



2008/2009

Social Responsibility of the Chinese Textile and Apparel Industry Annual Report

China National Textile and Apparel Council

CONTENTS

P03>>	Foreword
P05>>	Part I
	The Development of Chinese Textile and Apparel Industry in 2008 and the Impact on Social Responsibility of Industrial Macro Factors
P05>>	I. The Development of the Chinese Textile and Apparel Industry in 2008
	1. Industrial Production and Investment
	2. Market Performance
	3. Economic Benefits and Industry Restructuring
P11>>	II. The Changes of Macro Factors of Textile and Apparel Industry in 2008 and Their Impact on Social Responsibility
	1. International Financial Crisis
	2. Cost Increase and Changes of State Industry Policies
	3. The Implementation of the Labor Contract Law
	4. Requirements on Environmental Protection, Energy Saving and Emission Reduction
	5. International Trade Environment
P21>>	Part II
	The Development of Social Responsibility in the Chinese Textile and Apparel Industry in 2008
P21>>	I. The In-depth Promotion and System Upgrading of CSC9000T
	1. The Continuous Promotion of CSC9000T
	2. CSC9000T China Social Compliance for Textile and Apparel Industry (2008 Version)
P23>>	II. The Establishment of Sustainability Reporting Mechanism
	1. Social Responsibility Report of the Textile and Apparel Industry
	2. China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs)
P25>>	III. Strategic Cooperation and International Cooperation and Dialogues on Supply Chain
	1. Strategic Cooperation on Supply Chain
	2. International Cooperation Projects of Social Responsibility
	3. Dialogues and Exchanges on Social Responsibility

P27>>	<p>IV. The Training of Social Responsibility Professionals</p> <ol style="list-style-type: none"> 1. CSC9000T Expert Team 2. CSC9000T Internal Auditors
P28>>	<p>V. Policies and Technical Support for Social Responsibility</p> <ol style="list-style-type: none"> 1. Recommendations for Corporate Social Responsibility Policies 2. Social Responsibility Resource Database — Legislations, Regulations and Standards (SRRD) 3. Special Survey and Study on the Labor Contract Law 4. Promotion Activities of Social Responsibility beyond the Textile and Apparel Industry
P31>>	<p>Part III</p> <hr/> <p>The Implementation of CSC9000T “10+100+1000” Project and Its Implications</p>
P31>>	<p>I. The Implementation State of CSC9000T “10+100+1000” Project</p> <ol style="list-style-type: none"> 1. Training on the Establishment of CSC9000T System 2. Training of Social Responsibility Management Professionals 3. CSC9000T Re-evaluation
P33>>	<p>II. Implications and Reflections</p> <ol style="list-style-type: none"> 1. Policy Guidance and Financial Support from Local Governments 2. The Effects of Incentive Policies 3. Social Responsibility, Productivity and Management 4. The Inherent Driving Force of Social Responsibility
P35>>	<p>Part IV</p> <hr/> <p>Work Plan for Social Responsibility of Chinese Textile and Apparel Industry in 2009</p>
P35>>	I. Complete the “10+100+1000” Project
P35>>	II. Promote Sustainability Reporting Mechanism
P36>>	III. Develop Supporting Tools for CSC9000T 2008 Version and Upgrading Trainings
P36>>	IV. Promote the Implementation of CSC9000T through Industrial Policies
P36>>	V. Intensify International Promotion and Cooperation
P37>>	<p>Acknowledgments</p> <hr/>
P38>>	<p>Appendices</p> <hr/>
P38>>	I. CSC9000T Chronicles
P45>>	II. Members of the Responsible Supply Chain Association
P51>>	III. Introduction to the Office for Social Responsibility of CNTAC

Foreword

In 2008, two major events certainly got the attention of CSR people in and outside China: after 5·12 Wenchuan Earthquake, China received a total of more than RMB 76.7 billion yuan from all sectors of society at home and abroad, including earthquake relief funds and goods donated by enterprises; while in the process of the rapid growth of this figure, Sanlu Group, the former tycoon in Chinese milk powder industry, fell into bankruptcy with a loud crash due to melamine crisis. It is therefore obvious that a series of major events are outlining the Justitia image of social responsibility in China: as responsibility becomes more and more broad-minded and mellow in her bosom, the balance and sword in her hands also seem more fair and severe.

In face of the earthquake disaster and in its most difficult times, Chinese textile and apparel industry still made a generous giving of nearly one billion yuan, which amounted to 1% of the total net profit of all above-scale enterprises industry-wide in 2007. Considering the 3.97 percent of average profitability of the whole industry in 2007, we would only be aware of the broad and beautiful heart that numerous textile and garment enterprises demonstrated in 2008, as well as of how the textile and apparel industry lived up to its great social trust as a significant sector to the people's livelihood.

On the other hand, for many years, China National Textile and Apparel Council (CNTAC) has been always aware that the balance of institutional construction is the ultimate outlet for resolving and avoiding the sword of risk embedded with social responsibility. In 2008 and 2009, the industry has been encountered with unprecedented difficulties. Although the macro factors in international environment are the main cause of this predicament, deficiencies in social responsibility management accumulated over the years have exposed many textile and garment enterprises to risks. In the three years of implementation of China Social Compliance for Textile and Apparel Industry (CSC9000T) issued by CNTAC in 2005, we have been adhering to the methodology of sustainably improving the social performance of enterprises by upgrading their management systems. We believe that enterprises which have implemented the CSC9000T management system will take more effective and institutionalized countermeasures in this crisis, and they are bound to harvest more opportunities in return.

As a regular communication mechanism with domestic and foreign stakeholders, CNTAC started to issue annual social responsibil-

ity report at the industry level since 2006, hoping to open up a channel to present annual progress in social responsibility in the industry, and communicate with stakeholders on new situations and new problems in a timely manner. This report is the third in a row issued by CNTAC on social responsibility at the industry level. We are also very glad to see that China Banking Association (CBA) has published its first *Social Responsibility Report of China's Banking Sector 2008* not long ago. We hereby call on more industry organizations to follow up this practice so as to push forward the optimization, institutionization and transparency in the development of social responsibility in more and more Chinese industries.

This report is prepared under the leadership of CNTAC, compiled by the Office for Social Responsibility of CNTAC. During its preparation, our stakeholder organizations, the leaders and various departments of CNTAC, especially the Industry Department have contributed momentous support in materials and data collection, and offered many valuable opinions.

This report consists of four main parts:

Part I: analysis of changes in macroeconomic industry factors and their impacts on the industry-wide construction of social responsibility, which is based on the overview of the development state of Chinese textile and apparel industry in 2008;

Part II: introduction to major projects, progress and outcomes of the social responsibility work at the industry level in 2008;

Part III: specific and detailed demonstration of CSC9000T "10+100+1000" Project and its implications for the future promotion of social responsibility;

Part IV: the annual work plan on social responsibility of Chinese textile and apparel industry in 2009.



Part I

The Development of Chinese Textile and Apparel Industry in 2008 and the Impact on Social Responsibility of Industrial Macro Factors

I. The Development of the Chinese Textile and Apparel Industry in 2008

In 2008, China's textile industry witnessed a series of new changes in external economic and policy environments, and suffered a noticeable decline for the first time following its steady and rapid growth for several consecutive years.

1. Industrial Production and Investment

Production slowdown — In 2008, Chinese textile and apparel enterprises adjusted their paces of production with the changes in the market and resorted to methods such as production and inventory cuts to confront such changes and to relieve the operation pressure. In 2008, China's above-scale textile enterprises achieved the accumulated gross industry output value of RMB 3,478 billion yuan, up 13.73% over the same period of the previous year, representing a drop of 8.84% in growth rate. As regards the outputs of major products, a vast majority of textile products from the above-scale textile enterprises demonstrated a radical fall in growth from the level of the previous year, and the products in main categories like chemical fiber, yarn, cloth and garment maintained a one-digit output growth rate, something rarely seen in recent years (Table 1).

Table 1: Output and Growth Rate of Above-scale Textile Enterprises (January to November 2008)

Fiber	22.2114 million tons	2.02%	-16.75%
Yarn	19.7491 million tons	9.04%	-8.02%
Cloth	51.374 billion meters	4.78%	-8.28%
Garment	18.699 billion items	4.99%	-8.45%

Investment decline — Since November 2007, the fixed-asset investment in textile industry has experienced a gradual fall in growth rate. Coupled by the radical

changes of market prospects, the enterprises actively reduced investments as an approach against the declining demands. The relevant statistics indicate that, in 2008, the growth rate of the accumulated gross investment of China's textile industry was 6.75%, yet with a significant fall by 18.99% in growth rate from that of the previous year. The number of new projects of the textile industry in 2008 saw a drop of 7.86% from the level of the previous year.

A sub-industrial analysis shows that wool spinning, bast fiber spinning and dyeing industries enjoyed a higher growth rate in fixed-asset investments when compared to the level of previous year, but other industries suffered a decline of different degrees in investment growth rate. For instance, the investment growth rate of textile machinery industry dropped by over 50% from the same period of the previous year, and the cotton spinning and silk industries even saw shrinking investments (Table 2).

Table 2: 2008 Textile Sub-Industry Investments

Cotton	-5.86%	-37.65%
Silk	-0.83%	-38.19%
Apparel	22.39%	-18.22%
Chemical fiber	5.77%	-21.13%
Textile machinery	8.68%	-58.39%

One noteworthy fact is that China's textile industrial investment is accelerating its adjustment steps towards the middle and western regions of the country though the nationwide textile investment growth rate slowed down. From January to November 2008, the textile enterprises in eastern China witnessed a drop of fixed-asset investment amount by 2.27% while those in the middle and western areas of China experienced an investment growth rate by 31.99% and 32.60% respectively. Since the investment in the eastern region showed a negative growth, its regional share of national textile industry shrunk significantly in terms of fixed-assets investment, from 67.97% during the same period of 2007 to 61.08% in 2008, and the proportion of middle and western regions rose by 6.89% accordingly.

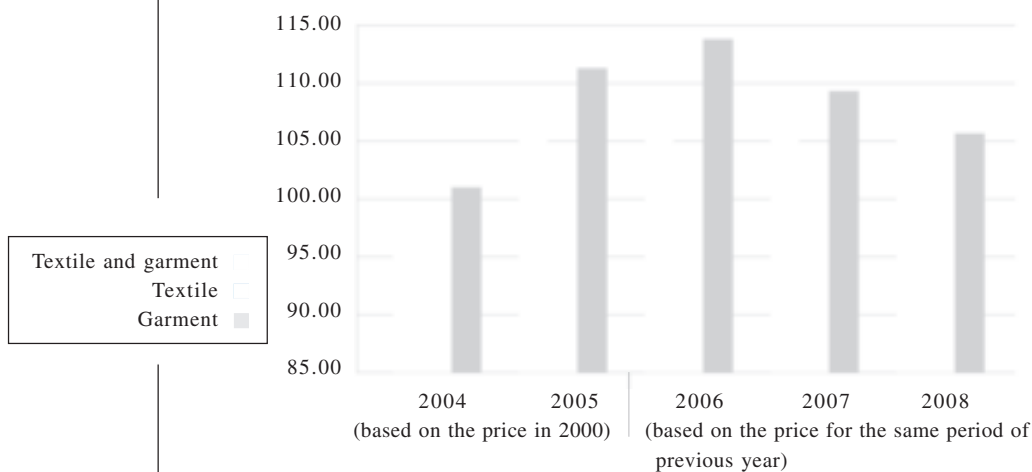
2. Market Performance

International market — Since 2008, Chinese textile and apparel exports underwent a slowdown in growth rate. In August and November 2008, the State provided policy supports by raising the export tax refund rate for textile and garment products which confronted harsh export conditions, and eased the financial pressure of export-oriented enterprises to some degree. However, the downward trend in export growth rate failed to be reversed. According to the customs statistics of China, the national textile and garment products achieved the total export amount of USD 184.624 billion in 2008, up by 7.98%, but a fall of 11.13% in growth rate. With the

price adjustment factors, the export quantity of national textile and garment products rose only by 1.20% from January to November 2008, representing a drop of 9.32% in growth rate. Moreover, the national textile and garment exports suffered a drop of 0.70% in 2008, when the actual exchange income of export-oriented enterprises (calculated in RMB) is considered.

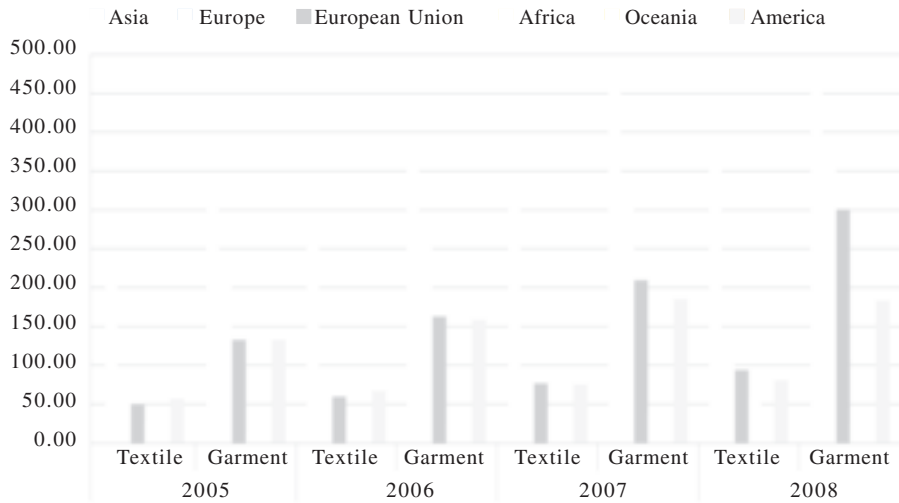
Chinese textile and apparel products have continued its downward export growth trend in 2008, but still maintained a growth rate. This can be attributed to the structure of export products. The textile export growth exhibited an “anti-leverage effect”, thus ensured the export growth rate of textile and garment products as a whole. From January to November 2008, China’s textile products achieved the export amount of USD 64.513 billion, up 16.83%, equivalent to a rise of 0.61% in growth rate, and the garment products achieved the export amount of USD 108.699 billion, up 3.10%, equivalent to a drop by 19.09% in growth rate. Meanwhile, compared to the level for last three years, Chinese textile and apparel products saw a drop in export price index in 2008. The textile export price index rose radically compared to that of 2007, but the export price index of garment products continued its decline, and as a result, the export price index of textile and garment products as a whole moved downwards continuously (Figure 1).

