillment. When we are engaged in developing ourselves to be a better one, we also have taken corresponding responsibilities from staff, clients and society, make our every efforts to realize double values of economy and society and dedicate ourselves to create a harmonious and beautiful social environment.

Care staff, peaceful mind for happiness, is our direction of management. Everyone is an individual person in our company. Besides to respect their individual personalities, our company has tried best to care and serve for every staff, provided good environments of working and life to ensure them to develop well. All of that aim at making another warm family for our staff.

Training staff, cultivate excellent team, is our direction of human resource. The company has taken many channels to cultivate staff and promote their professional skills and qualities, such as tutoring one by one, training outside and inviting professionals to join us. We also actively carry on the human resource strategy of building excellent team to boost our crucial

competing ability. With 10 years' action of this strategy, those professionals grew up rapidly in fields of design, technology, management and marketing, etc. have played more and more important roles. Besides that, we also trained skilled textile workers over 3,000 during recent years.

Caring yourself and caring others, benefiting others and benefiting yourself, is our style. Care yourself request s firstly and care the request of your clients and marketing; Benefit others first and benefit yourself. Working at the standard of Zero defective production, the company passed ISO9002, the Quality Management Systems in 1997, executed TQM management in 1999, and got the certificate of BQR from US Bill International Organization. With the spirit of innovation and development, taking the attitude of hardworking and exploration, using advanced equipments and strong technology, directing technological innovation, focusing on international fashion trend and branding allodial products, we will produce more qualified and updated silk productions to satisfy marketing need and ensure us the prior position of State Fabric Products R&D Center.

Pursuing perfection and contributing to people is our mission. To provide people with perfect products and considerate service, we can help them to create a satisfactory life. At the same time, our enterprise also can get grown up and realize our values when we dedicate ourselves to serve and beautify human beings.

Safety is profit, is our ideality of safe. Production and safety are both important aspects to us. One is safety measures for our workers, another is safety

operation training. To perfect our safety operation management system, train our staff on safety guide, develop working protection equipments and build public safety facilities will be effective to avoid working injuries and accidents.

To advocate environment protection and create harmony is our ideality. Social development has led to earth environment resources decreasing gradually. The space and environment that people live in are facing challenge. Silk, our product also comes from nature environment, so we have taken great capital to build sewage control system in 2004. Through this system, the pollution let meet the national environment standard No. 1, and we also be awarded ' Civil Environment Friend enterprise'. With the concept and trend of Green Environment Protection conducting in global textile trade, we have established an ecological textiles management system and passed WIT/CRR-3 ecological products certificate. (Oeko-Tex100 international standard)

Dedicate to public affairs and deliver clemency, is the mission of High Fashion Charity Fund. The fund has donated money to Hope Project, elementary schools in poor areas, SARS care project, tsunami injured areas in Southeast Asia, and Clean water project for mountain people, the total amount has come to 5 million yuan. In addition, over 30 staffs also have benefited directly from the Staff Children Education Fund established in our company.

During the period of our company development, we always keep good balance between enterprise benefits, staff benefits and social benefits, and

take social responsibility and obligations. Also we will pursue social development main trend, route maintainable development way, focus environment protection and people need, participate public affairs actively and try our best to build our society a harmony community.



# CSC9000T Chronicles

## January 13th -18th, 2005

The Chinese textile delegation led by Mr. Du Yuzhou, President of China National Textile and Apparel Council (CNTAC) attended both the Canadian Retail Conference in Toronto and the Annual Conference of National Retail Federation in New York. Mr. Du made speeches at both events and had broad exchange of views and ideas with international retailers on CSR advocacy in the Chinese industry.

## March 22nd, 2005

A group of 140 Chinese textile and apparel enterprises proposed the joint initiative regarding "Greater CSR Advocacy" to further address CSR related issues in support of developing industry specific and self-disciplinary CSR standards by CNTAC.

## May 31st, 2005

The Responsible Supply Chain Association (RSCA), CNTAC was established and China Social Compliance for Textile and Apparel Industry Management System – CSC9000T (Principles and Guidelines) published.

## September 13th, 2005

The CSC9000T official website ([www.csc9000.org.cn](http://www.csc9000.org.cn)) was launched.

## October 27th, 2005

CNTAC signed a Letter of Endorsement on CSC9000T with the Canadian retailer Hudson's Bay Company.

## November 30th, 2005

CNTAC was invited to attend the UN Global Compact Summit in Shanghai , and the practice of CSC9000T was introduced.

