



COMPANY: **Mountain Equipment Co-op (MEC)**

COUNTRY: **India**

ASSESSMENT DATE: **09/07/15**

MONITOR: **T Group Solutions Pvt Ltd**

PRODUCTS: **Apparel**

PROCESSES: **Cut, Sew**

NUMBER OF WORKERS: **421**

NUMBER OF WORKERS INTERVIEWED:

ASSESSMENT NUMBER: **AA0000001864**

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# 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 such 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.

**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.

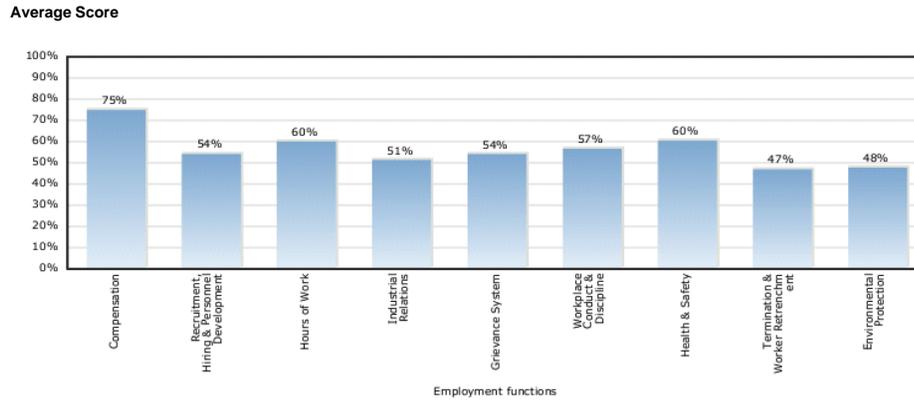
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that 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.

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

# Factory Profile

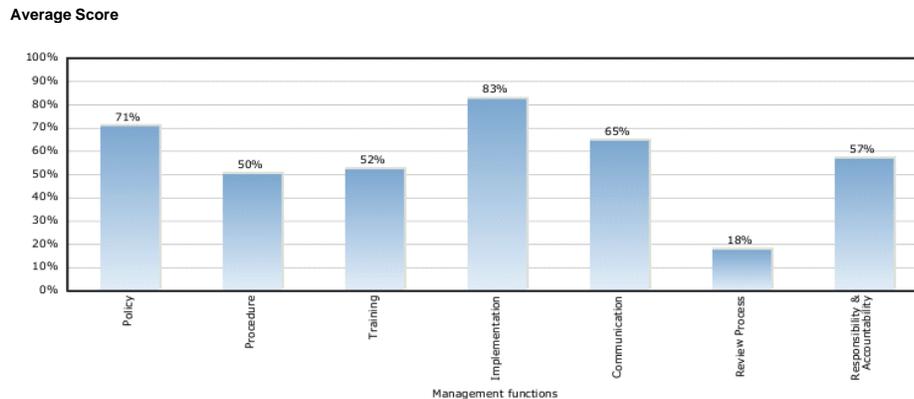
## Score by Employment Function

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 assessment conducted for FLA by independent, accredited assessors. 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	40.43%	89%	75%	54.25%	75%	75%	45.83%	70%	37.5%
Procedure	42.86%	89%	75%	0%	87.5%	83.33%	50%	37.93%	0%
Responsibility & Accountability	45.75%	45.75%	47.17%	27.67%	45.75%	45.75%	45.75%	27.67%	39%
Review Process	0%	50%	0%	0%	0%	0%	0%	33.33%	50%
Training	69.23%	66.67%	33.33%	0%	66.67%	50%	33.33%	58.46%	0%
Implementation	78.48%	94.05%	87.1%	86.36%	94.44%	85.71%	94.44%	76.13%	76.96%
Communication	33.33%	100%	100%	0%	75%	83.33%	33.33%	33.33%	0%

## 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	Number of Violations	Violations
Compensation	1	Deposit of Legally Mandated Deductions
Child Labor	2	Employment of Young Workers Young Workers Identification System
Employment Relationship	13	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training General/Documentation and Inspection Industrial Relations Work Rules and Discipline Skills Development/Training Skills Development/Management of Performance Reviews Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures Recruitment and Hiring/Proof of Age Documentation
Freedom of Association and Collective Bargaining	7	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces Facilities for Worker Representatives Rights of Minority Unions and their Members
Hours of Work	2	General Compliance Hours of Work Protected Workers (Women and Young Workers)/Record Keeping
Health, Safety and Environment	9	General Compliance Health, Safety, and Environment Protection Reproductive Health Ventilation/Electrical/Facility Installation and Maintenance Proper Use of Machinery Ergonomics Document Maintenance/Workers Accessibility and Awareness Evacuation Requirements and Procedure Safety Equipment and First Aid Training Chemical Management and Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

