

World Bank

**Reduction and Phase-Out of PFOS in Priority Sectors in
China**

Employee Redundancy and Compensation Action Plan

of

Xiaochang Xiangshun Chemical Industry Co., Ltd.

(final)

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1. Introduction

1.1. Background of the PFOS Project

The *Global Environment Facility (GEF)-Reduction and Phase-out of PFOS in Priority Sectors in China Project* (hereinafter referred to as “the PFOS Project”), developed by the International Environmental Cooperation Center, Ministry of Environmental Protection (IECO/MEP), with the support of the World Bank was officially launched in November 2017. The project which is in the field of chemical management aims at ensuring that China would fulfill its mandatory obligation of reducing PFOS as was stipulated in the Stockholm Convention on Persistent Organic Pollutants. It urges the uttermost replacement/reduction/phase-out of PFOS in manufacturing, electroplating, pesticides, and fire-fighting industries. The Project was approved by the World Bank with a GEF grant size of USD 24.25 million.

China is reported to be the only country in the world which produces PFOS (as China manufactures the raw material for downstream PFOS products), with an annual PFOSF output at 105 tons (2015) which is mainly used in fire-fighting, electroplating, oil drilling, pesticides, and some other sectors. Currently, there are 8 companies in China with the capability of producing PFOSE, 6 of which are in Hubei province and 2 in Fujian province.

Hubei Xiaochang Xiangshun Chemical Industry Co., Ltd. (hereinafter

referred to as “Xiangshun” or “the subproject” or “the Company”) is one of the 8 companies that will participate the PFOS project. This report is prepared to establish a compensation action plan for the employees who will be laid off because of the halt production of PFOS in the company, in accordance with the Project’s Environmental and Social Management Framework (ESMF).

Prior to the Project Appraisal, an Employee Redundancy Compensation Framework (ERCF) was developed and cleared by World Bank as part of the ESMF. This Employee Redundancy Compensation Action Plan (ERCAP) is prepared by Xiangshun following the ERCF and will be submitted to World Bank for approval before implementation of this subproject.

1.2. Project Description

Founded in late 2007 with an investment of 4 million RMB, Xiangshun mainly produced PFOS, potassium perfluorooctane sulfonate and perfluorooctyl quaternary ammonium iodide and other related products, with an annual output of 4 tons.

In May 2018, Xiangshun officially applied for halting production under the PFOS Project. According to the requirements for demonstration activity of halt production, Xiangshun is expected to completely phase out the production of PFOSF and PFOS derivatives. Xiangshun is required to carry our risk assessment on the existing

production site, dismantle and dispose ECF facilities in an environment-friendly way and properly dispose of the waste and contaminated sites in compliance with the requirements of relevant policies and the approved ESMF. The implementation of the project will reduce the production of PFOS by 4 tons and regulate the disposal of PFOS-containing waste.

1.3. Project Sectoral and Social Background

At present, China has an annual output of PFOSF of around 100 tons, most of which are used in fire-fighting, oil production, electroplating and pesticides. As PFOS was included in POPs convention, and with the emergence of alternatives in related industries at home and abroad, the use of PFOS in China's pesticides, electroplating and oil drilling industries has decreased. Currently, only the use of PFOS in fire-fighting industry has increased, and the total annual output of PFOSF is going downward when the use of PFOS is also decreasing.

Located in Xiaochang County, Xiangshun has suspended its production since 2017 in response to more stringent requirement by local government on environmental protection facilities of enterprises. Now, Xiangshun plans to participate in the PFOS project and will terminate its production completely and permanently. Since Xiangshun suspended its production, apart from the owner of the company, there are 4 employees attending to the company in two shifts, and the workers

get their basic wage every month. The company plans to finish disposing of major hazardous chemicals soon, and to dismantle all the plants and equipment after completely terminating its production. Since the company has a rather small business scale and it has already suspended its production, there are currently only a few employees who will be laid-off. All the employees are expected to reach retirement age after the company completely terminates its operation. Since the company has paid pension insurance for them, the 4 employees will get monthly payment from their pension schemes after the termination of the company. Therefore, it is expected that the worker layoff will have little impact on the four current employees in Xiangshun.

2. Applicable Policies in Employee Compensation

2.1. Basic Principles

In order to minimize the social risks and impacts caused by the compensatory resettlement of employees, according to the guidelines of the World Bank Safeguard Policy OP4.01 and the project *Environmental and Social Management Framework* approved by the World Bank, Xiaochang Xiangshun will prepare and implement Employee Redundancy Compensation Action Plan to specify the relevant rules, procedures and regulations applicable to the employee layoff, and to identify, assess, mitigate and monitor the negative social impacts which may result from the employee placement, therefore ensuring that the affected employees can be properly compensated and their livelihood can be restored.

The basic principle of relevant domestic policies and regulations is to provide economic compensation to the laid-off employees, supplemented by other measures such as skills training, employment counseling, etc., so that the affected employees can obtain and adapt to other employment opportunities in a timely manner, and thus improve or at least retain their previous income level.