Figure 1: Historical Export Price Index of Textile and Garment Products



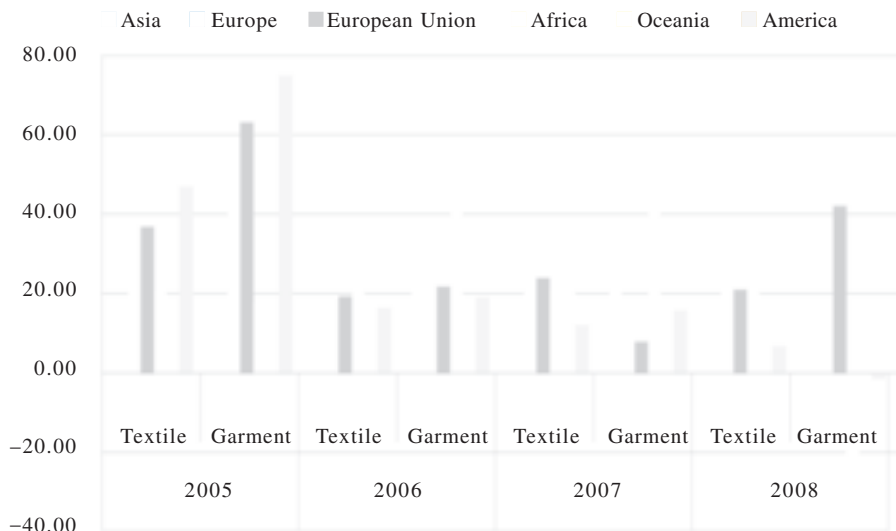
When it comes to the regional structure of export markets, as the world economy grew at a much less growth rate in 2008 and the international market was obsessed by violent fluctuation and unrest, Chinese textile and apparel products showed less satisfactory performance in several key markets. The export of textile and garment products to the U.S. market declined significantly due to the economic recession and consumption changes. From January to November 2008, China’s export amount of textile and garment products totaled USD 24.959 billion in the U.S. market, a mere

Figure 2: Major Export Markets Performance of Textile and Garment Products (USD 100 million)



rise of 1.47% and a radical fall of 18.48% in growth rate from the same period of the previous year. Nevertheless, since the Sino-European textile quota has been removed and the Euro remained in appreciation range versus RMB, China's export of textile and garment products in EU market continued its high growth rate in 2008. From January to November 2008, China's export of textile and garment products in EU market achieved a total amount of USD 36.331 billion with a rise of 37.4%, an increase of 37.74% in growth rate (Figure 2). It also deserves attention that China's export of textile and garment products in Africa declined radically in 2008, indicating a negative growth of 30.29% (Figure 3).

Figure 3: YoY Export Growth Rate of Textile and Garment Products (%)



In 2009, as the international financial crisis worsens, the Chinese textile industry is undergoing a harsh season with multiple pressure, e.g., further shrinking international demands, tightening trade competition, soaring trade protectionism, and hobbling domestic market.

Domestic market — The domestic market has always been a powerful driver behind the development of textile industry. From 2008 to 2009, because of the poor foreign demands, the domestic demand market became more important for the industrial growth. Currently, the domestic share of textile and garment enterprises above the designated scale constituted 77% of their total sales. The consumption growth is adversely affected by several current factors such as job cuts of domestic industrial enterprises, the depressing stock and housing markets and the weakened consumption confidence, but as everyday necessities with little demand elasticity and despite the economic downturn, the garment-related products are unlikely to see a shrinking domestic demand in domestic market which has a huge population. Additionally, the State is taking active steps to further increase the living standard of urban and especially rural residents, thus the textile industry can expect a satisfactory performance for now and the future. Meanwhile, the State's various measures to accelerate the infrastructure construction and developing the medical and public health systems have also created favorable development opportunities for the industrial textile products.

3.Economic Benefits and Industry Restructuring

In 2008, as the textile industry has faced an increasing pressure from external environment, the overall industrial economic benefits have fallen dramatically and suffered profit decrease for the first time since 2003. From January to November 2008, all above-scale textile enterprises realized the accumulated gross profit of RMB 104.225 billion yuan, down by 1.77%, a drop of 38.76% in growth rate compared to the same period of the previous year. This amounts to a profit rate of 3.45%, a fall of 13.68% from the level of the same period of 2007. Meanwhile, 32,763 above-scale textile enterprises, 69.37% of those enterprises under the statistic coverage, ended up with a profit rate which was lower than the average profitability of 3.97% in 2007. These enterprises' average profitability was merely 0.08%, a drop of over 95% compared to the average profitability of 1.70% during the same period of 2007.

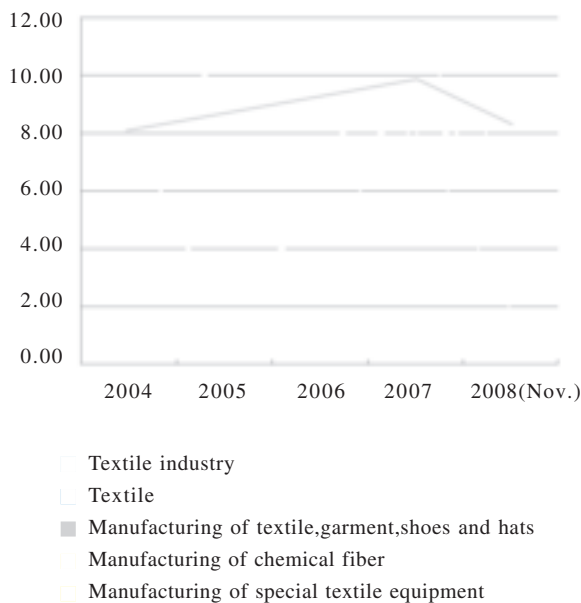
A sub-industrial analysis indicates that the silk industry enjoyed a rapid profit

Industry					
Textile industry	490.24	709.22	929.75	1314.55	1042.25
Textile	272.62	437.13	563.93	765.87	674.95
Manufacturing of textile, garment, shoes and hats	154.60	206.16	273.38	357.13	316.99
Manufacturing of chemical fiber	45.75	46.20	69.67	161.02	34.02
Manufacturing of special textile equipment	17.27	19.73	22.77	30.52	16.33

Table 3: Historical Profit of Major Textile Sub-industries (Unit: RMB 100 million yuan)

growth when compared with the same period of 2007, but other sub-industries suffered a drop in profit growth, and that is especially the case for chemical fiber, textile machinery and bast fiber spinning industries. For instance, from January to November 2008, the textile machinery industry acquired profit of RMB 1.633 billion yuan, a 40% decrease over the same period of 2007 (Table 3). As far as the sales margins are concerned, all major sub-industries underwent a considerable decline, and the chemical fiber industry even fell by over 75% (Figure 4).

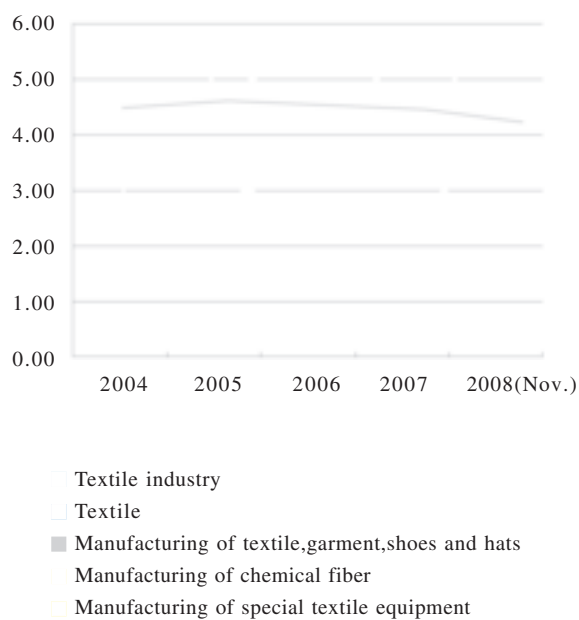
Figure 4: Historical Profit Rate of Major Textile Sub-Industries (%)



Though the textile industry experienced an extremely harsh development environment with unprecedented difficulties in 2008, the whole industry nevertheless pursues consistently the industrial adjustment and upgrading, resulting in some positive development outcomes. First, the industrial operation quality is steadily increasing. From January to November 2008, the per capita production value across the industry reached RMB 319,000/person, a

rise of 15.79% over the same period of 2007. As far as three types of expenses are concerned, the interest cost of financial expense rose noticeably due to the effect of domestic interest rate hike, raising the Percentage of Three Fees to a small degree. Yet, the management expenses were kept at a low level, decreased 1.53% in its proportion of main business income, indicating that the corporate management is continuously improving (Figure 5). Secondly, the backbone enterprises within the industry continue to play a significant role. From January to November 2008, 14,000 backbone enterprises, about 30% of all above-scale enterprises, achieved the total profit of RMB 102.70 billion yuan, a 31.94% rise over the same period of 2007, which equaled to 98.54% of total industrial profit and 8.37% of the average profitability, 0.53% higher than that of 2007. Among them, 3,251 backbone enterprises enjoyed the average profitability of 15.4%.

Figure 5: Historical Ratios of Three Expenses of Major Textile Sub-Industries (%)



III. The Changes of Macro Factors of Textile and Apparel Industry in 2008 and Their Impact on Social Responsibility

2008 witnessed dramatic changes in the industrial macro environment, and various factors impacted the industry in different ways and various degrees, thus creating complicated implications to the social responsibility performances of the industry.

1. International Financial Crisis

Chinese textile and apparel industry directly provides over 20 million jobs and indirectly affects the livelihood of 100 million farmers. This can be considered as one of the most important and fundamental social responsibilities of the industry. In 2008, however, the international financial crisis posed an unprecedented challenge towards the realization of this social responsibility.

In the first place, the financial crisis has severely crippled the demand for textile and garment products. Under the strong impact of sub-prime loan crisis, several major economies like America, Europe and Japan have fallen into extremely gloomy consumption. As a result, from the end of 2008 to the beginning of 2009, the textile retail market of these economies were troubled by dull sales and the consumers radically cut their expenditures and budgets for textile and garment products, and consequently, many foreign clients hesitated to place bigger orders. As the international market faced a shrinking demand, the domestic demand market also demonstrated a weak growth trend. On the other hand, the people's fortune-based incomes shrunk dramatically and their wages growth was rendered hard by the changes of economic environment, domestic consumers are producing a weakened confidence index. Thus, the domestic consumer market does not appear too optimistic.

Under such circumstances, China's textile enterprises confronted a worsening operation environment, and the gross industrial profit fell radically in 2008, showing the first negative growth since 2003. According to the related statistics, 12,644 enterprises of all the above-scale enterprises suffered negative profits just in January and February 2009, a rise of 13.54% compared to the same period of 2008, and they constituted 25.17% of all the above-scale enterprises with a total loss of RMB 6.39

billion yuan, increased by 35.22%. Because a larger number of small and medium-sized enterprises are not covered by the statistics and their risk-resistant capacity is much weaker, enterprises of negative profits and the related amount of loss are definitely more than described above. In this case, the year 2008 witnessed the closedown of many small and medium-sized textile and garment enterprises. For instance, according to the survey and statistics of Guangdong Kaiping Municipal Economic and Trade Bureau, more than 40 textile and garment companies ceased production and even closed down as of the beginning of October 2008, about 10% of all textile and garment enterprises in the city.

A direct aftermath of declining profits, suspended production and closedowns is the weakened ability of enterprises to provide job opportunities. From 2002 to 2007, the number of employees in Chinese above-scale textile enterprises grew by about 7% annually. However, from January to August 2008, the employees in these enterprises demonstrated a negative growth in employment capacity and the number of employees decreased by 0.36%, representing a drop of 3.95% in growth rate from the level over the same period of 2007. In November 2008, the industrial employment condition suffered a further decline and thus the vacancies of above-scale textile enterprises fell by 1.24%, equivalent to a fall of 5.18% in growth rate. In other words, the financial crisis severely eroded the industry's ability to perform its social responsibility in offering jobs, while imposing a huge employment and working pressure on the employees now with textile and garment enterprises. For instance, the above-mentioned enterprises with negative

profits involved 7.5 million jobs.

Certainly, the reverse effect of financial crisis is very much likely to stimulate the upgrading of the textile industry, encouraging the enterprises to adjust their industrial chain, raise the added value of their products, and lower costs and expenses to make more profits. In this case, those enterprises with a sound management and a stronger commitment to social responsibility for stakeholders such as employees will ultimately see in the crisis new growth opportunities.

2. Cost Increase and Changes of State Industry Policies

In 2008, a series of factors have contributed to the consistent cost increase of the industry. First of all, according to the statistics of the Bank for International Settlement in January 2009, Renminbi has appreciated by 12.66% in 2008. Second, affected by falling demand and the precipitous rise and fall of crude oil prices, the prices of chemical fiber products have generally fallen near the cost line, and the industrial operating rate have consistently dropped. In addition, a set of new laws and regulations on employment and environmental protection promulgated in 2008 further raised the legal baseline and actual standard

for enterprises to perform social responsibility, which, in a sense, have raised the cost of employment and reduced enterprise capacity in performing social responsibility during difficult times. Beijing Topnew Stock Co., Ltd. has given a detailed representation of the influences of such factors in its *2008 Report on So-*

cial Responsibility: "In 2008, uncertainty in exchange rate directly influenced trade orders; in



addition, insufficiency of domestic cottons have led to 10%-20% higher costs for the company than its international rivals; with the promulgation of new employment protection standards and the rise of remunerations and welfares, the labor cost has risen sharply by 30%.”