## Findings and Action Plans

## RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. Review of employment documents revealed that 11 out of 22 young workers (below 18 years of age) were 16 years old when they were hired in 2013 and 2014 based on proof of age recorded in their school certificates. However, 11 of the 22 Fitness Certificates issued in June 2015 by a certifying surgeon (as legally required for workers below 18 years of age), state that 11 young workers are currently 16 years old. This inconsistency means that these workers were most likely 14 or 15 years old at the time of hiring and that the school certificates misstated the young workers' age.
2. Fitness Certificates that certify young workers are eligible to work as adults could not be located for the other 11 young workers. Thus, the age of these workers could not be verified.
3. Four fitness certificates issued in 2014 and 1 fitness certificate issued in 2013 have not been renewed on an annual basis for 2015.
4. There is no identification token or scarf provided to young workers in the factory as legally required.
5. The probation period for new recruits is one year, which exceeds the local law requirement (3 months).
6. The factory's procedures on recruitment do not define recruitment channels, e.g. use of recruitment agents. Additionally, there are no policies or procedures on Personnel Development or promotion, demotion and job reassignment.
7. The factory does not have a policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, and provides written feedback.

#### Local Law or Code Requirement

Factories Act 1948 - Section 9 (a); Industrial Employment (Standing Orders) Act, 1946 - Classification of Workers; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.4, ER.29, and ER.30; Compensation Benchmark C.3; Child Labor Benchmarks CL.4 and CL.6)

#### Recommendations for Immediate Action

1. Prior to hiring workers, verify the age on the school records by obtaining the legally required Fitness Certificate. Workers should not be hired until the Fitness Certificates are obtained through the qualified surgeon.
2. Do not hire workers younger than 15 years old.
3. Even if the young workers have the Fitness Certificate, they should not be assigned any hazardous work as per FLA benchmarks.
4. If it is found that workers are under 15 years old:
  - a. The facility should seek to place the worker in a regular school, special school, or vocational skills training center until he or she reaches the minimum age to work. Relevant arrangements should ensure that the worker continues to receive at least the minimum wage as an incentive to complete school and not return to work, as well as receive subsidies towards the cost of schooling (school fees, uniforms, books, transportation, etc.).
  - b. The facility shall provide a guarantee of a job to the worker once he or she has reached the minimum age for work.
  - c. The facility shall make suitable alternative arrangements in situations in which there are no formal or informal education systems available or situations in which the worker does not want to go to school.
5. Obtain Fitness Certificates for all workers below 18 years old, and renew them on an annual basis.
6. Provide an identification token or scarf for all young workers, so they can be easily identified on the factory floor.
7. Revise the probation period to not exceed 3 months.

## COMPANY ACTION PLANS

1. Discussions on Recommended Remediation:

1 & 5. The factory has obtained Fitness Certificates and school certificates for all workers below 18 years old and renew them on an annual basis as per Engagement of Young Worker Procedure (attached)

2. The Facility has a strict policy not to employ any workers under the age of 16 years (attached)

3 & 4. The Factory has an Engagement of Young Worker Procedure (attached) that defines what a young worker is, procedures required for hiring and what type of work young workers can do at the factory.

6. Young workers are provided separate identification system with the rope colour for their ID cards (attached) - in relation to item 4 under this finding

DISCUSSIONS ON FINDING NUMBERS:

In relation to items number 1, 2, and 3:

Due to an open posting of the Doctor's position in this district, no one came to the facility in 2013 to conduct the fitness tests. The Facility paid a fee to the authority for rendering the fitness certificate to the young workers. The Facility will not engage the young workers without a fitness certificate of said authority as per the requirement. In 2013, the facility recruited workers based on their school leaving certificate. The facility applied and paid for the fitness certificate fee for newly recruited young workers between the ages of 16 - 18. Now, there is one Doctor in the this district who is authorised to issue the fitness certificate from the government. The Doctor came to the facility in 2015 and stated that same workers are 16, when in fact they are actually 18 as per the school leaving certificate that is accepted as an adult employee without conditioning of 'to obtain the fitness certificate' as per the Tamil Nadu Factories Act 1948.

The factory has stopped recruiting young workers as we have faced enormous delay from government authorities in getting the fitness certificate for Young workers.

Item 4 - addressed above in recommended remediation #6

Item 5, which is item 7 under the recommended sustainable remediation: Revise the probation period to not exceed 3 months:

- In the Standing Order, we categorized the workmanship in following categories: (1) Permanent; (2) Probationers; (3) Badlis; (4) Temporary; (5) Casual; and (6) Apprentices.

