



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANY: Russell Brands/Fruit of the Loom
COUNTRY: Pakistan
ASSESSMENT DATE: 11/22/12
MONITOR: FLA Assessor Team (Turkey)
PRODUCTS: Apparel
PROCESSES: Cut, Sew, Dye, Embroidery, Packing, Knitting
NUMBER OF WORKERS: 4000
ASSESSMENT NUMBER: AA0000000108

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Improving Workers' Lives Worldwide

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

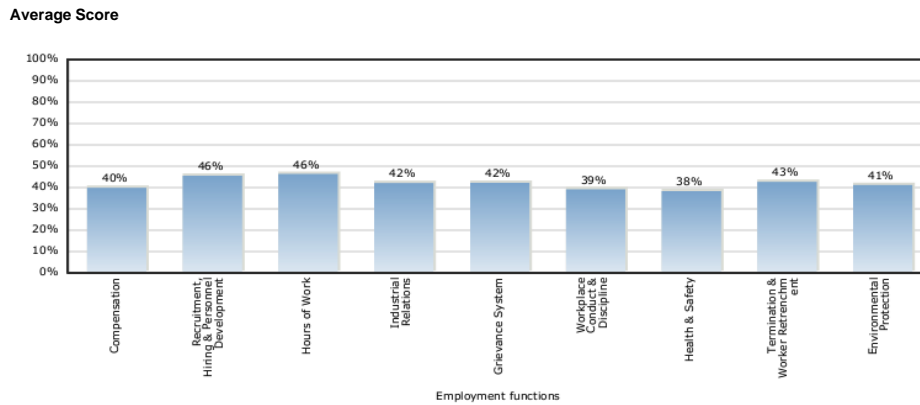
Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

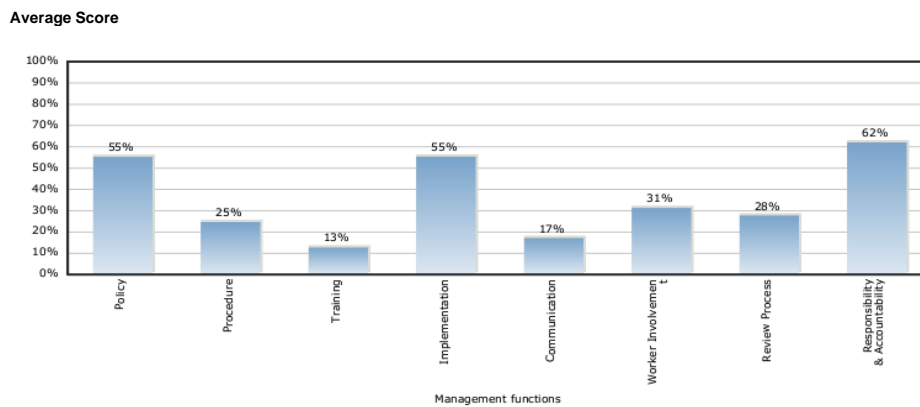
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	47.57%	62.5%	80%	75%	57.14%	25%	0%	66.67%	0%
Procedure	48.97%	18.6%	40%	16.67%	40%	25%	50%	13.48%	25%
Responsibility & Accountability	85.77%	66.6%	90.43%	75%	86.6%	75%	75%	94.5%	75%
Review Process	40.91%	20%	22.73%	13.64%	22.73%	15%	15%	25%	20.38%
Training	28.57%	35.29%	35.29%	38.89%	35.29%	35.29%	35.29%	23.08%	35.29%
Implementation	69.78%	47.47%	62.9%	73.91%	72.22%	35.71%	82.14%	48.57%	51.67%
Communication	18.75%	0%	35.42%	0%	0%	0%	0%	25%	0%
Worker Involvement	0%	N/A	N/A	100%	0%	N/A	N/A	37.5%	100%

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Compensation
Employment Relationship
Forced Labor
Freedom of Association and Collective Bargaining
Harassment and Abuse
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

(6) WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) It was noted through management and worker interviews that factory has a routine daily body search/physical pat down practice for all workers against theft and potential security issues;
- ii) Several physical and verbal harassment incidents involving security personnel were reported during worker interviews, such as: a) incidents during the daily body search practice and b) security personnel's involvement in labor disputes within the factory;
- iii) Assessment team witnessed some supervisors shouting at workers during field observations;
- iv) Although the current written workplace conduct and disciplinary procedures do not involve any monetary fines or deductions as a part of any disciplinary action, through management and worker interviews it was found that there is a practice of applying monetary fines to workers who are involved in a quarrel/fight within the factory;
- v) Although there is a Disciplinary Committee defined in the current disciplinary procedures, there are no meeting minutes or any other supporting documentation available to evince the actual existence of this committee.