In order to ensure stable development of the textile industry which serves people’s livelihood, relevant authorities of the State have come up with a series of supportive policies for the textile industry since the fourth quarter of 2008. First, tax refund rates for exports of textiles and garments have been raised twice to 14%. From February to April 2009, the State again adjusted the tax refund rates twice and finally to 16%, which has relieved the cost pressures on textile and apparel enterprises. Secondly, at the end of 2008, the State suspended the implementation of the guarantee fund deposit system for OEM trade, managed to solve the problem of price distortion of chemical fiber raw materials, facilitated the light and textile enterprises in marketing, R&D and M&A by employing the Central Foreign Trade Development Fund, and formulated and promulgated *the Rejuvenation Plan for Textile Industry* in February 2009, all of which have played a positive role in helping the textile and apparel industry out and recovering the industrial confidence in development. Thirdly, the policy measures adopted by the State with the aim to “ensure growth, expand internal demands and adjust structure”, including the 4,000 billion investment plan to expand internal demands, interest rate reduction and postponement of social insurance contributions, all created favorable external conditions for the development of the textile industry. Finally, the State encourages and directs financial institutions to boost financial support for the textile and garment industry, requiring them to grant credit loans to enterprises which have an overall good performance while facing temporary operation and financial difficulties, and encouraging guarantee institutions to provide credit guarantee

and financing services so as to reduce the burden of textile enterprises.

Indeed, these measures will, on one hand, alleviate the cost and financial pressure of enterprises and therefore, strengthen their capability of risk response and responsibility performance; on the other hand, these measures will guide enterprises to seek more scientific development schemes and establish long-term social responsibility strategies. As put by Topnew in its *2008 Report on Social responsibility*: “Under pressures, how to raise production efficiency, optimize product structure, deepen reform mechanism, transform economic growth pattern, realize the harmony and consolidation between enterprise development, resources and environment, and the enhancement of employee’s all-round quality are the motivation for Topnew’s lasting dedication in problem solving and performing social responsibility.”

3. The Implementation of the Labor Contract Law

The Labor Contract Law of the People’s Republic of China, coming into effect on January 1, 2008 is one of the laws with the most profound impact upon social responsibility in China. The textile industry is a typical labor-intensive industry in China as well as an industry highly sensitive to the influence of the Labor Contract Law. In order to find out the perception and implementation status of the Labor Contract Law in the industry, the Office for Social Responsibility of CNTAC carried out a special survey among 80 enterprises in 12 provinces in October 2008, with 61 valid questionnaires returned. According to the results, enterprises are very concerned about the influence brought by the Law. 52.46% enterprises surveyed gave a “cautious welcome” to the Law (Figure 6). More than 90% of the top management expressed concerns and a certain degree of understanding of the Labor Contract Law; 98% enterprises attended special trainings on the Law held by local labor de-

partments or external professional institutions; over 95% enterprises said they understood the Law very well or quite well.

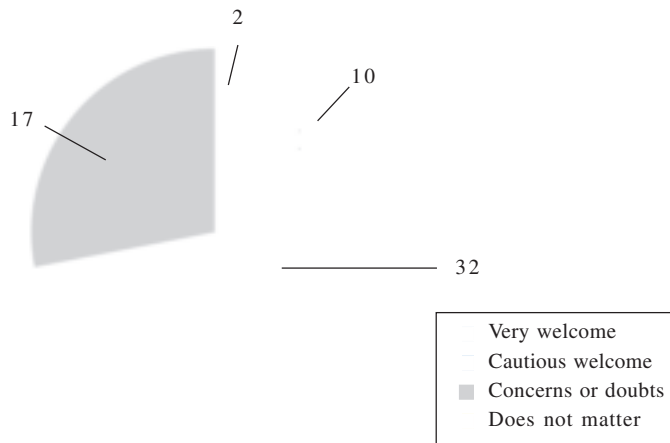


Figure 6: General Attitudes of Enterprise Management to the Labor Contract Law

As for the impact of the Labor Contract Law on enterprises, as many as 58 enterprises said the major influence lies in the increase of labor cost and human resource input. In the next place, 44 enterprises stated they would face employees with more self-consciousness and sense of rights and therefore management cost will undoubtedly rise (Figure 7).

A Labor cost and human resource input are bound to increase in the short term

B Leads to healthy competition in human resources and management in the long term

C Enterprises will face employees with more self-consciousness and sense of rights

D Labor disputes and litigation will increase substantially

E Long-term labor contract and strengthened protection of labor rights of will increase enterprise productivity

F The enhancement of labor contract system may lead to a new round of industrial integration and adjustment

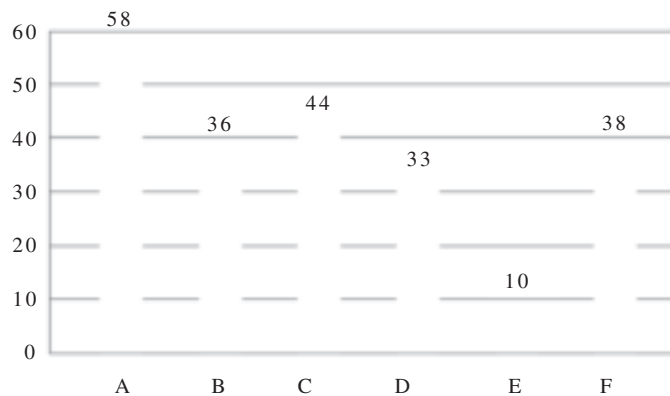


Figure 7: Major Influences of the Labor Contract Law on Enterprises

It is also shown in the survey that the core difficulties faced by enterprises in implementing the Labor Contract Law are “The Law makes no distinction between different industries and enterprise features, and practical problems may rise in the application of the Law” and “It is difficult to meet legal requirements due to the lack of corresponding guarantee measures (such as social insurance system)” (Figure 8).

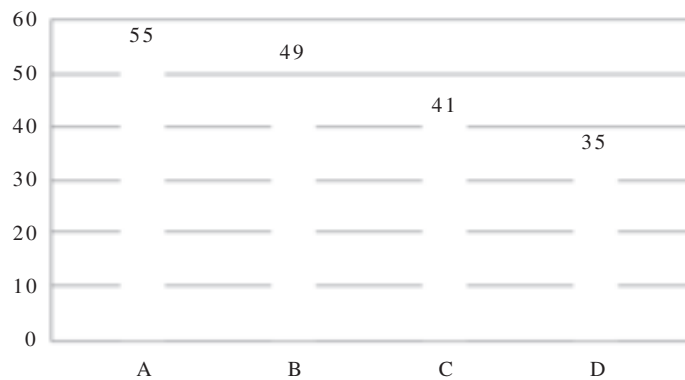


Figure 8: Core Difficulties Faced by Enterprises in Implementing the Labor Contract Law

A The Law makes no distinction between different industries and enterprise features, and practical problems may rise in the application of the Law

B It is difficult to meet legal requirements due to the lack of corresponding guarantee measures (such as social insurance system)

C Market competition is not in order; costs in compliance with the Law is quite huge

D Employee quality and management capacity are both low, and hard to fit in high legal standards

Despite the above, 58% enterprises showed their confidence in effective implementation of the Labor Contract Law (Figure 9). Meanwhile, generally, enterprises hope that the government may adopt supportive and favorable policies for enterprises in terms of “tax preference and exemption” and “social insurance subsidies” when implementing the Labor Contract Law (Figure 10).

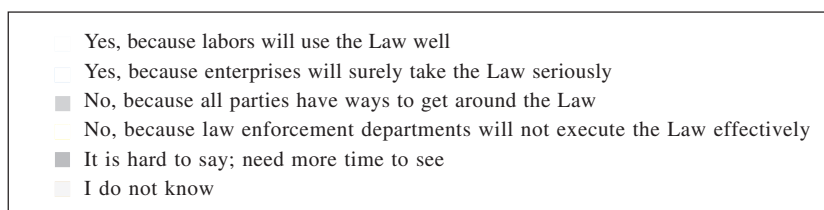
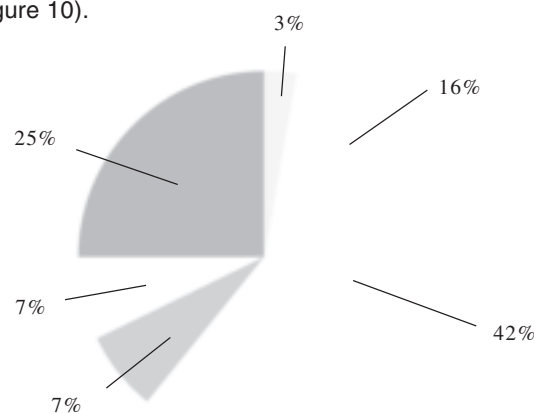
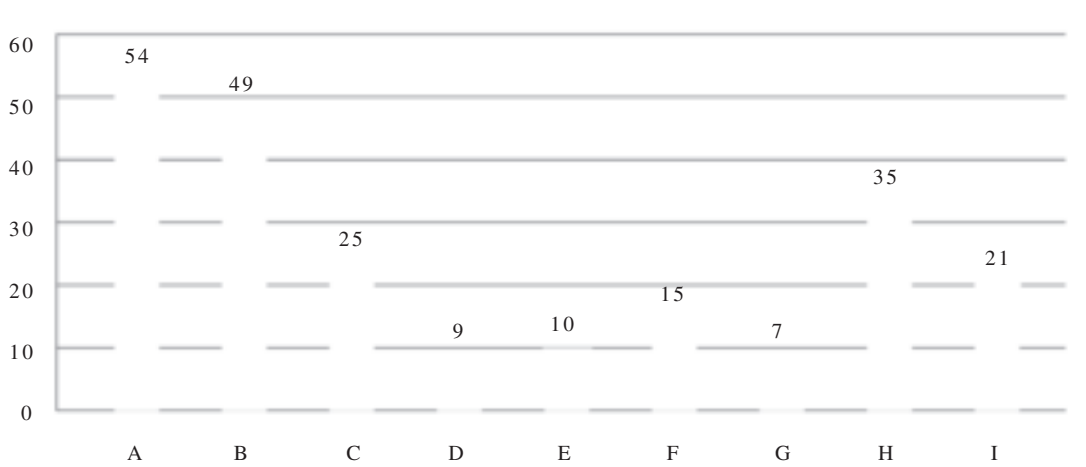


Figure 9: Confidence of Enterprises in Effective Implementation of the Labor Contract Law



A Tax preference and exemption

B Social insurance subsidy

C Employment subsidy

D Small loans

E Policy and legal consultation

F Employee skill training

G Socialized management of the retired

H Exemption of administrative charges

I Assisting enterprise in recruitment

Figure 10: Expectations of Enterprises for Policy Support by the Government in Implementing the Labor Contract Law

It is obvious that as one of the basic laws on enterprise social responsibility, the Labor Contract Law has won great attention within the industry and the enterprises also basically recognize its social value and are confident in its effective implementation. On the other hand, because the Labor Contract Law will remarkably heighten the standard of enterprises' social responsibility in terms of labor rights and interests protection, enterprises of the industry also have a clear understanding of the impact of the Law and therefore call on the government for corresponding policy support, which shall assist them in assuming social responsibility for employees.

4. Requirements on Environmental Protection, Energy Saving and Emission Reduction

A series of new laws, regulations and policies on environment protection, energy saving and emission reduction were successively adopted in 2008 to tighten the requirements on these areas for the textile industry, which posed new challenges to the industry in realizing its responsibility towards the environment and resources.

The Energy Conservation Law as amended in 2007 came into force on April 1, 2008, which expressly stipulates, in terms of law, that "the State shall implement the basic State policy of resource conservation, adopting the energy development strategy of simultaneous emphasis on conservation and exploitation, with priority on conservation." Meanwhile, the Chapter of Incentive Measures of the revised Energy Conservation Law stipulates that the State shall adopt policies on finance, taxation, price, credit loan and government procurement to promote energy conservation. With the imple-

mentation of the Energy Conservation Law, the textile industry, especially the dyeing and printing industry as one of the high-pollution, high-energy-consumption industries, would face stricter market access standard and more stringent legal punishment on high energy consumption. The Energy Conservation Law has strengthened the deterrence of law enforcement for energy conservation and environmental protection, and shall provide powerful force for settling the increasingly tighter contradiction between economic development and energy, resource and environment. Meanwhile, this shall make enterprises perform their social responsibility towards environment and resources more proactively and efficiently.

The National Development and Reform Commission (NDRC) released the National Catalogue for Promoting Key Energy Saving Technology (1st batch) on May 29, 2008, among which, energy-saving technologies concerning the textile and apparel industry mainly include: intelligent air-conditioning system energy conservation technology for cotton spinning enterprises, energy conservation and heat gathering technology for dyeing and finishing enterprises and high temperature and high pressure airflow dyeing technology, etc. This will be a policy impetus for accelerating promotion of key energy-saving technologies in the textile and apparel industry, guiding enterprises to employ new and advanced energy conservation processes, technologies and equipments to substantially increase energy utilization efficiency. In addition, energy saving and emission reduction is also a key link for the dyeing and printing industry to realize the 11th Five-Year Plan and an important leverage to industrial restructuring and optimization of resources.

The Circular Economy Promotion Law of the People's Republic of China was adopted on August 29, 2008 and came into force as of January 1, 2009, which is a further overall regulation on promoting circular economy following the Cleaner Production Promotion Law of the People's Republic of China. It is stipulated in the Circular Economy Promotion Law that the State shall implement an administration and supervision system regarding energy and water consumptions concentrating on key enterprises in industries including steel, non-ferrous metals, coal, power, printing and dyeing etc., whose general energy and water consumption volumes exceed the total volumes provided by the State per year.

For the purpose of effective implementation of above laws and policies in textile industry, in 2008, CNTAC carried out a set of energy saving and emission reduction work, mainly including:

Free diagnosis of certain cotton spinning, chemical fiber and dyeing and printing enterprises, especially the diagnosis on potentials of energy saving and emission reduction of dyeing and printing and cotton spinning enterprises;

Actively participating in the revision of the *Detailed Rules on the Assessment of Water-conservative Enterprises* and the *Quota Standard of Water*



Consumption for Dyed and Printed Cotton Products and the formulation and revision of State water-conservation and energy-saving standards such as the *Quota Standard of Water Consumption for Cotton Textile Products*;

Coordinating with the Department of Resource Conservation and Environmental Protection of the National Development and Reform Commission to survey, collect, choose processes, technologies and equipments of energy conservation, water conservation, clean production and environmental protection, which have provided technical base for promulgation and implementation of award policies of the State;

Under the instruction of relevant governmental departments, actively cultivating demonstration units of energy saving and emission reduction among enterprises and in industrial clusters;

Sponsoring the Nomination and Public Appraisal of Outstanding Innovation Achievements in Energy-conservation and Emission-Reduction Technologies in National Textile and Dying and Printing Industry, together with All China Federation of Trade Unions, by which outstanding enterprises and individuals in energy saving and emission reduction were commended.

