



2012/2013

Social Responsibility of Chinese Textile and Apparel Industry Annual Report



China National Textile and Apparel Council

2012/2013

**Social Responsibility of Chinese
Textile and Apparel Industry
Annual Report**



THIS REPORT IS PRINTED ON RECYCLED PAPER

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Preface

In 2012, the world did not end in the ‘doomsday’ as the Mayan civilization did. Even so, all surviving civilizations in the world did not stop the effort to guard against the world sliding along an unsustainable path towards destruction.

In July 2012, the UK Government declared that compulsory carbon disclosure will be imposed on large listed companies in UK, and in the second half of 2012, the UK government went further to propose that human rights performance should be contained in the annual reports of listed companies. According to the *Danish Energy Agreement* adopted by the Danish Parliament in 2012, 35% of energy consumed by the country would be derived from renewable energy by 2020. India mandates in its company law as amended in 2012 that 2 percent of corporate earnings should be allocated to corporate social responsibility fund.

The Communist Party of China put forward in this year the political guidelines calling on to build a beautiful China of ecological civilization. The Chinese government launched for the first time the *People’s Republic of China National Report on Sustainable Development*, reiterating the national strategy of sustainable development. Also in 2012, mass protests against contaminating enterprise projects were seen

here and there across the country, and people’s fundamental needs for healthy air and clean water rightly justify the timeliness of such political guideline and national strategy. At the end of 2012, the Chinese government made it compulsory that all major fixed asset investment projects in the nation must go through social stability risk assessment.

In 2012, the United Nations Conference on Sustainable Development kept endeavoring to build consensus with the inspiring slogan of “The Future We Want”, while the Trans-Pacific Strategic Economic Partnership Agreement (TPP), which became a hotspot in 2012 again, seemed unable to avoid divergence—on the one hand, higher labor and environmental commitments seemed to be obstacles against China’s entry into the TPP; on the other hand, lower standards in countries like Vietnam seemed to be stepping stones for its access to the TPP.

There is no doubt that from Europe to Asia, from the Pacific to the UN, corporate social responsibility and sustainable development have rooted in policy domains of both domestic and global governance. Yet, what matters is that sometimes, corporate social responsibility and sustainable development are established as policy goals, and sometimes, they seem



to be reduced to policy means.

China National Textile and Apparel Council (CNTAC) believes that, for both Chinese textile and apparel industry and its stakeholders, corporate social responsibility and sustainable development are both objectives to be achieved and means employed to realize the objectives. Therefore, since 2005, the industry has made solid efforts to popularize and promote sustainable development, and establish and innovate working mechanisms for social responsibility.

The *Annual Report on Social Responsibility of Chinese Textile and Apparel Industry 2006*, which was released by CNTAC in 2006, marked a brand-new approach to enhance regular communication between the industry and stakeholders, and it was also remembered as the first social responsibility report of non-enterprise organization in China. So far, this series of annual reports have been the social responsibility reports of non-enterprise organizations with longest time-spanning in China. CNTAC hopes that this report could render a broad picture to its stakeholders of progresses the industry has made in fulfilling social responsibility, as well as new development and challenges faced with the industry. We are delighted to see that several other industrial organizations from forestry, banking, and transportation

also joined us to launch industry-level social responsibility reports in 2012.

This report is prepared under the guidance of CNTAC, compiled by the Office for Social Responsibility of CNTAC. During its preparation, the leadership and various departments of CNTAC provided solid support in offering related data and materials. Meanwhile, many domestic and foreign stakeholders of CNTAC offered valuable opinions and suggestions in the process of its compilation and revision. The report consists of four main parts. Part I analyzes major changes in macro industrial factors and their impacts on the fulfillment of social responsibility in the industry based on an overview of the development of the industry in 2012; Part II mainly introduces the work and progresses in social responsibility within the industry in 2012; Part III presents the major findings CNTAC has concluded from its research project on the regional transition of Chinese textile industry and its influences on social responsibility, so as to provide reference for decision-making by all stakeholders concerned, including enterprises within the industry. Part IV outlines the work plan for social responsibility of Chinese textile and apparel industry in 2013-2014.



Part I

The Development of Chinese Textile and Apparel Industry in 2012 and Impacts of Macro Industrial Factors on Social Responsibility

- The Development of Chinese Textile and Apparel industry in 2012
- Changes of Macro Industrial Factors in 2012 and Their Impacts on Social Responsibility

I. The Development of Chinese Textile and Apparel industry in 2012

2012 was marked as a significant year for the continual implementation of the “12th Five-year Plan”. Meanwhile, it was also a year fraught with great challenges and complex circumstances. Confronted with austere development environment both at home and abroad, Chinese textile enterprises managed to maintain a stable operation over the year in spite of mounting pressures. As a whole, Chinese textile and apparel industry left a generally stable yet sluggish growth trajectory in 2012 and witnessed that many of its economic indexes dropped dramatically than those recorded in the previous year. Enterprises in the industry were operating with more hardship, and the overall economic efficiency plummeted.

1. Production and Investment

Larger production volume and sales scale yet slower growth rate—The growth rate of Chinese textile industry output had dropped before it came to a steady trend in 2012. The cumulative industrial gross output of Chinese textile enterprises above designated size amounted to RMB 5,781 billion, a year-on-year

increase of 12.3% from 2011. Yet, its growth rate was 14.5 percentage points less than 2011. In 2012, China’s textile industry realized a sales value of RMB 5,670.18 billion, a 10.6% year-on-year increase, with growth rate down by 16.2 percentage points from the previous year. In the year, the industry experienced a tardy growth in both production volume and sales scale with different performances by various sub-sectors of the industrial chain. While weak increase was observed in chemical fiber, textile machinery, printing and dyeing sectors, better growth was reported on cotton spinning, silk and industrial textile.

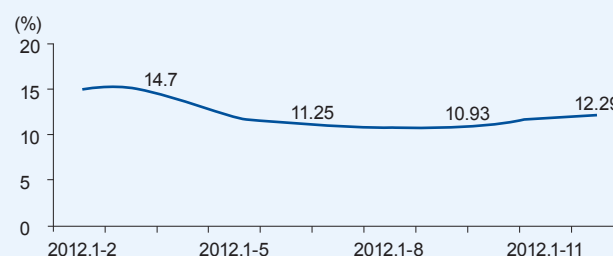


Figure 1: Gross Output Growth of Textile Industry 2012

Meanwhile, the growth rate for major products of the industry also dropped dramatically compared with the previous year’s figures. For example, the output of chemical fiber was 37.92 million tons in 2012, a

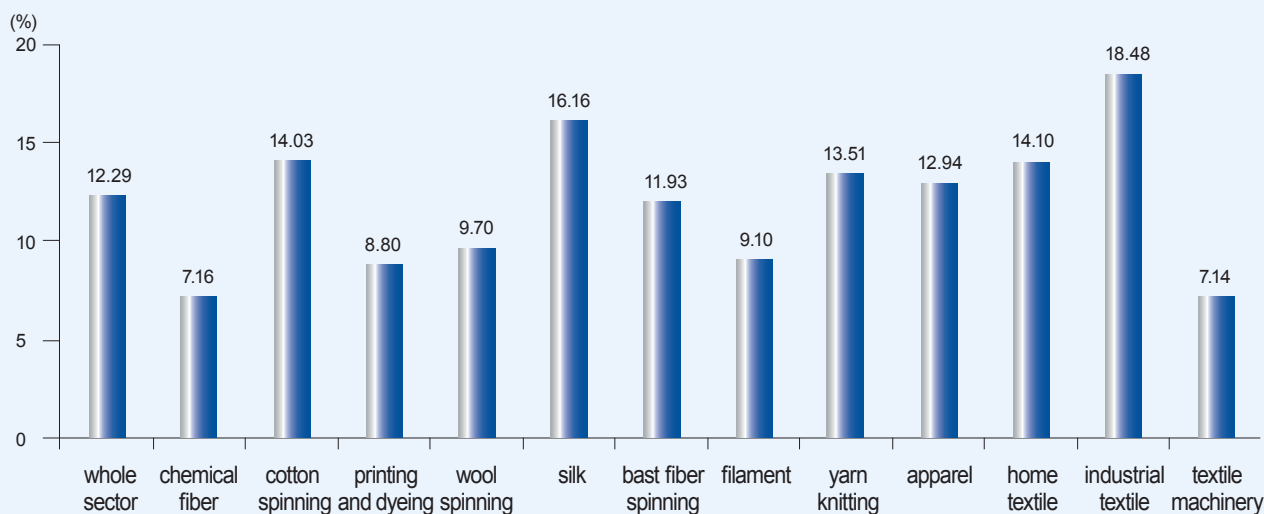


Figure 2: Gross Output Growth Rates of Sub-sectors 2012

11.2% year-on-year increase, with growth rate down by 2.7 percentage points from the previous year; the output of yarn was 29.84 million tons, a 9.8% year-on-year increase, down by 2.6 percentage points; the output of cloth was 66 billion meters, a 11.6% year-on-year increase, down by 0.05 percentage point from the previous year; and the output of apparel was 26.7 billion pieces, only a 6.2% year-on-year increase, down by 1.9 percentage points from the previous year.

Decreased investment growth rate and enhanced regional adjustment—In 2012, a total of RMB 779.3 billion of fixed assets investment was channeled into textile projects of no less than RMB 5 million in value, increased by 14.6% year-on-year, with growth rate down by 21.7 percentage points from the

previous year. Less new projects were started in 2012, decreased by 5.5% over the last year, indicating that textile enterprises dampened their confidence for days to come.

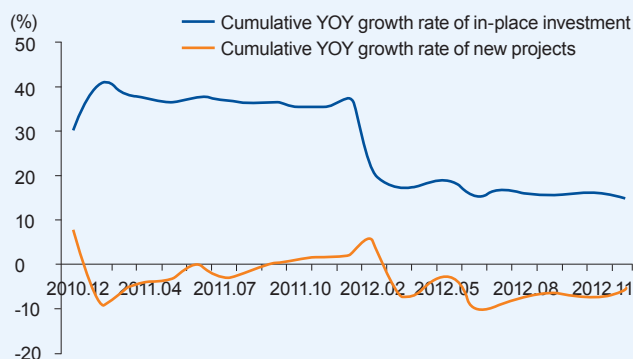


Figure 3: Investment Growth Rates of Textile Industry 2010-2012

In terms of regional performance, the central region saw a 16.6% year-on-year increase of fixed assets investment into textile projects of over RMB 5 million in value, 2.9 percentage points higher than that in the eastern region. What's more, the ratio of investment into the central region to the whole country in 2012 was also higher than that of the previous year, fully indicating that textile industry was shifting to central and western regions with growing momentum for regional adjustment.

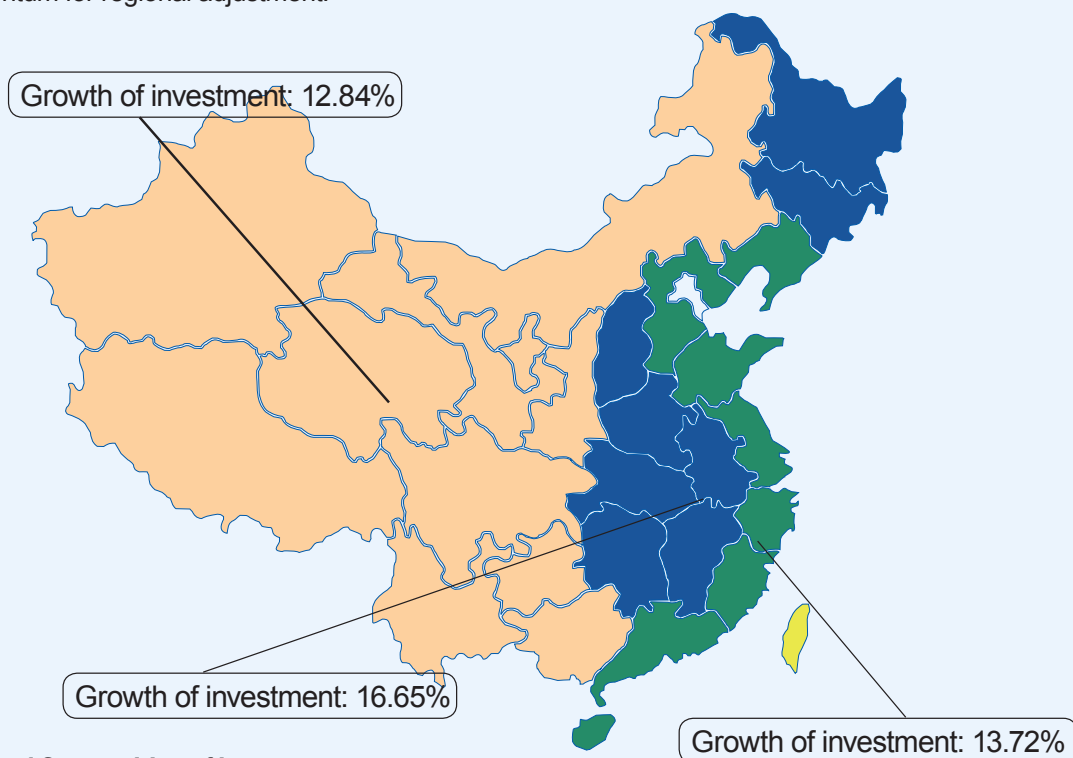


Figure 4: Regional Composition of Investment 2012

2. Market Performance

International market—slight rise in export volume, higher apparel price

China's textile and apparel export amounted to USD 262.5 billion in 2012, increased by 3.3% year-on-year, with growth rate decreased by 16.6 percentage points from the previous year. To be more specific, textile export stood at USD 102.4 billion, up by only 1.5% over the last year; and apparel export reached USD 160.1 billion, a 4.5% year-on-year low increase.

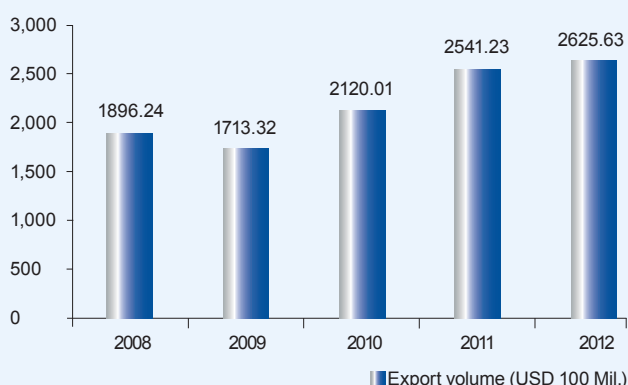


Figure 5: China's Textile and Apparel Exports 2008–2012

In 2012, textile and apparel export enterprises were still harassed by negative influences such as rising cost of raw materials and labor. Textile and apparel export of China was featured by declined volume and mounted price. However, the export price of textile was even lower than before, while the export

growth of apparel was driven by rising prices. The total export volume of textile and apparel of China rose by 3.3% in 2012 compared with that in 2011, while the export price reported a year on year rise of 3.9%. If deducted with price factor, the export volume of textile and apparel of China would have dropped by 0.6%.