2.2. Regulatory Requirements regarding Employee Compensation

The company abides by the following applicable laws and regulations in the placement of laid-off employees:

- (1) Labor Law of the People's Republic of China (1994) ;
- (2) Labor contract Law of the People's Republic of China
(Amendment 2012)
- (3) Regulations for the Implementation of the Labor Contract
Law of the People's Republic of China (State Council Order No. 535 ,
2008);
- (4) Social Insurance Law of the People's Republic of China
(2010) ;
- (5) Labor Security Supervision Regulations (State Council
Order No. 423, 2004)
- (6) Regulations on the Administration of Housing Provident
Funds (State Council Order No. 350, 2002);
- (7) Regulations on Industrial Injury Insurance of the People's
Republic of China (State Council Order No. 586, Amendment 2010)
- (8) Regulations on Employees' Maternity Insurance of the
People's Republic of China (Draft for Comment)" (2012);
- (9) Regulations on Special Labor Protection for Female
Employees (State Council Order No. 619, 2012);
- (10) The Law on Mediation and Arbitration of Labor
Disputes of the People's Republic of China (2007) ;
- (11) Regulations on Negotiation and Mediation of Labor
Disputes in Enterprises" (2012)

(12) Measures of Economic Compensation for Violation and Termination of Labor Contracts (Labor Order No. 481, 1994);

(13) Provisions on the Implementation of the Regulations on Labor Security Supervision (Labor Order No. 25, 2004)

(14) Employment Promotion Law of the People's Republic of China (Amendment 2015);

(15) Interim Regulations on the Collection of Social Insurance Fees (State Council Order No. 259, 1999);

(16) Unemployment Insurance Ordinance (State Council Order No. 258, 1999)

(17) Interim Provisions on Wages Payment (Labor Order No. 489, 1994);

(18) Measures of Transferring and Continuing Pension Insurance (2010);

(19) Vocational Education Law of the People's Republic of China (1996);

(20) Notice on Issues related to Enterprises Reporting Employee Reduction Plan (Hubei LS No. 23, 2009) issued by Hubei Provincial Human Resources and Social Security Department

2.2.1 Key Provisions in *Labour Law of the People's Republic of China* concerning the Modification, Dissolving and Termination of Labor Contract

Article 2

This law is applicable to enterprises, individual economic entities and private non-enterprise organizations (hereinafter referred to as the Employer) that establish labor relationships with laborers in the People's Republic of China.

This law is also applicable to state authorities, public institutions and social organizations that establish labor relationships and conclude, perform, modify, dissolve and terminate labor contracts with laborers.

Article 21

During the probation period, an Employer may not dissolve a labor contract unless there is evidence proving that the laborer meets any of the conditions specified in Article 39 or the first and second items of Article 40 of this Law. If an Employer dissolves a labor contract during the probation period, it shall explain the reasons to the laborer.

Article 25

With the exception of the circumstances specified in Articles 22 and 23 hereof, an Employer may not stipulate with a laborer damages which the laborer is required to bear.

Article 34

An Employer and a laborer may modify the provisions of their labor contract if they so agree after consultations. When a labor contract is modified, the amended provisions shall be recorded in written form.

Article 36

An Employer and a laborer may dissolve their labor contract if they so unanimously agree after consultations.

Article 38

In any of the following circumstances, a laborer may dissolve his labor contract at any time if:

(1) the Employer fails to provide labor protections and working conditions in accordance with the labor contract;

(2) the Employer fails to pay labor remuneration in full and on time;

(3) the Employer fails to pay the social insurance premiums for the laborer in accordance with the law;

(4) the rules and regulations of the Employer violate laws or regulations, thereby harming the laborer's rights and interests;

(5) any of the conditions specified in Item 1 of Article 26 are met; or

(6) other circumstances as specified in laws or administrative statutes enable the laborer to dissolve the labor contract.

Article 40

An Employer may dissolve a labor contract by giving the laborer 30 days prior written notice, or one month's wage in lieu of notice, if:

(1) after the regulated period of medical leave for an illness or

non-work related injury expires, the laborer is incapable of performing his original work or is incapable of performing a new job as arranged by the Employer;

(2) the laborer is proved incompetent and remains incompetent after training or adjustment of his position; or

(3) a major change in the objective circumstances relied upon at the time of conclusion of the labor contract hinders continued fulfillment of the original contract and, after consultations, the Employer and laborer are unable to reach agreement on amending the labor contract.

Article 41

If any of the following circumstances obstruct implementation of the labor contract and make it necessary to reduce the workforce by 20 persons or more or by a number of persons that is less than 20 but accounts for 10 percent or more of the total number of the enterprise's employees, the Employer shall explain the circumstances to its labor union or to all of its employees 30 days in advance, and it may reduce the workforce after considering the opinions of the labor union or the employees and subsequently reporting the workforce reduction plan to the labor administration department:

(1) restructuring pursuant to the Enterprise Bankruptcy Law;

(2) serious difficulties in production and/or business operations;

(3) the enterprise changes products, makes important technological renovation or adjusts the methods of its business operation, and it is still necessary to lay off the number of employees after changing the labor contract.

(4) the objective conditions taken as the basis for the conclusion of the contract have changed considerably and the original labor contract can no longer be fulfilled.

When the employing unit cuts down the number of employees, the following employees shall be given a priority to be kept:

(1) those who have concluded a fixed-term labor contract for a longer term with the unit.

(2) those who have concluded a labor contract without fixed-term with the unit.

(3) those whose family has no other employee and has the aged or minors to support.

Article 42

The employing unit shall not revoke the labor contract under Articles 40 and 41 of this Law if any of its employee:

(1) is engaging in operations exposing him to occupational disease hazards and has not undergone an occupational health examination before leaving his position, or is suspected of having an occupational disease and is under diagnosis or medical observation;

(2) has been confirmed as having totally or partially lost his ability to work due to an occupational disease or a work-related injury during his employment with the employing unit;

(3) has contracted an illness or sustained a non-work-related injury and the proscribed time period of medical treatment has not expired;

(4) is a female who is in her pregnancy, confinement or nursing period;

(5) has been working for the employing unit continuously for more than 15 years and is less than 5 years from his legal retirement age;

(6) finds himself in other circumstances under which an employing unit shall not dissolve the labor contract as stipulated in laws, administrative rules and regulations.