Local Law or Code Requirement

Pakistan Industrial Relations Ordinance 2002 Article: 24; FLA Workplace Code (Employment Relationship benchmarks ER.17.2 and ER.25; Harassment or Abuse benchmarks H/A.2, H/A.4, H/A.5, and H/A.10; Freedom of Association benchmark F.11)

Root Causes

- i) The factory does not have a progressive disciplinary system in place that is backed up with a comprehensive disciplinary policy and supporting procedures that correspond with FLA's Workplace Code of Conduct;

- ii) There are no elected worker representatives; hence there is no worker representation or involvement in either: a) the preparation of workplace conduct and disciplinary rules or b) the decision-making processes on disciplinary actions;
- iii) These issues have never been brought to the attention of factory management during previous external audits;
- iv) There is no internal audit procedure to monitor workplace conduct- and discipline-related issues on a periodic basis;
- v) Neither managerial staff nor security personnel have received any training on their roles and responsibilities regarding workplace conduct and discipline;
- vi) Management's lack of awareness on the potential benefits of having a progressive disciplinary system;
- vii) Management's lack of awareness of FLA's Code and Benchmarks;
- viii) Body searches/physical pat downs are very common practices in Pakistan and are in line with local law and regulations; therefore, factory management does not consider them a noncompliance.

Recommendations for Immediate Action

- i) Management should immediately take the necessary steps to stop all types of: a) physical and verbal violence and b) harassment and abuse committed by security staff and supervisors;
- ii) Management should immediately take the necessary steps to stop monetary fine practices.

COMPANY ACTION PLANS

1. The factory has incorporated local law and FLA Code requirements into a new security policy and procedure to emphasize respect for workers while also clearly prohibiting harassment, abuse, intimidation, and violence. The policy and procedure will be communicated to the security staff immediately. Further, the factory will also implement a regular review procedure for all policies to incorporate revisions to local law, employee or management suggestions, or clients' Codes. The new SOP for security checks indicates that only bags and belongings will be checked upon exit instead of routine body searches. The training agenda for security guards specifically addresses the role and responsibilities of security staff, including topics such as interpersonal etiquette, proper handling of labor disputes (refer to Disciplinary Committee), and monitoring entrance and exit of staff and visitors. Security cameras have been installed at the main entrances which will assist in monitoring conduct of the security personnel.

Action plan status: Planned

Planned completion date: 07/30/13

2. Factory will immediately discontinue the practice of daily body searches and clearly instruct the security staff they are not to be involved in labor issues. The JWC will be assigned responsibility to oversee dispute resolution in the plant. In addition, security staff will receive several training sessions to assist in their job performance including: workplace regulations and local laws, dealing with aggression, anti-harassment, and communication skills.

Action plan status: Planned

Planned completion date: 07/31/13

3. The factory has implemented an Open Door policy which allows workers to contact either their supervisor, HR Manager, or JWC with any concerns of verbal abuse. Workers will receive training on the policy and procedures, as will management and supervisors. Supervisors will receive updated training on the disciplinary policy and procedures and anti-harassment. Use of inappropriate or abusive language by supervisors will be added to the disciplinary policy as a punishable offense. The Human Resources manager will also conduct a variety of training sessions for supervisors, managers, and general employees on clients' Codes of Conduct, revisions in local law, company rules and regulations, and revised policies and procedures.

Action plan status: Planned

Planned completion date: 08/31/13

4. Current factory policy prohibits monetary penalties and no payroll records reflecting monetary penalties have been found. The JWC will encourage workers to contact them or the HR Manager if they experience any unofficial monetary fines.

Action plan status: Planned

Planned completion date: 07/31/13

5. The factory has updated the disciplinary policy to clarify behavioral guidelines, progressive disciplinary actions, and grievance procedures. The factory will immediately implement a Disciplinary Committee comprised of Manager HR, Senior Manager Production and two (worker) members of the JWC. It will hold monthly meetings to address issues of the workers.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.2

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

It was observed that there are no special precautions for the emergency evacuation requirements of special-category workers (e.g., disabled workers); some of them work at workstations located in places where, in case of an emergency, their evacuation could be hindered.

Local Law or Code Requirement

Pakistan Industrial Relations Ordinance 2002 Article: 24; FLA Workplace Code (Employment Relationship benchmark ER.14; Health and Safety benchmark HSE.5)

Root Causes

- i) Management's lack of awareness on the special needs of special categories of workers and FLA's Code and Benchmarks;
- ii) General Health and Safety Policy does not cover all necessary elements regarding the protection of special categories of workers, such as juvenile/elderly workers, pregnant/lactating workers, trainees/apprentices/interns, and employees with disabilities;
- iii) There is no active worker representation and participation on ongoing health and safety efforts;
- iv) No effective system for monitoring or implementing the safety guidelines regarding special categories of workers on a periodic basis;
- v) This issue has never been brought to the attention of factory management during previous external audits;
- vi) Risk Analysis report does not cover all hazards and risks in the factory, including those concerning special categories of workers.

Recommendations for Immediate Action

All special-category workers are to be identified and their locations reconsidered in order for their safe evacuation during possible emergencies.

