

## Partnership beyond the first tier: social impact with sub-supplier GSN



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**Fairphone 2 allows greater opportunities to build relationships and programs beyond first tier suppliers since we created our own custom design. Owning our design allows us to select more of our phone's components, as well as reach out to and build relationships with individual sub-suppliers that share our values for creating positive social and environmental impact.**

In the coming months, we'll be introducing you to some of the production partners that we're collaborating with – not only to provide materials and components, but also to devise and implement projects that expand the movement for fairer electronics.

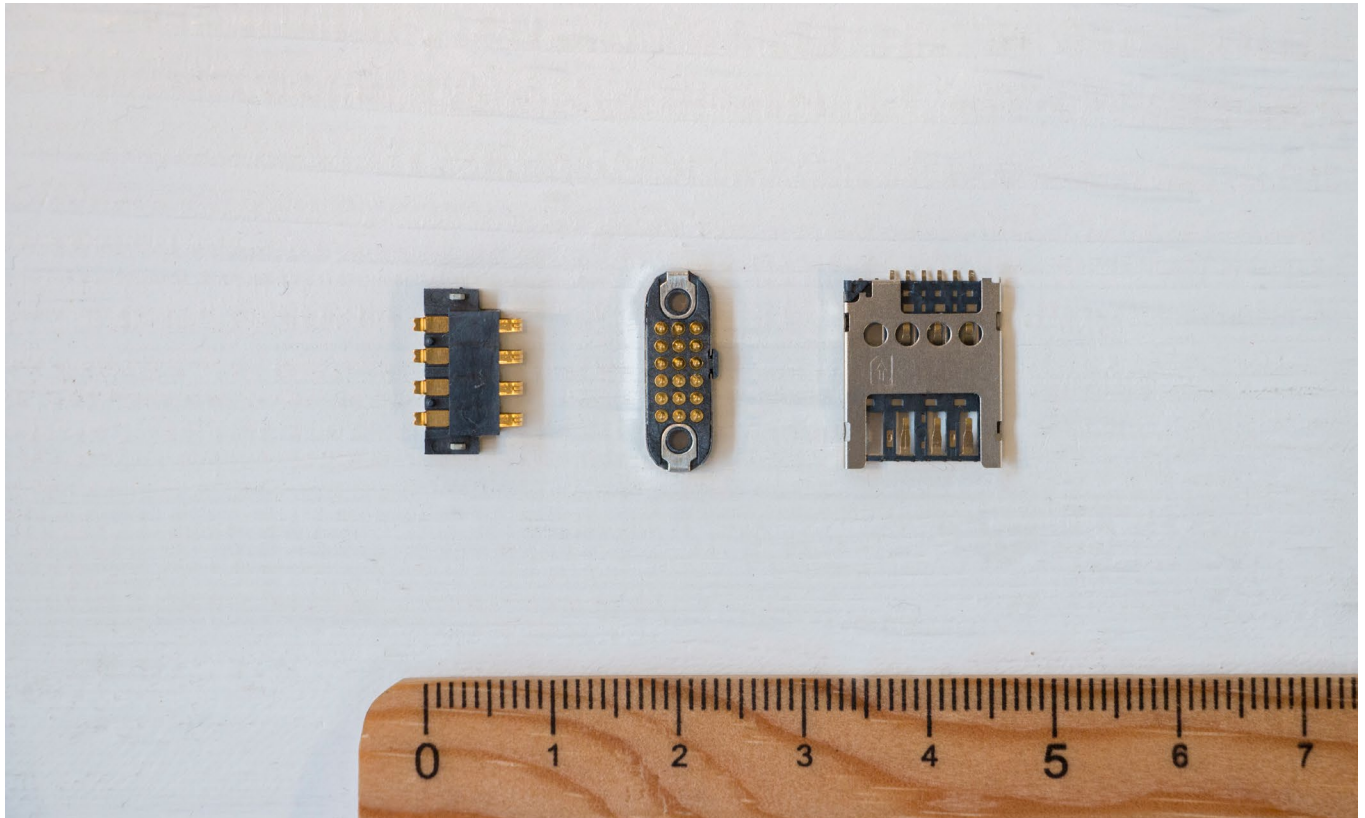
## Supplying connectors for the Fairphone 2

Actually, we didn't find the company we'd like to introduce you to in this blog – they found us! Connector manufacturer [GSN](#) has been working to integrate social impact into their business. In early 2013, as the company was beginning to implement this strategy, GSN CEO Frank Püschel got in touch with us to explain what his company was trying to achieve and ask if there was a possibility to work with Fairphone, having in mind a partnership that could both advance GSN's transformation road map and support Fairphone's value proposition.