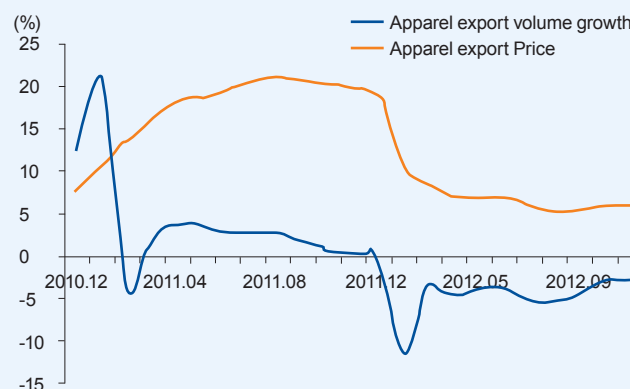


Figure 6: Apparel Export Volume and Price 2010–2012



Figure 7: Textile Export Volume and Price 2010–2012

Table 1: Textile and Apparel Export Volume and Contribution Rate of Price to Export Growth in 2012

	Export value (USD 100 million)	Year-on-year change in export value (%)	Year-on-year change in export price (%)	Year-on-year change in export volume (%)	Contribution to export growth (%)	
					Quantity	Price
Textile	1,024	1.5	-0.2	2.7	181.6	-81.6
Apparel	1,601	4.5	6.9	-2.2	-50.4	150.4
Textile and apparel	2,625	3.3	3.9	-0.6	-17.4	117.4

Data source: Calculated by the Statistics Center of CNTAC based on China customs statistics

Domestic market—significant drop in growth rate, quick rise of e-commerce

The gross retail sales of consumer goods in the nation reached RMB 20,716.7 billion in 2012, up by 14.3% over the previous year. Of this total, the retail sales for enterprises of apparel, footwear, headwear, knitting and textile products above designated size was RMB 977.8 billion, up by 18%, yet with growth rate down by 6.2 percentage points from the previous year. But still, they performed better than enterprises above designated size across the nation in terms of retail growth rate.

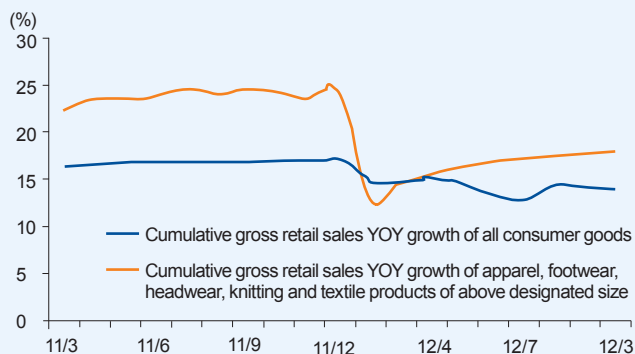


Figure 8: Retail Sales Growth of All Consumer Goods and Textile-related Goods

The retails volume of 100 key large Chinese retailers in 2012 rose by 10.8% year-on-year, with growth rate down by 11.8 percentage points from the previous year. The growth rate of retails volume of key general merchandises and apparels in the nation was weaker compared with the previous year's level. Specifically, apparel sales value registered a 12.3% year-on-year increase, 8.1 percentage points lower than that of the previous year; apparel retails volume saw only a 2% year-on-year increase, with growth rate down by 2.9 percentage points from the previous year, which was also the weakest growth rate within the decade. During recent years, the physical apparel stores could not achieve the expected business performances, and traditional stores were

even reduced to fitting rooms where shoppers came for window shopping. This phenomenon has become strikingly evident in 2012.

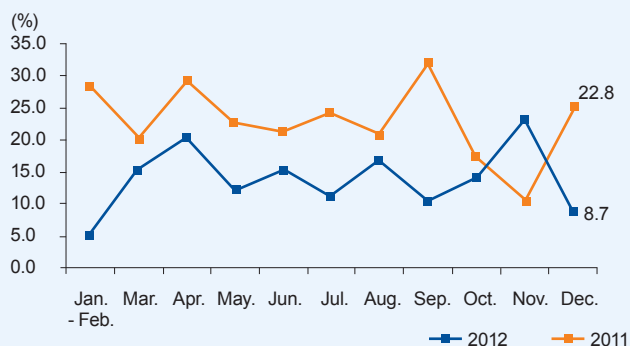


Figure 9: Apparel Sales Growth of 100 Key Large Chinese Retailers 2011-2012

On the other hand, e-commerce sales of apparel products enjoyed a sustained growth in 2012 across China, with annual sale value exceeding RMB 300 billion. Take "Double 11 Shopping Carnival" alone for example, three apparel bands announced a sales value over RMB 100 million each at the online shopping platform of T-mall. E-commerce, which was playing a more and more significant role in apparel sales, had proved itself one of the most promising apparel sales channels in China. However, while e-commerce and its derived services like the third party payment, modern logistics were acclaimed for infusing new energy to textile and apparel industry, they were also exposed to new challenges. For example, poor after-sales service associated with low prices of online commodity, the bottleneck of logistics, as well as the integrity problem of online businesses. These problems together revealed the weak e-commerce infrastructure development and the absence of a sound derived service system for the e-commerce industry.

3. Economic Benefits and Production Efficiency

Positive profit growth, improved production

efficiency—The profit of textile enterprises above designated size in 2012 amounted to RMB 301.5 billion, a 7.7% year-on-year increase with growth rate down by 18.2 percentage points from the previous year. Encouragingly, the second half of 2012 witnessed that the once negative profit growth rate finally turned into a positive one, a turning point where the negative growth of cumulative profit of the industry in the first half of 2012 was reversed.



Figure 10: Profit Growth of the Industry 2011– 2012

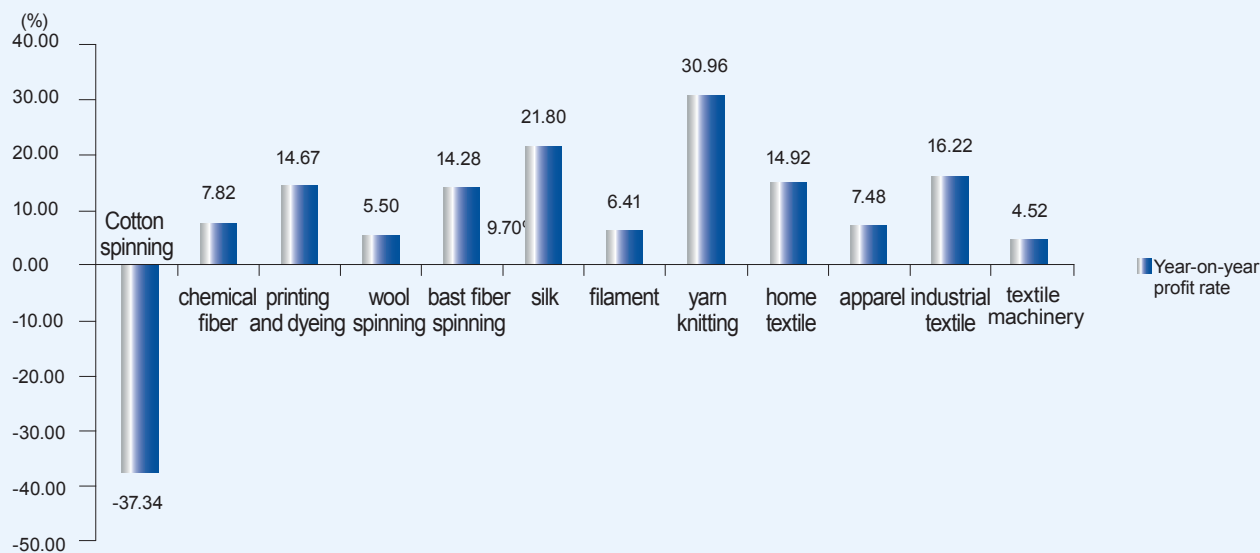


Figure 11: Year-on-year Profit Rates of Sub-sectors Jan.–Dec. 2012

When it comes to the various sub-sectors, chemical fiber, the forefront of textile industrial chain, suffered a slide in profit severely, exerting a great impact on the overall performance of the industry. Specifically, the profit harvested by chemical fiber sector fell by 28.3% over last year. In contrast, other sub-sectors in the latter section of textile industrial chain maintained a sound growth. With chemical fiber sector excluded, other sectors would have achieved a profit growth rate of 12.2%.

In spite of severe external environment and great pressure resulted from growing internal costs, Chinese textile enterprises still managed to have their manufacture efficiency improved by means of enhanced technical input and consolidated management. In 2012, the per capita gross industrial output of enterprises above designated size reached RMB 578,000, up by 13.4% over the previous year. As far as other performance indicators are concerned, they basically stayed at the same level as the previous year or gained slight improvement. For example, the ratio of three fees rose by 0.3% over the same period of the previous year to 6.3%, turnover of finished goods stood at 18.9 times/year, and turnover of total assets was 1.5 times/year in 2012.

II. Changes of Macro Industrial Factors in 2012 and Their Impacts on Social Responsibility

1. Raw Materials and Labor Cost

Raw materials

As a result of tight monetary liquidity, prices of manufacture factors were under more pressure to go up in 2012 than ever. However, when it came to major raw materials for production, 2012 was a favorable year for the industry. Due to weaker demands in the year, chemical fiber was sold at a lower price than that of the previous year. So was steam coal. Due to the slack industrial demands and national policy of limited price, steam coal suffered a downturn domestic price in 2012. The purchase price of industrial fuel only saw a slight year-on-year rise of 0.9% .

Nevertheless, cotton remained the biggest challenge for the industry from raw materials aspect. In the whole year of 2012, the domestic price of

cotton maintained at a high level of more than RMB 18,000yuan/ton under the temporary collection and reservation policy. Yet, this price failed to reflect the true demand change of the textile industry chain. During the same period, cotton price kept falling in global market due to weak demands. The ever-growing price disparity between cotton sold at domestic and overseas markets approached RMB 6,000yuan/ton at the end of 2012, a two-fold increase from the beginning of the year.

The prevailing national policy of cotton management has crippled the market adjustment mechanism. It not only leads to a growing price gap between domestic and overseas markets, thus significantly compromising the healthy development of Chinese cotton textile industry, but results in far-reaching negative impact in the long run as represented by continually deteriorating domestic cotton quality and great influx of imported cotton yarn, which will, in return, further weaken the overall competitive edge of Chinese textile industrial chain and bring in adverse influences on social responsibility for customers, employees and other stakeholders on the value chain.

Labor

As the population structure changes in the country, insufficient labor supply and salary rise have become common challenges for Chinese textile enterprises. Domestic labor cost still kept rising in 2012. According to statistics, the average salary of workers in manufacture industries rose by 14.7% during the first three quarters than in the same period in 2011, and the average monthly salary of rural migrant workers increased by 11.8% in 2012. Results of survey done by CNTAC showed that on average, textile workers enjoyed a 10% rise in salary in the year.



Figure 12: Average Salary of Textile and Manufacturing Workers 2006–2012

Compared with other Southeast Asian countries, labor cost in China is much higher, which accounts for the drainage of some overseas orders from China to neighboring countries in Southeast Asia during recent years, and the quick development of textile industry in these competing countries. Though China still reined the majority of shares in Europe and Japan import markets, the shares of countries like Vietnam and Bengal have increased. During Jan.-Nov. 2012, the Chinese shares in these two markets were 40.1% and 73.2% respectively, but suffered a 1.1% and 1.8% year-on-year drop.

There is no doubt that wages and benefits rise is one of the positive consequences of enterprises fulfilling their social responsibility catering to the changing market. However, salary rise alone cannot be taken as the sole or major solution for textile enterprises to enhance their competitiveness in labor market. In fact, as the new generation of workers has become the major work force in textile industry and the active contributors of urbanization, enterprises should pay more attention to corporate culture, respect to employees, and care for employees, thus enhancing their loyalty to the enterprise and sense of belonging to the locality. Therefore, in the long run, soft

human resource elements like harmonious working environment, prospecting training opportunities, career development, and corporate culture, are becoming more and more competitive in labor market.

2. Environmental Protection

The CCP adopted the vision of “beautiful China” in the 18th National Congress of CPC in 2012, and advocates “to attach great importance to eco-civilization construction and integrate it with endeavors for economic and social prosperity in an all-round way and consistent manner, so as to build a beautiful China and contribute to the sustainable development of the Chinese nation.” These guidelines not only draw a blueprint for China’s economic and social prospects, but also indicate the sustainable development path for the industry.

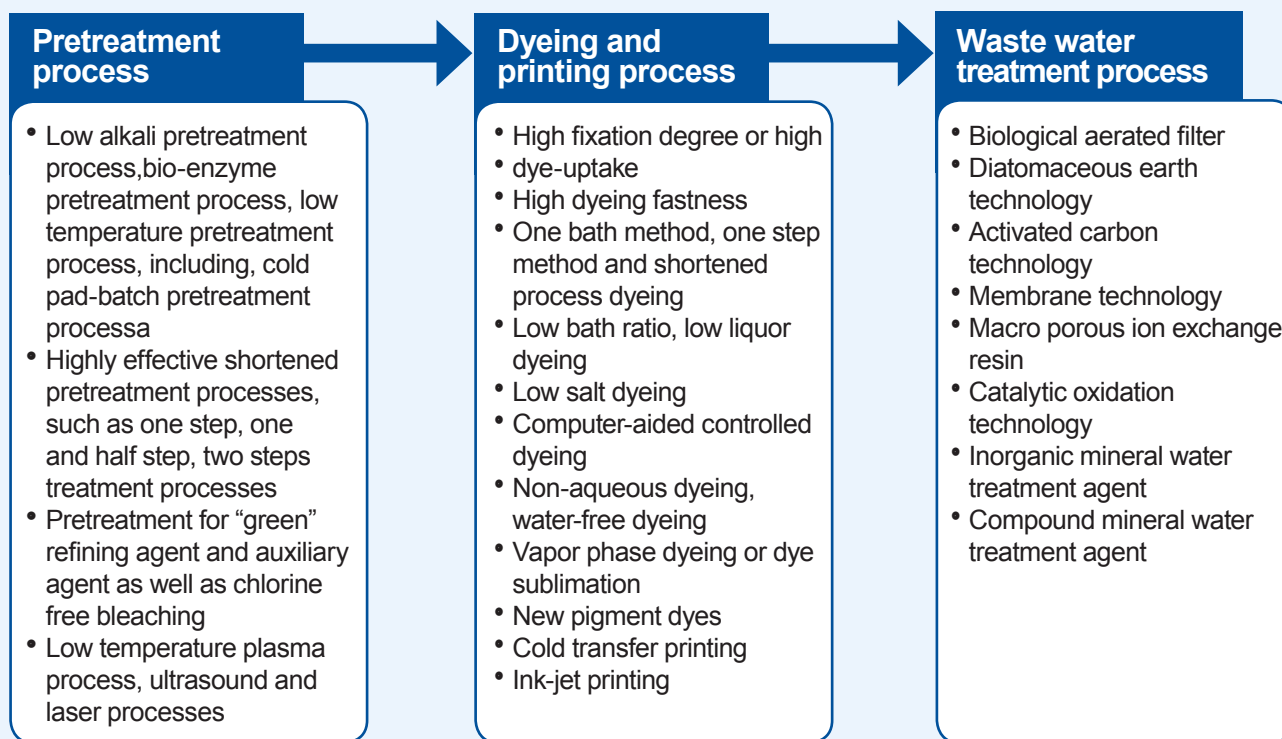
Meanwhile, an array of detailed quantified tasks and emission standards on energy-saving and environmental protection were unveiled by the central and local governments in 2012. For example, in May 2012, the Ministry of Environmental Protection (MEP) released the *Target Responsibility Agreement on the Goal of Reduction of Total Emission of Major Pollutants during the 12th Five-year Plan Period* with the task list of key emission reduction projects to be finished in 2013. According to the document, among the 398 industrial waste water treatment projects, 105 concern textile and apparel enterprises. In October, the MEP and the General Administration of Quality Supervision, Inspection and Quarantine jointly released the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry, Discharge Standards of Water Pollutants for Silk Reeling Industry, Discharge Standards of Water Pollutants for Woolen Textile Industry, and Discharge Standards of Water Pollutants

for Bast and Leaf Fibers Textile Industry, defining the discharge limits as well as supervision and monitoring requirements for water pollutants of the sectors. It is noteworthy that certain emission criteria as provided in these standards are stricter than those implemented in developed countries. Take chemical oxygen demand (COD) for example, the emission limits for existing and newly-established enterprises in China are 100mg/L and 80mg/L respectively, and the emission limit for all enterprises in certain special areas of China is 60mg/L, while according to the BPT Standard of the U.S., the limits of COD for wool scouring waste water, wool fabric finishing waste water, textile finishing waste water stand at 138mg/L, 163mg/L, and 60mg/L respectively while the limit of COD as required by the European Union is below 125mg/L. In December, after strict evaluation and screening, the Ministry of Industry and Information Technology announced the first batch of enterprises that meet the Dyeing and Printing Industry Access Conditions as revised in 2010.