Article 44

If one of the following circumstances occurs, the labor contract shall be terminated:

(1) the labor contract expires;

(2) laborer begins to enjoy the pension insurance benefits;

(3) laborer dies, or is declared dead or missing by a people's court;

(4) the employing unit is declared bankrupt according to law;

(5) the employing unit's business license is revoked, or the employing unit is ordered to close down or to dissolve its business entity, or the employing unit decides to liquidate its business ahead of the schedule;

(6) other circumstances stipulated by laws, administrative rules and regulations.

2.2.2 Key Stipulations on Economic Compensation in the Labor Contract

Law of the People's Republic of China

Article 46

In any of the following circumstances, the employing unit shall pay economic compensation to the laborer:

(1) laborer proposes to terminate the labor contract in accordance with the stipulations of Article 38 of this Law;

(2) the employing unit proposes to the laborer the termination of the labor contract in accordance with Article 36 of this Law and revokes the labor contract by consensus with the laborer;

(3) the employing unit terminates the labor contract in accordance with Article 40 of this Law;

(4) the employing unit terminates the labor contract in accordance with the provisions of Item 1 of Article 41 of this Law;

(5) in addition to the circumstances in which the employing unit maintains or improves the conditions stipulated in the labor

contract to renew the labor contract and the laborer disagrees with the renewal, the termination of a fixed-term labor contract in accordance with the provisions of Item 1 of Article 44 of this Law;

(6) the termination of labor contract in accordance with the provisions of Items 4 and 5 of Article 44 of this Law;

(7) Other circumstances stipulated by laws, administrative rules and regulations.

Article 47

The economic compensation to affected workers shall be calculated by multiplying the year of service with the enterprise by the amount of monthly salary. Any period of service is above six months but less than one year shall be deemed as one year, and any period service is less than six months shall be paid of one-half of his monthly salary.

The monthly salary shall be calculated on the basis of the average salary of the past 12 months prior to retrenchment or termination of the labor contract.

2.2.3 Key Stipulations on the Employee Archives in the Labor Contract

Law of the People's Republic of China

Article 50

The employing unit shall issue a certificate of dissolution or termination of the labor contract at the time of dissolution or termination of the labor contract, and handle the transfer formalities of archives and social insurance relations for the laborer within 15 days.

2.2.4 Key Stipulations on Social Insurance in the Interim Regulations on Collection and Payment of Social Insurance Premiums

Article 4

Units and individuals paying premiums shall promptly pay social insurance premiums in full amount.

Article 10

Units paying premiums shall, on a monthly basis, report to the social insurance agency the amount of social insurance premiums payable and, after assessment by the social insurance agency, pay their social insurance premiums within the prescribed period.

Article 12

Units and individuals paying premiums shall pay their social insurance premiums in cash and in full.

The social insurance premiums payable by individuals paying premiums shall be withheld from their wages and paid for them by their work units.

2.2.5 Key Stipulations on Labor Disputes in the Law of the People's Republic of China on Labor Dispute Mediation and Arbitration

Article 2

This Law is applicable to the following labor disputes arising between employing units and laborers within the territory of the People's Republic of China:

- (1) disputes arising from the confirmation of labor relations;
- (2) disputes arising from the conclusion, performance, alteration, cancellation and termination of labor contracts;
- (3) disputes arising from expulsion, removal from office, resignation or dismissal;
- (4) disputes arising from working hours, the period of rest and vacation, social insurance, welfare, training and occupational protection;
- (5) disputes arising from labor remuneration, medical expenses for work-related injuries, economic compensation or damages, etc.;
- (6) other labor disputes prescribed by laws or regulations.

Article 3

Labor disputes shall be resolved on the basis of facts and pursuant to the principles of lawfulness, impartiality and timeliness and stress on mediation, to protect the lawful rights and interests of the parties according to law.

Article 6

Where a labor dispute arises, the parties shall have the responsibility to provide evidence for their own claims. Where the evidence relevant to the matter under dispute is kept and controlled by the employing unit, the employing unit shall provide such evidence;

where the employing unit refuses to do so, it shall bear the unfavorable consequences.

Article 7

Where the party in a labor dispute consists of ten laborers or more who have a common request, they may choose one laborer to represent them in mediation, arbitration or litigation activities.

2.2.6 Key Stipulations on Labor Disputes in the Regulations on Consultation and Mediation of Labor Disputes in Enterprise

Article 2

The regulations are applicable to the consultation and mediation of labor disputes in enterprises.

Article 3

Enterprises should implement according to law the democratic management systems such as Assembly of staff and worker, congress of staff and worker and making public the affairs of enterprises, establish the collective consultation and collective contract systems, and safeguard the harmony and stability of labor relations.

Article 4

Enterprises should establish a communication and dialogue mechanism between employing unit and employees to smooth the channels for laborers to express their interests and demands.

Laborers who believe that there are problems in the

implementation of labor contracts, collective contracts, labor security laws and regulations and enterprise labor rules and regulations may submit them to the Enterprise Labor Dispute Mediation Committee (hereinafter referred to as the Mediation Committee). Mediation committee shall verify the situation in time and coordinate the enterprise to carry out rectification or make explanations to the laborers.

Laborers may also make other reasonable claims to enterprises through the Mediation Committee. The Mediation committees shall promptly convey the information to the enterprises and give feedback to laborers.