- Our standing order defined, ' A "temporary workman" is a workman who has been engaged for work which is of an essentially temporary nature likely to be finished within a limited period'.

- For the above statement, "Temporary" time frame duration is not mentioned as per our industrial practice of 1 year.

- FLA Benchmark defined, the probationer could not be engaged more than 3 months but Peacock not engaged probationer workmen.

- Regarding Standing order amendment we discussed with Government Labour department Officials. According to them our current standing order falls in line with Tamil Nadu Industrial Establishments (Conferment of Permanent Status to Workmen) Act, 1981. Hence they feel a amendment in current standing orders not required. The extract of the relevant page from the act is given below: "As per the Tamil Nadu Industrial Establishments (Conferment of Permanent Status to Workmen) Act, 1981 In this act sec (4) "workman" means any person employed in any Industrial establishment to do skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the term, of employment. And Sec 3(1). Notwithstanding anything contained in any law for the time being in force every workman who is in continuous service for a period of four hundred and eighty days in a period of twenty-four calendar months in an industrial establishment shall be made permanent". (ANNEXURE-II&III enclosed)

6 & 7. The Factory does not used recruitment agents

Proper established monitoring system in place. Personnel Development or promotions are in place based on their performance and organisation needs. Please find attachment Performance Appraisal Evaluation Policy and Facility's record of Individual efficiency card based on their performance

**Action plan status:** Completed

**Planned completion date:** 03/31/16

**Progress update:** 10/18/16 : The factory has amended their recruitment policy and procedures to reflect the probation period as six months for newly recruited employees with effect from 1st August, 2016. The following attachments have been added to the zip file below: (i) Amended Recruitment Policy and Procedure (ii) Appointment letter in Tamil Language with modification

06/27/16 : Training already provided to the HR staff and supervisors on hiring policy of Young workers and work types that young workers cannot do. Please find enclosed the Training Log & Photos (Annexure 1, Annexure 1(A)). Recruitment of Young workers have been stopped in the facility with effect from Oct 2015. Please find enclosed the recruitment policy and procedure (Rev)- Annexure 2. We have a clear and structured Non-discrimination policy in recruitment , working environment, compensation access to training, promotion and other welfare measures. Please find attach the Non –Discrimination policy being followed in our facility. Employees are promoted and job grading is done based on employee performance evaluation (Annexure - 3). As learned during our discussion, the facility uses the probation period to assist in tracking the worker's training assessment with regard to their understanding on brands quality, efficiency and involvement in work. During the probation period, the employees receive all legal benefits that are eligible for permanent workers. The facility has implemented a performance evaluation procedure. In their procedures, the notice period for leaving the facility job is one month; the same time period that is applicable to permanent employees. The facility wants workers to stay at the facility, especially after a long probation period as they have invested a lot of time into training. Should a worker not be meeting quality expectations, they may be moved to another job at the facility; one that is suitable for their work skills. After a detailed discussion and offering the FLA's suggestion of reducing the probationary period to six months initially, with the long-term goal of bringing it down to three months, the factory has agreed.

After our call, they held a joint discussion with employees in this respect. From the facility: To be in line with FLA standards, we will, in the first stage, reduce the probation period to 6 months with effect from 1st August 2016 and work towards reaching long term objective of FLA Standard on probation period of 3 months within the next 1 Year period i.e., before 1st August 2017.

**Completion date:** 06/19/16

## FINDING NO.2

### TRAINING (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory does not provide documentation to new recruits that covers all topics included in the induction/orientation program.
2. Factory does not provide any on-going training to employees on Recruitment, Hiring & Personnel Development, Health & Safety, Environmental Protection, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System.
3. No training is provided for supervisors on Compensation, Hours of Work, Environmental Protection, Industrial Relations, Workplace Conduct & Discipline, and Grievance System.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.17)

### COMPANY ACTION PLANS

1. Factory has established plan and procedure for Induction training program. This is an on-going program at the factory. Supporting documentation: - Examples of training logs - Induction Training Procedure and training program content - Code of Conduct - FLA Correction Action Plan August 2015 - Lists all information on training programs in place at both this factory and its sister facility - in section 4: Induction Training Presentation (p. 13-18) and section 9 - Training (p. 31-45) Please note: Finding was also noted in the sister facility's 2012 SCI which has been deemed complete by FLA. The factories have the same policies and procedures.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	02/25/16
<b>Progress update:</b>	06/30/16 : Completed
	06/27/16 : See above
<b>Completion date:</b>	02/25/16

## FINDING NO.3

### ENVIRONMENTAL PROTECTION

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory is not managing the environmental impact of its chemicals. No impact assessment has been done and solid waste generated is not stored separately and secured in an enclosed area.
2. The secondary containers provided for chemical containers (used in STP area) do not have enough capacity to contain all potential overflow.