All these predicate that starting from 2012, Chinese textile industry would be confronted with ever-mounting pressures from three aspects, namely, emission limitations more rigorous than those of the developed countries and regions, public opinions from the whole society, especially environmental protection organizations at home and abroad, as well as increasingly demanding requirements in terms of

industry access, land acquisition and financing. These challenges will leave narrower space for the middle segments of the industry, and will eventually become the bottleneck that seriously deter the development of the industry in the long run.

Even so, energy conservation and emission reduction remain to be the key domains for the sustainable development of the industry. According to the *Guidelines on National Program for Building China into a Textile Power (2011-2020)* issued by CNTAC in May 2012, one of the six key targets to be completed by textile industry in the 12th Five-year Plan Period is to “achieve large-scale cleaner production on the basis of reaching national compulsory standards and fulfilling national tasks on energy conservation and emission reduction, so as to help build a low-carbon, green and circular economic system”. It is expected that by the end of the 12th Five-year Plan period, the energy and water consumption per unit of industrial added value and emission of major pollutants should drop by 20%, 30% and 10% respectively than those in 2010; during the 13th Five-year Plan period, a tentative textile fiber recycling system will be established, with recycled textile fiber up to 12 million tons. Yet, one of the important ways to realize these goals is to popularize advanced environment-friendly technologies. At present, new technologies, which are gradually introduced to Chinese textile industry chain include:



Meanwhile, CNTAC has endeavored to reduce the cost pressure suffered by printing and dyeing enterprises in supply chain and helped them gain easier access to global market from environmental front. In March 2012, CNTAC unveiled along with the qualification criterion against which dyeing and printing enterprises could be honorably selected into the "white list" system, the first batch of 26 qualified companies. Enterprises selected into the white list or whose products have been processed by enterprises on the list are eligible to be approbated by Japanese enterprises recognizing the system and be exempted from certain azo dyes tests when their products are exported to Japan.

3. International Trade Environment

In 2012, global economy enjoyed continued recovery and growth on the whole; however, European sovereign debt crisis further deteriorated in the second quarter, making the international financial market

fluctuate once again. As major economies tightened their control over finance and slowed down economic activities on a sluggish market, international economy recovered at a slower pace compared with 2011. The result of the 11th Entrepreneur Track Investigation by CNTAC suggested that 36.4% enterprises complained that weak demand of international market was the main reason influencing their current operation.

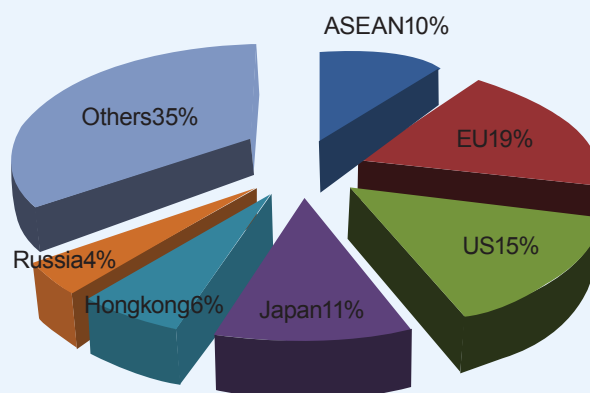


Figure 13: Main Textile and Apparel Export Markets Distribution 2012

In terms of export market structure in 2012, China's textile and apparel export to developed countries declined by 3.5% year on year. Traditional export markets like EU, Japan and US continued to be weak, with year-on-year growth of -8.1%, 0.8% and 3.8% respectively, among which, the volume of apparel export to EU sharply declined by 13.5%. At the same time, Chinese textile export to developing countries increased by 10.61% year on year, and export to ASEAN, Africa and other regions kept rapid growth. Especially, the export volumes to ASEAN and Africa increased by 35% and 17% year on year respectively.

US

In 2012, the US economy was under slow recovery, and China's textile and apparel export to the US realized a cumulative amount of USD 38.92 billion, or an increase of 3.3%, which was mild but exceeded average growing rate. Bulk commodities export volume increased, among which, textile products and fabrics took the lead and increased by 4.9% and 2.7% respectively, and knitted and woven apparel export to the US totaled 5.64 billion pieces/sets, up by 5.4%, with unit price down by 2.7%.

In 2012, the US not only implemented trade control as always on China's textile and apparel export on the ground of consumer and environmental

protection, but also kept trying to weaken its reliance on China's manufacturing at the strategic level. In terms of trade control, the Consumer Product Safety Commission (CPSC) imposed 14 recalls for textile made in China, up by 16.7% year on year, accounting for 64% of the total textile recall cases. At the strategic level, President Obama emphasized the revival of US manufacturing in his address for the Third State of the Union in January; and in February, the White House and the Department of the Treasury jointly issued the report of *The President's Framework for Business Tax Reform*, according to which, the US would adopt tax leverage strategy, including tax credit for its manufacturing, to attract more enterprises to invest in homeland and create more employment opportunities. A report published by the US Institute for Supply Management indicates that, the PMI (Purchase Management Index) of the US manufacturing has maintained higher than 50 since mid-2009 (figure 14). Therefore, China's textile and apparel enterprises are advised not only to pay close attention to US standards for import on consumer and environmental protection, but also to perform strategic layout in advance to cope with structural shock that the products made in America would bring to Chinese exports on US market, including competition in social responsibility and sustainability.

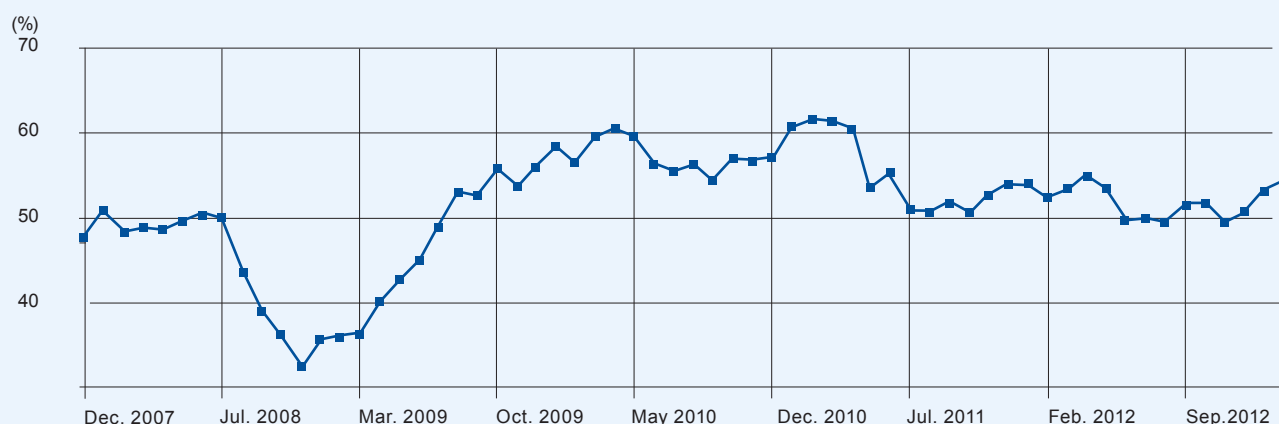


Figure 14: PMI Index of the US

It is also worth noting that the negotiation of Trans-Pacific Strategic Economic Partnership Agreement (TPP) among US, Vietnam and other countries entered a key stage in 2012. TPP may promote the export in textile and apparel industry of Vietnam and other countries, especially their potential export growth to the US market. TPP is based on more rigorous standards on labor and environmental protection, as well as intellectual property rights (IPR) standards, which poses a serious strategic issue to China's manufacturing industries including textile and apparel industry, that is, regardless of China's status on TPP, higher social responsibility standards will be a part of all trade zones in the future.

EU

In 2012, the further deterioration of European sovereign debt crisis dragged the stagnant EU economy into recession, imposing adverse influence on Sino-Europe textile and apparel trade. China's textile and apparel export to EU realized a cumulative amount of USD 47.09 billion, down by 11.9%, the two-digit decreasing amplitude for the first time in recent years, showing harsher situations than during the financial crisis from 2008 to 2009. China's export

volume of textile and apparel declined by 5.7% and 13.6% respectively while both export volume and price of bulk commodities went down. For instance, export volume and price of yarn declined by 0.6% and 14.5% respectively, and those of knitted apparel and woven apparel decreased by 11.5% and 2.7%.

Meanwhile, EU continued to intensify its control of imported products through "green" measures. In 2012, 337 Chinese textile products were reported by the Rapid Alert System for Non-Food Products (RAPEX) of the European Commission, accounting for 30.2% of all the Chinese products reported, and ranking top among all sectors in terms of notification numbers. On May 8, 2012, EU officially began to implement new textile label regulation and required that all labels of textile products should mark with country of origin. At the same time, EU announced an all-out ban on imported textile products containing environmental hormone and expressly prohibited the application of nonyl phenol polyoxyethylene ether (NPE) and nonyl phenol (NP) in production of textile industry. For one thing, these measures will protect EU textile and apparel enterprises, especially those manufacturing children's garments, but for another, China's textile and apparel enterprises have to meet higher export

threshold in environmental and consumer protection.

In addition, EU signed Free Trade Agreements with Columbia and Peru respectively in December 2012. According to the free trade agreement between EU and Columbia, export tariff of textile and apparel from Columbia to EU will be reduced from the highest level 10% to even zero, which will create crowding-out effect on textile and apparel products from China to Europe, the same effect as TPP.

ASEAN/Southeast Asia

Since the establishment of China-ASEAN Free Trade Zone, the bilateral trade on textile and apparel between China and ASEAN has developed rapidly. In 2012, the importance of ASEAN in China's textile and apparel export further improved as China exported large amounts of textile and apparel products of USD 26.66 billion to ASEAN, accounting for 10.5% of total export volume with a year-on-year growth of 34.2%. In fact, ASEAN has taken the place of EU to be a key

force driving the export growth of China.

However, enterprises from Southeast Asia region have gradually become a strong force competing with China in textile and apparel industry on international market. With the enhancement of processing capability of Southeast Asia region and gradual shrink of demographic dividend of China, the shift of international order to these competing countries and regions was one of the key reasons for the weak export of China in 2012. Take import market of EU apparel industry as an example, the market shares of products from Bengal, Cambodia, Vietnam, Turkey and other countries increased while market occupancy of Chinese products declined. Compared with China, the competitive advantage of apparel industry in Southeast Asia lies in their lower social responsibility standard. As a key textile and apparel trade partner of countries in Southeast Asia, China should advocate better social responsibility standards in favor of local labors and environment in the region.

Table 2: Price and Market Shares of Main Apparel Sources of EU 2012

	Year on year price change(%)	Market share in terms of value(%)		
		2011	2012	2012-2011
China	10.0	33.6	32.2	-1.42
Turkey	1.6	8.8	9.2	0.34
Bengal	5.7	7.9	9.1	1.16
India	2.2	5.4	4.9	-0.47
Tunisia	0.6	2.5	2.4	-0.20
Vietnam	10.4	1.8	2.0	0.16
Pakistan	5.4	1.6	1.7	0.05
Cambodia	9.8	1.0	1.3	0.38
Thailand	7.0	1.0	1.0	-0.04

Source: Calculated by the Statistics Center of the CNTAC based on Eurostat data

4. Industrial Transition

Since the beginning of this century, the appeal of the central and western regions of China to textile and apparel industry has gradually increased. Various factors, including market demands, labor, natural resources and environmental capacity, have motivated the transition of textile and apparel industry in China from the southeastern region to the central and western provinces. In recent years, regional transition and adjustment of textile and apparel industry has entered a deep development stage.

In 2012, the central and western regions became a major driving force for China's export growth. In terms of total amount, five coastal provinces and municipalities, namely, Zhejiang, Guangdong, Jiangsu, Shanghai and Shandong, achieved an export revenue of USD 183.86 billion, accounting for 72.1% of the total export value of China; however, the central and western regions showed strong growth trends. For example, in 2012, the export amount of central region realized a cumulative growth of 15%, among which, Anhui Province and Jiangxi Province witnessed an increase of 41.4% and 17.5% respectively; and the amount of western region increased by 22.4%, among which, Guangxi Province saw a sharp growth of 91.6%. The export share of eastern provinces and municipalities dropped to 85.6% in 2012 from 87.5% in 2011, while those of the central region and western region rose by 0.7% and 1.3% respectively.

The on-going industrial transition to underdeveloped regions, which integrates the advantages of eastern, central and western China, can not only optimize the layout of productivity and facilitate reasonable industrial division setup, but also is necessary for speeding up the

upgrading of the economic development pattern and improving people's livelihoods and social development in the central and western regions. At the micro level, the transition drive of an enterprise may be derived from the development demand of itself in most cases. However, factors at the macro level including market change, cost difference, impact of natural resources and environment can well influence corporate social responsibility performances. With gradual acceptance of social responsibility ideas, the influences of industrial transition on corporate social responsibility arouse wide concern from all sectors of the society. In fact, these factors have a direct relationship with the confidence of investors in developing business in central and western regions. Some investment projects out of regional transition have slowed down and even suspended, and some transferred projects were in gloomy operation conditions.

Both the *12th Five-year Plan for Development of the Textile Industry* and the *Guidelines for Building China into a Textile Power (2011-2020)* deem the sound industrial transition as a historical chance to realize industrial upgrading from "big" to "strong". In our view, an orderly and sound industrial transition is signified by enterprises' fully honoring their responsibilities towards employees, local communities and environment while making reasonable use of the competitive advantages of the central and western regions, so as to secure the transition a success. In 2012, CNTAC cooperated with the Embassy of Sweden in China to take textile sector as a sample to study how the regional transition of industries would influence social responsibility. Part III of the Report will present findings and suggestions of the study.



Part II

The Development of Social Responsibility in Chinese Textile and Apparel Industry in 2012

- Social Responsibility Information Disclosure
- Social Responsibility Thematic Study and Capability Building
- Crossover Activities on Social Responsibility
- Community Development and Public Welfare

In 2012, the focus of social responsibility work in Chinese textile and apparel industry was the continuous promotion of social responsibility information disclosure, and meanwhile, researches on hot topics and capacity building in social responsibility domain were conducted in an intensive way and creative engagement and cooperation across social responsibility systems, industries and borders were advanced in a wide range.

I. Social Responsibility Information Disclosure

1. Social Responsibility Reports

Since its publication of the first annual report on social responsibility of Chinese textile and apparel industry in 2006 at the Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry, CNTAC has put great efforts in promoting information disclosure on corporate social responsibility in the industry. On June 29, 2012, the 2012 Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry and the Joint Release Conference of Sustainability Reports of Chinese Textile and Apparel Enterprises were convened in Shanghai. The high-profile event witnessed CNTAC's release of its sixth annual report on social responsibility for the industry, namely the *Report on Social Responsibility of Chinese Textile and Apparel Industry 2011/2012*, as well as the social responsibility reports of 11 textile and apparel enterprises. All the company reports were prepared in line with *China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises* (CSR-GATEs), and the majority of them had been either verified by independent third party agencies or endorsed by CNTAC. As of the end of 2012, 56 textile and apparel enterprises published 134 CSR reports in total, among which, about 50 were released at the joint

launch conference platform and over 30 were verified or endorsed by independent authorities. The textile and apparel industry is now the Chinese sector with the most CSR reports and a unique reporting quality assurance system.

In order to promote the good experiences of leading enterprises in CSR reporting, and encourage more enterprises to incorporate social responsibility into their enterprise strategies and daily management, thus creating the virtuous circle of "management with reporting and reporting for management", CNTAC honored three enterprises represented by Jingwei Textile Machinery Co., Ltd. as Role Models in Sustainability Reporting of China Textile and Apparel Industry, and ten enterprises including Jiangsu Danmao Textile Co., Ltd. as Excellent Practitioners in Sustainability Reporting of China Textile and Apparel Industry, based on data analysis and quality evaluation of the 40 CSR reports issued in 2012.