Article 5

Enterprises should strengthen humanistic care for laborers, care about their demands, pay attention to their mental health, guide them to safeguard their rights rationally and prevent labor disputes.

Article 6

To negotiate and mediate labor disputes, we should follow the principles of equality, voluntariness, legality, impartiality and timeliness in accordance with the facts and relevant laws and regulations.

Article 7

The administrative department of human resources and social security shall guide enterprises to carry out the work of prevention and mediation of labor disputes, and concretely perform the following

duties:

(1) to guide enterprises to abide by labor security laws, regulations and policies;

(2) to urge enterprises to establish early prevention and warning mechanism for labor disputes;

(3) to coordinate trade unions and enterprise representative organizations to establish an emergency mediation and coordination mechanism for major collective labor disputes, and jointly promote the prevention and mediation of labor disputes in enterprises;

(4) to examine the organization establishment, system construction and team-building of the mediation committee within the jurisdiction.

Article 8

In case of labor disputes, one party may negotiate and resolve it with the other party through an interview.

Article 13

Large and medium-sized enterprises shall establish mediation committees in accordance with the law and be equipped with full-time or part-time staff.

Enterprises with branch offices, branch stores, and branch factories may set up mediation committees in their branches according to their needs. The Headquarters Mediation Committee directs the branch

mediation committee to carry out the work of labor dispute prevention and mediation.

Mediation committees may set up mediation groups in workshops, sections and teams as needed.

Article 14

Small and micro enterprises may set up mediation committees, or laborers and enterprises may jointly recommend personnel to carry out mediation work.

Article 15

The mediation committee is composed of representatives of laborers and enterprise. The number of members is determined by mutual agreement and the number of members of both parties should be equal. The representatives of laborers are elected by the members of trade union committee or by all the laborers, and the representatives of enterprise are designated by the person in charge of the enterprise. The director of the mediation committee shall be a member of the trade union committee or a person elected by both parties.

Article 33

The enterprise shall support the mediation committee to carry out mediation work, provide office space, and guarantee work expenses

2.2.7 “Interim Measures of the State Council on Workers' Retirement and Resignation” (No. [1978]104) Relevant regulations on retirement

age

Workers of enterprises owned by the whole people, institutions, and party and government organs and mass organizations shall retire if they meet one of the following conditions: (1) Male is 60 years old, female is 50 years old, and has worked for ten years. (2) Engaged in underground, high altitude, high temperature, particularly heavy physical labor or other work that is harmful to the health of the body. Males are 55 years old, women are 45 years old, and have worked for ten years. This provision also applies to grassroots cadres whose working conditions are the same as those of workers. (3) The male is over 50 years old, the female is over 45 years old, and the working age is ten years. It is proved by the hospital and confirmed by the labor appraisal committee, completely losing the ability to work. (4) Disability due to work, certified by the hospital, and determined by the labor appraisal committee, completely lost the ability to work. Workers of enterprises owned by the whole people, institutions, and party and government organs and mass organizations shall retire if they meet one of the following conditions: (1) Male is 60 years old, female is 50 years old, and has worked for continuously ten years. (2) Engaged in underground, high altitude, high temperature, particularly heavy physical labor or other work that is harmful to the health of the body. Males are 55 years old, women are 45 years old, and have worked for continuously ten years.

This provision also applies to grassroots cadres whose working conditions are the same as those of workers. (3) The male is over 50 years old, the female is over 45 years old, and the working age is ten years. It is proved by the hospital and confirmed by the labor appraisal committee, completely losing the ability to work. (4) Disability due to work, certified by the hospital, and determined by the labor appraisal committee, completely lost the ability to work.

2.2.8 Human resources and Social Security Department of Hubei Province “Notice on issues related to corporate reporting reductions” (No. [2009] 23) Provisions on staff reduction

In order to standardize the reduction of personnel behavior and protect the legitimate rights and interests of laborers, in accordance with the provisions of the Labor Contract Law of the People's Republic of China and the actual situation of the province, the relevant issues concerning the report of the company's report on the reduction of personnel are now notified as follows:

(1) If an enterprise has reduced more than 20 personnel or reduced less than 20 persons in accordance with the law, but accounts for more than 10% of the total number of employees, the following procedures shall be followed:

(a) Explain the situation to the trade union or all employees 30 days before the implementation of the reduction, including the current

production and operation status of the enterprise, the reasons for the reduction of personnel, the number of persons to be laid off and the number of personnel, the time for implementing the reduction of personnel, the economic compensation method and other needs for explanation. Matters, listen to the opinions of trade unions or employees;

(b) Develop a staff reduction program

(c) Reporting to the local labor administration on the reduction plan for personnel 15 days before the implementation of the reduction;

(d) After the announcement of the plan for the reduction of personnel, the relevant procedures for the termination of the labor contract with the person who has been laid off.

(2) The plan for the reduction of personnel submitted by the enterprise to the local labor administrative department shall include the current production and operation status of the enterprise, the main reason for the reduction of personnel, the hearing of the opinions of the trade union or all employees, and the reduction of personnel to participate in social insurance and payment to the society. The insurance premium situation and the implementation of economic compensation, with the following information:

(a) "Report on Corporate Reductions"

(b) Proof of the list of workers to be laid off and the social

insurance agency of the participating area to reduce the number of persons participating in social insurance and payment of social insurance premiums

2.3. Comparison of World Bank's Safeguard Requirements and Regulatory Requirements on Worker Layoff

The Chinese laws and regulations and the World Bank's involuntary resettlement principles all emphasize the proper placement of workers' production and life from the perspective of people-orientation, and formulate resettlement plans to effectively protect the legitimate rights and interests of laid-off workers.