COMPANY ACTION PLANS

1. The factory will create a Risk Assessment Committee comprised of management and worker representatives to conduct periodic risk assessments of the facility, being sure to account for risks specific to special categories of workers. The factory will revise their emergency action plan accordingly to include, for example, specific instruction to assist disabled workers during an evacuation. The factory will develop a questionnaire meant to assess individual workers' needs in the event of an emergency and will assign respective responsibilities to nearby volunteers. Any workers with serious disabilities will be relocated immediately to workstations with easier evacuation access.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.3

(3) HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Management stated that the regular hours of work are 8 hours/day and, during the peak season, it reaches a maximum of 10 hours/day, including overtime; however, during the assessment process, it was determined through management and worker interviews that workers are working 12 hours/day as a regular work day during the peak season. Therefore, the factory continuously exceeds the limit of 60 hours/week by working 72 hours/week as the regular workweek during the peak season.
- ii) There is no system to ensure overtime work is on a voluntary basis; workers have to stay to work overtime whenever urgent production is needed. Workers are not aware that they can refuse overtime work and because the factory is located in a remote area, workers who do not stay for overtime would still have to wait for company-provided transportation to get back to their home.
- iii) During the assessment process, it was observed that there are 2 different databases for recording work hours. Those databases are located at different IP addresses; management did not let the assessment team access the database that houses the actual work hours (IP# 172.172.200.11) on the grounds of an IT failure throughout the duration of the assessment. Therefore, it was not possible for FLA assessors to verify actual work hours.

Local Law or Code Requirement

Root Causes

Main reason why management relies on a double bookkeeping system that has 2 different sets of records is to hide the actual working hours records that exceed both the code and local law requirements in peak seasons. Main reasons behind this transparency issue are:

- i) Management's hesitation regarding the possible effects on their business relationship with their clients, if they were to openly share their actual working hours;
- ii) Double bookkeeping is a very common problem in Pakistan and many other factories resort to this practice;
- iii) Lack of governmental audits/monitoring on working conditions;
- iv) Management has never participated in any capacity building projects and/or training that clearly explains the negative effects of excessive overtime work on their workforce, such as low productivity, quality issues, health and safety, etc.; Although the assessment team did not have a chance to openly discuss the potential underlying causes behind the excessive hours of work due to management's continuous denial and uncooperative behavior, potential reasons might be:
 - i) Tight production schedule due to short lead time and late orders;
 - ii) Quality issues and reworking hours due to the precision and high detail level of the products;
 - iii) Possible delays due to late delivery of components;
 - iv) Seasonality of the orders;
 - v) Capacity planning issues;
 - vi) Disconnection between merchandising and planning departments;
 - vii) Communication issues between company and factory management;
 - viii) Management is much more concerned about the factory's production, shipment, and quality performance than its social compliance performance;
- ix) There is a line system for the production process and the absence of some workers affects the whole production flow; therefore, management needs the whole workforce to stay and work in case there is a need for overtime work.

Recommendations for Immediate Action

- i) Brand's social compliance representatives are recommended to organize a meeting with factory management to explain, in detail, the importance of transparency and cooperation during assessments;
- ii) Management should take the necessary steps to ensure that overtime work is performed on a voluntary basis;
- iii) Management should start using only 1 timekeeping and payroll system that reflects actual working hours and compensation;
- iv) Management should closely monitor the daily, weekly, monthly and annual overtime limits that are defined in the local law and FLA Code and take all necessary precautions to not to exceed these limits.

COMPANY ACTION PLANS

1. The factory's working hours policy describes the voluntary nature of overtime work. An overtime request form will be submitted by workers to the HR department and when overtime work is required, only those workers will be selected.

Action plan status: Planned

Planned completion date: 07/31/13

2. Fruit of the Loom has had many direct discussions with factory management about the importance of honesty and transparency, both in USA and on site. Fruit of the Loom and other FLA affiliated brands will arrange for an experienced local auditor to conduct an unannounced inspection to search for false records. This auditor will have information from this report and will know exactly what to look for and where to look for it.

Action plan status: Planned

Planned completion date: 06/28/13

FINDING NO.4

(8) HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) There are metal bars on the windows, making it impossible for workers to use them as an emergency exit; there was only 1 exit on the ground floor of the factory, which was blocked by boxes;
- ii) Management informed the FLA assessors that they have been constructing fire-escape stairs on the outside of the production building; however, during the assessment process, it was found through management interviews that there had been no construction activity carried out within the last 7 months;
- iii) Although management showed records of fire evacuation drills and claimed that such drills were conducted regularly, the

FLA assessors found through management interviews that no evacuation drill had been conducted in the factory for about a year; iv) It was observed that the number of spittoons located in the factory was not in line with the local law, which requires 1 spittoon for every 60 workers.

Local Law or Code Requirement

Punjab Factories Rules 1978, Rule 46 Spittoons; FLA Workplace Code (Health, Safety and Environment benchmarks HSE.1, HSE.5.1, HSE.5.2, HSE.5.3)

Root Causes

- i) Current local fire safety legislation in Pakistan falls short on safety precautions and does not include any references on many important topics regarding fire safety, such as the width of stairs/evacuation routes or the location of exits;
- ii) Risk Analysis report does not cover all hazards and risks in the factory, including any on the fire safety risks within the factory;
- iii) Management's lack of awareness on the importance of fire safety and its potential consequences;
- iv) There is no active worker representation and participation on ongoing health and safety efforts;
- v) There is not a system in place for conducting periodic internal audits;
- vi) Ongoing production pressure limits the time for both drills and trainings; sometimes, this leads to factories preparing fraudulent documentation about fire drills.