Thanks to Frank's proposal, we took a closer look at what GSN was doing, and realized that there were many areas where our views aligned, especially with regard to working conditions and employee wellbeing. But beyond shared values, we had to be sure that they could actually supply materials that we

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could use for the Fairphone 2. GSN produces connectors and cables for a range of international clients, primarily in the automotive and consumer electronics sectors. We needed a wide range of connectors in this product, ranging from standard off-the-shelf parts (connectors for the battery, the SIM card sockets, the headset connector and so on) to fully customized module connectors. The latter enable the modules of the Fairphone 2 to be connected to the main circuit board and are therefore an integral part of the design of the phone, allowing the user to easily open up and change the individual modules quickly and reliably. To produce these customized, very fine assemblies, GSN developed a technique to handle the really small spring contacts before and during the assembly of the connectors.



*Battery connector, customized spring-loaded module connector and  
SIM card socket connector produced by GSN*

## Piloting more responsible practices

GSN combines business and social targets, for example by devoting shares of the annual dividend to reinvest in social activities. 2/3 of the annual dividend goes to social activities inside and outside the company. The remaining 1/3 is the shareholders' maximum share of monetary dividend. By embedding this approach into the company's business strategy, GSN is attempting to create an example for a more ethical and sustainable business conduct in the industry.

GSN operates three manufacturing locations in Shenzhen, China. One of them is GSN's 'Fair-Trade Pilot Center', where the connectors for Fairphone 2 are being produced. This is a small manufacturing facility that is pioneering activities with the aim of increasing the social wellbeing of its workforce. Once these initiatives are well established and effective, GSN plans to implement them at their larger production facilities as well.

Currently, the pilot center employs 33 people, 21 of which are working in production. The employees



have recently elected four representatives in an anonymous vote to help voice the needs and concerns of the workforce to the management. Besides employee representation, GSN has introduced a number of other innovative programs at their pilot center. As many Chinese factory workers originally come from other regions of the country, employees who have worked at the company for at least a year have the opportunity to take an additional 10 days of paid leave a year (2 trips of 5 days each) to return home to see their children. GSN also reimburses 50% of the employee's travel expenses for these trips. In addition, the company covers the entire social insurance contribution, which in China is generally split between the employer and employee. Finally, GSN makes English lessons available to all employees during working hours and provides fresh fruit every day.



*GSN's pilot center in Shenzhen, China*

## Partnership starts with a social assessment

Together we aim to pilot approaches to create positive social impact at the workplace and inspire the industry to act in a more responsible way. As with other production partners, we have started this journey with an independent social assessment at the factory, followed by a joint improvement process over the past months. The goal of this assessment is to understand the current conditions with regards to applicable labor law and best practices. Importantly, it is also a baseline to start working together on improvements, as well as to identify areas for innovation and future cooperation.

On 4 June 2015, our partner [TAOS](#) visited GSN's pilot center to complete the initial assessment, consisting of a factory walk-through, document reviews and interviews with 22 employees, including the four employee representatives. GSN was very receptive to the process and viewed it as "a highly appreciated milestone in GSN's transformation road map" (CEO Frank Püschel). The assessment uncovered a few areas of improvement related to company policies, HR practices and health and safety issues.

During the past months, we've been working together on improvements, most of which have already been

completed. For instance, it became clear during the assessment that overtime pay had been calculated incorrectly. GSN was quick to remediate this situation by sending a personal letter of apology to all the individuals who were affected, and issuing retroactive payment, along with 8% interest as a best practice. Other examples include conducting fire drills and training selected personnel in first aid. If you are curious to learn more, the GSN improvement plan starts on page 6.

While most of the employees interviewed liked the English classes, they also mentioned that they have difficulties learning the language. Based on this feedback, GSN has been working on better tailoring the English classes to the employees' needs.



Fire drill conducted in July 2015

## Next steps and long-term goals

Based on the results of the assessment as well as the goals the company has set for itself, there are still a number of improvements that GSN hopes to implement in the coming period, some of which require a longer-term approach. Earlier this year, GSN hired a full-time global corporate responsibility manager and a local corporate responsibility manager based in Shenzhen to assist in introducing these changes.