With the implementation of new laws and regulations on energy saving and emission reduction and the promulgation of increasingly strict policies on environmental protection, enterprises in the textile industry must enhance the construction of energy and water resource management, especially that of measurement management system, which is not only the foundation for energy conservation, emission reduction and performance of social responsibility, but also the threshold for the State's supportive policies. In addition, the adjustment and upgrading of industrial structure based on relevant energy-conservation and emission-reduction policies would also promote in this round of industrial restructuring the growth of enterprises which really care about their environment responsibilities.

5. International Trade Environment

The trade performance and trade environment of Chinese textile and apparel industry both deteriorated greatly in 2008. For example, the *Textile Summary Report of the 104th Canton Fair* issued by the China Chamber Of Commerce For Import And Export Of Textiles (CCCT) in November 2008 showed that trade deals of this Autumn Canton Fair in the textile and apparel exhibition hall amounted to 3.42 billion U.S. dollars, 31.5% less compared with the previous fair. Deals in textile yarns, fabrics and finished products reached the amount of 1.63 billion U.S. dollars, a 23.7% decline compared with the previous fair. The worth of apparel deals was 1.77 billion U.S. dollars, reduced by 27.8%. Among the major contract regions, the European Union struck deals of 1.32 billion U.S. dollars, decreasing by 28.6% compared with the previous fair.

Paragraph 242 "Special Safeguard Measures" of *Report of the Working Party on the Accession of China*, as well as the *Sino-US Memorandum of Understanding on the Trade of Textiles and Apparels* and the *Sino-EU Memorandum of*



Understanding on the Trade of Textiles And Apparels officially expired on December 31, 2008, which means that WTO members will no longer be able to refer to Article 242 to make restrictions on Chinese textile products. Ministry of Commerce of the PRC has also denounced the quantity and license control of textile exports to the US as well as the license control of textile exports to the EU on January 1, 2009. However, the spread of global financial crisis has brought up, in different tones, cacophonies of trade protectionism in a few export markets of Chinese textiles and apparels since late 2008.

Since January 1, 2008, the US Government imposed quantitative restrictions on 21 categories of textile products shipped from China, such as cotton knitted shirts, cotton trousers, cotton and chemical fiber underwear, cotton and chemical fiber bras, synthetic fiber cloth, socks, combed cotton yarns, which were implemented until December 31, 2008. During this period of time, the economic revitalization program incubated in 2008 and adopted by the US Congress in February 2009, included the “buy American” clause. Although this clause is under the condition of “without violation of international trade agreements”, it will undoubtedly cast shadows of protectionism in the international trade system, thereby compromise the development of Chinese textile and apparel industry in the long run.

At the same time, U.S. has also begun to strengthen the technical measures related to social responsibility to exert import restrictions over Chinese textiles and apparels, following the tracks of the EU. For instance, in accordance with *Consumer Product Safety Improvement Act* of the United States signed on August 14, 2008, the United States will implement new import regulations for consumer goods since November 12, 2008, which demands every manufacturer and importer issue a certificate

which shall certify that their product complies with all rules, bans, standards, or regulations applicable



to the product under the Act or any other Act enforced by the Consumer Product Safety Commission. This regulation applies to almost all categories of consumer goods, including fabrics, garments, sports products, etc. This seems to indicate that, as quota and other traditional restriction measures have been

further removed, the United States has instead ushered in the era of setting up “green” or “blue” technical thresholds associated with social responsibility for China’s textiles and apparels. Thus, it can be predicted that such social responsibility issues as consumer protection will become increasingly important in Sino-US textile and apparel trade in the future.

Sino-EU textile trade carried out the bilateral monitoring mechanism since 2008, EU also promised to restrain from applying special safeguard measures, i.e., Paragraph 242 before the end of 2008. It turned out that in 2008 EU indeed did not invoke noticeable trade restriction measures for Chinese textiles and apparels. However, themes related to social responsibility, e.g., consumer protection, environmental protection and others, highlighted in 2008 their core role in Sino-EU textile trade agenda.

The Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) of the European Union, which is supposed to protect environment, health and safety, entered into its pre-registration period between June 1, and December 1, 2008. REACH governs more than 30,000 categories of chemicals and over 90% of China-EU trade is under its influence. As a result, REACH will raise the export cost of Chinese textile enterprises by an estimated 5% and import cost by 6%. As a downstream industry of chemical industry, textile in-

dustry is directly influenced by REACH. Textile and apparel products dyed, processed and finished with chemical materials will be subject to very strict and even rigorous restrictions in the future when exported to EU countries.

While Chinese enterprises got down to nerve-racking pre-registration in line with REACH, Directive 2006/122/EC of the European Parliament and of the Council Relating To Restrictions On The Marketing And Use Of Certain Dangerous Substances And Preparations (Perfluorooctane Sulfonates) has come into force since June 27, 2008, marking the overall and official ban on the use of Perfluorooctane Sulfonates-PFOS by the European Union. PFOS is most extensively used in the textile industry, as all textile products employing printing and dyeing as well as after-finishing are subject to pre-treatment and washing with PFOS. In addition, the auxiliaries used in the functional after-finishing processes for anti-ultraviolet and antibacterial purposes may also contain PFOS. With this ban in place, the exports of Chinese textiles, leathers, printing and dyeing auxiliaries and other products will be affected remarkably, and the use and marketing of PFOS-related products will be restricted. In order to satisfy the standard requirements of EU ban on PFOS, textile manufacturers will have to use environment-friendly textile auxiliaries, which will inevitably increase their costs. Besides, textile manufacturing enterprises may also need to pay testing-related expenses. On the other hand, some capable textile enterprises may well take advantage of this opportunity to speed up research and development of substitutes for PFOS as well as upgrading and reform of production technology, or intensify the selection, testing and application of alternative products, thereby advancing the environmental qualities of their products. At the same time, this would also urge enterprises to choose suppliers in a more rigorous and reasonable manner, i.e., textile printing and dyeing production enterprises in compliance with environmental-protection requirements as long-term suppliers. In this sense and from an objective perspective, ban on PFOS may also play a positive role in raising the social responsibility awareness of domestic enterprises and elevating the environmental protection level through technological progress.

To sum up, it can be seen that the role of social responsibility requirements as access passage and restrictive rules has become clear-cut in major export markets for Chinese textiles and apparels. From the viewpoint of industry, we should at first encourage and assist China's textile and apparel enterprises to improve their own social responsibility management, technological conditions and product innovation, and shall also keep a vigilant eye on using social responsibility requirements in international trade as a pretext for pure technical trade barriers.



Part

The Development of Social Responsibility in the Chinese Textile and Apparel Industry in 2008

In face of crisis, Chinese textile and apparel industry witnessed in the year of 2008 a successful great leap of social responsibility construction, which has made far-reaching breakthroughs both in theory and in practice. Part II of this report presents social responsibility developments and achievements of Chinese textile and apparel industry in 2008 from five aspects, i.e., the in-depth promotion and system upgrading of CSC9000T, the establishment of sustainability reporting mechanism, the strategic cooperation in supply chain and international cooperation and dialogue, the training of social responsibility professionals, and technical support actions for social responsibility.

II. The In-depth Promotion and System Upgrading of CSC9000T



In 2008, we continued to follow the established principles and paths to advance the implementation and promotion of CSC9000T. At the same time, with the constant popularity and in-depth CSR practices throughout the country, the evolution of social responsibility concepts and ideas, the promulgation and renewal of more comprehensive laws, regulations, policies and norms related to social responsibility, and the recommendations for improvement put forward by stakeholders and enterprises implementing CSC9000T, we upgraded the China Social Compliance for Textile and Apparel Industry (CSC9000T) in 2008.

1. The Continuous Promotion of CSC9000T

In 2008, the CSC9000T “10 +100 +1000” went on well (for more information about this project, please refer to Part III of this report). Meanwhile, we cooperated with National Textile Development Bases to promote CSC9000T, and completed system construction in five enterprises. Hence, more and more enterprises get involved in the implementation of CSC9000T. By the end of 2008, a total of 53 enterprises implemented CSC9000T, and 100 following-up enterprises completed the initial evaluation. The members of Responsible Supply Chain Association (RSCA) reached more than 300 (see Appendix II). In this process, nearly 20,000 enterprise

managers and employee representatives received trainings on social responsibility and management skills.

At the same time, various stakeholders of Chinese textile and apparel industry actively facilitated the promotion and implementation of CSC9000T. On February 23, 2008, during the 4th Vice Presidents' Enlarged Meeting of China Home Textile Association, executives of over 80 enterprises responded proactively to the invitation by China Home Textile Association to implement CSC9000T, and jointly issued the initiative proposal on promoting social responsibility. The National Development and Reform Commission, in the *Access Condition of Dyeing and Printing Industry* released in 2008, clearly demands that "printing and dyeing enterprises shall fulfill their social responsibilities in accordance with the requirements of China Social Compliance for Textile and Apparel Industry (CSC9000T)"

2. CSC9000T China Social Compliance for Textile and Apparel Industry (2008 Version)

The 2008 version of CSC9000T China Social Compliance for Textile and Apparel Industry amended the 2005 Version in aspects as follows:

Firstly, the labor-related social responsibility elements (such as employment contract, discrimination, working hours, wages and welfare, etc.) have incorporated major legal changes in the past four years, while developing specific norms for the new elements (environment protection and fair competition), the relevant legal norms, especially the latest laws and regulations and the relevant provisions of international conventions also serve as foundations.

Secondly, while adhering to the management system approach and absorbing the latest changes in laws and regulations, the 2008 Version of CSC9000T expanded the scope of social responsibility and the two new elements (environment protection and fair competition) have further improved the CSC9000T system. The element "Environmental Protection" has adopted the normative strategy

of "management system plus substantive rules". This requires enterprises to first develop an environment protection policy, and in line with the policy, establish, implement, maintain and improve an environmental management system based on PDCA mode, which is to implement substantive rules in four areas: pollution control, precautionary measures, recycling economy promotion, and greenhouse gas reduction. The order of these rules demonstrates various intensities of different environment issues in the industry. The element "Fair Competition" requires enterprises to establish in accordance with relevant Chinese laws and regulations as well as applicable international conventions, a code of conduct system which specifically concerns four categories of substantive requirements: product safety and consumer protection, anti-bribery in business, respect for property rights (with emphasis on intellectual property rights), and promoting social responsibility through supply chain.

Thirdly, the 2008 Version of CSC9000T has remarkably enhanced the engagement and consultation with stakeholders, straightened out the logical relationship among different labor-related elements as well as that among labor, environmental and market responsibilities, and has intensified the coordination and responsiveness among all elements.

In addition, the Chinese title of the 2008 Version of CSC9000T has been amended to clarify its applicability in the apparel industry.

In November 2008, CNTAC held expert review meeting of the 2008 Version of CSC9000T in Beijing. Experts on behalf of academia, relevant ministries, trade unions, enterprises and other stakeholders formed the review panel. After detailed examination of the 2008 Version, debriefing by the draft group, inquiries and discussion, the panel unanimously concluded that the 2008 version of CSC9000T China Social Compliance for Textile and Apparel Industry concurs with inherent requirements for realizing the scientific approach to development, but also corresponds with the actual needs and future

development of the industry, which enables it to be released and applied.

After the official release, the 2008 Version of CSC9000T will have a promotion period for about six months, which will then be put into practice in the second half of 2009, with updated relevant supporting documents and evaluation and training tools.

III. The Establishment of Sustainability Reporting Mechanism

“The information disclosure oriented by openness and transparency is the essential meaning and inherent requirement of the concept of corporate social responsibility.” (CSR-GATEs) In order to create a transparent and information-sharing culture within the industry, we began to work on the establishment of corporate social responsibility reporting mechanism in 2008.

1. Social Responsibility Report of the Textile and Apparel Industry

In June 2008, CNTAC released the *2007 Annual Report on Social Responsibility of the Chinese Textile and Apparel Industry*, which was the second annual sustainability report at the industry level. In the preparation course of the report, we solicited a wide range of opinions from relevant ministries, international organizations, as well as sub-industries, enterprise representatives and other stakeholders of the textile and apparel industry.

2. China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs)

While keeping on with the practice of disclosing social responsibility information at the industry level, CNTAC has always been attentive to cultivating consciously within the industry a mature CSR information sharing and communication culture in the process of implementing CSC9000T, by building up enterprises' capacities in the systematic organizing, comprehensive analysis and internal and external sharing of CSR-related records, data and information during the evaluation and training of the management system. This process also provided us with practical guidance and statistical basis for the establishment of CSR-GATEs and its various indicators. In the meantime, the large and medium-sized enterprises of the industry represented by public-listed companies have already demonstrated the inherent needs and capacity in disclosing sustainability information, composing and publishing social responsibility reports, and some enterprises consulted on this issue with the relevant departments of CNTAC. On account of this situation, CNTAC formulated and launched in mid-2008 a set of standardized, localized social responsibility information disclosure guidance system: China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs), on the basis of in-depth study of existing reporting guidance and public reports, and extensive consultation with enterprises and other organizations in the industry. This marked the birth of China's



first sustainability reporting indicator and norm system, as well as China's first social responsibility information disclosure guidance at the industry level.

The purpose of CSR-GATEs is to provide Chinese textile and apparel enterprise with a comprehensive reporting guidance with specific, qualitative property and quantitative indicators. The principal of CSR-GATEs is an indicator system consisting of 201 indicators relating to the production, management and operation of businesses on one hand, and to the rights and interests of various stakeholders on the other hand. According to the stability of indicators, CSR-GATEs categorizes its indicators into baseline indicators and development indicators, allowing enterprises not to report on baseline indicators that are not changed substantially from their second reports, while encouraging them to cover as many development indicators as possible in each report and report to the utmost on the contents and changes of these indicators. As the minimum level, CSR-GATEs requires all reports cover not less than 60% of all the indicators, i.e., 121 indicators, so as to ensure the completeness and suitability of the report. As the fundamental function of sustainability reports is to disclose and assess the performances of the enterprise in promoting the coordinated development between itself and its stakeholders on the basis of law and offer action anticipation in sustainable development strategy to stakeholders, CSR-GATEs requires that all data and facts contained in sustainability reports shall be objective and verifiable. Therefore, in order to ensure the quality of disclosed information, CSR-GATEs recommends that reporting enterprises conduct independent verification on the contents of their reports, and make public the relevant verification conclusion in the report.