## March 28th, 2006

CSC9000T Implementation Guidance was published and its Pilot Program launched.

## April 1st 2006

The Environmental and Social Compliance Program for China Textile Industry jointly launched by CNTAC, the IVAM, the University of Amsterdam and the University of Shandong was initialized, which is a part of "Asia Facility for China 2005", a Sino-Dutch governmental cooperative project.

## April 29th, 2006

10 ministries and government departments, including the National Development & Reform Commission (NDRC), Ministry of Labor & Social Security and Ministry of Commerce jointly issued a circular concerning the acceleration of the textile industry structural adjustment, stressing the encouragement of the textile industry to implement the CSC9000T management system to improve CSR performance.

## May 11th, 2006

The CSC9000T pre-training session for the pilot program was organized by CNTAC, which was intended

for the senior management of the first 10 pilot enterprises.

### **June 13th, 2006**

NDRC circulated the "Development Guidelines on the Textile Industry in the 11th Five-year Plan Period", underlining the dissemination and improvement of the CSC9000T management system in Chinese textile industry for better CSR performance.

### **July 12th, 2006**

In the EU-China Symposium on CSR jointly organized by NDRC and EU DG Enterprise, CSC9000T and the CSR practice in China's textile industry was introduced.

### **July 24th, 2006**

The CSC9000T pre-evaluation of the first 10 pilot enterprises completed.

### **July 26th, 2006**

Ministry of Finance, NDRC and Ministry of Commerce jointly issued a circular regarding "The policy to encourage Chinese textile enterprises in adjusting the growth mode and to expand business in overseas markets", placing an emphasis on the support of the

textile industry to develop CSR management system building, formulation of industry specific CSR standards and its dissemination both at home and abroad.

### **August 5th, 2006**

The CSC9000T pilot program entered into the training stage.

### **November 11th-18th, 2006**

The EU-China Corporate Social Responsibility Forum and its related training programs were jointly organized by CNTAC and EU DG Enterprise in Humen, Shishi and Haining, three major textile industrial clusters.

### **November 24th- December 1st 2006**

The training sessions related to the Environmental and Social Compliance Program for China Textile Industry jointly organized by CNTAC, the University of Amsterdam and other parties involved were conducted in De Zhou, Bin Zhou, Wei Fang and Zi Bo of Shan Dong province.

### **December 12th, 2006**

The First Annual Conference on CSR for China textile and apparel industry was held and the Annual Report on CSR of China Textile and Apparel Industry (2006) published.