Recommendations for Immediate Action

- i) All emergency exits should be functional and the construction of a fire escape staircase should be completed urgently and/or bars should be removed from windows and emergency rope ladders should be placed nearby the windows;
- ii) An evacuation drill should be conducted with the participation of all departments and shifts;
- iii) A sufficient number of spittoons should be located in the factory in line with the local law.

COMPANY ACTION PLANS

1. The factory will continue construction on the additional fire escape with a more urgent timeline, though this project is under the jurisdiction of the local government.

Action plan status: Planned

Planned completion date: 07/31/13

2. The factory has two separate exits on each floor and the new fire escape will be the third. Any obstructions were immediately removed from existing exits and regular OHS committee inspections of all H&S conditions will ensure safe practices. These inspections are under the responsibility of the HR/Compliance Manager and are conducted monthly. The factory has a reporting template and CAPs are reported to factory management.

Action plan status: Planned

Planned completion date: 07/31/13

3. The factory will practice four evacuation drills - two announced and two unannounced - per year and will record them in writing and with photographs. The Civil Defence Department will monitor these drills.

Action plan status: Planned

Planned completion date: 12/31/13

4. Based on current employee numbers, the larger of two shifts is 1623 employees so the factory is required to have 28 spittoons. The factory has 32 spittoons currently, including one on every level of every stairwell.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.5

(2) COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Pakistani law distinguishes between unskilled and skilled workers as far as the minimum wage is concerned. The legal

minimum wage for unskilled workers is 9,000 PKR; it increases to approximately 11,000 PKR, depending on the worker's grade. During the assessment process, it was found that the actual minimum wage paid in the factory to unskilled workers is around 7,000 PKR per month, while the amount for skilled workers is 7,725 PKR per month. Therefore, the factory pays salaries lower than the legal minimum wage;

- ii) Pakistani law allows up to 16 days of paid leave for sick and medical leave with half pay. In the factory, both the written procedures and the actual practice allow for only 8 days leave with full salary. Therefore, while the workers receive the same amount of money, they are only allowed to half the number of days of entitled leave;
- iii) During the assessment process, it was also observed that no premium is paid for overtime work. Workers receive the normal hourly rate of pay for overtime work. In addition, the annual bonus payments are not paid fully;
- iv) Similar to the double bookkeeping practice with respect to hours of work, assessors found that the factory also maintains fraudulent records and payrolls using different/hidden IT systems with different IP addresses. Management did not allow FLA assessors to access the database that houses actual payment and accounting records (IP# 172.177.0.10); therefore, in addition to working hours, it was not possible to verify the salary and wages; overtime premiums; termination dues; bonus and leave payments; welfare fund; and social security contributions.

Local Law or Code Requirement

Factories Act 1934 section 49-H(2), West Pakistan Industrial & Commercial Employment Ordinance 1968, section 10-C Annual bonus payment, FLA Workplace Code (Employment Relationship benchmark ER.11.2, ER.22.1, and ER.22.2; Hours of Work benchmark HOW.14; Compensation benchmarks C.1, C.2, C.5, C.7.1, and C.7.2)

Root Causes

Although the assessment team did not have a chance to openly discuss the potential underlying causes behind underpayment issues due to management's continuous denial and uncooperative behavior, potential reasons might be:

- i) Tense competition is causing price pressure, which, in turn, suppresses wages;
- ii) Many factories in this region follow similar practices;
- iii) Lack of governmental audits/monitoring on working conditions;
- iv) More than 60% of the total labor force in Pakistan is employed in the informal sector and more than 80% of the total population lives under the poverty level; therefore, the management of most of Pakistan's factories are of the opinion that legally defined wages and benefits are not aligned with the country's realities and cripples their competitiveness;
- v) Workers' lack of awareness on their legally guaranteed rights and benefits;

Recommendations for Immediate Action

- i) Brand's social compliance representatives should organize a meeting with factory management to explain, in detail, the importance of transparency and cooperation during assessments;
- ii) Management should increase the actual minimum wage implemented within the factory in compliance with the legal minimum wage;
- iii) Management should reimburse all workers who have been underpaid with respect to regular working hour, overtime, and bonuses.
- iv) Management should start using only 1 timekeeping and payroll system that reflects actual working hours and compensation;
- v) Management should start following local law requirements on the implementation of sick and medical leave and allow workers to use up to 16 days of paid leave per year with half pay.

COMPANY ACTION PLANS

1. The factory implemented the new minimum wage of 9,000 PKR in July 2012 as required by the local government. It is possible that assessors inadvertently reviewed payroll records from before the wage increase. The FLA brands will arrange for an unannounced assessment to review this and other areas.

Action plan status: Planned

Planned completion date: 07/31/13

2. The factory's current arrangement of providing 8 days with full pay actually provides higher wages than 16 days at half pay. It is also a common practice and by all other accounts is permitted. Regardless, the factory will rewrite their leave policy to allow workers to use 16 leave days at half pay. The new policy will be written in July 2013 and implemented the same year. The new policy will be posted throughout the factory and training sessions will also be conducted for further counseling and understanding.