#### Local Law or Code Requirement

Recommendations for Immediate Action

1. Provide adequate secondary containers for chemical containers

**COMPANY ACTION PLANS**

1. During action plan discussions and in person discussions with the facility, MEC has provided best practice sharing for chemical management (re: storage and secondary containment).

1. Chemical spillages are included in the Aspects & Impacts revision. Please find attachment Annexure 1

2. Adequate secondary containers will provide for Chemical containers without any spillages.  
- The new developed secondary container is installed and replaced the Old Existed secondary container.

Supporting Documentation:

- (a) Annexure 2 - Secondary Containment
- (b) STP chemicals kept under roof protection (photograph)
- (c) Annexure 1 - Impact - 2015 PCK

**Action plan status:** Completed

**Planned completion date:** 10/30/15

**Progress update:** 06/27/16 : Please find attachment of the Aspect & Impact Analysis for the STP Chemicals and Solid waste storage area (Annexure - 4).

**Completion date:** 06/11/16

**FINDING NO.4**

**HEALTH & SAFETY**

**FINDING TYPE: Immediate Action Required**

Finding Explanation

1. The factory's procedures do not provide information regarding emergency evacuation procedures and plans.
2. The factory's procedures do not provide information on what workers should do in case of an injury.
3. The factory has not addressed the results of the fire risk assessment conducted in September, 2014. For example, the factory had not implemented a back-up power system for the smoke detectors. Additionally, it has not taken action to reduce the fire risks as identified by the fire risk assessment.
4. There are no functional fire alarms and fire extinguishers at the childcare facility.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6; Employment Relationship Benchmark ER.31)

Recommendations for Immediate Action

1. Ensure that childcare facility has a functional fire alarm and fire extinguishers.
2. Ensure that fire risks identified by the fire risk assessment are addressed immediately.

**COMPANY ACTION PLANS**

1. 1. The factory has an ERT – Emergency Response Team. They have displayed all responsibilities and details to workers and have educate the employees. Please find attachment Annexure: 2.

2. During Induction training, details are provided to the workers on the information of what workers should do in case of an injury. Please find attachment Annexure: 3.

3. A back-up power system Implemented as per the requirement please find the attachment Annexure-4

4. The new Creche is 90% complete and we expect this to be ready by 29th February 2016. Functioning fire extinguishers, alarms, first aid kits, and emergency lighting have been installed. During the process of the new Creche being constructed, the Facility also provided fire extinguisher to the old crèche as the temporary arrangement. The current building states photograph ANNEXURE-IV enclosed for your reference

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	06/11/16
<b>Progress update:</b>	06/27/16 : Please find attachment of Emergency Response team & their team members and responsibilities (Annexure 5) & Emergency preparedness Procedure (Annexur 5A) Back up battery has been provided and regularly checked based upon SAI Fire safety Checklist. Please find enclosed the SAI fire safety checklist (Annexure 6) Functioning fire extinguishers, fire alarms, first aid kits, and emergency lighting installed in the new childcare area. Please find the photos of Creche in (Annexure 7)
<b>Completion date:</b>	06/11/16

## FINDING NO.5

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Emergency lights are not installed above the exits, instead they are installed more than 3 feet from exits, on the walls.
2. The platform of the ladder used to unload cartons in accessories storage does not provide enough space for workers using it. The platform is only 18" by 15". The ladder also topples over, if it is not supported by two other workers.
3. There are no guard rails provided for the steps leading to boiler section.
4. Four exit doors (2 in the dining hall, 1 in the power room, and 1 in the seam pressing section) are not marked as "exit", and no emergency lights are provided on these exits.

##### Local Law or Code Requirement

The Factories Act, 1948 -- Section 38 (1a) and Section 7A (2b); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1)

##### Recommendations for Immediate Action

1. Install emergency lights directly above exits.
2. Replace the ladder with a safe, stable, and sturdy ladder for workers to use.
3. Ensure there is adequate (30" by 30") space on the platform for workers to unload cartons on the ladder.
4. Install handrails on the steps leading to the boiler section.
5. Mark all exit doors and install emergency lights above these exits.

### COMPANY ACTION PLANS

1. 1 and 4) Facility used the illumination Exit and Emergency Exit sign boards. Emergency lights (flood light lamp) are available near exits and emergency exits side walls which are focusing on path ways and entire area. During evacuation drill the ERT (Emergency Response Team) members were ensured about the emergency lights working conditions and the visibilities effectiveness. It was also noted during the factory visit that the facility is well equipped with emergency lighting. They are hung on the walls. All doors have additional lit exit signs.