The launch of CSR-GATEs was generally appreciated by all circles of the society. Upon the release of CSR-GATEs, CNTAC encourages all textile and apparel enterprises, in particular CSC9000T implementing enterprises, public-listed companies and the Top 500 Competitive Textile and Apparel Enterprises, as well as leading companies in sub-industries to prepare their social responsibility reports according to CSR-GATEs.

"The release of the second Annual Report (on Social Responsibility of the Chinese Textile and Apparel Industry) and the launch of CSR-GATEs indicate the official establishment of social responsibility reporting mechanisms at both the industry level and the enterprise level, and demonstrate the sustainable approach to the development of industrial social responsibility construction; it is another innovation of CNTAC in the field of social responsibility, which is not only significant to the textile industry, but also an inspiration and reference for the development of social responsibility in China's other manufacturing industries."

—Ou Xinqian, Vice-Minister, Ministry of Industry and Information Technology



The information contained in the reports is generally in time, but with two problems. On one hand, there are repeating parts in two or more reports published by the same company. On the other, the contents of some reports are sometimes too extensive and seem to be fitting with any year's report...facing these problems, *China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises* comes up with a relatively reasonable solution: dividing reporting contents into regular items and variable items, and companies do not need to repeatedly report on the former while they shall cover the latter in each report.

—SynTao, *A Journey to Discover Values 2008: Study of Sustainability Reporting in China*

III. Strategic Cooperation and International Cooperation and Dialogues on Supply Chain

The overall fulfillment of social responsibility depends on the concerted actions and efforts throughout the whole supply chain. In 2008, we promoted understanding and cooperation through different channels and ways to create a favorable environment on the international supply chain for the industry to fulfill its social responsibilities.

1. Strategic Cooperation on Supply Chain

In 2008, CNTAC and the Foreign Trade Association (FTA) made further progresses in the development and promotion of social responsibility on the supply chain. According to the strategic cooperation agreement signed by CNTAC and FTA on 18 May 2007, the two parties would launch joint trainings on the common areas of the two systems, i.e., CSC9000T and BSCI. Following the joint training project in 2007, CNTAC and FTA held 9 awareness-raising training sessions for suppliers in Beijing, Shanghai and Shenzhen in May 2008. The training focused on the system operations and the code of conduct requirements of BSCI and CSC9000T System, and about 1,800 trainees from over 1,000 enterprises participated in the training.

The Sino-EU Supply Chain Summit Leaders Talk and the 2008 Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry were convened in the Great Hall of the People in Beijing on November 18, 2008. Cooperation was the theme of the summit talk. Both Chinese and European organizations and leading corporate representatives in worldwide textile supply chain exchanged views on mutual cooperation, social responsibility and the deeper collaboration between CSC9000T and BSCI, and finally signed jointly the *Declaration of Cooperation on Supply Chain between CNTAC and FTA*, which states, "European retailers and importing companies welcome Chinese manufacturers engaging in





Mr Georg Kell, Executive Director of the UN Global Compact, endorsed the endeavours of BSCI and CNTAC to improve social compliance as an outstanding example of cooperation between retailers from industrialised countries and their suppliers.

CSC9000T and encourage strong implementation; through evaluation and cross checking of tools and practices and adoption of both systems should result in mutual recognition between CSC9000T and BSCI". From 2009, the two parties will test and assess the consistency of two systems in practice through cross-evaluation, and upon the establishment of compatibility, recognize the social responsibility performances of companies applying either system. This implies that without further audits on BSCI, implementing enterprises of CSC9000T would get the recognition of European buyers and retailers adopting BSCI, which would help ease the international

operation of Chinese textile and apparel enterprises. This project represents a great innovation in the realm of social responsibility on international supply chain, as well as the commencement of the internationalization of Chinese social responsibility initiatives.

2. International Cooperation Projects of Social Responsibility

"CSR in the Chinese Textile Industry Project"

In June 2008, the CSR in the Chinese Textile Industry Project, co-sponsored by International Labour Organization (ILO), United Nations Industrial Development Organization (UNIDO) and CNTAC and funded by the Government of Switzerland, held its summing-up meeting in Beijing. The representatives of various stakeholders participating in the project presented their experiences in this meeting, and took the opportunity to explore the possibilities of the project's in-depth extension within the industry as well as its promotion in other industries.

"Improvement on Chinese Textile Industry Environment and Social Responsibility Performance Project"

On 9 December 2008, the Experience-sharing Meeting of the Sino-Dutch Project of Improvement on Chinese Textile Industry Environment and Social Responsibility Performance was convened in Beijing. Mr. F. Heemskerk, the Dutch Minister of Foreign Trade attended and addressed the meeting. He commended the outcomes of the project and spoke highly of the contribution made by CNTAC to the project. Project participating parties shared their experiences with other stakeholders, and jointly discussed with the leadership of the Garment and Fashion Association of Sichuan Province and the Apparel Association of Shaanxi Province, the promotion of similar projects in middle and west regions, with a view to duplicating Shandong Province's successful experience in other regions of the country.

"China-EU Corporate Social Responsibility 'Train the Trainer (TTT)' Project"

Following the victorious completion of Phase I in De-



September 2007, the China-EU Corporate Social Responsibility “Train the Trainer (TTT)” Project successfully held Phase II in April 2008 in Shanghai and Guangzhou, with the themes on occupational health and safety, people-centered management and labor contract law. More than 70 senior executives from textile enterprises and industrial clusters participated in the training. The Project provided tailor-made training materials and practical tools of social responsibility management for enterprises, hoping the participating managers would promote the management methods of related elements on their respective posts and professional fields.

3. Dialogues and Exchanges on Social Responsibility

During April 18-22, 2008, Vice President of CNTAC Sun Ruizhe, at the invitation of International Trade Center (ITC) subordinated to United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO) attended in Accra, the capital city of Ghana in Africa, the World Investment Forum (WIF) in the 12th United Nations Conference on Trade and Development (UNCTAD XII) and introduced the progresses made by Chinese textile industry in implementing CSC9000T, strengthening corporate social responsibility and maintaining a fair trade environment.

At the Annual Meeting of International Textile Manufacturers Federation (ITMF) held in Mauritius in October 2008, to which Chinese textile industry sent the first delegation since CNTAC's accession to ITMF, Vice President of CNTAC Sun Ruizhe delivered a keynote speech entitled “Marching Towards Sustainability — Output, Added Value and Social Responsibility”, which focused on Chinese business's commitment to social responsibility, and the implementation of CSC9000T in Chinese textile industry. He also answered questions from concerned delegates relating to the development of social responsibility in Chinese textile industry, especially to environmental protection and sustainable development.

In addition, the Office for Social Responsibility of CNTAC also had dialogues and exchanges in 2008 with Ethical Trading Initiative-Norway (ETI-Norway), the Nike Company and other stakeholders on supply chain.



IV. The Training of Social Responsibility Professionals

The cultivation of professionals is the key to the success of industry-wide social responsibility work. In 2008, we kept building up CSC9000T expert team, and officially started to nurture professional social responsibility management and supervision talents for enterprises in the industry.

1. CSC9000T Expert Team

In April 2008, the Responsible Supply Chain Association (RSCA) conducted the third training course for CSC9000T evaluators and trainers. 16 experts from three partner organizations of CNTAC, SGS (Hong Kong), Det Norske Veritas (Norway)



and TUV Nord (Germany), attended the three-day training. At the end of 2008, the CSC9000T training and evaluation expert team was enlarged to over 50. Such trainings for CSC9000T evalua-

tors and trainers have not only expanded the expert team of CSC9000T step by step, but also have become discussion and exchange platform on social responsibility issues for the RSCA, its partner organizations and experts .

2. CSC9000T Internal Auditors

In September 2008, the first training seminar for CSC9000T internal auditors was held in Shanghai and Guangzhou, respectively. More than 130 managers from 41 enterprises including the first batch of CSC9000T pilot enterprises, backbone enterprises from industrial clusters, and enterprises of the National Textile Development Bases participated in the training. The training aims to raise the awareness of social responsibility, management capacity and audit skill of the top managerial staff of CSC9000T implementing enterprises, develop a group of professionals who can conduct internal audits of CSC9000T and produce improvement plan for the enterprise, which would help better implement and improve the management system, raising enterprises' social responsibility management and internal operational efficiency.

On the basis of the brief review of the emergence and development of CSC9000T, the training gave a detailed explanation on the establishment and operational requirements, manage-



ment processes and control methods of CSC9000T system, focusing on specific requirements of each normative element of CSC9000T. Picture demonstrations were employed to display the possible non-compliances in and around workplaces so as to help internal auditors get a clear idea of specific questions which may occur in the system operation. The organization and implementation of internal audit, the preparation and application of relevant documents and records, the requirements on internal auditors' quality and skills were introduced and practiced during the last section of the training. In addition, as one of the core bases for the implementation of CSC9000T, the management and legitimacy of the employment contract is an imperative element for internal audit in CSC9000T system. Therefore, this training course also elaborated and analyzed the Implementation Regulations for the Labor Contract Law of the People's Republic of China which was adopted shortly before the training.

In accordance with training requirements, trainees are required to undergo capacity evaluation which is to conduct a CSC9000T Internal Audit, applying what is taught to the specific realities of their enterprises, and then submit copies of the audit reports to the Office for Social Responsibility of CNTAC. Passing through two abovementioned evaluation parts, qualified participant will be awarded with a CSC9000T Internal Auditor Certificate by the RSCA. By the end of 2008, 36 social responsibility managers from 8 enterprises have obtained the certificate.

V. Policies and Technical Support for Social Responsibility

In 2008, besides participating in the making of policy on corporate social responsibility at the national level, CNTAC has also provided technical supports

on social responsibility for enterprises, industry policy-making departments as well as other industries in many forms such as the Social Responsibility Resource Database, survey on the Labor Contract Law and experience sharing.

1. Recommendations for Corporate Social Responsibility Policies

In the mid-2008, the Office for Social Responsibility of CNTAC twice participated in multi-departmental communication and discussion prior to the 16th APEC Economic Leaders' Meeting, organized by the Ministry of Foreign Affairs of the PRC, explored China's strategy towards social responsibility, and proposed policy suggestions. As a result, the viewpoints of CNTAC on corporate social responsibility were integrated into Chinese President Hu Jintao's speech on social responsibility at APEC Informal Leaders' Meeting.

"One important lesson given by the current financial crisis is that, while pursuing economic profit, enterprises shall adopt a prudent, reliable and responsible attitude towards business operation; take into full consideration of the stable function of the whole economy; deal seriously with various risks and hidden troubles; prevent proactively impacts on economic development and people's life resulted from improper business operation. This is the inherent responsibility of every enterprise, especially multinational enterprises. Enterprises shall uphold a global responsibility perspective, incorporate social responsibility into business strategy consciously, observe the law of local countries and internationally recognized business custom, improve business models, and realize the unification of economic profit and social benefit. The state governments shall strengthen direction and supervision, and through making and

improving legislation, create a favorable environment for the conscious performance of social responsibility by enterprises."

Hu Jintao, "Upholding Opening and Cooperation to Seek Mutual Benefit and Win-win Result-Speech at the 16th APEC Informal Leaders' Meeting" (November 22, 2008, Lima, Peru)

2. Social Responsibility Resource Database — Legislations, Regulations and Standards (SRRD)

After six-months' development and testing, the Office for Social Responsibility of CNTAC formally launched the online databank "Social Responsibility Resource Database-Legislations, Regulations and Standards (SRRD)" at the end of December 2008, which is China's first specialized information system on social responsibility developed at industry level, serving primarily the textile and apparel enterprises pushing forward the social responsibility development, research and advisory institutions on CSR, relevant governmental authorities and industry organizations, offering them full-text search services on national laws and regulations, local regulations, international conventions, national and industrial standards related to social responsibility.

At the end of 2008, the Database has included more than 2,000 entries, which is updated on a regular basis in order to help enterprises and other users get the latest laws, regulations and standards in the field of social responsibility.

3. Special Survey and Study on the Labor Contract Law

In order to examine the impacts of Labor Contract Law on the Chinese Textile and Apparel Industry, and provide supports for the adjustment and making of policies by governmental authorities,



the Office for Social Responsibility of CNTAC conducted a nation-wide survey on the implementation status of the Labor Contract Law in October 2008, under the auspices of the National Development and Reform Commission. 80 questionnaires were sent out to textile and apparel enterprises in 12 provinces, and 61 valid questionnaires were returned as the benchmark of statistical analysis in the survey report which was entitled *“Impacts of Labor Contract Law on Chinese Textile and Apparel Industry and Policy Proposals”*. The report reveals the findings of the survey on the impacts of *Labor Contract Law* exerted on the economic performance, technological advancement and industrial upgrading, restructuring and future development of the textile and apparel industry (refer to Part I of this report for survey findings), and exhibits challenges posed to the textile and apparel industry’s commitment to related social responsibility. The policy also makes recommendations to competent authorities at all levels with respect to the adjustment of policies and supporting measures for the sustainable development of the textile industry.



4. Promotion Activities of Social Responsibility beyond the Textile and Apparel Industry

In 2008, CNTAC seized many opportunity to promote its working experience in social responsibility to other sectors. On 2 April 2008, at the “High-end Forum on Social Responsibility & Release Conference of Social Responsibility Guidelines” organized by China Federation of Industrial Economics in Beijing, CNTAC President Du Yuzhou was invited to address the audience. In retrospect of the development history of social responsibility in textile and apparel industry, he briefly introduced the progress of CNTAC in the industry-wide social responsibility construction as well as resulting social impacts and actual effects. On November 28, 2008, at the invitation of Deutsche Gesellschaft fur Technische Zusammenarbeit GmbH (GTZ), Mr. Liang Xiaohui, the Chief Researcher with Office for Social Responsibility of CNTAC gave a detailed presentation of the textile industry’s social responsibility practices and experience in the past four years, at the “CSR Leadership Training Workshop for Service Oriented Trade Enterprises in China” organized by the Sino-German Corporate Social Responsibility Project and the China Association of Trade in Services (CATIS), to about 30 mid/high-level leaders from 16 industry associations, including China Association of Trade in Services (CATS), Chinese Institute of Certified Public Accountants (CICPA), China International Freight Forwarders Association (CIFFA), China Road Transport Association (CRTA), China Shipowners Association (CSA), China Association of International Engineering Consultants (CAIEC), China International Contractors Association (CICA), Beijing Municipal Leasing Industry Association, Beijing Tourism Industry Association, and Beijing Logistics Association.