For example, based on a proposal made by the employee representatives, GSN aims to provide equal conditions for production and managerial employees, and has already started by introducing a unified monthly pay date for both groups, and offering everyone 15 days of paid leave per year. Additional measures are also being considered to provide equal opportunities for individual growth, including introducing standard performance indicators, performance-based raises and training options.

Finally, a continuous challenge is balancing working hours over the course of the business cycle, ensuring

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that they do not exceed 60 hours per week during busy seasons and providing enough work to guarantee job stability during low seasons. Besides improving work scheduling and monitoring of overtime, GSN hopes to reduce working hours by better defining job roles and responsibilities as well as internal procedures to optimize productivity. During times of low production, employees are encouraged to take their paid annual leave to maintain a stable workload. At the same time, GSN plans to design a progressive remuneration system (salary and non-financial benefits) that can support workers in achieving a living wage standard in the future.

In addition to the improvements already mentioned, we're currently working with GSN to identify a longer-term joint project to increase the positive social impact in our value chain. Examples might include additional initiatives for employee wellbeing, and GSN is also interested in exploring the use of fairer gold and conflict-free tin. We're just at the beginning of our relationship with GSN, and are excited to see where it will lead in the long term. As soon as we have additional details to share, you'll be the first to know.



## Improvement Plan

Assessment Date: 4 June, 2015

Factory: GSN Electronics

### Section I: Human Resource Management

	Issues observed by TAOS (June 2015)	Action plan	Improvement status (Oct 2015) (Verification by Fairphone)
Written policies	Child labor policy was missing in the company policy.	Amend policies accordingly and provide training to factory management and employees on rights and benefits according to new standards	Policies have been amended and are currently being reviewed by TAOS. Training has been provided to employees and management on employee rights, duties and benefits according to the revised policies. <a href="#">Documentation provided by GSN.</a>
	Company policy did not prohibit forced labor and included language that is concerning from a forced labor perspective, stating that workers cannot take personal days on Mondays and Tuesdays; workers cannot quit within the first six months after joining the company; workers are not given days off on national holidays within the first month after joining the company.		
	Juvenile worker protection policy was missing in the company policy.		
	Anti-harassment and abuse language was missing in the company policy.		
	There was no established environmental policy.	Establish a written environmental policy.	Environmental policy will be included in the new Global Code of Conduct, to be finalized at the end of October.
Discipline	The company policy included the following punitive deductions from workers' salaries: Three-day pay is deducted if a worker skips work for one day; seven-day pay is deducted if a worker quits without notifying the company sufficiently in advance; 5 RMB are deducted from monthly salary if a worker is ten minutes late; 10 RMB are deducted if a worker is thirty minutes late; 20 RMB are deducted if a worker is late by one hour.	Remove all punitive deductions from company policies and management practice.	Policies have been amended and are currently being reviewed by TAOS.
	Workers were charged 30 RMB per shirt for their uniforms and 5 RMB for hats (workers could receive uniform refund after a year of working at the factory).	Provide uniforms free of charge and refund uniform fees to all current employees.	Uniform charge is removed from company policy and has been refunded to all employees. <a href="#">Proof of receipt of refund provided by GSN.</a>