Action plan status: Planned

Planned completion date: 07/31/13

3. The factory claims to pay proper overtime rates which are reflected in workers pay slips. The factory also has a system in place for workers to dispute their wages if they believe there is a problem. The workers' appointment letter also includes overtime premium calculations for reference. The FLA brands will arrange an unannounced audit to verify this and other issues. The factory will also send evidence of the latest payment of annual bonus.

Action plan status: Planned

4. Factory has multiple application modules running at all of their factories, each one having a different IP. Logically each application must have a different IP to avoid conflict over the network. Full access to the recordkeeping center as well as the database was granted to the assessor but he was unable to correlate the records. When the database administrator requested to show him, the assessor refused. The FLA brands will arrange an unannounced audit in the first half of 2013 to attempt to validate either claim.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.6

(8) HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) Management has designated 1 room in the factory building as a childcare facility. However, the room has no kitchen, beds, toilet or the requisite safety equipment for childcare facilities; electrical plugs in the room are located near the ground and are exposed. There are tables and sewing samples/garments in the room, indicating that the room is not only used for childcare, but also for production training;
- ii) Minor injury logs include the date of injury, worker ID, and the description of the injury; however, the factory does not conduct any root cause analysis to prevent the occurrence of injuries. It was also observed that these injuries were not communicated to the concerned authorities on the First Accident Report Form J-1/Final Accident Report Form J-2 as required by law;
- iii) Workers have not been vaccinated against the types of typhoid and cholera as required by law;

Local Law or Code Requirement

Punjab Factories Rules 1978, Rule 85: First Accident Report "Form J-1; Punjab Factories Rules 1978; Rule 86: Final Accident Report "Form J-2"; Punjab Factories Rules 1978, Rule 94; FLA Workplace Code (Employment Relationship benchmark: ER.31.2.5; Health, Safety and Environment benchmarks: HSE.1, HSE.3.2, and HSE.27)

Root Causes

- i) Factory management provided a room for childcare facilities in order to be in compliance with the local law requirements; however, it appears that the factory never intended to use it exclusively for that purpose;
- ii) Management does not consider workplace injuries to be an issue of crucial importance and, therefore, does not maintain proper records;
- iii) The factory does not have clear and accurate medical procedures in place; this prevents them from classifying injuries according to type (minor, major, etc.) and from adhering to the vaccination schedule;
- iv) There is no active worker representation and participation on ongoing health and safety efforts;
- v) There is no system in place for conducting periodic internal audits;
- vi) Management is not aware of the potential benefits of having an active Health and Safety system in place, such as prevention of work accidents and occupational diseases; vii) Management's lack of awareness on FLA's Code and Benchmarks;
- viii) These issues have never been brought to the attention of the factory management during previous external audits.

COMPANY ACTION PLANS

1. The factory will relocate the childcare center to a new site separate from the production building. It will be equipped with air conditioning, refrigerator, kitchen, toys, beds, food, and washroom. The regular risk assessments will include the child care area.

Action plan status: Planned

Planned completion date: 07/31/13

2. The factory's Senior Manager of Administration will arrange for the factory to provide the required typhoid and cholera vaccinations to all workers twice per year.

Action plan status: Planned

Planned completion date: 07/31/13

3. The factory's Senior Manager of Administration will arrange for the factory to provide the required typhoid and cholera vaccinations to all workers twice per year. In addition to these specific items, the factory will create a H&S committee and update the General Safety & Health Policy. Additional training sessions will be created for managers and workers to implement the changes, and policies will be reviewed regularly by the H&S committee, HR Manager, JWC, Mechanical Manager, and Electrical Manager.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.7

(1) RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

i) Workers' personnel files include the employment contracts; these contracts specify that workers have received copies signed by themselves; however, during the assessment process, it was found through worker interviews that workers did not receive copies of their employment contracts;

ii) There are a number of temporary workers at the factory who are paid according to the piece rate method of compensation; the contracts of these workers do not include any information about compensation, promotion and benefits;

iii) Currently, there are only 20 disabled workers within the workplace, less than the legal limit of 2% of the total workforce.

Local Law or Code Requirement

The Disabled Persons (Employment and Rehabilitation) Ordinance Article: 11 with 1998 Establishment Division Order; West Pakistan Industrial & Commercial Ordinance 1968 Section 2-A; FLA Workplace Code (Employment Relationship benchmarks ER.11.2 and ER.11.3)

Root Causes

i) Both ongoing production pressure and the absence of an effective worker representation system within the factory limit the training and communication opportunities on Recruitment, Hiring, and Personnel Development;

ii) Management was not aware that the contracts of temporary workers must contain information regarding their legal rights and benefits;

iii) Management's lack of awareness on FLA's Code and Benchmarks;

iv) Factory management was not aware of the legal requirements pertaining to the employment of disabled workers.

COMPANY ACTION PLANS

1. The factory has revised the Recruitment and Hiring Policy to incorporate all required changes from this report. The policy includes specific efforts to recruit disabled workers, hiring procedures for all workers, and responsibilities for the JWC. The revised policy will be posted in the factory and in-person training will be conducted for those with specific responsibility in this area. The factory will begin providing a copy of the appointment letter to all new workers and arrange a schedule to distribute a copy to all existing workers. Sample employment contracts will also be posted in conspicuous locations throughout the facility.