Role Models in Sustainability Reporting of China Textile and Apparel Industry

Jingwei Textile Machinery Co., Ltd.
Bros Holding Limited,
Bosideng Co., Ltd.

Excellent Practitioners in Sustainability Reporting of China Textile and Apparel Industry

Jiangsu Danmao Textile Co., Ltd.
Shandong Nanshan Fabric and Garment Co., Ltd.
Jiangsu Hongdou Group Co., Ltd.
Jiangsu Xiake Color Spinning Co., Ltd.
Zhejiang R.G.B Textile Printing & Dyeing Co., Ltd.
Hong Kong Handa Enterprise Co., Ltd.
Hongtai (China) Co., Ltd.
Shangdong Tiannuo Photoelectric Material Co., Ltd.
Hengyuanxiang Group
Huaifu Top Dyed Melange Yarn Co., Ltd.

2. Quality Evaluation of CSR Reports

According to the statistics of the Office for Social Responsibility of CNTAC, 40 enterprises in the industry had issued annual CSR reports as of June 30, 2012, of which 33 were made by listed companies while the rest 7 were made by non-listed companies. Among the 40 reports, 12 were made in line with CSR-GATEs (namely CSR-GATEs reports), accounting for 30% of all 2012 reports. Meanwhile, the ratio of public listed companies which released CSR reports to all reporting companies in the industry increased from 61.36% in 2011 to 80.49% in 2012.

According to the *China Sustainability Reporting-Verification Rules and Instructions* (CSR-VRAI), five principles, namely completeness, objectivity, appropriateness, responsiveness and sustainability are defined to measure the quality of sustainability reporting. The Office for Social Responsibility of CNTAC analyzed the 40 CSR reports and concluded that all reports had put basically equal weight to the five aspects. On the whole, these reports performed best in terms of objectivity, and least satisfactory with regard to completeness (figure 1). This indicates that when preparing such reports, enterprises tended to attach great importance to the authenticity of the disclosed information, so as to enhance the materiality of the reports for all related stakeholders. The main reason for enterprises to release less comprehensive reports attributed to the absence of effective internal mechanism for information acquisition. For example, when it came to the accounting of specific performances, some enterprises only made public the information of one of its subsidiaries or of a certain month, failing to render a complete picture on both space and time dimensions. It is especially worthy of attention that CSR-GATEs reports are obviously better than non-CSR-GATEs ones in all aspects, especially in completeness (figure 2).

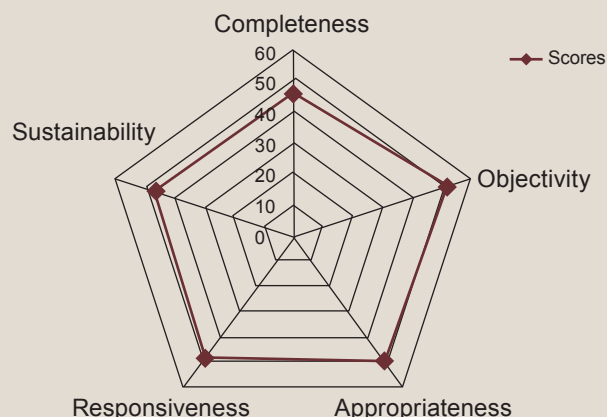


Figure 1: Overall Quality of CSR Reports

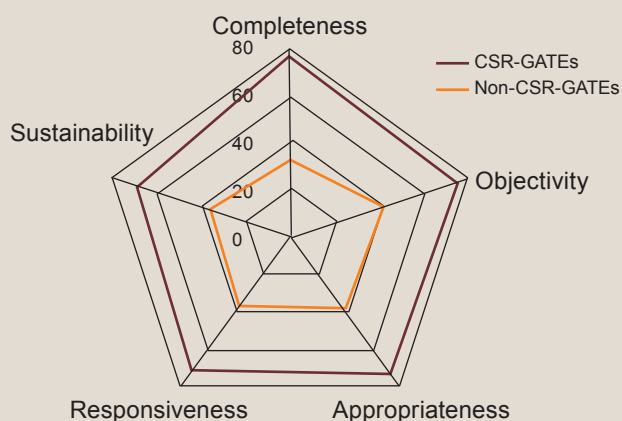


Figure 2: Quality Comparison of CSR-GATEs Reports and Non-CSR-GATEs Reports

Regarding the six major parts of 40 CSR reports issued in 2012, it can be seen that CSR-GATEs reports are apparently better than non-CSR-GATEs reports in terms of quality. For instance, with regard to corporate social responsibility management (social responsibility strategy and management), CSR-GATEs reports enjoy an advantage of disclosing more information for this part, which reflects higher management level. In addition, CSR-GATEs reports are compiled in a more standard way, with relatively complete statistic information, and more uniform layout, thus making them more reader-friendly.

In terms of social responsibility performance indicators, the average coverage rate of CSR-GATEs reports is 70%, much higher than that of non-CSR-

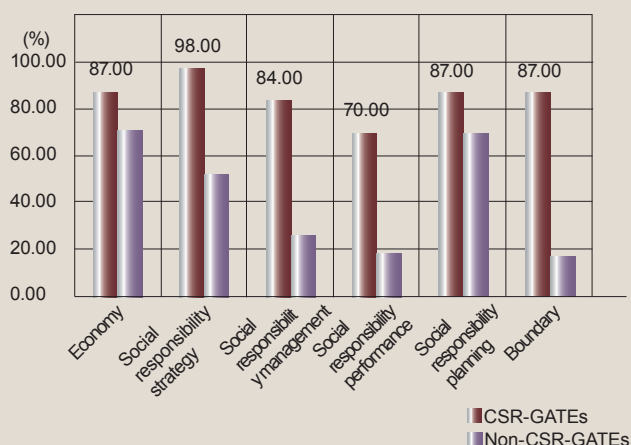


Figure 3: Comparison on Indicator Coverage Rates

GATEs reports, which only reaches 18%. Among the five secondary indicators of social responsibility performance, both kinds of reports attached great attention to environmental protection, community development, and social welfare. Yet, less information was disclosed on such secondary indicators as product quality and supply chain management. This indicates that all enterprises took different approaches towards two different categories of stakeholders, namely, a more cautious approach towards inter-enterprise relations, and a more open one towards non-business relations. The biggest disparity on information disclosure between the two types of reports lies in the domain of product information. It is thus suggested that non-CSR-GATEs reports should put more efforts in giving information concerning product quality and consumer right protection, in view to better satisfy the needs of product users and consumers (figure 4).

3. Social Responsibility Information Disclosure and Business Promotion

In 2012, on top of establishing mechanisms and platforms for enterprises in textile and apparel industry to disclose social responsibility information, CNTAC started to tap business promotion channels for those enterprises with good records in disclosing social

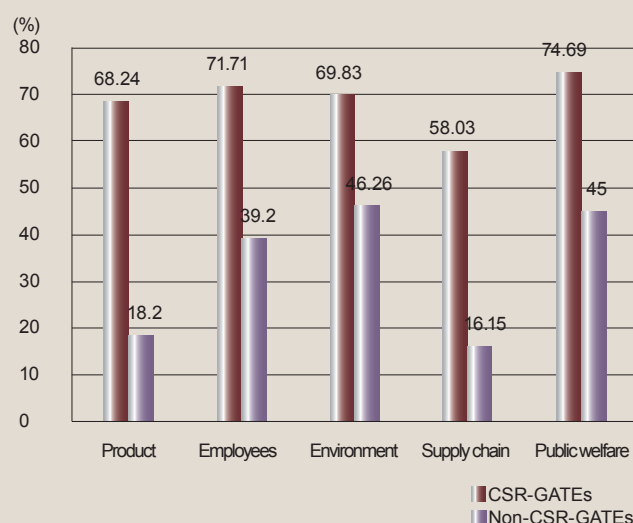


Figure 4: Scores of CSR-GATEs Reports and Non-CSR-GATEs Reports on Social Responsibility Performances

responsibility information, so as to realize the benign interaction between social and economic benefits. For this purpose, the Office for Social Responsibility of CNTAC launched the working mechanism of “Responsible Production”, through which, outstanding Chinese textile and apparel enterprises will be recommended to global supply chain as they collectively create a good reputation for Chinese textile and apparel industry in fulfilling social responsibility. This practice, in return, would guide stakeholders of supply chain to pay due attention to products as well as the sustainability strategy and responsibility practices of the manufactures. Enterprises recognized by “Responsible Production” are those which have made notable achievements in social responsibility capability-building and information disclosure domains during recent years, whose products endowed with the privilege for commercial promotion are those selected from Fabrics China contest and meeting standards in three aspects, namely “people first” (e.g., legal employment, harmonious labor relations), “green production” (energy conservation, water saving, emission reduction, low carbon), and “green products” (harmless to human health and environment).

In October 2012, “Responsible Production” was officially launched by CNTAC on China International Trade Fair for Apparel Fabrics and Accessories, where enterprises and products selected for commercial

promotion were on display. These products, featured by the “Responsible Production” logo, drew great attention from domestic and overseas business participants.

Table 1: Enterprises Admitted to “Responsible Production” in 2012

High Fashion Silk (Zhejiang) Co., Ltd.	Shangdong Tiannuo Photoelectric Material Co., Ltd.
Hongtai (China) Co., Ltd.	Suzhou Good Maier Garment Limited
Jiangsu Danmao Textile Co., Ltd.	Suzhou CINC Textile Technologies Stock Corp.
Jiangsu Xiake Color Spinning Co., Ltd.	Wuxi Hengnuo Knitting Co., Ltd.
Quanzhou HTT Corporation	Zhejiang Rainbow Village Printing & Dyeing Co., Ltd.
Shandong Nanshan Fabric and Garment Co., Ltd.	Zhejiang R.G.B Textile Printing & Dyeing Co., Ltd.



Figure 5: Display of “Responsible Production” Products

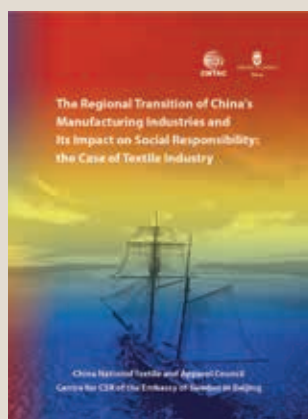
II. Social Responsibility Thematic Study and Capability Building

1. Social Responsibility Thematic Study

The Office for Social Responsibility of CNTAC has paid intensive attention to hot and tough issues in textile industry and conducted well-targeted research programs, so as to analyze and find out solutions for such problems and provide policy-making and management suggestions for stakeholders like governments and enterprises. In 2012, two thematic research projects were conducted by CNTAC to explore grievance and communication mechanisms within textile enterprises and the influences brought by regional industry transition on corporate social responsibility.

The study on the *Communication and Grievance Mechanism within Textile and Apparel Enterprises* was a joint project of CNTAC and the Great Britain-China Center. In July 2012, the project team visited six textile and apparel enterprises located in Yangtze River Delta (Jiangsu), Pearl River Delta (Guangdong) and Central China (Hubei), and gained a systematic and thorough understanding about the establishment and operation of the internal communication mechanism of these companies by means of on-site investigation methods like interviews and questionnaires. Based on detailed analysis over the establishment and operation cost, actual effect, and the influences on enterprise culture of various internal grievance mechanisms as observed in these investigated enterprises, the project team proposed a series of suggestions to guide enterprises on how to establish and optimize their staff opinion collection, treatment and feedback mechanisms and ensure they are in line with international standards, China's local conditions as well as industry features. Wrapped up at the end of 2012, the project had its

closing and report release conference at the beginning of 2013. More than 50 participants from enterprises, industrial organizations, international institutions, and academic institutions attended the conference. Participants to the conference fully explored how to establish effective internal communication, opinion and grievance mechanisms in enterprises based on experiences brought from domestic and global practices with full consideration given to the realities of Chinese enterprises. After the fruitful discussion, the project team also put forward a series of policy-making suggestions on internal grievance mechanism of Chinese enterprises.



Kicked off at the end of 2011, the research project on the regional transition of China's manufacturing industries and its impact on social responsibility was jointly initiated by CNTAC and the CSR Center of the Embassy of Sweden in China. In 2012, the project team visited about 50 enterprises in 11 provinces (municipalities, autonomous regions) across eastern, central and western China where, through interviews and questionnaires, the team conducted in-depth investigation on stakeholders in industry-outgoing and industry-receiving regions, including local governments, industrial organizations and employees. At the end of 2012, the project team completed the draft research report. On April 9 and 11, 2013, two

launch conferences of the research report were held in Beijing and Shanghai by CNTAC and the CSR Center of the Embassy of Sweden in China. More than 150 people from enterprises, international institutions, industrial organizations, and global brands attended the events. On April 23, both parties, in collaboration with the Swedish Chamber of Commerce in Hong Kong, hosted a seminar on the regional transition of China's manufacturing industries and its impact on social responsibility in Hong Kong. About 40 representatives from Hong Kong-based chambers of commerce and consulates, industrial organizations, brand merchants, and academic institutions were present at the seminar. Detailed introduction about the major findings and related recommendations of the project are available in Part III of this report.

2. Social Responsibility Capacity Building

Social responsibility capability-building is the fundamental means and long-term measure to improve enterprises' social responsibility performance. For years, CNTAC has been dedicated to introducing the capacities and resources of related stakeholders to the industry, so as to help enterprises in the industry to better cultivate their social responsibility capacity.

The one-year-long project of Sustaining Competitive and Responsible Enterprises (SCORE), which was jointly implemented by CNTAC and the International Labor Organization, came to an end on October 23, 2012, when the project closing conference was held in Pinghu city of Zhejiang Province. Aimed to enhance small and medium-sized enterprises' competitive edge and advocate management training and consultation service programs on sustainable and decent work, this project was initiated in May, 2011 in Pinghu City, Zhejiang Province. Drawing on the

Energy Conservation and Emission Reduction Green Skill Training Program for Chinese Textile and Apparel Industry initiated by CNTAC, the project was dedicated to providing training and tutoring sessions to apparel enterprises in Pinghu, with emphasis put on two modules, namely workplace cooperation and clean production.

The project combined trainings with on-site tutoring, and altogether 12 enterprises joined training sessions, 5 of which accepted twice on-site tutoring by trainers. The trainers were responsible for helping enterprises pinpoint and analyze problems, establish improvement mechanisms, work out improvement plans and guide the implementation of such plans. After one-year operation, the project has proved to be highly successful. At the project closing conference, participating enterprises introduced the changes brought by the project with a great deal of supporting photos and specific data. For example, with evaluation and motivation mechanism well in place, Jiaying Yongcheng Garments Co., Ltd. successfully inspired employees to actively take part in energy conservation and emission reduction programs; thanks to the newly stipulated policies and standards, and the practice of tracing and recording key performance indicators, Zhejiang Desheng Industry Co., Ltd. saw a sharp cut in its material and resource consumption, and specifically, the annual electricity bill was down by about 20%; Zhejiang EMF Cosplay Culture Industry Co., Ltd. improved its productivity substantially by establishing the 6s site management system and incorporating it into corporate culture.

In 2012, CNTAC continued its collaboration with BSCI in suppliers training, which were held for three times in the year. More than 700 trainees from 200-plus enterprises took part in the training programs in



Figure 6: SCORE Project Closing Conference in Pinghu

Shanghai and Hangzhou. Comprised of two training models, namely awareness raising and advanced training, the project helped trainees gain an in-depth insight into topics like wages and hours, employment contract, vocational health and safety on the basis of the requirements of related social responsibility systems. With newly updated training materials and methods on hand, CNTAC experts successfully made this year's training program more adaptive to the latest development of laws and regulations as well as the demands of enterprises.

In addition, by cooperating with many local government authorities and industrial organizations including Xinyu Municipal Bureau of Commerce of Jiangxi Province and Shaanxi Province Textile Industry Association in 2012, the Office for Social Responsibility of CNTAC delivered several foundational or themed training programs on social responsibility for participants of local governments, enterprises and social organizations.