Part

The Implementation of CSC9000T “10+100+1000” Project and Its Implications

Launched by CNTAC at the end of 2006, “10+100+1000” Project (hereinafter referred to as “the Project”) is designed to realize the radiation effect of fanning out from point to area by implementing the Project, create the atmosphere of social responsibility construction at a nationwide scale, set up benchmarking of CSC9000T Management System for backbone enterprises in industry clusters, and give a good example of localized social responsibility management to all enterprises throughout the country. At the same time, the implementation of the Project also marks that the Chinese self-initiated social responsibility management system has entered into the stage of widespread popularization, and proof-tests the overall applicability of CSC9000T.

I. The Implementation State of CSC9000T “10+100+1000” Project

Main work that the Project completed in 2007 includes corporate social responsibility training for almost 1,000 small and medium-sized textile and apparel enterprises, CSC9000T initial evaluation for 92 project backbone enterprises in seven industry clusters, and training on construction of CSC9000T System for 75 project backbone enterprises (for related project planning and objectives as well as specific implementation in 2007, please refer to Part III of *2007 Annual Report on Social Responsibility of the Chinese Textile and Apparel Industry*).

In 2008, the Project focused on training on construction of CSC9000T System for remaining backbone enterprises in the industry clusters, re-evaluation of CSC9000T System for project backbone enterprises, cultivation of corporate social responsibility management personnel, etc.

1. Training on the Establishment of CSC9000T System

In March 2008, 15 backbone enterprises from Zhongshan City and Humen Town (Dongguan City) in Guangdong Province and Shenhu Town (Jinjiang City) in Fujian Province completed training on construction of CSC9000T System. As thus, a total of 90 backbone project enterprises have received training on construction of CSC9000T System. According to rough statistics, more than 1,400 managers from the above-mentioned enterprises received training on construction of CSC9000T System. By way of training, enterprises basically grasped fundamental principles and methods for developing and implementing CSC9000T Management System or management system of key social responsibility elements. This has laid a solid foundation for establishing CSR management system or management system of key social responsibility elements, as well as continuously improving management





capabilities.

2. Training of Social Responsibility Management Professionals

In addition to training on construction of CSC9000T System to help and guide the enterprises to develop and implement CSC9000T Management System, we further carried out a series of in-depth trainings so as to assist enterprises to maintain and improve established CSC9000T Management System.

In April 2008, the second phase training workshops of China-EU Corporate Social Responsibility “Train the Trainer (TTT)” Project was jointly organized by CNTAC and EU-China Trade Project (EUCTP) in Shanghai and Guangzhou, respectively. More than 80 managers from industry clusters and backbone enterprises participated. By means of two phases of the training project, CNTAC has initially cultivated a CSR trainer team consisting of more than 150 in-house trainers for industry clusters and project backbone enterprises. These talents can play a powerful radiation role in their respective enterprises, thus ensuring human resources for continuous and in-depth advancement of the Project.

In September 2008, Phase I of “CSC9000T Training Course of Internal Auditors” was held in Shanghai and Guangzhou, respectively. The two-day training saw more than 80 managers from backbone enterprises of the Project. The course further upgraded awareness of social responsibility, management capacity and auditing skills of core managers involved in the construction of CSC9000T System, cultivated a group of auditing professionals who can conduct internal audit for CSC9000T System and put forward improvement plans so as to help enterprises establish internal control mechanism required to ensure the continuous and effective functioning of CSC9000T Management System.

3. CSC9000T Re-evaluation

From August to December 2008, 37 backbone enterprises of six industry clusters from Kaiping City, Humen Town and Zhongshan City (in Guangdong Province), Pinghu City (in Zhejiang Province), Shishi City and Shenhu Town (in Fujian Province) completed CSC9000T Re-evaluation; from January to June 2009, 21 backbone enterprises of four industry clusters from Haining City (in Zhejiang Province), Jintan City (in Jiangsu Province), Puyuan Town of Tongxiang City (in Zhejiang Province), Zhongshan City (in Guangdong Province), as well as Ningbo Youngor Worsted Spinning Weaving & Dyeing Co., Ltd. and Ningbo Youngor Yingcheng Garment Co., Ltd. completed CSC9000T Re-evaluation. According to CSC9000T Re-evaluation, it was found that the vast majority of these enterprises had effectively corrected the problems detected in the initial evaluation, and initially set up their own CSC9000T Management System or management system of key elements with their own characteristics. Corporate social responsibility management has gradually integrated into routine operation and management, moving forward to continuous improvement. As of June 2009, the Project has generated a total of 62 CSC9000T implementing enterprises.

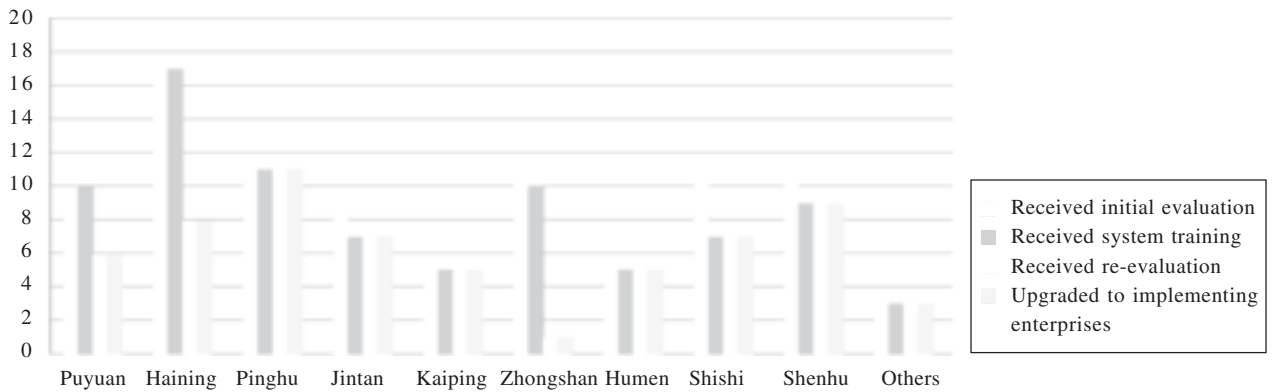


Figure 11: Enterprise Distribution Diagram of CSC9000T “10+100+1000” Project

III. Implications and Reflections

Since the kick-off of “10+100+1000” Project, it has witnessed active responses from industry clusters and enterprises, enjoyed encouragement and support from National Development and Reform Commission of the PRC (NDRC), Ministry of Industry and Information Technology (MIIT) and other relevant authorities, as well as attracted great attention from various stakeholders both at home and abroad. Through project implementation for two and a half years, Chinese textile and apparel industry has initially popularized basic CSR concepts and greatly enhanced industry-wide CSR awareness in SMEs. Almost 70 project backbone enterprises have grasped the basic methods for social responsibility management and built up capacities of developing, implementing, maintaining and improving CSC9000T Management System. The philosophy of sustainable development and continuous improvement has been embedded deep into the hearts of these enterprises. The Project has also trained a CSR team consisting of more than 1,500 managers for the textile industry, laying a solid foundation for continuous improvement of CSR performance in textile and apparel enterprises. From the overall perspective, the Project has basically reached the preset objectives.

1. Policy Guidance and Financial Support from Local Governments

As shown in Figure 11, a remarkable phenomenon in the project implementation is that overall number of follow-up enterprises shows the trend of

gradual decrease among all project clusters. The only exception is Pinghu City in Zhejiang Province (China’s famous city of export garment manufacturing). Two main reasons account for that: one is that the backbone enterprises of industry cluster involved in the Project mainly engage in processing for foreign trades, and producing export products, so there are profit-driven factors of supply chain; the other is that relevant government departments of Pinghu City give policy guidance and financial support for project backbone enterprises. For example, enterprises with stronger sense of social responsibility at vice president level and above of local apparel industry association will be preferably recommended (11 backbone enterprises are all at president/vice president level of Pinghu Apparel Industry Association); make financial support policies, which promise to award enterprises that achieve favorable construction performance of social responsibility management system, etc. Other industry clusters, such as the Kaiping City, Zhongshan City, Shishi City, Shenhu Town and Haining City, also provide financial support for project backbone enterprises to varied degrees. Practices have proved that direct impacts of local financial support on enterprises are very apparent and effective.



2. The Effects of Incentive Policies

At present, Chinese governmental authorities have attached great importance to construction of corporate social

responsibility. For example, NDRC, MIIT and other authorities have issued a number of textile industry policies in recent years, which encourage enterprises to carry out the construction of social responsibility. It is suggested that the competent authorities take into account further refinement of relevant policies to make them more operable, such as including the small and medium-sized enterprises, which implement domestic (localized) management system and social responsibility management system (such as CSC9000T) into support targets of *Measures for the Administration of International Market Developing Funds of Small and Medium-Sized Enterprises (for Trial Implementation)* and *Measures for Administration of Special Capital for the Development of Small and Medium-Sized Enterprises*. These measures will greatly arouse the enthusiasm and initiative of enterprises to fulfill their social responsibilities. Especially in view of the current global financial crisis, which has not yet bottomed out, support and guidance of relevant state industrial policies are particularly important.

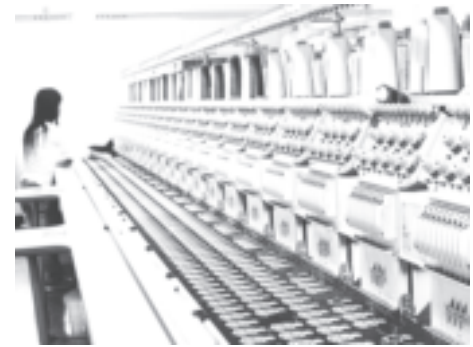
3. Social Responsibility, Productivity and Management

For a long time, many people argue that fulfillment of corporate social responsibility increases operating costs and burdens enterprises with additional expenditure. In implementing the “10+100+1000” Project, a backbone enterprise, Advancetex Fashion Garment Mfy. (Huizhou) Ltd., established CSC9000T Management System in order to effectively improve the performance of social responsibility management, and launched “special campaign of upgrading labor productivity” in stitching workshop in 2007. It took a series of measures, such as introducing advanced production equipment, restructuring assembly line, improving workflow, establishing planned-order system, system of reasonable working hours, system of remuneration incentives and the like, which achieved remarkable results in 2008. Compared with that in 2007, employees’ average wage of stitching work-

shop increased by 5.14% in 2008, per capita output increased by 17.43% on a year-on-year basis, while working time reduced by 12.90%. In this way, the win-win goal of multiple parties was achieved, i.e., maintaining production volume, increasing employees’ incomes, reducing overtime and improving business performance of enterprise. The biggest inspiration of this case is to verify the proposition with management practices that down-to-earth fulfillment of social responsibilities can contribute to improving business performance rather than increase the operating costs. This case also proves down-to-earth improvement of efficiency of labor and production is the fundamental approach to favorable performance of social responsibility management.

4. The Inherent Driving Force of Social Responsibility

No doubt, relevant incentive policies and financial supports from the state and local governments play an important role in promoting enterprises to fulfill social responsibility, and the profit-driven role of supply chain stakeholders cannot be ignored. Nevertheless, we must recognize that only on the premise that an enterprise is practically aware that fulfillment of social responsibility is the inherent requirement for sustainable development, can it burst into a strong driving force for conscious implementation of social responsibility from the inside, which will be the fundamental motive to fulfill the social responsibility. None but in this way can sustainable construction of corporate social responsibility be ultimately ensured. To achieve this goal, currently a feasible approach is providing training, particularly those anatomic training equipped with fresh successful cases. This also undoubtedly is the working direction to industry-wide construction of social responsibility in the future.





Part V

Work Plan for Social Responsibility of Chinese Textile and Apparel Industry in 2009

On the whole, stronger uncertainty will exist in the industrial development in 2009 — a year which also will see acceleration of elimination and integration of enterprises and industry restructuring. Faced with this situation, the work of social responsibility in the industry may confront certain difficulties. However, the facts and experience in 2008 tell us that long-established good corporate image and business performance may instantaneously fall into none due to social responsibility incidents resulting from management negligence. In the meantime, the whole community, especially governments and consumers request more specific and stricter corporate social responsibility. A solid foundation for social responsibility management will be the only way to improving capability of resisting risks and sustainable development. Therefore, we will take into account the actual situations of the industry, and carry out the construction and promotion of social responsibility at the following five major aspects in a continuous and down-to-earth way in 2009.

I. Complete the “10+100+1000” Project

In the first half of 2009, we will complete round-off work of “10+100+1000” Project. CSC9000T Expert Panel will complete re-evaluation of cluster enterprises which have set up CSC9000T Management System in “10+100+1000” Project, sum up implementation of Project, and report to the competent authorities.

II. Promote Sustainability Reporting Mechanism

In 2009, CNTAC will further improve sustainability reporting mechanism in line with CSR-GATEs, including developing documents to explain and describe CSR-GATEs indicators as well as rules and procedure tools required by independent third party to verify and evaluate reports. For those enterprises who intend to issue CSR report, we will also provide relevant training on preparation of social responsibility reports in accordance with CSR-GATEs and assist them in establishing social responsibility reporting management mechanism. In addition, we will establish cooperation with third-party certification organizations with appropriate capacity in the field of social responsibility report verification, and organize relevant training for experts participating in the verification.