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	Issues observed by TAOS (June 2015)	Action plan	Improvement status (Oct 2015) (Verification by Fairphone)
Juvenile workers	The factory employs two juvenile workers who were not registered at the local labor bureau.	Maintain an up-to-date registry of all juvenile workers employed and register that name list with the local labor bureau in a timely manner.	Juvenile workers are now registered at the local labor bureau. <a href="#">Copy of registration certificates provided by GSN.</a>
	Juvenile workers were not provided with annual health check.	Provide juvenile workers with a special health check required for juvenile workers.	Juvenile workers have been provided with annual health check according to "Health Examination Table for Underage Employee" <a href="#">Proof provided by GSN.</a>
Working hours	Working hours exceeded 60 hours per week. Review of timesheet from Nov 2014 to May 2015 indicates that the highest recorded working hours were as follows: May 2015, 61.5 hours/ week Apr 2015, 66.5 hours/ week Mar 2015, 65.5 hours/ week Jan 2015, 69.5 hours/ week Dec 2014, 67 hours/ week Nov 2014, 73.5 hours/ week	Establish/ strengthen work-hour control system to ensure that the total weekly working hours do not exceed 60 hours per week.	GSN is investigating root causes of overtime and plans to limit working hours incl. overtime to 60 hours per week by: 1. Clearly defining job profiles, roles & responsibilities in order to increase overall capacity. 2. Defining transparent internal processes & procedures in order to increase overall productivity. 3. Redesigning workflows where feasible in order to increase production line efficiency. 4. Compensating workers for limited overtime arrangement and declined workload with an additional 10 days paid leave/year. Overall process to be completed by the end of 2015.
Wages and benefits	Employees were not compensated for the first 3 days of work during the one-month probation period. Employees who leave the factory were paid on the next pay day.	Pay wages for any work rendered by the workers. Workers who resign should be paid on their last day of work.	Company policies have been revised and are currently being reviewed by TAOS: a) Regardless of the status of employment, consistent standard wage will be applied (including during probationary period). b) Workers who resign in compliance with notice period receive their pay at the end of the last day of work. c) Otherwise they receive it 1 month after submitting their application for resignation.
	Nov 2014 to May 2015 records showed that about 60%-80% of the workers did not receive sufficient overtime pay.	Pay all workers overtime wages as per the legal overtime rates. Compensate affected workers for insufficient OT pay by retroactive payment for the entire period of employment.	A personalized letter of apology has been issued to all affected workers. The letter explains the causes for the calculation errors, gives the total individual amount of missing OT pay and affirms the company's commitment to fully comply with Chinese Labor Law in the future. Retroactive payments plus 8% interest have been made to all affected workers from individual start of employment until May 2015. <a href="#">Sample documentation provided by GSN.</a>
	Pay stub was not provided to workers.	Provide pay stub in compliance to legal requirements. Provide summary of missing pay stubs since start of employment.	Pay stubs are now provided. Missing pay stubs from Nov 2014 to May 2015 have been issued to all affected workers and signed off. <a href="#">Sample pay stubs provided by GSN.</a>

## Section II: Health and Safety

	Issue	Action	Status (Verification by Fairphone)
Exits	1. All other exit signs installed at the factory were not internally illuminated except two. 2. The exits of four warehouses, the exits in metal lab, and the exit leading to the emergency ladder were not equipped with exit signs and emergency lights.	1. The exit signs should be internally illuminated. 2. Install exit signs at all exits.	Current renovation works at the factory are changing the set-up and will be completed in October 2015. GSN will remediate these issues during/after the renovation, and an external advisor on OHSAS 18001 will be consulted. Long-term approach: Internal health and safety coordinator will be appointed and trained.
Aisle/ Exit routes	Arrows on the floor pointing to the emergency escape direction were missing.	Emergency exit routes should detail the direction of evacuation with arrows.	
Evacuation maps	There was no evacuation map posted in the workshop.	Post accurate and up to date evacuation map in the workshop.	
Wiring and Electrical	One electrical box was missing a cover; the cover of one electrical box was open on the assessment day.	Keep the electrical panel boxes closed with a cover.	Electrical boxes are now permanently covered. <a href="#">Photos provided by GSN.</a>
Chemical safety	Fuel for air compressor stored in air compressor room was not equipped with a secondary container.	Equip chemicals with secondary containers to prevent leaking.	Fuel for air compressor stored in air compressor room is now equipped with a secondary container. <a href="#">Photos provided by GSN.</a>
Medical personnel	None of the employees was formally trained in first aid with certification available on file. Note: company registered for training course before the day of assessment.	In the absence of a full-time medical professional, one percent of the workforce should be formally trained in first aid with certification, per best practices, available on file.	Two employees joined a first aid training and received certificates. <a href="#">Copy of certificates provided by GSN.</a>
First aid kit	First aid kit was missing scissors and medical gloves. Oral medicines were placed in the first aid kit.	Ensure that first aid kits are fully stocked. Oral medicines should not be placed in the first aid kit.	First aid kit now includes scissors and medical gloves. First aid kit does not have oral medicine anymore. <a href="#">Photos provided by GSN.</a>
Special equipment	Elevator was not marked with warning signs for fire and earthquake conditions.	Post a warning sign on or near the elevator doors warning against use in case of fire or earthquake.	Elevator is now marked with warning signs for fire and earthquake conditions. <a href="#">Photos provided by GSN.</a>
Worker preparedness/ fire drills	The factory attended the fire drills conducted by the industrial zone, but has not conducted independent fire drills. Only one fire drill has been conducted since 2014.	Conduct fire drills at least twice a year.	Fire drill was conducted in July 2015 and overseen by a person responsible for the fire safety of the industrial park. Another fire drill will be held in October 2015, after completion of the building renovations. <a href="#">Documentation provided by GSN.</a>