III. Crossover Activities on Social Responsibility

1. Cross-system Integration

At the end of 2011, CNTAC reached the consensus with SAI and WRAP of the US, BSCI and Solidaridad of Europe on establishing the multi-stakeholder advisory mechanism MAC (Multi-stakeholder Advisory Committee) in China, which is owned and shared by the five systems so as to provide a collaboration platform that helps promote consensus and sustainability practices for governments, enterprises, transnational corporations, workers, auditing agencies and other interested parties. The founding systems of MAC hope that it will help realize the long-term value pursuit with the support of all stakeholders, including integration of various supply chain efforts in the widest range to enhance cooperation and participation.

In February 2012, the first MAC meeting was held at an apparel enterprise in Beijing, with over 30 representatives from enterprises, governments, auditing agencies and labor rights organizations, besides representatives of the five systems. The attendees firstly proposed creative suggestions for the five systems on how to implement MAC and promote cooperation between social responsibility systems. Then the meeting mainly discussed the topic of social insurance, in particular the challenges and difficulties

confronted with enterprises in implementing the standards and systems. In the end, a series of advisory opinions were put forward for reference in setting and implementing all the five standards and systems. By doing so, the founding systems hope that the MAC cooperation would help reduce the overlapping costs in supply chain and relieve the pressure for each party as much as possible in the process of implementing standards.



Figure 7: The First MAC Meeting

2. Cross-sector Cooperation

CNTAC kept on advancing cross-sector cooperation in 2012, and it was dedicated to promoting the experiences of textile industry on social responsibility to other industries, with the electronic and information industry as a focus. As the strategic partner of China's electronic and information industry on social responsibility development, CNTAC engaged in the whole process of the establishment of social responsibility organization and standards in electronic and information industry in 2011, with the coordination and support of the Ministry of Industry and Information Technology (MIIT). In particular, CNTAC led and completed the draft *Guidance on Social Responsibility for China's Electronic and Information Industry* ("the Guidance").

In 2012, as the key members in the drafting team of the Guidance, experts from CNTAC continued to revise and amend the Guidance based on the

opinions solicited from a wide range of stakeholders, and completed the "draft for comments" and the final draft successively. Serving as the fundamental guiding document to advance social responsibility in electronic and information industry, the Guidance, with CSC9000T (China Social Compliance 9000 for Textile & Apparel Industry) as the main reference, will provide systematic guidelines for electronic and information enterprises and relevant organizations in fulfilling their social responsibility. Meanwhile, CNTAC actively assisted stakeholders of electronic and information industry to carry out dialogues, and participated in the seminars on promoting social responsibility in electronic and information industry held by the Committee on Social Responsibility of the China Electronics Standardization Association, the American Chamber of Commerce in China and the European Union Chamber of Commerce in China in April and June successively. In these meetings, CNTAC

introduced to the attendees details of the drafting process and the main contents of the Guidance.

In a bid to provide action notes to the Guidance, experts of CNTAC completed the compilation of the *Collection of Best Practices in Social Responsibility of Chinese Electronic and Information Industry* in the second half of 2012 as main editorial members. At the 5th Promotional Meeting of Electronic Information Industry Standards and Annual Conference on Social Responsibility of China's Electronic Information Industry held in Beijing on January 10, 2013, China Electronics Standardization Association released the Guidance and the Collection of Best Practices, indicating that the establishment of standards on social responsibility was officially completed for China's electronic and information industry.

3. Cross-border Dialogue

In March 2012, the release conference of the Children's Rights and Business Principles was held in London. The Principles was proposed by the UNICEF

(United Nations International Children's Emergency Fund), the UNGC (United Nations Global Compact) and Save the Children, aiming to urge enterprises to respect and support children's rights in work places, markets, communities and other aspects. Besides, the Principles offer comprehensive guidance to businesses and stakeholders on how to respect and support children's rights in its all-around coordinated framework. From 2011 to 2012, an expert from the Office for Social Responsibility of CNTAC involved in the development of the Children's Rights and Business Principles as one of the members of the reference group. Vice President Sun Ruizhe of CNTAC was invited to the release conference. On the panel discussion of the conference, Mr. Sun introduced the features, employment demands, life attitudes and visions and other issues concerning the new generation of workers as well as the challenges they are posing to the management of corporate social responsibility and development of the industry.



Figure 8: Global Release Conference of the Children's Rights and Business Principles

On March 13, 2012, Vice President Sun Ruizhe, and Deputy Director Yan Yan of the Office for Social Responsibility of CNTAC, attended the 2012 annual conference of SEDEX (Supplier Ethical Data Exchange) held in London. Mr. Sun participated in the panel discussion at the conference and presented the development trend and challenges with regard to employment in China's textile industry. He specifically analyzed the features of the second generation of migrant workers, and how to retain employees so as to speed up industrial restructuring. He pointed out to the brand companies from various countries that the effective way for suppliers to solve improper employment problems was to enhance communication between suppliers and buyers, so as to understand aspirations and needs of the new generation of migrant workers, encourage enterprises to adopt proactive measures to retain employees, consolidate understanding among stakeholders, and urge them to jointly assume responsibility.

On November 22, 2012, the Confederation of German Employers' Associations or BDA (Bundesvereinigung der Deutschen Arbeitgeberverbände) and OECD Berlin Center jointly held the international forum to discuss the new version of OECD Guidelines for Multinational Enterprises in Berlin. Over 50 representatives from various departments of German government, BDA, OECD, International Organization of Employers, industrial and commercial circles took part in the forum. Yan Yan, Deputy Director of the Office for Social Responsibility of CNTAC, was invited to attend the forum, and on the special panel "OECD Guidelines and International Governance", she introduced the

practices of Chinese textile industry in fulfilling social responsibility, and pointed out that enhancing the leadership and accountability mechanisms of the existing global governance organizations such as the UN and WTO is the best approach to improve global governance.

IV. Community Development and Public Welfare

In addition to advocating and promoting social responsibility among enterprises within the textile industry, CNTAC also took an active part in fulfilling its responsibility as a social organization. In 2012, CNTAC carried out a series of responsibility actions to promote community development and social harmony.

Beicheying Village in Qinglong Town, Fangshan District was one of the worst-hit areas in Beijing influenced by the heavy rainstorm on July 21, 2012. Right after the incident, China Textile Information Center, a subsidiary of CNTAC, donated 1250KGs of rice and 260 liters of cooking oil to Beicheying Village, helping the local residents weather through the hardship.

The CNTAC Hope Primary School, sponsored by CNTAC, was inaugurated on August 9, 2012 in Qilan Village, Aqia Town, Keping County, Aksu city of Xinjiang. CNTAC Hope Primary School in Qilan Village is a whole-day primary school in Uyghur language. At present, there are 130 students and 13 teachers at the school. Due to remote location and poor infrastructures, the education quality of primary school in Qilan Village was at stake. In order to improve school conditions, CNTAC made a donation

to upgrade the basic facilities in the school.

On December 11, 2012, China Textile Information Center and China Textiles Development Center, two subsidiaries of CNTAC, worked with Anzhen Xili Community Neighborhood Committee of Beijing and implemented the project of “Respecting the Old & Supporting the Gold Fingers” in Anzhen Xili. This was the third event jointly held by the organizations since their first cooperation in 2011. During the year, the two centers of CNTAC donated over 2,000 pieces of fabric samples to Anzhen Xili community to support the handicrafts activities in the community for its public welfare.



Figure 9: Inauguration Ceremony of CNTAC Hope Primary School



Chapter III

The Regional Transition of Textile and Apparel Industry and Social Responsibility

- The Transition Survey and Its Social Responsibility Implications
- Economic Influences of Regional Transition of Textile and Apparel Industry
- Corporate Social Responsibility in the Context of Textile and Apparel Industrial Transition
- Recommendations to Stakeholders

I. The Transition Survey and Its Social Responsibility Implications

In order to draw a clear picture of the industrial transition of China's textile and apparel industry in recent years, and determine the influence of such transition on the social responsibility in both recipient and source regions, the Office for Social Responsibility of CNTAC developed a topic-specific survey in 2012. The survey was carried out in 11 provinces/autonomous regions/municipalities, and was titled *The*

Regional Transition of China's Textile and Apparel Industry and Its Influence on Social Responsibility. Apart from enterprises in both recipient and source regions, those surveyed include stakeholders such as local governments, industrial organizations, and employees. The regional distribution and composition of stakeholders of survey samples are shown in the table below.

Table 1: Distribution of Survey Samples

Types of Survey Samples	Source Regions	Number of Samples	Recipient regions	Number of Samples	Total number of samples
Enterprises	Guangdong, Zhejiang, Shandong	14	Xinjiang, Gansu, Shaanxi, Shandong, Jiangxi, Anhui, Henan, Hubei, Chongqing	27	41
Government/Association		3		15	18
Employees		32		57	89
Total		53		95	148

Note: Provinces such as Shandong and Guangdong have also seen in-province transitions. The survey specifically involved internal transitions within Shandong Province.

1. Sample Enterprises

The survey team visited 41 enterprises, including 14 (local) enterprises from source regions, and 27 enterprises that had moved to a new region (recipient regions). In all the sample cases the investors in recipient regions were from coastal regions in southeastern China. Although the selection of sample enterprises was not made on a strictly random basis, the overall scale of the enterprises in recipient regions is comparatively larger (in terms of employee numbers) than those in source regions, and the scale distribution of enterprises in the former is also relatively even. We hold that the reason for this is that, in terms of both policies and practices, recipient regions tend to recruit sizable enterprises, which are usually confronted with more pressure in transformation and upgrading, hence are more inclined to move. Enterprises moving

to central and western China are usually of a larger size with higher economic position, enabling a relatively longer term transition investment. Therefore, these enterprises certainly exert a greater and more prolonged influence on social responsibility in recipient regions.

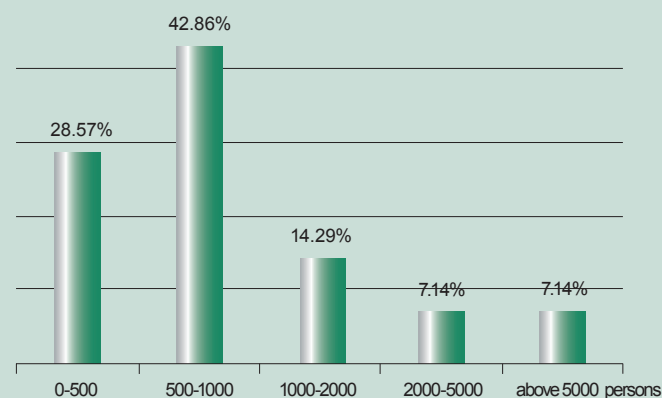


Figure 1: Size of Enterprises in Source Regions

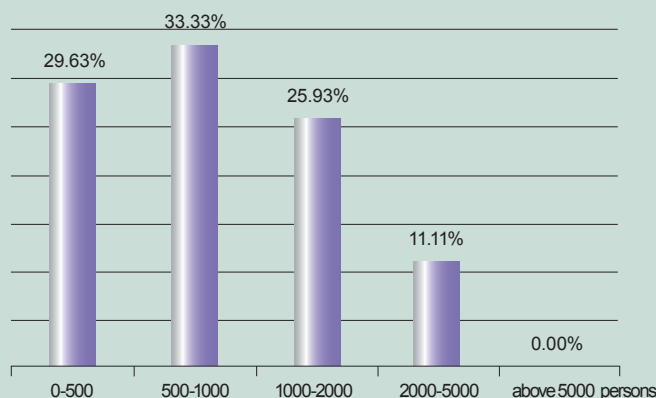


Figure 2: Size of Enterprises in Recipient Regions

The survey also found that, although all regions were industrially diverse, and although there were a substantial number of apparel companies in recipient regions too, the proportion of weaving and textile enterprises was remarkably higher in recipient regions than in source regions. We hold that the reason for this is that the weaving industry demands a relatively high investment, making it easy for such enterprises to meet the investment threshold proposed by recipient regions. Motivation for the industrial transition also matters, i.e. in addition to the workforce factors, recipient regions can, in a more effective manner, supply large volumes of land, raw materials, energy and other factors to the weaving industry. Influences on social responsibilities, which are related to these factors, are worth noting.

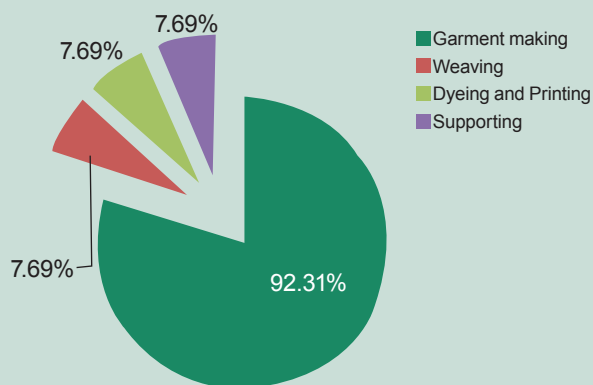


Figure 3: Sectors of Enterprises in Source Regions

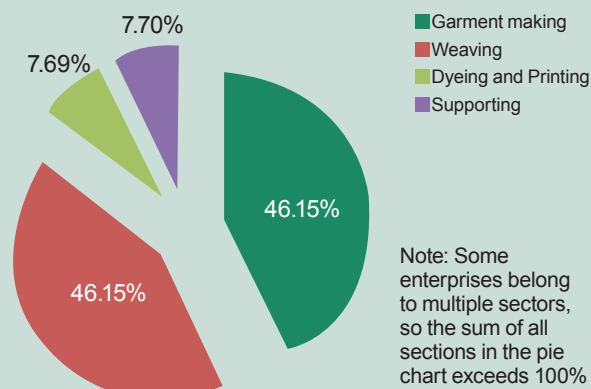


Figure 4: Sectors of Enterprises in Recipient Regions

2. Employees Interviewed

In the survey, a total of 89 employee questionnaires were randomly distributed. Among them, there were 32 from source regions and 57 from recipient regions. The survey showed that male employees make up a higher proportion than females in source regions, while the case is opposite in recipient regions. Such results may indirectly show that male laborers are more likely to work far from their hometowns, while females are more likely to live nearer to theirs'. This highlights the gender aspect of industrial transitions. That is, the transition to central and western China provides more job opportunities to women, enabling them to look after their own families while working. This could contribute to a rise in women's social and family status in central and western China.

When it comes to the education level of employees, interviewed employees from enterprises in source regions had education from junior and senior high schools to colleges, relatively evenly distributed among the three categories, and there were no employees with education below middle school or above graduate level. However, employees from enterprises in recipient regions mostly came with junior or senior high school education, with a small number also having an education background either

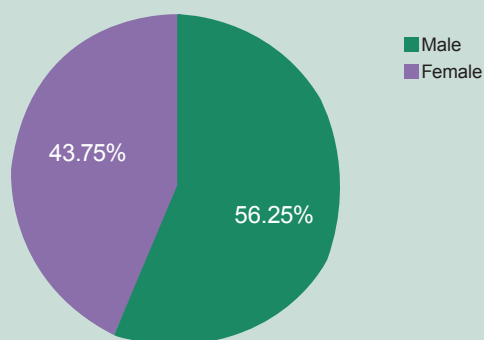


Figure 5: Male/Female Employee Ratio in Source Regions

below junior high school or beyond graduate. In our opinion, long-term improvement of corporate social responsibility relies on a well-functioning management system supported by human resources. The source regions along the coast in eastern China have developed relatively strong human

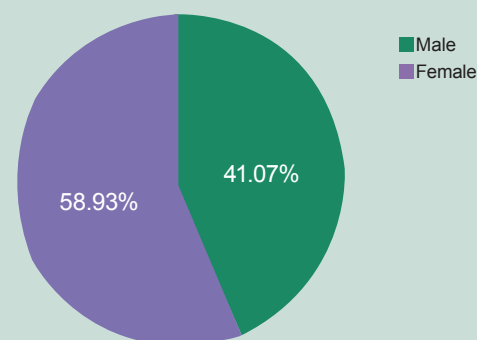


Figure 6: Male/Female Employee Ratio in Recipient Regions

resource advantages over 30 years of development, while enterprises moving to central and western China are faced with a severe talent bottleneck, which will impact their social responsibility management capacity for some time to come.