Action plan status: Completed

Planned completion date: 07/31/13

Progress update: 01/08/15 : The factory has distributed appointment letters to all current employees and the Recruitment and Hiring policy has, in fact, been revised to cover all parts of this finding. Specifically, the policy includes the issuance of appointment letters as part of the hiring procedure. The policy has been posted in the canteen and notice boards throughout the facility and included in the staff training curriculum. The new policy, photos of appointment letter issuance, and photos of a sample appointment letter posted in the factory have been submitted as evidence.

Completion date: 07/01/13

2. The factory will revise all temporary contracts by adding information about the calculation methods of compensation and benefits as well as terms for promotion. All temporary workers will receive copies of the revised contracts.

Action plan status: Completed

Planned completion date: 07/31/13

Progress update: 01/08/15 : Temporary contracts have been revised to include wage calculations, benefits, and terms for promotion. A sample contract letter has been submitted to FLA for review.

Completion date: 06/21/13

3. The factory has made attempts to recruit disabled workers but has difficulty reaching the required 2%. Currently the number of disabled workers is slightly lower than during the assessment. Whenever there is a need for workers the factory advertises and also encourages disabled workers to apply. When disabled workers do apply, they are accommodated per their disability category.

Action plan status: In Progress

Planned completion date: 12/31/13

Progress update: 01/08/15 : 5/21/14 factory is continuing to recruit disable workers, find attached the current list disable workers. The factory continues to attempt to recruit disabled workers to meet the 2% expectation. They have included this requirement in the Recruitment and Hiring Policy and have submitted a copy of a recruitment notice for disabled workers. 10/13/14 the factory does not have a local agency available to provide disabled workers. The factory's HR person continues to work with media advertisements thru which encourages people with disabilities to come and obtain employment. Find attached an updated list of disable workers. Currently the factory is at 53% of the requirement and will contiinue to work to increse that percernt. This is an ongoing process.

FINDING NO.8

(5) IMPLEMENTATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

An Environmental Clearance Certificate was issued by the Environment Department after a visit in February 2012 to certify the production processes performed within the factory. This document states that cutting is one of the processes in the factory; however, the cutting process has never been performed in the factory. Moreover, the seal of issue is not affixed.

Local Law or Code Requirement

Pakistan Environmental Protection Act, 1997, section 12 Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA)FLA Workplace Code (Health, Safety and Environment benchmark HSE.1)

Root Causes

i) Current local environmental legislation in Pakistan falls short on safety precautions and does not include any references to many important topics regarding environmental protection, such as any specifics regarding waste management plan or energy efficiency; ii) This issue has never been brought to the attention of factory management during previous external audits by brands or local government authorities.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. The factory will contact the local environmental department to ask for an updated certificate. In the future, the factory will validate the information contained in the certificate immediately upon receipt. As mentioned in other action plans, the factory's new procedures to periodically review all company policies will also apply here so all environmental issues can be kept up-to-date.

Action plan status: Planned

Planned completion date: 08/31/13

(8) HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) The compressed gas cylinders are stored near the steam boiler. They are not fixed to the wall to prevent falling. The cylinders are stored outdoors without a shade; they are under direct sunlight;
- ii) Periodic load tests are not performed for passenger or freight lifts. There were no inspection records of the lifts on Form J Register, for the inspection of hoists and lifts, as required by law.
- iii) Periodic tests for the air compressor are not conducted. Safe and maximum working pressures are not marked on the manometer.

Local Law or Code Requirement

Punjab Factories Rules 1978, Rule 76 Hoist and Lifts; Punjab Factories Rules 1978, Rule 75; Manner of Test and Examination Before Taking Lift and Form J Register for Inspection of Hoists and Lifts; Punjab Factories Act 1934 Section 33-C; FLA Workplace Code (Health, Safety and Environment benchmarks HSE.13 and HSE.14)

Root Causes

- i) Currently, there is a breakdown maintenance program in place and management is not aware of the benefits of having a preventive maintenance program;
- ii) These issues have never been brought to the attention of factory management during previous external audits;
- iii) Risk Analysis report is incomplete and does not cover all hazards and risks in the factory, including high risk machinery/equipment, and compressed gas cylinders; iv) There is no active worker representation and participation on ongoing health and safety efforts;
- v) There is no system in place for conducting periodic internal audits;
- vi) Management is not aware of the potential benefits of having an active Health and Safety system in place, such as the prevention of work accidents and occupational diseases; vii) Management's lack of awareness on FLA's Code and Benchmarks.

Recommendations for Immediate Action

- i) The compressed gas cylinders should be removed away from their current location where sources of heat or ignition exist;
- ii) The compressed gas cylinders should be stored under protected platform edges that prevent direct sunlight, and be secured/fixed in an upright position using a chain or strap to prevent them from falling;
- iii) All production machinery, equipment, and tools should be maintained and tested by authorities regularly, in accordance with the legal requirements.

COMPANY ACTION PLANS

1. The factory plans to build a new shed for the containers which is away from the boiler and will provide protection from direct sunlight. The new shed will have straps to secure the cylinders.