2) We will check with the worker feasible of the ladder for their operations. Target Date : Feb 03, 2016

3) Hand rails will be provided for the boiler room. Target Date : Feb 03, 2016

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	02/03/16
<b>Progress update:</b>	06/27/16 : Updates received on March 10, 2016: 2. A New Ladder was provided and replaced. Records of safety survey and evidence of any changed equipment as per safety requirement. Please see attached Annexure – 1 – Safety Checklist. Please find enclosed the Ladder photos in (Annexure 8) 3. Handrails for the boiler room have been installed. Please see supporting documentation.
<b>Completion date:</b>	03/10/16

## FINDING NO.6

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Overtime compensation is paid separately and not with general wages.
2. Overtime compensation is not included in calculations for contribution towards the legally mandated Employees State Insurance Scheme.

##### Local Law or Code Requirement

The Employees State Insurance Act, 1948; FLA Workplace Code (Compensation Benchmark C.10)

##### Recommendations for Immediate Action

1. Ensure overtime compensation payments are paid by the 7<sup>th</sup> day after the end of the pay period with the general wages as legally required.
2. Include overtime compensation in the calculation for contribution towards Employee State Insurance.

### COMPANY ACTION PLANS

1. Workers receive salary on last day of that month (i.e., 30/31). In order to ensure workers have money throughout the month, the facility has chosen to separate OT wages and pay during the mid-month of the following month. All policies and procedures are displayed in the communication boards for workers.

200% of legal premium wages (double the normal wages) will be paid for overtime and mandatory Statutory deduction will be made for the OT wages.

Employee Contribution: 1.75% of the OT wage

Employer Contribution: 4.75% of the OT wage

Facility agreed and assured to take immediate action.

Please find attachment - Annexure 2 - Overtime Payment

i) Compensation benefits & Calculation methods.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	02/28/16
<b>Progress update:</b>	06/27/16 : Please find Attachment the Over time Policy & Procedure Revised ( Annexure-09) The Factory is currently paying Overtime during the middle of the Month. Our Policy and

**Completion date:** 10/01/15

## FINDING NO.7

### HOURS OF WORK

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. 22 young workers, hired between 2013 and 2015, were working 8 hour per day as adults. For 11 workers, the factory had obtained in 2013, 2014, and 2015 the young workers Fitness Certificates, certifying them to work as adults. However, 11 remaining young workers do not have Fitness Certificates certifying their eligibility to work as adults. The lack of Fitness Certificates from 2013 to 2015 indicates that workers should not have been working 8 hours per day and should have only been working 4.5 hours per day instead as per local law. Additionally, the 11 young workers currently without Fitness Certificates should only be working 4.5 hours per day until the Fitness Certificate certifies their eligibility to work as adults.
2. The factory does not identify special categories of workers, such as young workers or pregnant women, to limit their working hours.

##### Local Law or Code Requirement

Factories Act 148 - Section 9(c); FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.4, and HOW.5)

##### Recommendations for Immediate Action

1. Ensure that workers under 18 years of age are not hired without the Fitness Certificate.
2. If workers are not certified as adults by the Fitness Certificates, they should only work for a maximum of 4.5 hours a day.
3. Establish a system to identify special categories of workers and implement required protections accordingly.

### COMPANY ACTION PLANS

1. The factory has obtained Fitness Certificates and school certificates for all workers below 18 years old and renew them on an annual basis as per Engagement of Young Worker Procedure (attached)

The Facility has a strict policy not to employ any workers under the age of 16 years (attached)

The Factory has an Engagement of Young Worker Procedure (attached) that defines what a young worker is, procedures required for hiring and what type of work young workers can do at the factory.

Young workers are provided separate identification system with the rope colour for their ID cards (attached) - in relation to item 4 under this finding

The factory has stopped recruiting young workers as we have faced enormous delay from government authorities in getting the fitness certificate for Young workers.

**Action plan status:** Completed

**Planned completion date:** 10/29/15

**Progress update:** 06/27/16 : Young workers are not recruited in the facility. Minimum Age for Recruitment for all levels of Employees is 18 years. Recruitment of Young workers has been stopped at the facility with effect from Oct 2015. Please find enclosed the recruitment policy and procedure (Rev)- Annexure 2. Pregnant workers are provided with separate badge system in our facility for identification and here

enclosed the Pregnant Women Policy & Procedure. (Annexure 4) Recruitment is done by conducting an Activity Test, Practical Test and Personal Interview by HR/ HR Assistant. During the interview process, HR collects the Age proofs such as Educational certificate, Marksheets and Voter Card, Aadhar Card which are approved by Government authority and having the DOB Details and photo copy of these documents are attached in the personal file.