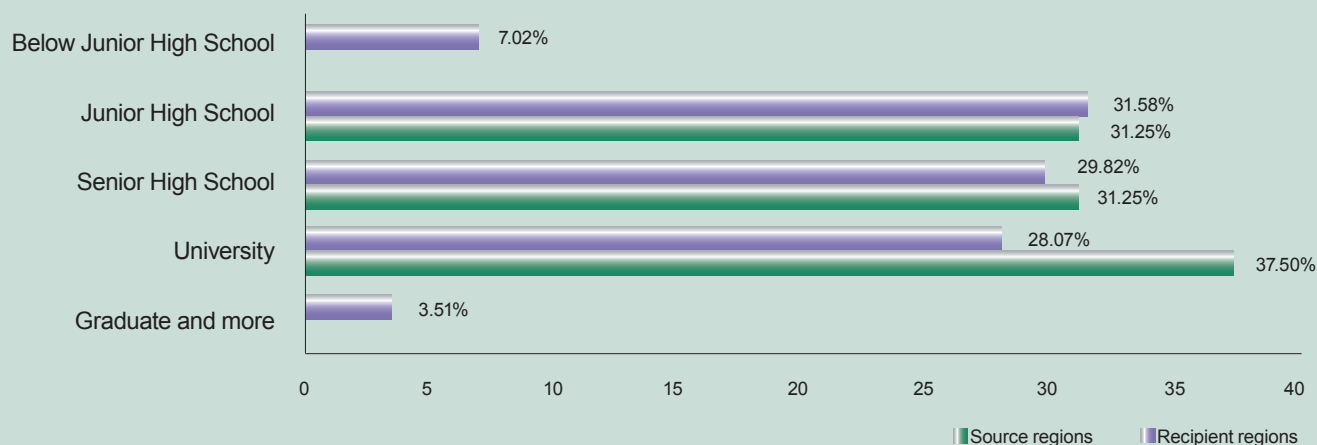


Figure 7: Education Backgrounds of Employees in Enterprises in Source and Recipient Regions

II. Economic Influences of Regional Transition of Textile and Apparel Industry

The regional transition of enterprises is, primarily, an economic trait, but there is direct relevance between the economic significance of the industrial transition and its social responsibility impacts. Therefore, the survey also conducted some specific research on the

economic influences of the industrial transition.

Firstly, industrial transition is an inevitable trend that will exist for a long time. It was found that, during interviews in source regions, 38.46% of enterprises had already moved, while 30.77% had a plan to transfer in the future. This shows that transition has already become an important choice for enterprises in the coastal regions of southeastern China. In

consideration of the fact that it generally takes two or more years for a transition project to go from feasibility study to actual implementation, and numerous enterprises have the intention to make the step, it is certain that the industrial transition will be a trend for many years to come.

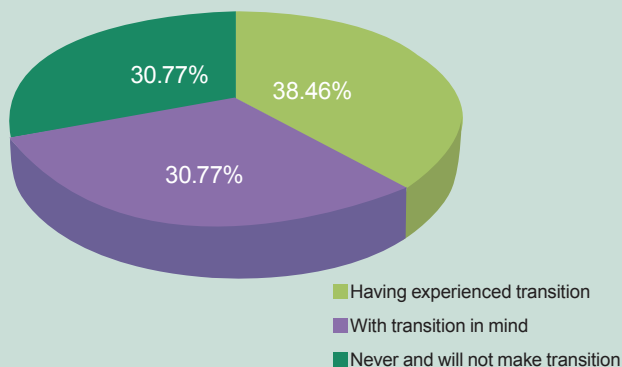


Figure 8: Relocation Intention of Enterprises in Source Regions

Secondly, although governments and industrial organizations of both source and recipient regions show a remarkable difference in recognizing the role of the industrial transition, they all hold high expectations for it. The survey discovered that in both types of regions, local governments and industrial organizations were well aware of the economic influence of the industrial transition. The difference was that those in source regions seemed to have balanced understanding of the pros and cons, while recipient regions focused more on various positive influences exerted on the local economy. It is particularly worth noting that governments and industrial organizations in both sets of regions believed the industrial transition contributes to local industrial upgrading - though in our opinion, in source regions, this means more about the improvement in industrial quality and efficiency, while in recipient regions it focuses more on improvements in industrial structure, including forming new industries or improving existing industrial chains so that new industrial clusters take shape.

This mindset of governments and associations

also demonstrates that the nature of industrial transition being a means of development opportunity. The definition of development purposes set out by various regions will influence choices and implementation of the “means.” In particular, as far as recipient regions are concerned, if the purpose of scientific development is not integrated into the “means” of the transition when economic goals are emphasized, it is very likely that in the end, the economic benefits in employment opportunities, tax revenues or industrial upgrades will face unsustainable prospects. During the survey, it was found that, regarding economic influence of the industrial transition, most governments and industrial organizations in recipient regions mentioned the adverse impact on local environment. This seems to show that they are also worried about the economic development pattern after the transition.

Thirdly, the business performances of moving-in enterprises were not very good. Though governments and industrial organizations in both types of regions highly value economic contribution from the industrial transition, the survey showed that the economic performances of most enterprises in recipient regions were not favorable. The survey on profits from the major businesses in both types of regions in 2011 showed that enterprises in source regions had hardly any loss of profits, and actually their profit rates mostly went beyond 4%. The profitability rates of over 60% of the enterprises in recipient regions were below 10%, with 21.74% of such enterprises showing a loss. This shows the lack of economic maturity between the industrial transition and reception, and also indicates that recipient regions’ output efficiency in human resources and environmental resources remained relatively low. The survey found that there was no simple, single reason that led to such situations. Besides global macro factors, such as the international economic environment, fund-raising

difficulties, exchange rate fluctuations and inflation, causes also included cross-region differences, such as transportation costs (for example, the transportation cost for materials outside of a surveyed enterprise in Chongqing were about RMB 1,000 higher than that in coastal regions), as well as local factors in recipient regions, the most obvious being a lack of

market support and social support systems (such as human resources, raw material/finished products and service markets). The survey found that economic performances of enterprises influenced the social responsibility vision and inputs of enterprises, while lack of local market and social conditions could also limit strategies and actions of enterprises in social responsibility.

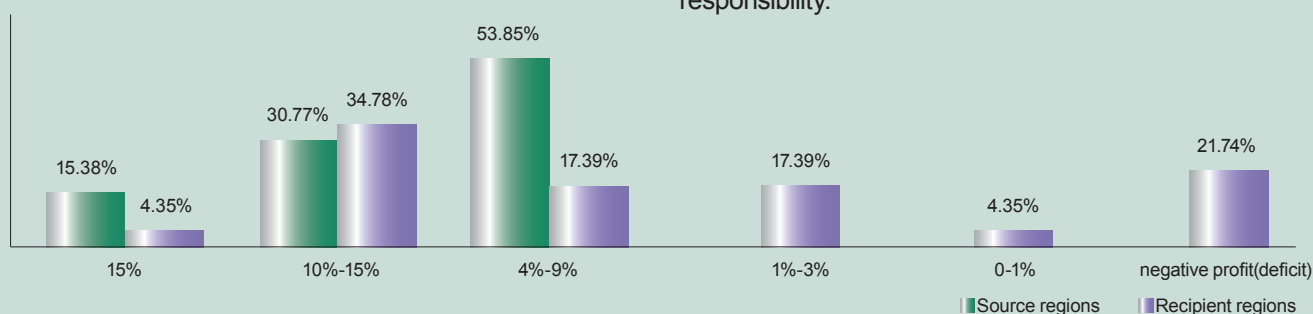


Figure 9: Profitability Rates of Enterprises in Source and Recipient Regions in 2011

III. Corporate Social Responsibility in the Context of Textile and Apparel Industrial Transition

Textile and apparel enterprises in eastern coastal regions were the first ones to get in touch with concepts and mechanisms of social responsibility; they also have better social responsibility management and performance. The survey showed that 85.71% of enterprises in source regions were familiar with the concept of corporate social responsibility. 58.33% of them had functions to manage social responsibility, while 25% of them had set up independent social responsibility offices or departments. The core issue of the survey was whether, and how, the concept, mechanisms and practices of corporate social responsibility was introduced into central and western China alongside the industrial transition.

1. Responsibility Awareness and Management

Along with the rapid growth of corporate social responsibility awareness in China in recent years, mainly thanks to government guidance and promotion as well as the focus and supervision on corporate practices in the society, the gap between the two types of regions regarding awareness of social responsibility is also narrowing. The survey revealed that 80% enterprises in recipient regions were more aware of the concepts and issues of corporate social responsibility. Though the rate was a little lower than that of enterprises in eastern coastal regions, it was sufficient evidence that the concept of corporate social responsibility has spread over time in central and western China. Furthermore, the inward industrial transition is increasing social responsibility awareness of enterprises and relevant parties in recipient regions.

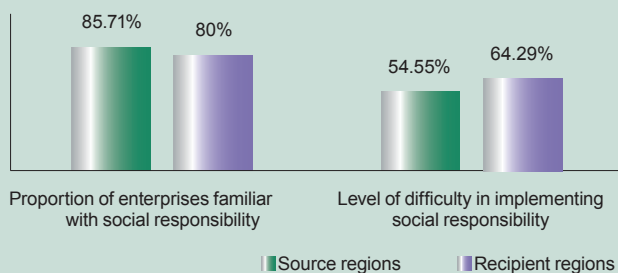


Figure 10: Understanding of Social Responsibility of Enterprises in Source and Recipient Regions

However, when it comes to the responsibility management level and incentive mechanisms of social responsibility, enterprises in recipient regions fell quite a lot behind those in source regions. First of all, a greater number of enterprises in recipient regions stated that requirements of social responsibility were hard to meet (64.29%). Secondly, in recipient regions, barely any enterprises have set up independent departments for social responsibility. Thirdly, in source regions, 71.43% enterprises face social responsibility requirements/audits imposed by their business partners, while in recipient regions this figure only stood at 33.33%. Finally, 64.29% of enterprises in source regions proposed requirements related to social responsibility to their suppliers, much higher than such portion in recipient regions (31.82%). The lack in incentive mechanisms may be related to some structural features of the industrial transition (such as focusing more on intermediate products like weaving products; end products mainly being supplied to domestic market, etc.), but the lack of capacity and mechanisms for corporate social responsibility originated more from inside these enterprises.

2. Employee Responsibility

(1) Employment Promotion

The survey showed that 83.33% of enterprises believed their development in central and western



Figure 11: Corporate Social Responsibility Management in Source and Recipient Regions

China relied on the abundant labor resources in those areas. In our opinion, non-local workers in enterprises in eastern coastal regions are gradually turning to local labor resources in recipient regions. That is to say, textile enterprises' transition to central and western China not only created a large number of job opportunities, but also turned those once hometown-leaving migrant workers into workers employed in their hometown, thus raising local economic and social vitality. In spite of this, the survey also found that staff turnover rates of enterprises in recipient regions did not go much below those of source regions. In fact, as the opportunity cost for job-hopping in recipient regions was lower, local employees were more prone to move employment more frequently. We predict that in the future, along with increasing number of enterprises moving there, and an increasingly dynamic and diversified economy, retaining local workers by way of human-based social responsibility management raises higher requirement for enterprises in recipient regions.

On the other hand, the survey showed that if an enterprise hopes to reduce its human resource costs by moving to central and western China, it may be disappointed. Firstly, lack of professionals and technicians is a common challenge faced by enterprises before and after the transition. Skills of employees in central and western China are lower than those in eastern coastal regions. As many workers of

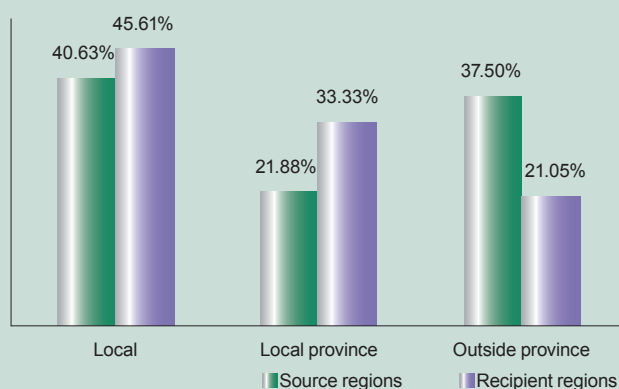


Figure 12: Origin of Enterprise Employees in Source and Recipient regions

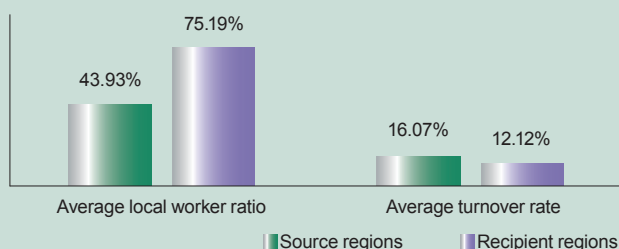


Figure 13: Average Turnover Rates of Employees in Source and Recipient Regions

the former directly come from rural populations, costs of enterprises in training professionals and technicians are not lower than those in eastern coastal regions. During the survey, employees of source regions were asked whether they would choose to work in their hometown if there were suitable jobs for them in newly established factories there. Though 17.27% said they would, the other 65% said they would choose to stay in source regions on the condition that “more experience and skill could be gained” alongside “a higher salary.” Therefore, whether in source or recipient regions, an essential, long-term challenge to enterprises is to continually provide employees competitive salaries, better career paths and development opportunities. In this regard, no regional difference or exception can be found.

Secondly, though the average salary level of source regions is prevalently higher than that in recipient regions, the gap is not large, and keeps

narrowing. This is a major finding of the survey. The rise in salary of coastal regions has also pushed up the salary level in central and western China. With the expansion of industrial distribution scope, human resource supply will likely get even tighter. This may soon result in a same labor price throughout China. Therefore, the survey discovered that even in recipient regions, 36.84% enterprises still claim to fall short in labor supply. Labor cost rises are also a major difficulty following the transition.

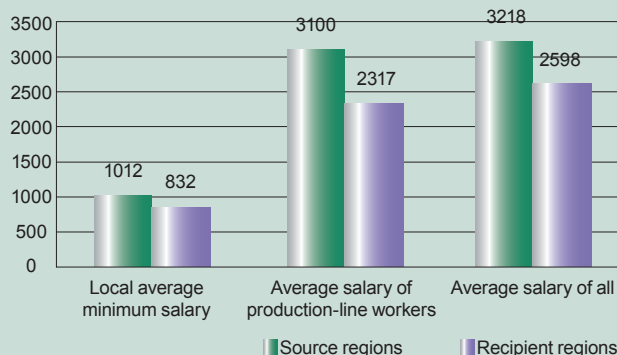


Figure 14: Average Salaries in Source and Recipient Regions (Unit: Yuan/Month)

Lastly, employees hold high expectations regarding salary increases. In all regions, about half of the employees surveyed thought their salary were proportionate to their workload and local living standards, just good to meet basic living needs. Among employees in recipient regions, 37.5% thought their salary level was (slightly) more than enough for basic living needs, whilst this figure was 28.13% in source regions. This shows that though the average salary of employees in recipient regions was lower than that in source regions, employees in recipient regions were more satisfied with their salaries. One reason for this could be that living costs in recipient regions were lower than those in source regions, so the economic pressure of employees in recipient regions was lower. Moreover, most employees there

were locals, so they could enjoy social and family benefits more conveniently. For example, the survey discovered that in recipient regions, the proportion of employees joining social security was remarkably higher than that in source regions, and local workers took up a major proportion of this figure.