III. Develop Supporting Tools for CSC9000T 2008 Version and Upgrading Trainings

In the first half of 2009, we will strive to give publicity to the new version of CSC9000T and promote understanding and recognition in the society. In the second half of 2009, we will update CSC9000T Implementation Guidance as well as supportive documents such as evaluation and training tools. On this basis, we will provide training for enterprises implementing 2005 Version, CSC9000T evaluators and trainers in terms of the new version of CSC9000T. In the meanwhile, we will start the comprehensive application of 2008 Version of CSC9000T for enterprises which will participate in the implementation of 2008 Version of CSC9000T in the second half of 2009.

IV. Promote the Implementation of CSC9000T through Industrial Policies

Among eight parts of *Adjustment and Revitalization Planning of Textile Industry* promulgated by the State Council on 24 April 2009, two parts require to promote and fulfill social responsibility: improvement of public service system and enhancement of enterprise competitiveness. This indicates that promotion and fulfillment of social responsibility is not only an important means for adjusting the industry development, but also the ultimate destination of industry revitalization. For this reason, we will combine the enforcement of the national industrial supportive policies to promote and implement CSC9000T in relevant enterprises in 2009. This aims to ensure that the national industrial supportive resources are favorably enjoyed by the enterprises with good CSR performance, thereby better regulates the order of industrial competition and promotes structural adjustment and sustainable development of the industry.

V. Intensify International Promotion and Cooperation

As the major international cooperation project, we will push forward mutual recognition between CSC9000T System and BSCI System into the substantive phase in 2009, based on the *Declaration of Cooperation on Supply Chain between China National Textile and Apparel Council and Foreign Trade Association* concluded by the two parties. With cross-evaluation methodology, CNTAC and FTA will verify integration of the two systems (CSC9000T and BSCI), and strive to find a feasible approach to mutual recognition. In addition, CNTAC and FTA will also jointly launch the project on "Training the Trainer" to select and dispatch candidates to Europe and the United States to receive professional training related to social responsibility. This project will pool the necessary human resources for international cooperation projects between the two parties in the future.



Acknowledgments

Our stakeholders provided valuable suggestions to the compilation of this present report. We would hereby extend our sincere gratitude and appreciation to the following organizations (in no specific order):

National Development and Reform Commission

Ministry of Industry and Information Technology

Ministry of Human Resources and Social Security

Ministry of Commerce

State-owned Assets Supervision and Administration Commission of the State Council

Chinese Financial, Commercial, Light Industry, Textile and Tobacco Workers' Union

Global Compact Promotion Office of China Enterprise Confederation

Departments and Member Associations of CNTAC

International Labour Organization

United Nations Industrial Development Organization

Foreign Trade Association

Worldwide Responsible Accredited Production

Otto Group, Germany

Arcandor Company, Germany

The Walt Disney Company

Nike Sports (China) Co., Ltd.



I. CSC9000T Chronicles

The Sino-Dutch Experience-sharing Meeting of the Project of Improvement on Chinese Textile Industry Environment and Social Responsibility Performance convened in Beijing, which demonstrated the completion and success of the project jointly launched by CNTAC, IVAM of the University of Amsterdam, Shandong University and Shandong Textile Industry Office.

The Sino-EU Supply Chain Leaders Summit Talk and 2008 Annual Conference on Social Responsibility of China Textile and Apparel Industry convened in Great Hall of the People in Beijing, at which CNTAC and Foreign Trade Association in Europe signed the Declaration of Cooperation on Supply Chain. Two parties agreed to simultaneously adopt CSC9000T and BSCI systems, and conduct cross-evaluation through tools and work practices to achieve mutual recognition between CSC9000T and BSCI.

The 2008 Version of CSC9000T China Social Compliance Management System for Textile and Apparel Industry passed expert committee's examination, with the conclusion that the 2008 Version is qualified to be released and applied.

The delegations of Chinese textile industry attended the annual conference of International Textile Manufacturers Federation (ITMF) in Mauritius, which was China's first presence at the conference after it became a member of ITMF in April. The theme of the conference was environmental protection and sustainable development. Vice president of CNTAC Sun Ruizhe delivered a speech at the conference on "Marching Towards Sustainability — Output, Added Value and Social Responsibility".

The 1st Internal Auditor Training Course for CSC9000T implementing enterprises held in Shanghai and Guangzhou respectively. Present at the two-day training courses were 130 delegates from 41 enterprises, including the first batch of CSC9000T pilot enterprises.

Upon the invitation of Royal Norwegian Ministry of Foreign Affairs and ETI-Norway, representatives from the Office for Social Responsibility of CNTAC visited Oslo and exchanged ideas and experiences on corporate social responsibility with various stakeholders.

CNTAC joined the United Nations Global Compact, making it the first Chinese industrial association that is the member of the UNGC.

Summing-up meeting of Social Responsibility Project of Chinese Textile Enterprises funded by the Government of Switzerland, co-sponsored by ILO, UNIDO and CNTAC held in Beijing. The representatives from participating organizations introduced project experience.

The China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs) and 2007 Annual Report on Social Responsibility of the Chinese Textile and Apparel Industry launched in Beijing. The launch conference marked that the establishment of sustainability reporting systems at both industrial level and corporate level.

16 experts from RSCA partner agencies attended the third training session for CSC9000T trainers and evaluators held in Beijing, which added the expert pool of CSC9000T to more than 50.

Vice President of CNTAC Sun Ruizhe met with Ms Hannah Jones, vice-president of NIKE Company and her delegation in Dongguan, Guangdong Province. Both sides agreed on cooperation in promoting corporate social responsibility on textile supply chain, including information sharing, stakeholder dialogues and capacity building.

The CSC9000T Plan 200·8 launched at the 2007 Annual Conference on Social Responsibility of China Textile and Apparel Industry

The study tour to Europe of CNTAC CSR delegation at the invitation of FTA and European companies

Joint training on the prevention of work-place sexual harassment between CNTAC and the Women's Legal Service Center of Peking University implemented in Beijing Aimer Lingerie Company

EMBA students from Copenhagen Business School studied CSC9000T

CSC9000T ranked the first grade in CNTAC technology advancement awards

RSCA provided trainings on the Labor Contract Law in Shanghai and Shenzhen to Member Companies

The initial evaluations of "10+100+1000" Project commenced at 50 companies in 5 clusters: Puyuan, Shenhu, Pinghu, Haining and Jintan

Mr. Sun Ruizhe spoke at the Forum on the Social Responsibility of Foreign Invested Enterprises in China, on the development and implementation of CSC9000T

The second group of CSC9000T auditors and trainers trained in Beijing

The launch ceremonies of CSC9000T "10+100+1000" Project and the awareness trainings on CSR held in Puyuan, Humen, Shishi, Shenhu, Pinghu, Haining, Kaiping, Jintan and Zhongshan

The Office for Social Responsibility of CNTAC gave training on CSR to representatives of over 50 sub-industries of China Confederation of Light Industries

Workshop on Media Observation of CSR in China Textile and Apparel Industry held in Beijing

The joint project on the Corporate Social Responsibility in the Chinese Textile Industry between CNTAC, ILO and UNIDO officially launched

The NDRC issued the public report on the development of social responsibility in China textile and apparel industry

Joint training with FTA conducted on BSCI and CSC9000T for 400 companies in Shenzhen and Shanghai

Cooperation Agreement signed with FTA to further the unity between BSCI and CSC9000T

RSCA offered trainings on CSR to over 30 Chinese NGO representatives

China Textile Round Table Forum on Corporate Social Responsibility discussed the practice, experiences and challenges on CSR

CSC9000T passed the project appraisalment

Mr. Sun Ruizhe met with OECD officials for financial and enterprise affairs, discussed CSR issues

CSC9000T proclaimed by NDRC as an industrial standard

The first batch of CSC9000T auditors and trainers trained and recognized by RSCA

President Du Yuzhou issued the “Two Policy Proposals concerning the Implementation of CSR in Textile and Apparel Industry” on the NPC and NPPCC meeting

The 5th Joint meeting between CNTAC and ACFTU discussed CSR issues

The International Seminar on the Prevention of Work-place Sexual Harassment acknowledged the experience of CNTAC in related areas

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

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 Dezhou, Binzhou, Weifang and Zibo of Shandong province

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

The CSC9000T pilot program entered into the training stage

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

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

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

The CNTAC delegation composed of representatives of CSC9000T implementing enterprise and related organizations had the first study tour on CSR in Europe

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

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

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

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 initiated, which is a part of "Asia Facility for China 2005", a Sino-Dutch governmental cooperative project

CSC9000T Implementation Guidance was published and its Pilot Program launched

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

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

The CSC9000T official website (www.csc9000.org.cn) was launched

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

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

The Chinese textile delegation led by Mr. Du Yuzhou, President of 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



II. Members of the Responsible Supply Chain Association

Anhui

Anhui Huamao Group Co., Ltd.
Huaibei Printing & Dyeing Co., Ltd.

Beijing

- ★ Beijing Aimer Lingerie Co., Ltd.
- Beijing White Collar Fashion Co., Ltd.
- Botao Clothes Co., Ltd.
- Beijing Dahua Tiantan Garment Co., Ltd.
- Phiharonimc Lide (Beijing) Garment Co., Ltd.
- Beijing Clothing & Textile Trade Association
- Beijing Hongdu Group
- JinJiLie Group Company
- Beijing Jing Gong Garment Group Co., Ltd.
- Beijing Jingmian Group Co., Ltd.
- Jingwei Textile Machinery Company Limited
- Beijing Luoman Clothes Co., Ltd.
- Beijing Linen-century Linen Science & Technology Development Co., Ltd.
- Beijing Shenshi Garment Company Limited
- Shiqi Clothing Co., Ltd.
- ★ Beijing Topnew Knitting Group Co., Ltd.
- Beijing Wumu Suite Co., Ltd.
- Beijing Wsfm Dress & Personal Adornment Co., Ltd.
- Beijing Wuzhou Clothing Accessory Trade-mark Weaving Co., Ltd.
- Xinxing Ductile Iron Pipes Group Co., Ltd.
- Beijing Faith Fashion Co., Ltd.
- Beijing Snow-lotus Cashmere Co., Ltd.
- Beijing Eve Fashion Co., Ltd.

China Garment Co., Ltd.

Fujian

- ★ Shishi Gaiqi Garment Co., Ltd.
- ★ Fujian Haosha Clothing Co., Ltd.
- Fujian Jalice Home Textile Co., Ltd.
- ★ Dali Clothing & Knitting Co., Ltd.
- ★ Derong Garment Co., Ltd.
- Huali Garment Co., Ltd.
- ★ Jiahua Garment Co., Ltd.
- ※ Jinglang Clothing & Knitting Co., Ltd.
- ★ Kangya Dress & Weaving Co., Ltd.
- ★ Shengyang Clothing Weave Co., Ltd.
- ★ Zhongtian Clothing & Weaving Co., Ltd.
- Yonghexing Weaving Industry Co., Ltd.
- ★ Pengcheng Industrial Co., Ltd.
- Fujian Septwolves Industry Co., Ltd.
- Bun Tat Group Co., Ltd.
- Quanzhou Haitian Textile Co., Ltd.
- QuanZhou Jiumuwang Western-style Fashion Clothing Co., Ltd.
- Quanzhou Textile & Garment Commerce Chamber
- ★ New Baijia Clothing & Knitting Co., Ltd.
- ☆ Huafei Garment Co., Ltd.
- ★ Rambow Classics Fashion Co., Ltd.
- ☆ Bindwood (China) Co.,Ltd.
- ★ Shishi Dina Bra & Underwears Co., Ltd.
- ★ Hualian Garment Component Co., Ltd.
- ★ Cabbeen Clothing Development Co., Ltd.
- ★ Yickhing Industry Co. Ltd, Fujian

- ☆ Fujian Stava Garment Co., Ltd.
- ☆ Weles(China)Dress Co., Ltd.
- ☆ Guanhong(China)Co., Ltd.
- Man Hing Group (International) Limited
- Xiamen Xianglu Chemical Fiber Co., Ltd.
- Fujian XiaoXing Textile Dyeing & Printing Co., Ltd.
- ★ Yebao Children's Wear Co.,Ltd.
- Fujian Zhonghe Co., Ltd.
- ★ Fujian Zhulong Garment Co., Ltd.

Guangdong

- Sunland Industry Co.,Ltd.
- Guangdong D.K.D Group
- ★ Dajin(Huizhou) Garment Co.,Ltd.
- ★ Hongyue Clothing Co.,Ltd.
- Kalong Clothing Co.,Ltd.
- ★ Shiyi Garment Co.,Ltd.
- Dongguan Alpha Flock Co., Ltd.
- ※ Dongguan Need Join Finere Industrial Co., Ltd.
- ★ Song Ying Industrial Co.,Ltd.
- Zedaijiayi Clothing Co.,Ltd.
- ★ Yuanye Garment Co.,Ltd.
- Foshan Guancheng Kintting Co., Ltd.
- Tay Hsin Knitting Co., Ltd.
- Foshan Nanhai Hop Hing Sock & Garment Co., Ltd.
- Foshan Nanhai Jiaxinglong Textile Co., Ltd.
- Foshan Nanhai Xiangxiang Textile Trade Co., Ltd.
- Foshan Qiaoli Chemical Fiber Weaving Co., Ltd.
- Foshan Zhang Cha Knitting Industrial Cluster
- Guangdong Textile Garment Association

- Guangshunshijia Garment Co.,Ltd.
- Guangdong Foreign Trade Group Co., Ltd.
- The Union Developing Group of China, Ltd.
- Kaiping Aiyang Textile & Clothing Co.,Ltd.
- Runcheng Printing & Dyeing Company
- ★ Kaiping Panther Textile Co.,Ltd.
- ★ Guangdong Kaiping Chunhui Co.,Ltd.
- ★ Kaiping Fulin Weaving & Garment Co.,Ltd.
- Kaiping Kaida Clothing Co.,Ltd.
- Kaiping Pingda Cotton Spinning Co.,Ltd.
- ★ Guangdong Kaiping Pingfeng Textile Co.,Ltd.
- Kaiping Chaida Clothing Co.,Ltd.
- Kaiping Red Sun Clothing Co.,Ltd.
- KaipingTongxin Digital Embroidery Company
- ★ Ying Xie Manufacturing Co.,Ltd.
- Kaiping Xinyufeng Clothing Co.,Ltd.
- Dragon Legend Industry Co.,Ltd.
- Guangdong Famory (Group) Co., Ltd.
- Shenzhen Apparel Industry Association
- Shenzhen China Silk Enterprise, Ltd.
- Shenzhen Baliso Industrial Company Limited
- Guangdong Silk Corporation (Group)
- ☆ Kenpass(Zhongshan) industrial Co., Ltd.
- ★ Guangdong Yishion Group Co.,Ltd.
- ★ Esquel Group
- Zhongshan Fenghua Sock Factory Co.,Ltd.
- ☆ Anqi Manufactory Co.,Ltd.
- ☆ ZHONG SHANG WENQUAN DRESS CO.,Ltd
- ☆ Fadannu Garment Co.,Ltd.
- ☆ Zhongshan Jinxing Garment Industry Co.,Ltd.
- ☆ Conlia Group
- ☆ Zhongshan Lifeng Garment Industry Co.,Ltd.
- ☆ Nuduozi Textile Co.,Ltd.
- ★ Tongwei Garment Co.,Ltd.