Action plan status: Planned

Planned completion date: 09/30/13

2. The factory will conduct periodic load tests and begin maintaining Form - J and regularly submit to the Labour Department.

Action plan status: Planned

Planned completion date: 07/31/13

3. The factory will begin periodic testing of the air compressor and maintain records of those tests in the factory. The factory has also implemented a preventative maintenance program for all equipment including pressure vessels and lifting equipment. They will also modify the manometer to indicate safe and maximum working pressures. In addition, and as indicated in previous CAPs, the factory has implemented a new H&S policy which requires worker participation, regular risk assessments, regular internal assessments, and regular review for effectiveness of the H&S policy itself.

Action plan status: Planned

Planned completion date: 07/31/13

(4) INDUSTRIAL RELATIONS**FINDING TYPE:** Sustainable Improvement Required**Finding Explanation**

The factory has a Joint Works Council in place; however, this council does not function as a representative body for workers. The following issues were observed during the assessment process:

- i) Joint Works Council is not registered with the Directorate of Labor, as legally required;
- ii) Management has appointed the worker representatives;
- iii) 2 members of the Joint Works Council were also supervisors in the production area; iv) This council is performing merely as an observation council for production performance in the production area and is not following the matters covered in related regulations;
- v) The council was established only 3 months ago; however, they have not held any meetings since then.

Local Law or Code Requirement

Pakistani Rules, Industrial Relations Ordinance 2002 Article: 24; FLA Workplace Code (Freedom of Association benchmarks FOA.1, FOA.2, and FOA.10

Root Causes

- i) Management's lack of awareness on the importance and benefits of worker representation and participation at different levels (from health and safety to disciplinary actions);
- ii) Management's and workers' lack of awareness on FLA's Code and Benchmarks about worker representation;
- iii) The worker council has been established to keep the factory in compliance with the local law; management is unaware of the legally defined roles and responsibilities of this council.

COMPANY ACTION PLANS

1. The JWC will be revised as legally required and will be registered with the Directorate of labor.

Action plan status: Planned

Planned completion date: 08/31/13

2. The factory will arrange for independent elections of worker representatives for the JWC, in which managers and supervisors will not be eligible for election. The 10 member JWC will be comprised of 6 workers and 4 managers as legally required.

Action plan status: Planned

Planned completion date: 08/31/13

3. The JWC will be revised as legally required with clearly defined functions and roles. It will be clearly communicated to all workers and posters with the responsibilities of the JWC will be displayed throughout the facility.

Action plan status: Planned

Planned completion date: 08/31/13

4. The factory's JWC will begin meeting monthly and minutes of the meetings will be taken and maintained in the plant for easy reference. The factory will create and implement an Industrial Relations Policy in addition to their policy outlining the rules, roles, and responsibilities of the JWC. This policy and corresponding procedures center on an effective JWC and outline the legal requirements and practical applications to maintain a harmonious relationship between workers and management.

Action plan status: Planned

Planned completion date: 09/30/13

(5) GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) There is written policy and procedure outlining several ways to report grievances at the factory, including complaint boxes and worker representatives; however, it was observed that they are not implemented in actual practice;
- ii) None of the original complaint records were found. Factory management logs the complaints without keeping the original notes taken out of the boxes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.25.2 and ER.25.3)

Root Causes

- i) These issues have never been raised during previous external audits; i
- i) There is no worker representation and integration on the current grievance system, which, as a result, lacks workers' trust;
- iii) Management's lack of awareness on the importance of having an effective grievance system within the factory.

COMPANY ACTION PLANS

1. The factory will revise the grievance policy and procedures to more accurately reflect the current systems. The policy revision will clearly include the open door policy and responsibility of the JWC as functional methods to submit suggestions.

Action plan status: Planned

Planned completion date: 07/31/13

2. 12.2 Training for HR Department The factory will add specialized training for the HR department into the continuous training plan and it will be regularly updated to include the relevant employment functions. Currently in creation are modules on Workplace Laws and Regulations, Functions of the JWC, Disciplinary Procedure, Grievance Handling procedures, etc. In addition to this specialized training for the HR staff, the factory will implement a 'training needs assessment' to be coordinated between the JWC, H&S Committee, and Training and Development department. This will allow the factory to conduct training sessions that directly address the needs of workers and management. After the training, participants will complete questionnaires that will help evaluate the effectiveness of the sessions.

Action plan status: Planned

Planned completion date: 07/31/13

FINDING NO.12

(4) TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) The factory has a training plan for workers and keeps training records; however, during the assessment process, it was observed that no orientation or ongoing training has been provided to workers on the factory's policy and procedures on: hours of work; wage and benefit structure; grievance system; health and safety; and workplace conduct and discipline.
- ii) There is no designated training plan for the HR department and none of them have received any training on the factory's policy and procedure for any of the employment functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.15 and ER.17)

Root Causes

- i) Both ongoing production pressure and the absence of an effective worker representation system within the factory limits the training and communication opportunities; i
- i) Management's lack of awareness on FLA's Code and Benchmarks.