**Completion date:** 02/29/16

## FINDING NO.8

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. There is no worker representative structure in place that is independent from management interference. There is only a joint legally mandated Worker/Management Committee (also known as the Works Committee).
2. Management does not provide a designate space for the Worker/Management Committee.

##### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.10, FOA.11, FOA.12, and FOA.15)

### COMPANY ACTION PLANS

1. Finding was also noted during the sister factory's SCI assessment in 2012 and has been deemed as complete by the FLA.

Workers select their representatives for Worker Committee. The committee is comprised of workers who represent workers only. Workers have received communication on the policies and procedures related to FOA.

##### SUPPORTING DOCUMENTATION:

- Freedom of association and collective bargaining Policy & Procedure
- Communication to all workers
- SWC (Social Welfare Committee) meeting minutes
- Health and Safety committee meeting minutes

Please refer to presentation pages 20 to 23 regarding the works committee:

- documentation on how the election and re-election is conducted at the facility.
- how the SWC meeting minutes are communicated to the rest of the workers.

**Action plan status:** Completed

**Planned completion date:** 12/11/14

**Progress update:** 06/27/16 : Designated places are available for Committee Meetings. Worker committee meeting at dining hall and management committee meetings held at training hall at PA -II. Committee members have reviewed this on 27.01.2016 and the Health & Safety committee meetings are now held once in two months.(Annexure 10). The Meetings are held on the Dining Hall to freely interact with employees (Except Lunch hours).

**Completion date:** 01/27/16

## FINDING NO.9

### TERMINATION & RETRENCHMENT

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The factory does not have any written policies or procedures for Termination & Retrenchment; however, some documents and systems exist to calculate and pay termination dues. Calculations are recorded and payment documents are maintained with workers' acknowledgement of receiving the dues.
2. As per factory practice, bonuses and wages for unused leave are paid every year during the festival season. In a case where worker resigns before the festival period, wages are paid at the time of termination of employment; however, the workers are required to return during festival period to collect the bonus and wages for unused leave, which is in violation of the law.
3. Instances were found where some workers had resigned in May 2013; however, a letter to these workers informing them to collect their due wages was issued in Feb 2015. Management stated that the dues were paid in 2013; however, they could not provide any documentary evidence of this.

### Local Law or Code Requirement

Payment of Bonus Act, 1965; Factories Act 1948 - Accumulated leave; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.32.2)

### Recommendations for Immediate Action

1. Pay minimum bonus of at least 8.33% of earnings while paying termination dues, and in case a higher bonus is declared later, the difference may be paid during the festival period. Other dues need to be paid immediately on termination of employment.
2. Ensure that termination dues are paid immediately, and appropriate documentation is maintained.

## COMPANY ACTION PLANS

1. \*Facility paid bonus amount during the festival period. The other settlements will be done immediately within a week time.  
\*Facility agree to pay the full & final settlement at the time of employee quitting the job, as per the statutory norms.

If any employees has worked 240 days in a calendar year, s/he becomes eligible for earned leave which is provided one day of paid leave for every twenty working days. We will calculate and accumulate the unused leaves up to 30 days as per the statutory norms; all balance leave have been paid accordingly.

If the employees are resigning by providing one month of notice period as per the standing order and/or employment contract, the factory will do the full and final settlement by the second working day. In many cases full and final settlement were not done due to resignation of the job without formal information which is required for full and final settlement.

Please find Attachment Annexure 4 - Leave Payments

i) Compensation benefits and calculation methods

ii) Working Hours & Remuneration Policy & Procedure

**Action plan status:** Completed

**Planned completion date:** 10/01/15

**Progress update:** 06/27/16 : Please find attachment of the Disciplinary Action Procedure (Annexure 11) & Termination Procedure in Standing Order (Annexure 11(A)). As per our Company standing order, when the employees quit their job by providing the required notice period of 30 days, all payments such as bonus, wages, unused leave wages are paid on the end of the last working day of their service. The Facility communicates all newly created / revised policy & Procedure and renewed documents to the workforce through SWC Meetings. The Meeting Minutes of SWC is enclosed. (Annexure 5).

**Completion date:** 03/03/16

FINDING NO.10

ENVIRONMENTAL PROTECTION

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. There are no policies or procedures on environmental protection; however, there is a commitment towards environmental protection in the factory's Integrated policy on health and safety.
2. The factory's solid waste storage areas are segregated; however, they are not enclosed.
3. The sludge tank is not labeled.
4. The stack (pipe) height of both of the 2 power generators is not high enough to prevent fumes from entering the nearby buildings. This height is not compliant with legal calculation requirement.