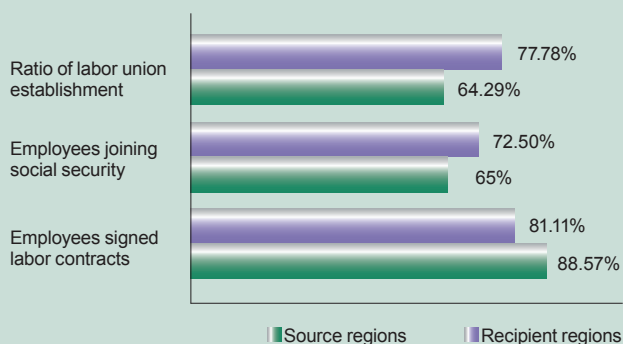


Figure 15: Employee Right/Interest Protection in Enterprises of Source and Recipient Regions

(2) Working Hours

The survey showed that working hours of enterprises in both regions were roughly similar. The average monthly working days in recipient regions was 23.52 days while that of source regions was slightly less. The average weekly overtime work of the former was one hour more than that of the latter, while the daily average working hours were roughly the same. Regarding whether they were paid for overtime work, 66.67% of enterprise employees in recipient regions were aware that their employers paid for the overtime as per state regulations; 21.57% were aware that their employers paid for the overtime, but did not know whether the amount complied with state regulations or not. Working hour is a fundamental challenge for textile industry. The similarity of working hours between enterprises in both regions indicates that the transition has brought the same production efficiency to central and western China as that in eastern China, and that the transition has provided no good solution

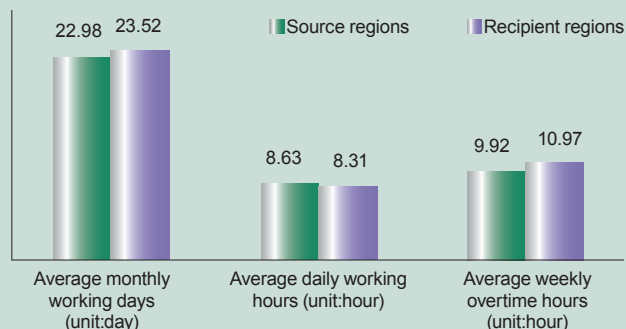


Figure 16: Working Time of Enterprises of Source and Recipient Regions

to the working time issue.

(3) Safety, Health and Cultural Entertainment

Influenced by the difficult recruitment situation in recent years, safe and healthy working environment has become increasingly important for enterprises. Therefore, enterprises in both regions stress the safety and health of employees. All enterprises have formulated safe production mechanisms (or working regulations) and provided job-specific skill trainings, safety facilities or labor protection supplies to their workers.

The only difference between the two types of regions lies in that, in recipient regions, a small number of enterprises (about 8%) failed to provide cultural entertainment facilities or related activities to their employees. This is probably due to the fact that, in recipient regions, most employees are closer to their families and community environments and their social demands are better satisfied than migrant workers, hence cultural entertainment facilities are not needed as much as in recipient regions in coastal areas.

(4) Employee Communication

The survey found that like source regions, employees in recipient regions seldom shy about

giving advice, suggestions or complaints. Channels for delivering these in both types of regions were limited mostly to a suggestion box, mobile SMS or simply face-to-face talk. Likewise, in recipient regions, salary rises and welfare treatment were the top two requirements of employees, while personal skills improvement, spare-time cultural life, canteen and dormitory conditions, humanistic care were also high on the concern list of most employees. 88.89% of employees in recipient regions hoped some institutions (or organizations) could help them address labor disputes or other related issues, lower than 96.67% in source regions. The survey found that, as employees of enterprises in recipient regions were mostly natives, their families and social relationships played a certain role in preventing and addressing labor disputes. This might explain the roughly 8% gap in dispute addressing mechanisms between the two types of regions.

3. Environmental Protection

Environmental protection and energy saving requirements have been included in the industrial transition policies of most local governments. The survey found that the actual practice in environmental protection in recipient regions is a much more complicated issue. Firstly, textile and apparel industries

that had transferred to central and western China were mostly weaving and garment making industries. They are two relatively cleaner industries and dyeing and printing sector, a process between these two has relocated much less. Advantages and disadvantages of the “missing in-between processes” are evident: it protects the environment of recipient regions, while limiting the local establishment of a complete textile and apparel industrial chain, making it difficult for raw material resources to realize higher added value, and increasing costs of apparel products in recipient regions. Therefore, whether dyeing and printing industry should be introduced was a question widely discussed in many places in central and western China.

Secondly, the survey discovered that in newly built enterprises in recipient regions, the environmental impact assessment and the “three simultaneous” mechanisms (in construction projects, measures for preventing pollution should be designed, constructed and put into use simultaneously) are being implemented in a relatively strict manner. Environmental protection facilities are also more advanced. Most enterprises can reach or exceed the level of existing enterprises in source regions. Enterprises constructed in parks/zones under unified planning of governments in recipient regions particularly comply better with state and local governmental regulations, in terms of their environmental protection hardware and supporting facilities.

Lastly, the real environmental protection challenge of enterprises in recipient regions lies in their outdated environmental protection management. The survey discovered that 80% of enterprises in recipient regions have established environment management systems based on environmental protection requirements,

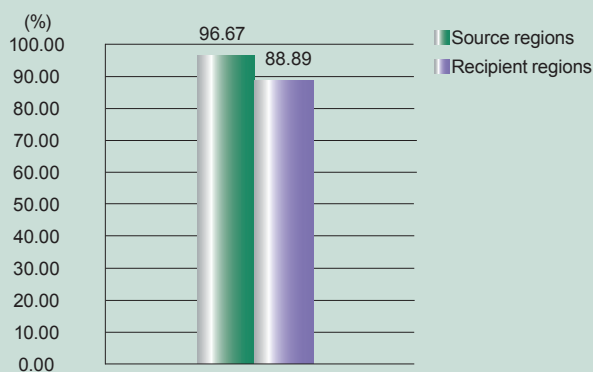


Figure 17: Ratio of Employees Need Assistance in Addressing Labor Disputes

lower than the 85.71% among enterprises in source regions. In recipient regions, only 15.63% employees were familiar with relevant factory requirements and mechanisms regarding environmental protection (sewage, waste, waste gas emission, etc.), power/water saving and so on, while in source regions, the number was 28.57%. Therefore, enterprises built with a better hardware basis in recipient regions will face more severe challenges than those in source regions in aspects like environmental protection management, employees' environmental protection awareness and capacity.

4. Community Development

As far as community engagement and development are concerned, over half of the enterprises in both source and recipient regions were committed to the employment of special populations in local communities, so as to support and promote community education and occupational skills. From the strategic perspective of community engagement, enterprises in source regions focused more on "interaction" with local communities. By encouraging and supporting employees to join community service projects (61.54%), making regular communications with and hearing suggestions or advice from local stakeholders (53.85%) and actively responding to concerns and appeals of community organizations (46.15%) and other means, they sought to establish good community relationships. Enterprises in recipient regions were more concerned about "integration" into the local community. By supporting local infrastructure construction (44%), making reasonable compensation for use of local resources (36%) and other means, they sought to "find themselves a place" and "set root" in local development.

IV. Recommendations to Stakeholders

The survey indicates that there are many problems and challenges in social responsibility and sustainable development during the industrial transition. In our opinion, all stakeholders should devote to dialogues, engagement and cooperation with each other on the basis of fulfilling their respective responsibilities.

1. Governments

All governments, especially local ones, must give full consideration to both economic and responsibility targets in formulating policies encouraging the reception of industrial transition. At the same time they should elevate the concepts of sustainable development and social responsibility to the strategic level. Apart from environmental protection, energy conservation and emission reduction, local governments should improve their holistic understanding of social responsibility.

Local governments must evaluate the effects of economic activities stemming from industrial transition policies, particularly the structural and systemic negative effects on social responsibilities resulting from the direct association between economic policies and social responsibility. The central government needs to keep strengthening its coordination, guidance and macro-planning on inter-regional industrial connections. Governments at all levels, particularly local ones, need to pay more attention to the implementation methods of industrial transition policies to guard against any possible negative effects on the environment or society.

2. Enterprises in Transition

Enterprises in relocation must uphold updated development concepts whilst avoid opportunism in the

industrial transition. They must clearly understand that the industrial development model based on competitive advantages of resources, labor force and ecological environment will in no way sustain. Enterprises that have relocated to recipient regions shall put more focus on introducing and transplanting social responsibility practices and actions, while continuing promoting correct ideas on social responsibility.

3. Brand Companies and Buyers

International brand companies and buyers should put more resources on improving the awareness and capacity in social responsibility of inland suppliers, while strengthening the management of social responsibility of their second-tier suppliers after transferred to central and western regions.

Whether or not taking into consideration industrial transition, domestic brands should first focus on the establishment and improvement of social responsibility management mechanism within their supply chains.

4. Industrial and Social Organizations

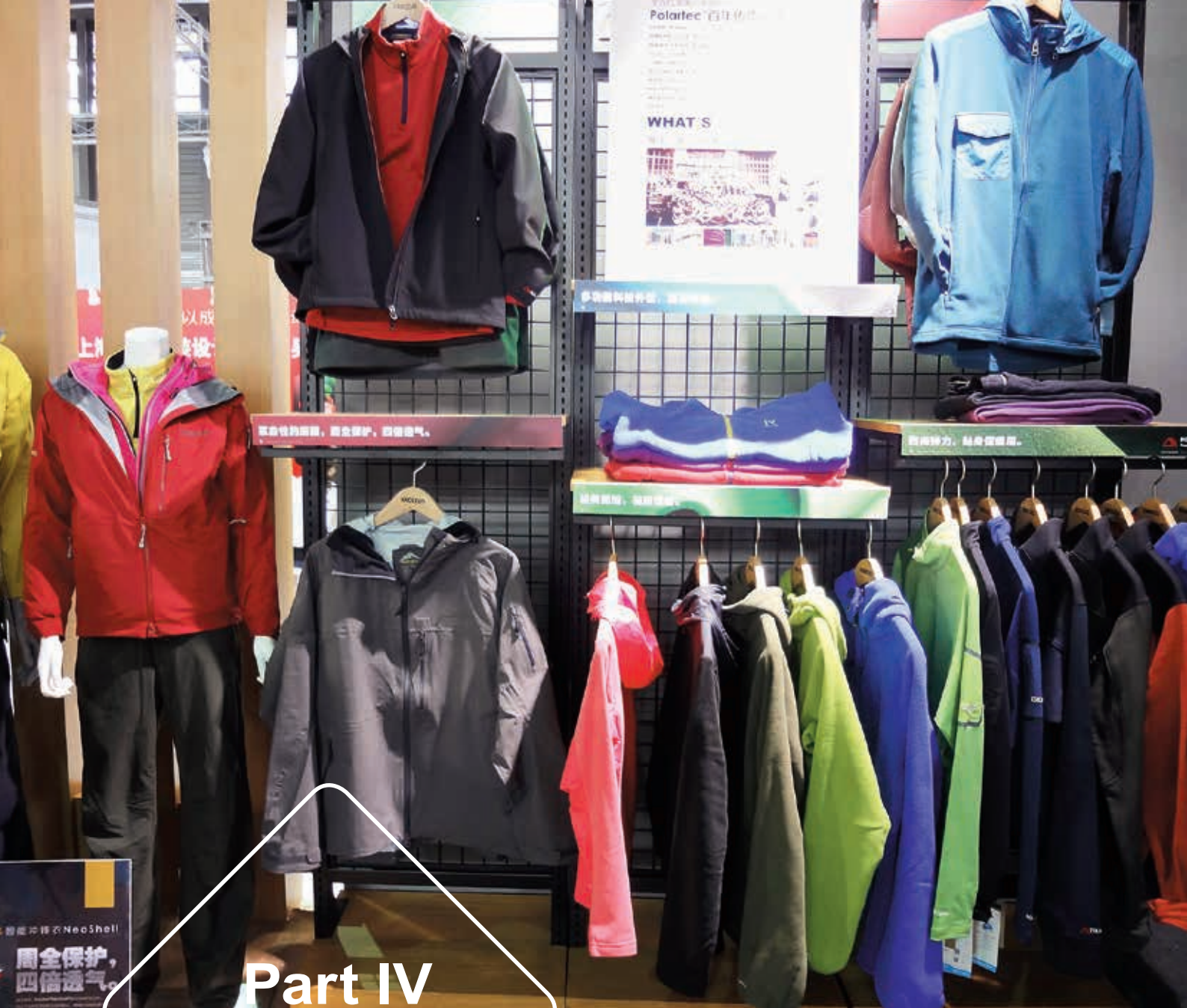
As opinion groups, industrial and social organizations can monitor, investigate and conduct research on social responsibility issues in the industrial transition, propose initiatives and solutions, and engage in policy lobbying and communication with businesses. As action groups, they can offer related training and consultation to governments and enterprises, take part in the formulation of regional and industrial social responsibility policies or action guidance, and assist local enterprises in fulfilling responsibility.



Figure 18: Employees Completing Questionnaires



Figure 19: Garment Factory Transferred to Gansu Province



Part IV

The Work Plan for Social Responsibility of Chinese Textile and Apparel Industry in 2013-2014

- Optimize Social Responsibility Information Disclosure System
- Enhance Energy Conservation, Emission Reduction and Eco-Civilization on Textile Value Chain
- Extend Cross-sector Social Responsibility Promotion and Cooperation
- Promote International Cooperation on Social Responsibility

From the perspective of working mechanisms, the social responsibility work of the Chinese textile and apparel industry from 2013 to 2014 will focus on information disclosure, cross-sector and international cooperation, and in substance, energy conservation, emission reduction and promotion of eco-civilization will be the core contents.

I. Optimize Social Responsibility Information Disclosure System

We initiated the “Responsible Production” working mechanism in 2012 to combine social responsibility information disclosure with business promotion. In 2013, we will expand the application areas of information disclosure on social responsibility, and in collaboration with supply chain brands and technical agencies, explore the online social responsibility information disclosure system, thus on the one hand satisfying the demands of the SMEs and on the other hand widening the application of information disclosure on social responsibility in brands’ supply chain management. Meanwhile, in response to new demands of stakeholders for information on sustainable development, we will promote social responsibility reporting at the industrial cluster level, so as to expand the enterprise coverage rate of social responsibility information, and create new working mechanisms to underpin regional sustainable development. Finally, based on our experiences in social responsibility reporting in the past five years, we will study the revision and amendment of the guidance documents on social responsibility information disclosure.

II. Enhance Energy Conservation, Emission Reduction and Eco-Civilization on Textile Value Chain

As advocated by the 18th National Congress of CPC, we should “promote green, circular, and low-carbon development, and cultivate sound spatial layout, industrial structure, production pattern, and life style which are conducive to resource conservation and environmental protection.” These guidelines provide a feasible path towards energy conservation and emission reduction for the textile and apparel industry. From 2013, in addition to further advocating and promoting low-carbon and energy-conservation way of production with the aid of social responsibility management system and sustainability reporting, we will incorporate the idea of energy conservation and emission reduction with relevant requirements into the industrial regional layout (for example, study and service related to the industrial transition). We will also explore ways to establish low-carbon and low-emission featured industrial structure through various cooperation projects with stakeholders in upstream and downstream industrial chains. In addition, we will work together with domestic and international brands, ecological standard and system organizations to foster green and sustainable apparel consumption and life style.

III. Extend Cross-sector Social Responsibility Promotion and Cooperation

In 2012, we have assisted the electronic and information industry and finalized the industry-level

guiding document on social responsibility for the industry, in accordance with the coordination of the Ministry of Industry and Information Technology, and the collaboration agreement between the two industrial associations. In 2013, we will, in line with related arrangements and agreements, continually deepen our cooperation with the electronic and information industry to promote and implement the guiding documents within the industry and will collaborate with industrial organizations of the electronic and information industry to establish industry-tailored working mechanisms. Meanwhile, we will pay attention to cooperation with other industrial and enterprise organizations, especially those related to SMEs. Moreover, we will, by allying other industrial organizations, establish multi-sector communication and cooperation platforms on social responsibility.