COMPANY ACTION PLANS

1. The factory will continue their continuous training practice and revise the training plan to include more in-depth information on the relevant policies and procedures. The orientation training will also be revised to include the recommended topics and the factory will continue distributing an employee handbook to all new inductees.

Action plan status: Planned

Planned completion date: 12/31/13

2. The factory will add specialized training for the HR department into the continuous training plan and it will be regularly updated to include the relevant employment functions. Currently in creation are modules on Workplace Laws and Regulations, Functions of the JWC, Disciplinary Procedure, Grievance Handling procedures, etc.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.13

(8) HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) Many sewing machines are missing needle guards, both for eye and finger. It was also observed that some workers do not use needle guards, even though they are present on their sewing machines;
- ii) Chairs in the sewing department are not height adjustable and have no back support.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.14 and HSE.17,

Root Causes

- i) Risk Analysis report does not cover all hazards and risks in the factory, including both ergonomic- and machine-related risks;
- ii) There is no active worker representation and participation on ongoing health and safety efforts;
- iii) There is no system in place for conducting periodic internal audits;
- iv) Management is not aware of the potential benefits of having an active Health and Safety system in place, such as prevention of work accidents and occupational illnesses that may;
- v) Management's lack of knowledge about the potential benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of work accidents and musculoskeletal disorders (MSDs);
- vi) Management's lack of awareness on FLA's Code and Benchmarks.

COMPANY ACTION PLANS

1. The factory will install all required needle guards and eye guards. Machinery will be monitored daily and implementation will be audited by management.

Action plan status: Completed

Planned completion date: 07/31/13

Progress update: 01/08/15 : The factory has replaced the missing guards and the engineering team constantly monitors this type of maintenance issue. The factory also implemented an upgraded health & safety policy which calls for regular inspection of equipment and training for workers on the proper use of safety equipment. There are also monthly health & safety training courses to refresh workers' knowledge and encourage safe practices. H&S policy and photos of safety equipment have been submitted for review

Completion date: 06/21/13

2. The factory will replace all current benches with chairs with backrests. Furthermore, regular risk analysis will be conducted by HR, Maintenance, and JWC to detect general H&S concerns but also to identify ergonomic risks throughout the workplace.

Action plan status: In Progress

Planned completion date: 10/31/13

Progress update:

01/08/15 : 5/21/14 The factory has created a proto-type to show they have added the back rest to the chairs, photos attached. The factory has conducted risk assessments and implemented training courses for workers to reduce the risk of ergonomic injuries. Chairs with backrests have been ordered and are being installed continuously. Risk assessments, ergonomic training schedule, and ergonomic curriculum have been uploaded for review. 10/13/14 The factory continues to educate and train the workers on ergonomics, see attached the training materials along with the training log for 2014.

FINDING NO.14

(6) COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The factory has developed policy and procedure for almost all of the employment functions; however, there is no communication system in place to inform the workers about these policies and procedures. Based on the worker interviews, none of the workers have sufficient knowledge on the factory's policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.16.1)

Root Causes

- i) Management's main motivation is to put the policies and procedures in writing; however, they do not have an effective training and communication system, which is key for the successful implementation of these written policies and procedures;
- ii) There is no system in place for evaluating the efficiency of the trainings provided or of the communication procedures.

COMPANY ACTION PLANS

1. In addition to the new 'new employee orientation' training sessions which cover company policies and procedures, Clients' Codes, applicable workplace requirements and laws, etc, the factory will conduct ongoing trainings in smaller groups to increase participation and will post relevant notices in prominent places through the facility. The continuous training plan will expose workers to various safety and HR topics twice each month. Effectiveness of training will be evaluated by JWC during periodic internal audits and through post-training questionnaires.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.15

(3) REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The factory has developed policy and procedure for almost all employment functions; however, there is no review system in place to: a) keep these policies and procedures up to date and in line with local law/code requirements and b) monitor their successful implementation.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.1.3)

Root Causes

Management's main motivation is to put the policies and procedures in writing; however, they do not have an effective training and communication system, which is key for the successful implementation of these written policies and procedures;

COMPANY ACTION PLANS

1. The factory management and JWC will be jointly responsible to review policies and procedures and revise according to current requirements. The factory plans to review every policy at least every 6 months.

Action plan status: Planned

FINDING NO.16

(2) COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

Based on worker interviews, their salary is not enough to cover all basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation benchmark C.1.3)

Root Causes

- i) The apparel industry in Pakistan currently does not provide wages that allow the fulfillment of basic needs plus a discretionary income. More than 60% of the total labor force in the country is employed in the informal sector and more than 80% of the total population lives under the poverty level; this general economic climate adversely impacts on the formal sector as well.
- ii) These issues have never been raised during previous external audits;
- iii) There is no wage structure in the factory that would enable workers to progressively realize a wage level that meets basic needs.

COMPANY ACTION PLANS

1. The factory has calculated BNW as Rs. 10000 per month. Over 80% of the workforce earns at least this wage. In addition to basic wage, the factory pays performance reward, annual bonus, death grant, marriage grant, education scholarships, free medical treatment, social security, health insurance, and subsidized meals. The factory will take the FLA's fair wage self-assessment to determine areas for improvement.

Action plan status: Planned

Planned completion date: 07/31/13