## Members of the Responsible Supply Chain Association

Shandong Tianxiang Woollen Mill Ltd.	Development Co., Ltd	Erdos Group Corporation
Zhejiang Yuehua Textile Co., Ltd.	Wuxi Xiexin Group Co., Ltd	Beijing Hongdu Group
Handan Sunman Textile Co., Ltd.	Changzhou Guotai Dongnan	Ningbo Garment Association
Jinan Zhenghao Advanced Fiber Co., Ltd	Printing & Dyeing Co., Ltd	Dalian Textile & Garments Association
Foshan Qiaoli Chemical Fiber Weaving Co., Ltd.	Foshan Nanhai Xiangxiang Textile Trade Co., Ltd	Shanghai International Fashion Federation
Bros Holding Ltd.	Shanxi Caicheng High-Tech Dyeing and Finishing &	Wenzhou Fashion Association
Zhejiang Meirong Cloth Industry	Trading Co., Ltd.	Shenzhen Apparel Industry Association
Developing Co., Ltd.	Northwest No. 2 Cotton Group Co., Ltd.	Metersbonwe Group
Tianjin Textile Group Tianyi Co., Ltd.	Zhejiang Yatai Wide Cloth	Romon Group Ltd
High Fashion Silk (Zhejiang) Co., Ltd.	Printing & Dyeing Co., Ltd.	Ningbo Progen Group.Co.,Ltd
Shandong Jining Ruyi Technologies (Group)	Tianjin Tiange-textile Co., Ltd.	Guangzhou Garment Group Co. Ltd
Shandong Nanshan Industrial Co., Ltd.	Rugao Orient West Yarn Dyed Co., Ltd.	Guangdong Textile Garments Association
Zhejiang Rainbow Village Printing & Dyeing Co., Ltd	Rugao Shunyuanyuan Garment Co., Ltd.	Beijing Jing Textile Garments Association
Shandong Binzhou Huafang Textiles Co., Ltd	JiangSu Sunshine Group	Qingdao Textile Garments Association
Xiang Xing Group	Jiangsu Tianlun Dyeing & Weaving Stock Company	Viction (Group) Co. Ltd
Yuhua Textile Co., Ltd	Shandong Wantai Enterprise and	Jodoll Garments Enterprise Co., Ltd.
Inoval Group (International) Limited	Investment Co., Ltd.	Shenzhen China Silk Enterprise Ltd.
Huaibei Printing & Dyeing Co., Ltd	Chifeng Worldbest Woolen Industry Co., Ltd.	Beijing White Collar Fashion Co., Ltd
Hebei Baoding Yimian (Group) Co., Ltd	Xiamen Xianglu Chemical Fiber Co., Ltd.	Hunan Isunte Ramie Garment Industry Co., Ltd.
Luoyang White Horse Group Co., Ltd	Jiangsu Zhenyang Co., Ltd.	Kobron Fashion Group Co., Ltd
Bofine Textile co.,Ltd.	Tongling Worldbest Linen & Ramie Textile Co., Ltd.	Ningbo peacebird Group
Shandong Henlon Co., Ltd.	Jiangsu Xinyalu Group Co.,Ltd.	Hemboug Group Co., Ltd.
Helan Group	Beijing EVE Fashion Co., Ltd.	Hyx China Group Co., Ltd.
Quanzhou Haitian Textile Co., Ltd.	Aobenni Garments co., Ltd.	Handan Xuechi Group Ltd.
Fujian Zhonghe Co., Ltd.	Dalian Dayang Trends Co., Ltd.	Babei Group Co., Ltd
Weifang Qirong Textile Co., Ltd.	Guangdong Famory (Group) Co., Ltd.	Hangzhou Garment Association
Zhejiang Tiansheng Holding Group Co., Ltd	Baoxiniao Group Co.,Ltd.	Sharmoon EZ Co., Ltd
Bun Tat Group Co., Ltd.	Wenzhou Dandinghe Dress Co., Ltd.	Semir Group Co., Ltd.
Shanxi Greenland Textile Co., Ltd.	Busen Group Co.,Ltd.	Botao Clothes Co., Ltd
Huafu Group Co., Ltd.	Shandong Yeliya Garment Group Co.,Ltd	Quanzhou Textile & Garment Commerce Chamber
Shenzhen Baliso Industrial Company Ltd.	Shanshan Group Co.,Ltd.	Youngor Group Co., Ltd
Foshan Nanhai Jiaxinglong Textile Co., Ltd.	Rose Garment (China) Co. Ltd.	Tengxu Co. Ltd.
Jiangsu Danmao Textile Co., Ltd.	Zhejiang Xuege Garment Co., Ltd.	Guangdong Silk Corporation (Group)
Shandong Demian Co., Ltd	Bosideng Co., Ltd.	Kaiping Huihua Textiles Limited
Jinan Down Wind Cloth Co.,Ltd	Hempel China Co., Ltd.	The Union Developing Group of China Ltd
Shandong Facts Group	Junder Group Co., Ltd.	Shandong Uniform Co., Ltd
Zhejiang Delong Summit Textile CO., Ltd	Quanzhou Jiumuwang Western-style Fashion	Black Peony (Group) Co., Ltd
Beijing Linen-century Linen Science and Technology	Clothing Co., Ltd.	The Predecessor of Chenfeng Group Inc

(as of December 2006)