IV. Promote International Cooperation on Social Responsibility

Vertically, MAC (Multi-stakeholder Advisory Committee), the shared platform for dialogue and coordination among CSR systems like BSCI, SA8000, WRAP and Solidaridad, officially came into operation in 2012. We will further consolidate the cooperative platform in 2013 based on experiences drawn from the past MAC activities, so as to attract more systems to join and discuss issues of common interest and work out shared solutions. Meanwhile, we will maintain and expand our cooperation with related institutions under United Nations and other organizations with great influence on social responsibility including important brands through themed research projects, training sessions, tool development and promotion, and collaborative advocacy programs, so as to promote the sustainable development of enterprises, industries and the society as a whole.

Acknowledgments

Many stakeholders of the Chinese textile industry have provided valuable comments and suggestions to this report. We would hereby extend our sincere gratitude and appreciation to the following organizations (in no specific order):

Ministry of Industry and Information Technology

National Development and Reform Commission

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

Ministry of Human Resources and Social Security

China Enterprise Confederation

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

Departments and Member Associations of CNTAC

Appendices

CSC9000T Chronicles (2005-2013)

2013

April 2013

The launch conferences of the research on the Regional Transition of China's Manufacturing Industries and Its Impact on Social Responsibility, jointly initiated by CNTAC and the CSR Center of the Embassy of Sweden, were held in Beijing, Shanghai and Hong Kong.

Mar. 18th, 2013

The report release and project closing conference of the Communication and Grievance Mechanism within Textile and Apparel Enterprises project was held in Beijing; the report presents the findings of the survey on the Communication and Grievance Mechanisms in Chinese textile companies.

Feb. 20th, 2013

The 11th Joint Conference between CNTAC and the Chinese Financial, Commercial, Light Industry, Textile and Tobacco Workers' Union convened in Beijing.

Jan. 23rd, 2013

The second meeting of the Multi-stakeholder Advisory Committee (MAC) was held in Shenzhen.

Jan. 10th, 2013

The Guidance on Social Responsibility for China's Electronic and Information Industry, whose drafting was led by CNTAC experts, was released in Beijing.

2012

Oct. 23rd, 2012

The Sustaining Competitive and Responsible Enterprises (SCORE) project, jointly implemented by CNTAC and the International Labor Organization, had its closing conference in Pinghu city.

Oct. 22nd-25th, 2012

The "Responsible Production" project was officially launched by CNTAC on China International Trade Fair for Apparel Fabrics and Accessories, and enterprises and products selected for commercial promotion were on display for the first time.

Jun. 29th, 2012

The 2012 Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry and the Joint Release Conference of Sustainability Reports of Chinese Textile and Apparel Enterprises held in Shanghai, 11 enterprises released their CSR reports.

Mar. 12th, 2012

Vice President of CNTAC, Sun Ruizhe, and Deputy Director of the Office for Social Responsibility of CNTAC attended the global launch of the UN Children's Rights and Business Principles in London.

Feb. 20th, 2012

The first meeting of the Multi-stakeholder Advisory Committee (MAC) for the Collaboration of Social Responsibility Systems convened in Beijing, marking

the initiation of the integrative cooperation among social responsibility systems including CSC9000T, BSCI, SA8000, WRAP and Solidaridad.

Feb. 28th, 2012

The project report “On the path to their truth: A study in six factories in China listening to the voices of young migrant workers” made by CNTAC and CCR CSR (Centre for Child-Rights and Corporate Social Responsibility) was launched in Beijing.

Jan. 31st, 2012

The 10th Joint Conference between CNTAC and the Chinese Financial, Commercial, Light Industry, Textile and Tobacco Workers’ Union Convened and ACFTU focused on social responsibility work.

Jan. 19th, 2012

The 12th Five-Year Plan for the Development of the Textile Industry was released by the Ministry of Industry and Information Technology (MIIT), stressing the importance of “strengthening self-regulation of the industry and increasing the efforts to promote China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T)”.

2011

Dec. 21st, 2011

CNTAC and CESA signed the strategic cooperation MOU on social responsibility, and established strategic cooperation partnership in promoting social responsibility within the electronic and information industry. This is China’s first collaboration plan and working mechanism between two industrial organizations in the field of social responsibility.

Dec. 5th, 2011

Representatives of Adidas, Nike, H&M and Li Ning visited CNTAC, and exchanged views on supply chain responsibility, especially environmental protections issues.

Nov. 16th, 2011

CNTAC expert attended the UN roundtable on “CSR in Global Value Chains” co-sponsored by the United Nations Conference on Trade and Development (UNCTAD), the International Labour Organization (ILO) and the Organization for Economic Co-operation and Development (OECD) in Geneva.

Aug. 5th, 2011

CNTAC and Social Responsibility International (SAI) signed the official cooperation agreement to facilitate international promotion and local implementation of social responsibility systems in textile industry.

Jul. 7th, 2011

“Listen to the Voice of the New Generation of Migrant Workers: Survey of Youth-Dominated New Generation of Migrant Workers” co-organized by the Office for Social Responsibility of CNTAC and the CCR CSR was launched.

Jun. 28th, 2011

CNTAC signed a cooperation agreement with the CSR Center of the Embassy of Sweden to carry out in-depth study on social responsibility issues in the process of industrial transitions.

Jun. 28th, 2011

At the Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry, along with CNTAC’s annual report on social responsibility at the industry level, 16 textile and garment enterprises released to the public their 2010 CSR reports.

May 28th-30th, 2011

The technical training of the “Green Job for Better Value Chain” campaign for Chinese textile and apparel enterprises in energy-saving and emission reduction co-organized by CNTAC, the ILO, the United Nations Industrial Development Organization (UNIDO) and the government of Pinghu City was held in Pinghu City of

Zhejiang Province.

May 26th, 2011

The MIIT Chief Engineer Zhu Hongren announced at the “2011 Release Conference of Social Responsibility Reports of Chinese Industrial and Economic Enterprises” that the MIIT supports the promotion of CNTAC’s social responsibility experiences in the electronic and information industry.

Feb. 13th, 2011

The 9th Joint Conference between CNTAC and the Chinese Financial, Commercial, Light Industry, Textile and Tobacco Workers’ Union Convened and ACFTU convened in Beijing.

Jan. 24th, 2011

The Policy and Regulation Department of MIIT organized a seminar on social responsibility cooperation between the textile industry and the electronic and information industry.

2010

Dec. 28th, 2010

The China Tea Marketing Association (CTA) initiated the drafting of Guidelines for Sustainable Tea in China. Expert from CNTAC was invited to be a member of the drafting team.

Dec. 22nd, 2010

The China International Contractors Association (CHINCA) issued the Guide on Social Responsibility for Chinese International Contractors, and CNTAC offered expert assistance to its development.

Dec. 1st, 2010

The 2009 social responsibility report of Jiangsu Danmao Textile Co., Ltd. won “2010 Golden Bee CSR Report-Growing Enterprise Award”, and that of Advantex Fashion Garment Manufactory (Huizhou) Co., Ltd. received “2010 Golden Bee CSR Report-

Special Award in Employee Responsibility”.

Oct. 11th, 2010

The Office for Social Responsibility of CNTAC, the George Washington University Law School and the CLD Consultants (Beijing) jointly conducted in Shanghai the CSC9000T special training “Employment Equality and Development Together: Building Caring Companies Where Employees Feel They Belong”.

Aug. 29th, 2010

“Work Hour Control and Productivity Enhancement”, a social responsibility training session jointly organized by the Office for Social Responsibility of CNTAC and Wenzhou Apparel Chamber of Commerce was held in Wenzhou.

Jul. 30th, 2010

2010 Joint Launch Conference of Sustainability Reports of Chinese Textile and Apparel Enterprises, and the Fifth Anniversary Retrospective of Sustainability Practice by Chinese Textile and Apparel Industry 2005-2010 were held in Beijing. The Industry Campaign in Promoting Energy-saving and Emission-reduction Best Practices and Techniques was launched.

Jun. 24th-25th, 2010

Vice President Sun Ruizhe attended United Nations Global Compact Leaders Summit in New York City.

May 26th, 2010

Vice President Sun Ruizhe attended the joint CSR reports launch conference organized by China Federation of Industrial Economics (CFIE) and CNTAC contributed technical support and advice for CFIE’s revised CSR guidance released at the conference.

Feb. 25th, 2010

The 8th Joint Conference between CNTAC and the Chinese Financial, Commercial, Light Industry, Textile

and Tobacco Workers' Union Convened and ACFTU expressed continuous support for industry's CSR work.

Jan. 12th, 2010

The joint release of ten CSR reports by enterprise of the industry selected as 2009 top news event of the industry by textile and fashion media.

2009

Dec. 2nd, 2009

CNTAC was awarded with the "2009 Golden Bee Special Contribution Award for Social Responsibility Reporting in China" at the China Social Responsibility Reporting Symposium co-organized by China WTO Tribune, the Sino-German Corporate Social Responsibility Project of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and China Business Council for Sustainable Development (CBCSD).

Nov. 30th, 2009

Shanxi government made specific reference to CSC9000T in evaluating the social performance of SMEs for CSR awards.

Nov. 30th, 2009

Vice President Sun Ruizhe met with the French delegation headed by Mr. Michel Doucin, the visiting ambassador of Social Responsibility of the French Ministry of Foreign Affairs, and exchanged views on social responsibility concerns.

Nov. 21st, 2009

CCTV2 aired documentary "The Wealth of Responsibility", broadcasting the industry's practice and experience in CSR.

Oct. 17th, 2009

Evaluators and trainers' upgrade training for the new version of CSC9000T held in Beijing, 22 CSR experts participated in the training.

Oct. 5th-6th, 2009

Representative of CNTAC attended the Symposium on Enhancing Public-Private Partnership on Corporate Social Responsibility organized by the Asia-Pacific Economic Cooperation (APEC) in Hanoi, Vietnam, and presented the practice of the industry in social responsibility.

Jun. 29th, 2009

Joint Launch Conference of Sustainability Reports of Chinese Textile and Apparel Enterprises held in Beijing and ten textile enterprises released their first CSR reports, making them the first group of companies in the industry that have published verified CSR reports.

April, 2009

China Sustainability Reporting-Verification Rules and Instructions (CSR-VRAI) and the China Sustainability Reporting-Indicator Definition and Assessment (CSR-IDEAS) released, marking the establishment of China's first CSR reporting assurance system.

2008

Nov. 18th, 2008

The Sino-EU Supply Chain Leaders Summit Talk and 2008 Annual Conference on Social Responsibility of China Textile and Apparel Industry convened in Beijing, at which CNTAC and Foreign Trade Association in Europe signed the Declaration of Cooperation on Supply Chain.

Nov. 7th, 2008

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

Oct. 11th-15th, 2008

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. Vice President Sun Ruizhe delivered a speech at the conference entitled "Marching Towards Sustainability-Output, Added Value and Social Responsibility".

Sep. 22nd-26th, 2008

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

Sep. 2nd-5th, 2008

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

August, 2008

CNTAC joined the United Nations Global Compact, making it the first Chinese industrial association that becomes a member of the UN Global Compact.

Jun. 18th, 2008

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, which marks the establishment of sustainability reporting systems at both industrial level and corporate level.

Apr. 18th, 2008

16 experts from partner agencies of the Responsible Supply Chain Association (RSCA) of CNTAC attended the third training session for CSC9000T trainers and evaluators held in Beijing.

Apr. 18th, 2008

Vice president Sun Ruizhe introduced CSC9000T and related practice of CNTAC at the World Investment Forum organized by UNCTAD and WTO.

Apr. 2nd, 2008

China Federation of Industrial Economics (CFIE) launched its CSR guidance, a joint work and initiative with CNTAC.

Mar. 4th, 2008

Vice president Sun Ruizhe met with Ms Hannah Jones, vice-president of the Nike Company and her delegation in Dongguan, Guangdong Province. Both sides agreed on cooperation in promoting corporate responsibility on textile supply chain.

2007

Dec. 18th, 2007

The CSC9000T Plan 200.8 launched at the 2007 Annual Conference on Social Responsibility of China Textile and Apparel Industry.

Dec. 1st, 2007

Joint CSR project between CNTAC, the ILO and the UNIDO conducted at Zhongshan, Shengze and Haining, with over 180 participants from 25 companies.

Nov. 28th-Dec.7th, 2007

The study tour to Europe of CNTAC CSR delegation at the invitation of the Foreign Trade Association (FTA) and European companies.

Nov. 21st, 2007

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

Nov. 12th, 2007

CSC9000T ranked the first grade in CNTAC

technology advancement awards.

Oct. 23rd-26th, 2007

The RSCA provided trainings on the Labor Contract Law in Shanghai and Shenzhen to member companies

Aug. 31st, 2007

The initial evaluations of “10+100+1000” Project commenced at 50 companies in 5 clusters: Puyuan, Shenhui, Pinghu, Haining and Jintan.

Aug. 10th-12th, 2007

The second group of CSC9000T auditors and trainers trained in Beijing.

May 26th-Jul. 11th, 2007

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

Jun. 28th, 2007

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

Jun. 16th, 2007

CNTAC workshop for media observers on CSR held in Beijing.

May 22nd, 2007

The National Development and Reform Commission (NDRC) issued a public report on the development of social responsibility in China's textile and apparel industry.

May 18th, 2007

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

May 9th-10th, 2007

The RSCA offered trainings on CSR to over 30 Chinese NGO representatives.

Apr. 13th, 2007

CSC9000T passed the project appraisalment organized by CNTAC.

Apr. 3rd, 2007

CSC9000T nominated by the NDRC as an industrial standard.

Mar. 31st, 2007

The first batch of CSC9000T auditors and trainers trained and certified by the RSCA.

Mar. 12th, 2007

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

Feb. 28th, 2007

The 5th Joint meeting between CNTAC and All-China Federation of Trade Unions (ACFTU) discussed CSR issues.

Jan. 18th, 2007

The International Seminar on the Prevention of Work-place Sexual Harassment acknowledged the experience of CNTAC and the best practice of CSC9000T in related areas.

2006

Dec. 12th, 2006

The First Annual Conference on Social Responsibility of Chinese Textile and Apparel Industry was held in Beijing and the Annual Report on Social Responsibility of Chinese Textile and Apparel Industry (2006) published.

Nov. 24th-Dec. 1st, 2006

The Environmental and Social Compliance Program for China Textile Industry conducted trainings in Dezhou, Binzhou, Weifang and Zibo of Shandong province.

Nov. 11th, 2006

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

Jul. 26th, 2006

The Ministry of Finance, the NDRC and the 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 emphasis on supporting the textile industry to develop CSR management system, formulation of industry specific CSR initiative and its dissemination both at home and abroad.

Jun. 13th, 2006

The 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.

Apr. 29th, 2006

10 ministries and government departments, including the NDRC, the Ministry of Labor and 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.

Apr.1st, 2006

The Environmental and Social Compliance Program for China Textile Industry jointly sponsored by CNTAC,

the IVAM of University of Amsterdam and University of Shandong was initiated, which is a Sino-Dutch governmental cooperative project.

Mar. 28th, 2006

CSC9000T Implementation Guidance was completed and its Pilot Program launched.

2005

Nov. 30th, 2005

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

Oct. 27th, 2005

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

May 31st, 2005

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

Mar. 22nd, 2005

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

Jan. 17th, 2005

The Chinese textile delegation led by Mr. Du Yuzhou, President of CNTAC attended 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 and construction in the Chinese industry.

Introduction of the Office for Social Responsibility of CNTAC

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

Visions & Goals

The visions and goals of the Office are to realize sustainable development of the industry by guiding businesses within the industry to follow the scientific approach of development, enhance core competitiveness and get integrated into the global economy, as well as by engaging with domestic and international stakeholders to promote 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 evaluation 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 CSC9000T management system;

Establishes and manages databanks on social responsibility information and social responsibility performance of Chinese textile enterprises, and constructs platforms for supply chain dialogues and business supporting systems;

Provides professional assistance in sustainability information disclosure based on China Sustainability Reporting-Guidelines for Apparel and Textile Enterprises (CSR-GATEs) and ensures the reporting quality through assurance systems;

Exchanges social responsibility information and promotes best practices by organizing forums, symposiums, seminars and field studies;

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

Undertakes social responsibility-related research and education programs.

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