### Local Law or Code Requirement

The hazardous Waste Management and Handling Rules, 1989 – Rule 4 (1); Regulation 22 of Central pollution Control Board, emission regulations part IV, COINS/26/1986-87 – Diesel Generator Sets – Stack Height; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

### Recommendations for Immediate Action

1. Ensure that the solid waste storage is enclosed.
2. Label the sludge tank with the contents of the sludge and a warning of the hazardous content.
3. Use the following formula to calculate the legally required stack height increases:  $H = h + 0.2 \times \sqrt{kva}$  (where H= Total height of stack in meters/ h= Height of building meters where the generator set is installed. kva= Generator capacity.)

## COMPANY ACTION PLANS

1. \*Waste will be properly segregate as per the requirement.  
\*Sludge tank will be labelled  
\*Our stack (pipe) height of 2 power generators are approved by the electrical inspectorate department and issued certificate for the same.  
Target Date : Feb 03, 2016

**Action plan status:** Completed

**Planned completion date:** 02/03/16

**Progress update:** 06/27/16 : As per factory's update on March 10, 2016, please find attached supporting documentation that shows items addressed: 1. Environmental Policy has been included into the Health and Safety Policy and Procedures. 2. Factory's waste enclosed with lids 3. Sludge tank has now been labelled. 4. Certification of approval by Electrical Inspectorate. The Environment policy as amended on 01.12.2015 is enclosed. (Annexure12) The Generator pipe (Stack) has been increased as per the safety standard. Here photo enclosed. (Annexure 13). The Generator Certificate issued by the Government authority personnel is valid without any restriction on time frame.

**Completion date:** 03/10/16

## FINDING NO.11

## HEALTH & SAFETY

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The factory has written procedures on Health & Safety; however, these do not cover for most of the FLA Workplace Code & Benchmarks. The factories Health & Safety policies and procedures do not include measures to protect workers' reproductive health, methods for workers to raise Health & Safety concerns, and protection from retaliation for workers who raise concerns.
2. The factory does not make Health and Safety documents available to workers.

3. The five workers who do heavy lifting are not provided with training on proper lifting techniques and not provided with support belts.
4. There is no training for maintenance safety.
5. There is no Lock-out /Tag-out system for electrical maintenance safety.
6. The factory does not have a safety manual for external contractor safety.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2 HSE.8, HSE.12, HSE.13, HSE.14, and HSE.17; Nondiscrimination Benchmark ND.8; Employment Relationship Benchmark ER.31)

Recommendations for Immediate Action

1. Ensure workers are provided with the proper lifting techniques and are provided support belts.
2. Implement a Lock-out/Tag-out system for electrical maintenance safety.

**COMPANY ACTION PLANS**

1. 2. Please refer to presentation page 35 for the training log information - training on maintenance safety and health and safety (re: making documents available).
5. Implement a Lock-out/Tag-out system for electrical maintenance safety - Please find attachment Annexure 4

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/31/16
<b>Progress update:</b>	06/27/16 : As per provided supporting documentation (attached) from the facility, it is deemed that all items are complete. 1. Please find attachment of Annexure 4 - Health & Safety Policy Refer:3.2 - Methods to raise and the protection from retaliation for workers who raise concerns is provided in the Grievance Policy and Procedure. 3. Documentation evidence of training to workers who are heavy lifting 4. Training proof documents for maintenance safety 5. Lock out/tag out policy 6. Safety manual for contractors. Please note that in the Factory's health and safety policy, they have also included information pertaining to contractors. The FLA's suggestion to share health & safety procedure to workers via boards are well taken and will be followed.The HIRA being followed in facility for workers who handle lifting of load as enclosed herein.(Annexure 14). This will be implemented from 22.06.2016.
<b>Completion date:</b>	06/22/16

**FINDING NO.12**

**COMMUNICATION (MACRO)**

**FINDING TYPE: Sustainable Improvement Required**

Finding Explanation

1. The factory does not communicate to workers on the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination and Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System, and Health, Safety & Environment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.29, ER.30, and ER.32)

**COMPANY ACTION PLANS**

1. Please note: This finding was also noted during the sister factory's SCI assessment and has been deemed as complete by the

FLA.