The main differences between Chinese regulations and World Bank safeguards requirements shown in **Table 2-1** below. On the basis of compliance with Chinese regulations, the project shall adopt the solutions in the table to meet the requirements of the World Bank Safeguards Requirement OP4.01. Note that OP4.01 is concerned with social risks other than involuntary resettlement caused by land acquisition and resettlement, while OP4.12 focuses on mitigating the impacts and risks associated with the land acquisition of a project, including the physical displacement of the the owners and users of land (relocation of residents) and economic displacement (livelihood income is affected). The staff lay-off caused by the closing of Xiangshun is not related to land acquisition and resettlement, so OP4.12 is not applicable,

but OP4.01 is applicable.

Table 2-1 Comparison of World Bank Staff Resettlement Compensation and China's Resettlement Law and Project Solution

No.	Compensation content	World Bank Security Requirements	Chinese regulations and standards	Project solution
1	Vulnerable Groups	Request to ensure the participation and consultation of vulnerable groups and provide additional support if necessary	No relevant requirements	Identify vulnerable groups (such as women, middle-aged and elderly people, people with severe illness or chronic diseases), and provide corresponding assistance according to specific conditions as necessary
2	Consultation and information disclosure	Require affected people to be fully informed and consult with them as soon as possible	Affected people are not very effective in project decision-making	Negotiate with the staff to formulate the "Employee Redundancy Compensation Action Plan" and implement the "Employee Grievance Redress Procedure" (which was completed by Xiangshun and refers to Section 4.7 for details).
3	Monitoring, evaluation and reporting	The Bank requires monitoring and reporting on the action plan	Human Resources Labor and Social Security Bureau audits the project	Xiangshun should report the progress of staff redundancy, issues and employee complaints to the progress report of IECO and the World Bank.

3. Organizational Arrangement and Procedure for Worker Lay-off

3.1. Organizational Chart and Responsibilities

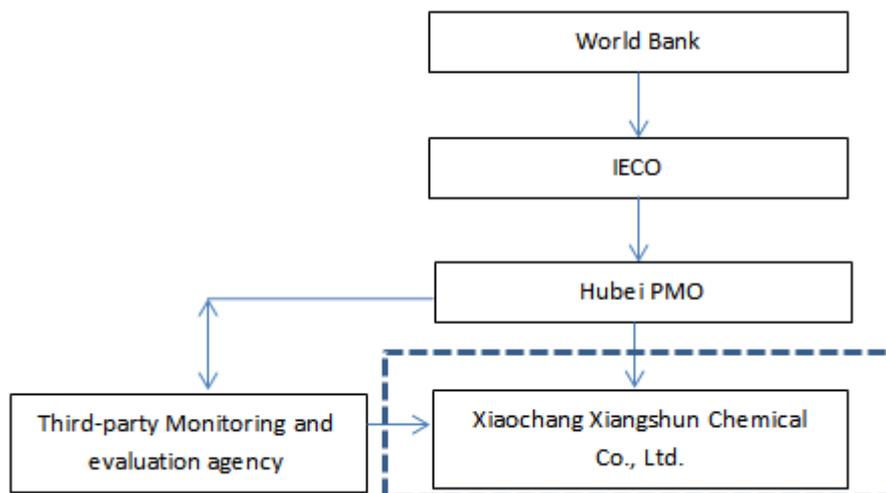


Figure 3-1 Organizational Structure for Xiangshun Employee Compensation

World Bank: Review and clear the *Employee Redundancy Compensation Action Plan* and follow its implementation progress and outcomes with IECO and Xiangshun.

International Environmental Cooperation Center (IECO): Supervise the implementation of the *Employee Redundancy Compensation Action Plan*; report the implementation progress and outcomes to the World Bank on a regular basis.

Hubei (provincial) Project Management Office: Review the social management plan documents submitted by Xiangshun ; assist the project verification and supervision; report the implementation of the project social performances to the IECO on a regular basis.

The third-party monitoring and evaluation agency (employed by

PPMO): commissioned by the sub-project management unit to carry out external social monitoring and evaluation on , and submit a monitoring report to the provincial project management office.

Xiaochang Xiangshun (Beneficiary of the sub-grant project and project implementer): responsible for the preparation and proper implementation of the *Employee Redundancy Compensation Action Plan* and accepts the monitoring and evaluation under the project.

3.2. Worker Redundancy Implementation Procedures

According to the relevant laws and policies under section 2.2, the procedures for employee layoff by Xiangshun are shown in Figure 3-2.