☆ Zhongshan Jinlong Underwear Co.,Ltd.
 Minwei Garment Co.,Ltd.
 Guangzhou Garment Group Co., Ltd.
 Guangzhou Mixmind Art & Design Co., Ltd.

Hebei

Hebei Baoding Yimian (Group) Co., Ltd.
 Handan Sunman Textile Co., Ltd.
 Handan Xuechi Group Co., Ltd.
 Shijiazhuang Changshan Textile Stock Co., Ltd.
 No.1 Cotton Textile Company

Henan

Luoyang White Horse Group Co., Ltd.

Hubei

Wuhan No.1 Textile Group Co., Ltd.
 Xianfan Knitting & Textile Factory
 Hubei Xiaomian Textile Group Co.,Ltd.
 Hubei Yubo Jean Co., Ltd.

Hunan

Hunan Isunte Hemp Fashion Co., Ltd.
 Hunan Huangsheng Zhuzhou Ceder Co., Ltd.

Jiangsu

Jiangsu White Rabbit Textile Group Co., Ltd.
 Jiangsu Baihua Industrial Group Co., Ltd.
 ☆ Jiangsu BSM Clothing Co.,Ltd.
 ☆ Changzhou Chengye Garment Joint-Venture Co., Ltd.
 ☆ Jinsong Fashion Garment Co., Ltd.
 Changzhou Guotai Dongnan Printing & Dyeing Co., Ltd.

Chenfeng Group Ltd.

☆ Jiangsu Danmao Textile Co., Ltd.
 ☆ Jiangsu Flying Ocean Fish Garment Co., Ltd.
 ★ Gaiqi (Suzhou) Textile Co., Ltd.
 ☆ Jiangsu Gao Gao Clothing Co., Ltd.
 Canal Tchnologies Co., Ltd.
 Black Peony (Group) Co., Ltd.
 ★ Hongdou Group Co., Ltd.
 ☆ Hongruichangtai Textile Co., Ltd.
 Jiangsu Hubao Group Co., Ltd.
 ☆ Jin Tan Technologies Co., Ltd.
 Jiangsu Ever-Glory International Group Corporation
 ※ Jiangu Jinghong Textile Co., Ltd.
 ☆ Qingqing Knitting Co., Ltd.
 Nantong Dadong Co.,Ltd.
 Jiangsu Qinman Group Co., Ltd.
 Rugao Orient West Yarn Dyed Co., Ltd.
 ☆ New Wide Group
 Rugao Shunyuan Garment Co., Ltd.
 Suzhou Jienisi Textile Co., Ltd.
 Jiangsu Tianlun Dyeing & Weaving Industrial Co., Ltd.
 Wuxi Xiexin Group Co., Ltd.
 Xiang Xing Holdings Co., Ltd.
 Xiang xing Textile&Finishing(SuzHou)co., Ltd.
 Jiangsu Xiangyang Group
 Jiangsu Xinyalu Group Co., Ltd.
 Jiangsu Zhenyang Co., Ltd.
 JiangSu Sunshine Group

Liaoning

Dalian Textile & Garment Association
 Zhong Yi Trading Co., Ltd.

Dalian Dayang Trends Co., Ltd.

Inner Mongolia

Chifeng Worldbest Woolen Industry Co., Ltd.
 Erdos Group Corporation
 Inner Mongolia King Deer Cashmere (Group) Company

Shandong

Shandong Uniform Co., Ltd.
 Bofine Textile Co., Ltd.
 Shandong Demian Co., Ltd.
 Sunvim Home Textile Co., Ltd.
 Shandong Henlon Co., Ltd.
 Shandong Binzhou Huafang Textile Co., Ltd.
 Jinan Down Wind Cloth Co., Ltd.
 Jinan Zhenghao Advanced Fiber Co., Ltd.
 ★ Shandong Jining Ruyi Technologies (Group)
 Lanyan Group Co., Ltd.
 ★ Nanshan textile & Garment Co., Ltd.
 Shandong Nanshan Industrial Co., Ltd.
 Qingdao Hisun Group
 Redcollar Group
 Qingdao Textile Garment Association
 Qingdao Xi Ying Men Group
 Shandong Ruyi Group
 Shandong Tianxiang Woollen Co., Ltd.
 Shandong Wantai Enterprise & Investment Co., Ltd.
 Weifang Qirong Textile Co., Ltd.
 Shandong Yeliya Garment Group Co., Ltd.
 ★ Yantai Nanshan Berwin Garments Co., Ltd.
 Shandong The Facts Group Stock Co., Ltd.

Shanxi

Shanxi Greenland Textile Co., Ltd.

Shaanxi

Shaanxi Caicheng High-Tech Dyeing & Finishing & Trading Co., Ltd.
 Northwest No. 2 Cotton Group Co., Ltd.

Shanghai

Bosideng International Holdings Ltd.
 Shanghai International Fashion Federation
 Hyx China(Group)Garment Co., Ltd.
 Hyx China (Group)Home Textile Co., Ltd.
 Shanghai Worldbest Hometex (Group) Co., Ltd.
 Judy Mao Shanghai Garment Co., Ltd.
 Shanghai Luolai Home Textile Co., Ltd.
 Shanghai Association of Underwear Trade
 Shanshan Group Co., Ltd.
 Pacific Mechanic (Group) Co., Ltd.

Tianjin

Tianjin Textile Group Tianyi Co., Ltd.
 Tianjin Ruifeng Knitting Imp.& Exp. Co., Ltd.
 Tianjin Textile Garment Association
 Tianjin Tiange Textile Co., Ltd.

Hong Kong

Linmark (HK)Limited
 Viction (Group) Co., Ltd.
 Glorious Sun Group

Zhejiang

Aobenni Garment Co., Ltd.

- ☆ Zhejiang Aoyangchun Garment Co., Ltd.
Babei Group Co., Ltd.
Bailide Group
- ★ Zhejiang Banyu Industry Co., Ltd.
- ★ Baoxiniao Group Co., Ltd.
- ☆ Viperson Group Co., Ltd.
Busen Group Co., Ltd.
Zhejiang Rainbow Village Printing & Dyeing Co., Ltd.
- ☆ Zhejiang Purelove Garment Co., Ltd.
High Fashion Silk (Zhejiang) Co., Ltd.
Zhejiang Delong Summit Textile Co., Ltd.
- ☆ Zhejiang Dinkun Garment Co., Ltd.
- ★ Zhejiang Duoling Holding Group
Furun Imp & Exp Co., Ltd.
Furun Group Co., Ltd.
Kobron Fashion Group Co., Ltd.
- ☆ Zhejiang Hailide New Material Co., Ltd.
Haining Guishidi Leather Garment Co., Ltd.
- ☆ Jinyonghe Home Textile Co., Ltd.
Haining Shendannu Warp Knitting Co., Ltd.
- ☆ Haining Chaoda Warp Knitting Co., Ltd.
Haihui Textile Corporation
- ☆ Haining Haishao Knitting Co., Ltd.
- ☆ Haining Hongfeng Knitting Co., Ltd.
- ☆ Haining Huachang Fabric Co., Ltd.
- ☆ Haining KingBaili Textile Co., Ltd.
Haining Shengdannu Warp Knitting Co., Ltd.
- ☆ Haining Tongxin Sock Co., Ltd.
- ☆ Haining Wanfang Warp Knitting Co., Ltd.
- ☆ Sinoproud International, Ltd.
- ☆ Haining Yarun sock Co., Ltd.
- ☆ Haining Yeshi sock Co., Ltd.
- ☆ Hanbaoliluo sock Co., Ltd.
- ★ Hempel (China) Co., Ltd.
Hangzhou Liangji Cloth Industry Co., Ltd.
Hangzhou Garment Association
Hangzhou Zhonghui Textile Co., Ltd.
Hemboug Group Co., Ltd.
- ☆ Zhejiang Houyuan Textile Co., Ltd.
- ★ Huacheng Industrial Investment Co., Ltd.
- ★ Huafu Holding Co., Ltd.
Huafu Group Co., Ltd.
Rose Garment (CHINA) Co., Ltd.
Zhejiang HuiLi Dyeing and Finishing Co., Ltd.
- ★ Jiaxing Marbos Garment Co., Ltd.
- ☆ Jiaxing Qiaoya Garment Co., Ltd.
- ★ Zhejiang Jiaxing Tongxin Garment Co., Ltd.
- ★ Jiaxing Yongcheng Garment Co., Ltd.
- ☆ Jinda New Material Co., Ltd.
- ☆ Lansheng Cashmere Garment Co., Ltd.
Zhejiang Langsha'erweidi Garment Co., Ltd.
- ☆ Leekwan Embroidery(Haining) Co., Ltd.
Romon Group, Ltd.
Zhejiang Meirong Piece Goods Co., Ltd.
Metersbonwe Group
Zhejiang Msd Warp Knitting & Coating Co., Ltd.
- ★ Zhejiang Mozhihua Industrial (Group) Co., Ltd.
- ☆ Haining Naier Sock Co., Ltd.
Bros Holding Limited
Ningbo Boyang Textile Co., Ltd.
Rouse Group Co., Ltd.
Ningbo Progen Group Co., Ltd.
Ningbo Garment Association
Ningbo Peace Bird Group
Ningbo Hope Time Co., Ltd.
Youngor Group Co., Ltd.

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| ★ Youngor Woolen Printing & Dyeing Co., Ltd. | Wenzhou Dandinghe Dress Co., Ltd. |
| ☆ Youngor Yingcheng Garment Co., Ltd. | Wenzhou Fashion Association |
| ★ Xinchengda Garment Co., Ltd. | Tengxu Co., Ltd. |
| ★ Yuechun Sweater Co., Ltd. | Wenzhou Zhongke Garment Accesseseries Co., Ltd. |
| ☆ Zhejiang Qianqiu Kintwear Co., Ltd. | Sharmoon EZ Co., Ltd. |
| ★ Jodoll Garment Enterprise Co., Ltd. | Xintianlong Group |
| ☆ Zhejiang Queping Textile & Chemical Co., Ltd. | Zhejiang Xuege Garment Co., Ltd. |
| Semir Group Co., Ltd. | Zhejiang Yataite Wide Cloth Printing & Dyeing Co., Ltd. |
| Chamber Of International Commerce Shaoxing | |
| Zhejiang Yulong Industrial & Trade Group Co., Ltd. | ★ Yaxin industrial Co., Ltd. |
| Zhejiang Twin Lantern Home Textile Co., Ltd. | ☆ Zhejiang Yujia'ai Furnishing Products Co., Ltd. |
| Zhejiang Tianlong Digital Printing & Dyeing Co., Ltd. | Yuhua Textile Co., Ltd. |
| Zhejiang Tianma industrial Co., Ltd. | ★ Hopetex Garment Co., Ltd. |
| ★ Zhejiang Tiansheng Holding Group Co., Ltd. | Zhejiang Yuehua Textile Co., Ltd. |
| ☆ Zhejiang Tianxing Techtextile Co., Ltd | Zhejiang Yuehong Holding Group Co., Ltd. |
| ☆ Tongxiang Shunxin Woolen Textile Co., Ltd. | Junder Group Co., Ltd. |
| Zhejiang Sock Co., Ltd. | |
| Zhejiang Weifeng Weaving Printing & Dyeing Co., Ltd. | |

Canada

Hudson's Bay

As of Dec.31st 2008, members of RSCA reached 314.

- ★ : CSC9000T Implementing Enterprises(53)
- ※ : Initial Evaluation Completed within "10+100+1000" Project(3)
- ☆ : Initial Evaluation and Training Completed within "10+100+1000" Project(53)



III. Introduction to the Office for Social Responsibility of CNTAC



The Office for Social Responsibility of CNTAC was established in May 2005. It is China's first permanent social responsibility institution at the national industry level, and the executive body of the Responsible Supply Chain Association (RSCA) under the direct administration of CNTAC.

Visions & Goals

To establish social responsibility management system in Chinese textile enterprises according to specific Chinese conditions;

To disseminate the industry specific social compliance information in collaboration with multi-stakeholders;

To realize social responsibility at the industry level and provide assistance to businesses in establishing social responsibility management system by providing professional services;

To guide businesses within the industry to follow the scientific approach to development, enhance core competitiveness and integrate into the global economy;

To cooperate with domestic and international stakeholders to promote the construction of a responsible global supply chain.

Competencies & Services

Operates and improves CSC9000T China Social Compliance for Textile and Apparel Industry, in line with Chinese law, international conventions and specific industrial conditions;

Conducts performance evaluations of the CSC9000T management system and issues performance reports; provides training and consulting services, technical and professional assistance to businesses in the establishment and operation of CSR management system;

Establish and manages databanks on CSR information and CSR performance of Chinese textile enterprises, and construct platforms for supply chain dialogue and business supporting systems;

Provides professional assistance to the compilation of CSR reports based on China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs) and ensures quality of reports through verification and endorsement;

Exchanges CSR information and promotes best practice by organizing forums, symposiums, seminars and field studies;

Provides consultation on CSR and supply chain issues to government bodies, civil organizations, trade unions, other industry associations and stakeholders on international textile supply chain;

Undertakes CSR-related research and education programs.

Address: 12 East Chang An Street, Beijing, 100742, P.R. China

Tel.: +86-10-85229735

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

Fax: +86-10-85229733

E-mail: info@csc9000.org.cn