Wuhan No.1 Textile Group Co.,Ltd	Jiangsu Qinman Group Co., Ltd.	Foshan Zhang cha Knitting Industrial Cluster
Jiangsu White Rabbit Textiles Group Co., Ltd	Esquel Group	Weles (China) Dress Co., Ltd.
Hangzhou Zhonghui Textile Co., Ltd	Hongdou Group Co., Ltd.	Rambow Classics Fashion Co., Ltd.
Tianjin Ruifeng Knitting Imp. & Exp. Co., Ltd	Beijing Luoman Clothes Co., Ltd.	Jian Jian Group company
Qingdao Hisun Group	Phiharowimc Lide (Beijing) Garment Co., Ltd.	Pengcheng Industrial Co., Ltd.
Beijing Jing Gong Garments Group Company Ltd.	JinJiLie Group Company	Cabbeen Clothing Development Company Ltd
Sunland Industry Co., Ltd.	Beijing Wuzhou Clothing Accessory Trademark	Shishi Xinhua Bra & Underwears Co., Ltd.
Hubei Yubo Jean Co., Ltd.	Weaving Co., Ltd.	Yebao Children's Wear Co., Ltd.
Zhejiang Socks Group Co., Ltd.	Beijing Shenshi Garment Company Limited	Bind Wood(China) Co., Ltd.
Anhui Huamao Group Co., Ltd.	Beijing Snow-lotus Cashmere Co., Ltd.	Fujian Stava Garment Co., Ltd.
Jiangsu Xiangyang Group	Beijing Jingmian Group Co., Ltd.	Shishi Dina Bra&undewear Co., Ltd.
Guangdong Foreign Trade Group Co., Ltd.	Beijing Dahua Tiantan Garments Co., Ltd.	Fujian Wiele Leopand Chileken Commodity Co., Ltd.
Xinxing Ductile Iron Pipes Group Co., Ltd.	Shiqi Clothing Co., Ltd.	Shishi Binxilo Leisure wear Co., Ltd.
Foshan Guancheng kintting Co., Ltd.	Beijing Faith Fashion Co., Ltd.	Fujian Shishi Garment Co., Ltd.
Lanyan Group Co., Ltd.	Beijing Wumu Suite Co., Ltd.	Haining Shendannu Knitting Co., Ltd.
Jingwei Textile Machinery Company Limited	Tianjin Textile Garments Association	Zhejiang Msd Warp Knitting & Coating Co.,Ltd
Furun Group Co., Ltd.	Shijiazhuang Changshan Textile Stock Co., Ltd.	Zhejiang Tianxing Techtexile Co.,Ltd
Shanghai Association of Underwear Trade	Redcollar Group	Haining Huachang Fabric Co., Ltd.
Hyx China Group Ltd.	Wenzhou Zhongke Garment Accesseries Co., Ltd.	Haining Haishao Knitting Co., Ltd.
Ningbo Boyang Textiles Co., Ltd.	Foshan Nanhai Hop Hing Socks & Garment Ltd.	Haining Tongxin Socking Co., Ltd.
Sunvim Home Textiles Co. , Ltd.	Zhongshan Fenghua Socks Factory Co. Ltd.	Haining Chaoda Warp Knitting Co., Ltd.
Fujian Jalice Home Textile Co., Ltd.	Suzhou Jienisi Textile Co., Ltd.	Zhejiang Hailide New Material Co., Ltd
Shanghai Luolai Home Textile Co., Ltd.	Glorious Sun Group	Haining Guishidi Leahter Garment Co., Ltd.
China Garment Co., Ltd.	Bailide Group	Leekwan Embroidery(Haining)Co., Ltd.
Zhejiang Twin Lantern Home Textilex Co., Ltd.	Tay Hsin Knitting Co., Ltd.	Haining Wanfang Warp Knitting Co., Ltd.
Jiangsu Baihua Industrial Group Co., Ltd	Ningbo Hope Time co., Ltd.	Sinoproud International Ltd.
Guangdong D.K.D Group	Judy Mao Shanghai Garment Ind.Ltd	Jiangsu Ever-Glory International Group Corporation
Hubei Xaomian Textiles Group Co., Ltd.	Hudson's Bay	Xiaoxing Textiles Dyeing & Printing Co. Ltd. Jiangsu
Qingdao Xi Ying Men Group	Linmark HK Limited	Flying Ocean Fish Garments Co., Ltd.
Jiangsu Hubao Group., Ltd.	Shishi Gaiqi Garment Co., Ltd.	Hongruichangtai Textile Co., Ltd.
Shanghai Worldbest Hometex (Group) Co., Ltd.	Gaiqi (Suzhou) Textile Co., Ltd.	Changzhou Chengye Garment Joint-Venture Co.Ltd.
Pacific Mechatronic (Group) Co.,Ltd.	Zhong Li Trading Co., Ltd. (Dalian)	Jiangsu BSM Clothing Co.,Ltd.
Inner Mongolia King Deer Cashmere (Group) Company	Chai Ds Manufacturing Ltd.	Haining Naier Socks Co., Ltd.
Fujian Septwolves Industry Co. Ltd.	Ying Xie Manufacturing Co.Ltd.	Gao Gao Clothing Co., Ltd (Jiangsu)
Guangzhou Mixmind Art & Design Co. Ltd.	Xiangfan Knitting And Textile Factory	Qingqing Knitting Co., Ltd Jin Tan
Beijing Wsfm Dress And Personal Adornment Co.,Ltd.	Shandong Ruyi Group	Jinsong Fashion Garments Co. Ltd.
	Beijing Topnew Knitting Group Co., Ltd.	Jiangsu Jinhong Textile Co., Ltd.
	Beijing Aimer Lingerie Co., Ltd.	Jin Tan Technologies Co., Ltd.