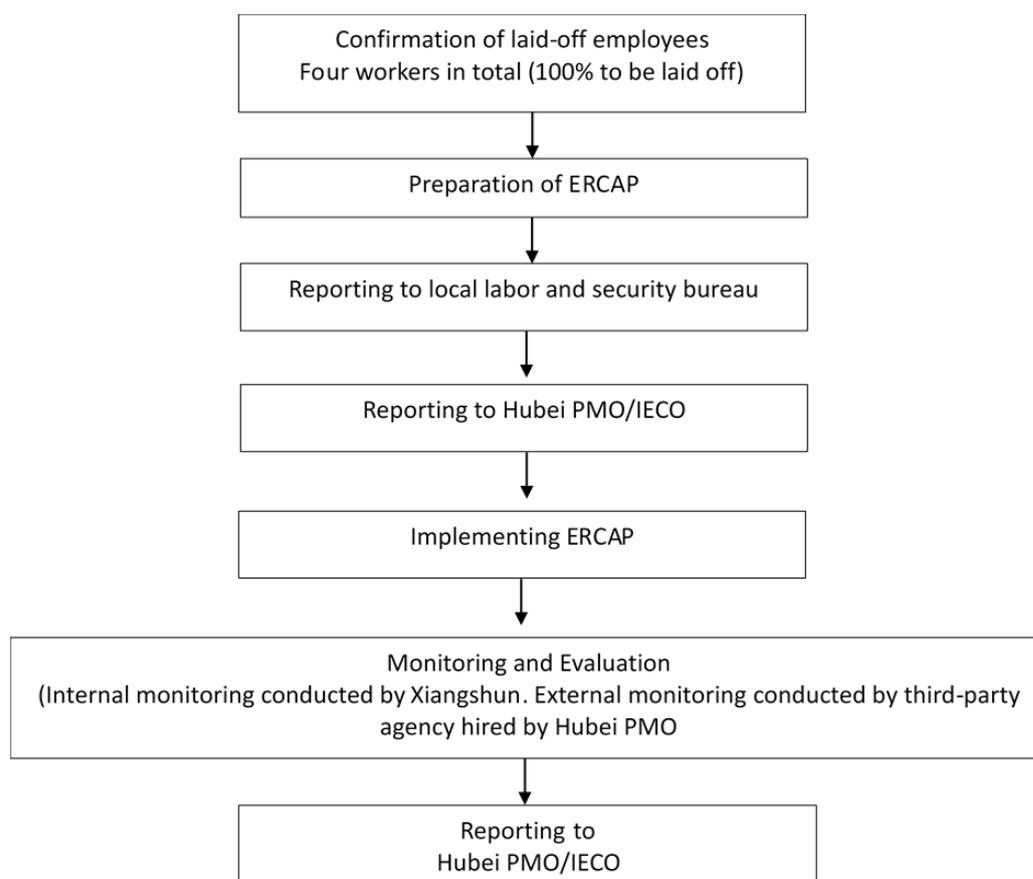


Figure 3-2 Xiangshun Worker Redundancy Implementation Procedure

4. Impact and Measures

4.1. General

Xiangshun established at the end of 2007, is located at Heshan Village, Dushan District, Xiaoshan County, near the entrance of the national highway. The major products are 4 tons of Potassium perfluorooctane sulfonate and Perfluorooctyl quaternary amine iodide annually. To date, Xiangshun has 4 employees after 7 workers were laid-off and compensated in October 2016 because of profit shrinking. The company is about to shut down all of the production lines within the project cycle, therefore the staff remained are going to be laid off in compliance PRC labor law and the ESMF approved by World Bank.

4.2. Overview of Historic Worker Layoff

Due to factors of company's profit, 7 employees had been compensated in October 2016 before this project coming into force according to the laws and policies of the nation and Hubei Province. The payment of compensation had been disbursed in full to all related workers. Among the 7 employees, 5 had reached the retirement age before October 2016 and began to enjoy monthly paid pension benefits from the local Labor and Security Bureau. The other 2 affected workers had found other jobs in other companies after the retrenchment by Xiangshun.

Key timelines regarding past worker lay-off were identified as

follows: information disclosure and employee consultation occurred in August 2016; Xiaochang Xiangshun submitted the worker retrenchment plan to local labor bureau for filing in September; and labor contracts were terminated when the compensation was paid in full in October 2016. The 7 laid-off employees had already been compensated according to the national and local laws on labor management without any legacy issues. An overview of the historical labor lay-off is summarized as below: the amount of compensation with RMB 50,000 and refund of personal stock with RMB 150,000 had been paid off in a lump sum to Zhang Yueqiang and Bao Changlong respectively, both of whom had reached retirement age by the time of retrenchment. Liu Xuegao, Yu Dungui and Zhang Suqin also had reached retirement age then. Liu Xuegao, Yu Dungui, Zhang Suqin, Fu Jianqiang and Wang Jun had been compensated with RMB 54,000 in a lump sum following the legal requirements. The social insurance charges had been paid up for Fu Jianqiang and Wang Jun and laid-off subsidies for people at the age of 40 to 50 had also been done in compliance. Both of them have already returned to reemployment in other companies after the retrenchment.

4.3. Overview of Planned Staff Layoff

The 4 employees, Zhang Zheng, with a management position, Xiao Yunli, An Jianhua and Dai Yaozhou, who are technical labors, are planned to be laid off and resettled after the company participates in the PFOS

project. The 3 technical workers all reached retirement age and have already started to receive monthly paid social pensions. Zhang Zheng will reach retirement age in July 2019. All of them will be compensated in compliance with the policies of PRC and Hubei Province as well as the ESMF once they get laid-off so as to reduce the social impacts of the project.

4.4. Compensation measures

Termination of Labor contract: The staff are to be dismissed after they reach an agreement through meaningful consultation and get the appropriate compensation as agreed.

Payment of compensation: The economic compensation shall be paid to workers according to the year of service for Xiangshun by the rate of one month's salary for each full year the staff worked. Any period of above six months but less than one year shall be deemed as one year, and any period of less than six months shall be paid of one-half of his monthly salary. The monthly salary shall be calculated on the basis of the average salary of the past 12 months prior to retrenchment or termination of the labor contract. The economic compensation may be paid after the completion of the work handover. As required by the national and local law and policies, their relevant social insurance fees will be paid.

4.5. Cost and Budget

Compensation budget: prior to implementation of this subproject, the current 4 employees will be laid-off and compensated. They shall be laid-off in April 2019 as scheduled and a total of RMB130,600 shall be paid as planned for compensation. Additionally, 3 months' social insurance fees, with an amount of RMB2,037 in total, shall be paid to local labor and social security bureau for Zhang Zheng. Thus the total cost shall be up to RMB132,637.

4.6. Implementation Schedule

Resettlement public consultation and information disclosure have been made and agreement has reached with the employees in 21, February, 2019. The production line shut-down plan and compensation proposal was agreed rapidly and without concerns.

On February 27, 2019, the Hubei Provincial Management Office has disclosed the final Chinese version of the Employee Redundancy Compensation Action Plan on the official website of the Hubei Provincial Department of Ecology and Environment. The website is as follows:

[Http://hbt.hubei.gov.cn:8080/pub/root8/tjgzs/gtfwgl/201902/t20190228_123240.html](http://hbt.hubei.gov.cn:8080/pub/root8/tjgzs/gtfwgl/201902/t20190228_123240.html)

The Employee Redundancy Compensation Action Plan will be submitted to Xiaochang County Labor Security Department before 31, March, 2019, thus the receipt of receiving layoff report by the Xiaochang County Labor and Social Insurance Bureau will be obtained within

7-working days.

Upon completion of the above (expected to be no later than April 10, 2019), Hubei Project Management Office and National Project Management Office shall be notified. Contract signing and compensation award shall be completed before 30, April, 2019 as expected. Meantime, report will be presented to Hubei Project Management Office within one week and commencement of the 3rd Party supervision for the project and internal supervision of the company shall be initiated.

5. Information Disclosure, Negotiation and Grievance Redress

5.1. Information Disclosure

In order to standardize the staff resettlement procedures, protect the affected persons' informed right and benefits, and promote the smooth implementation of the project, during the planning time, Xiangshun has informed the affected four employees of the proposed compensation measures by disclosing compensation plan, face-to-face consultation meetings, etc. immediately after the project plan was decided.

On January 21, 2019, the enterprise production stoppage plan and employee compensation plan have been announced in the enterprise. On February 21, 2019, the latest halt-production plan and employee compensation plan was disclosed again in the enterprise.

5.2. Negotiation

Xiangshun immediately negotiated the employee compensation plan with the existing four staff after the plan was determined. The meeting time was February 22, 2019, and the business owners convened all four employees to participate in the consultation meeting. All employees had no objection to the compensation plan, compensation amount calculated according to PRC and Hubei Provincial regulations on labor retrenchment. After fully listening to the opinions of all four affected workers, Xiangshun formulated a final Employee Redundancy

and Compensation Plan following consultation with the affected employees.

5.3. Grievance Procedures

Xiangshun hasn't received any complaints since reduction staff among the 7 laid-off staff in 2016.

In order to collect and appropriately resolve complaints from the affected workers, Xiangshun, the Provincial PMO and IECO adopted a comprehensive grievance redress mechanism. The grievance redress mechanism at the enterprise and local project office level is the key channel for resolving the complaints of this project, which is shown in Figure 5-1.

During the project implementation, Xiangshun will record the grievance, redress it appropriately and feedback to the complaints timely. A third-party consultant will be engaged by provincial PMO to monitor implementation status of the ERCAP and make sure the planned measures are implemented appropriately before Xiangshun is dissolved. In addition, through upfront information disclosure by Xiangshun and the Provincial PMO all affected employees are aware of the GRM and understanding in place channels embedded in GRM to report and address their complaints and concerns. The affected workers can log their complaints to provincial PMO and/or national PMO (IECO) after Xiangshun is dissolved.

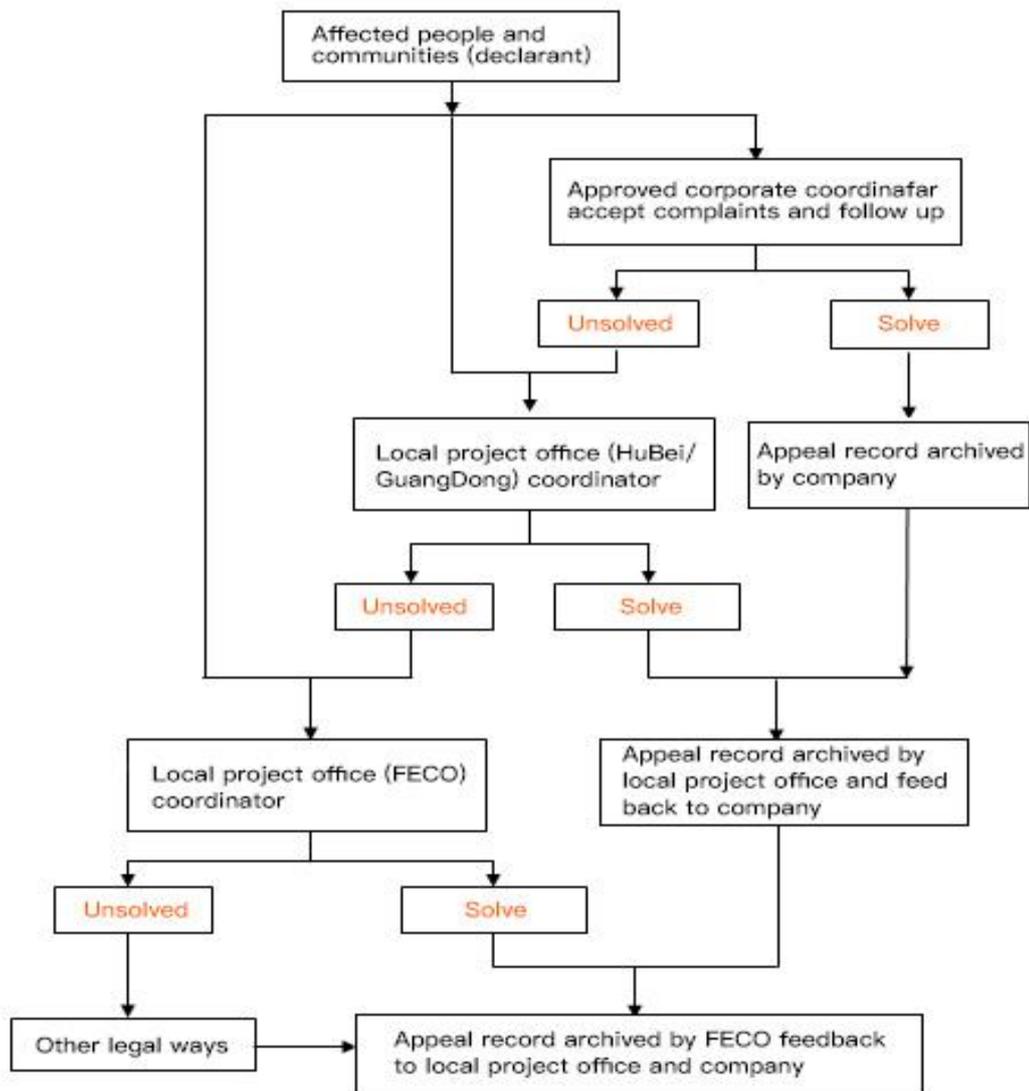


Figure 5-1. PFOS Project Appeal Handling Process

6. Monitoring and Reporting for Worker Redundancy

6.1. External Monitoring

There are two parts of monitoring of staff redundancy. One is internal monitoring implemented by Xiangshun, the other is external monitoring implemented by independent third parties monitoring and evaluation, which is hired by Hubei Project Management Office. In addition, the local human resources and social security department will carry out spot check of labor retrenchment by any company in accordance with labor laws and regulations.

The objective of external monitoring is to ensure that staff redundancy and compensation is implemented with the approved plan, including:

- a) According to the implementation schedule and cost budget, check the implementation of important activities during the project preparation and staff retrenchment stages;
- b) To ensure communicate fluently between the affected staff and Xiangshun;
- c) To ensure that the affected staff obtain full compensation on time;
- d) track and assess the livelihood changes of the affected staff until their livelihood is restored;
- e) To make sure the problems which is reported by the affected

staff have been responded promptly.

At the end of the compensation for resettlement, Xiangshun will inform the four dismissed staff in a written form. The enterprise will submit a copy of this document to Hubei PMO, IECO and WB for record.

During the subproject implementation, Xiangshun should take timely measures to resolve any complaints/grievances raised by the affected four workers and promptly report to local labor department. If the IECO, Hubei PMO and the project enterprise meet major staff settling disputes, they should reply and deal with it in the shortest time or two weeks at most.

In case of the staff's mass incidents, the independent third-party organizations are responsible for the external monitoring and evaluation of the event and report it to Hubei PMO and IECO

6.2. Reporting

The project completion report submitted from Xiangshun to the project management institution should include the implementation of the staff redundancy and compensation. If the sub-project of enterprise staff reduction activities in stages, they should submit semi-annual reports and annual reports with progress of staff resettlement to the project management organization and The World Bank. The report shall include but not be limited to the following contents: the number of layoffs, the staff redundancy and compensation procedures, methods of

compensation (cash compensation or compensation in kind, training or reemployment, etc.), the changes in livelihood conditions and costs etc. The monitoring results shall be reported by separate chapters in the project implementation progress report. The project progress report shall be submitted twice a year.

In case of major staff resettlement problems, such as group petitions and protests, the sub-project enterprises shall report to the Hubei Project Office, IECO and The World Bank in the form of briefing on the day of the incident, and report in writing within 3 days

Xiangshun shall submit the report to Hubei Project Office, IECO and The World Bank in the first month after completion of the entire staff retrenchment plan.

Annex 1: staff list and compensation

No.	Name	Gender	Census register types	Year of birth	Entry time	Position	Wage scale (RMB)	Departure time	Basis of Compensation
01	Ding Yusong	M	Cities and towns	1950.09	1997	General manager	3500	Enterprise owner	The compensation was calculated by multiplying the average monthly wage over the past 12 months and by the length of service (in years) of respective worker, which is in alignment with compensation policy for laid-off workers established by the local labor and social security bureau.
02	Zhang Zheng	M	Cities and towns	1964.05	1997	Director	3000	2019.04	
03	Xiao Yunli	M	Cities and towns	1960.02	2014	Worker	2800	2019.04	
04	An Jianhua	F	Rural	1965.05	2008	Worker	2800	2019.04	
05	Dai Yaozhou	M	Rural	1964.04	2016	Worker	2800	2019.04	

Annex 2: Meeting Minutes with Four Affected Workers

Summary of the meeting minutes with affected workers: On February 22, 2019, the factory owner of Xiangshun held a meeting with all four affected workers. During the meeting, the project background, labor retrenchment impact, and compensation plan were briefed to and discussed with the affected workers. The meeting concluded that all four workers agreed the compensation plan, and signed it for confirmation, which was documented in the meeting minute (in Chinese) as follows.