Please refer to presentation page 35 for the training log information

Factory's Taken Actions:

- Training sessions were conducted to improve the awareness levels
- Well defined policy and procedures are available and communicated
- Suggestions and complaints received if any will follow the procedure
- All grievance updates are communicated to the entire workforce via the notice board
- Environmental protection related policy & procedures are communicated to the workers via' notice board and training
- Walk a-round report for work place monitoring on once in a month, daily cleaning log maintaining and monitoring

Factories Proposed Plan of Action:

- Training sessions were conducted to improve the awareness levels
- Well defined policy and procedures are available and communicated
- Suggestions and complaints received if any will follow the procedure
- All grievance updates are communicated to the entire workforce thro notice board
- Environmental protection related policy & procedures are communicated to the workers via notice board and training
- Walk a-round report for work place monitoring on once in a month, daily cleaning log maintaining and monitoring

Please refer to power point presentation pages 14 and 47 for more information.

Our approved standing order describe termination & retrenchment practises

Target date : For designing : Oct 2015

Verification: Nov 2015

Communication: Dec 2015

The policy/procedure for termination and retrenchment details are also included in the employment contract and conditions.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/31/15
<b>Progress update:</b>	06/27/16 : Please see above and attached.
<b>Completion date:</b>	03/03/16

## FINDING NO.13

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory does not record any warnings and disciplinary actions, and there are no records of disciplinary actions in the employees' personnel files.
2. Employees do not sign off on any written records of disciplinary action taken against them.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27)

### COMPANY ACTION PLANS

1. The factory has reported that there have been no Disciplinary Action against the employees to date. Employees are counselled and guided by the Production HR personnel.

It is recommended the factory add into the Disciplinary Procedure that workers will sign written records of disciplinary action taken against them.

<b>Action plan status:</b>	Completed
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**Planned completion date:** 07/31/16

**Progress update:** 10/18/16 : On our existing personnel files, we maintain a record showing the disciplinary action. Please find attached a document on this in Tamil (Translated in English for your reference). We record on this document that either "disciplinary action taken " or "not taken" and take the Employees signature on confirm their review and acknowledgement. We attach herein the following documents for your reference. 1. The document where in we have filled the details. 2. The other empty document with English translation

06/27/16 : As per the update provided by the factory on March 10, 2016: Facility does not want to take any disciplinary action against any employee. They have provided the policy in the case of requiring disciplinary action. Please note that no disciplinary actions have been taken to date. Please find attachment of Annexure 7 & Annexure 8. The Procedure followed by the facility for taking disciplinary action is enclosed. However, so far there is no disciplinary action taken against the employees. Please find attach the Disciplinary Action record (Annexure 15). MEC Comments: As per the FLA's recommendations, even though there has been no instances where disciplinary action is required, we do support the FLA in their suggestion to have a formal policy should the Factory need to execute a disciplinary action. Please find attached a guidance document from the FLA on creating a policy. Factory Comments: We need sometime to study FLA Suggested documents on this and we will revert on this, by end of the July 2016.

**Completion date:** 08/03/16

## FINDING NO.14

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. There are no written grievance procedures, but some documents and systems exist, such as the Grievance Committee (with elected representative workers in addition to management representatives) and suggestion boxes.
2. The factory only maintains partial documentation for grievance procedures. The Grievance Committee records grievance reported; however, the grievances submitted are not categorized by severity, further action is not recorded, and records do not indicate whether grievance remains open or has been closed.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

### COMPANY ACTION PLANS

1. Peacock has created "Suggestion/Grievance Handling - Policy and Procedure". See supporting documentation.

Reportable and non reportable grievances are categorized and grouped as per our Grievance handling & Industrial counselling mechanism to handle the issues.

Please find attachments

**Action plan status:** Completed

**Planned completion date:** 03/03/16

**Progress update:** 06/27/16 : The Facility maintains the record of Suggestion Boxes reported. Please find enclosed the document (Annexure 16). The Grievances received and reviewed by the management and the action taken for implementation are conveyed through SWC members, through meetings/ Circulars and display on the notice boards.

## FINDING NO.15

### REVIEW PROCESS (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

Finding Explanation

1. The factory does not periodically review its policies, procedures and their implementation for any of the Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.30, and ER.31)

### COMPANY ACTION PLANS

1. Please Note: This finding was also noted during the sister facility's 2012 SCI assessment and has been deemed as complete by the FLA. The Facility is certified under IMS & SA 8000 standard since June 03, 2004. All documents have adequate information and revisions details as per our standard requirement. Change request slip and document amendment register is maintained. Peacock policies & procedures are reviewed during Management Review Meeting. SUPPORTING DOCUMENTS: Change request slip Amendment sheet PowerPoint presentation pages 10 to 12 regarding policy review process.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/03/16
<b>Progress update:</b>	06/30/16 : in progress
	06/27/16 : The Policy and Procedure are reviewed once in six months during Management Review Meeting. We are maintaining the record of review Policy name & number and this document is enclosed.(Annexure-17)
<b>Completion date:</b>	03/03/16

## FINDING NO.16

### WORKER INTEGRATION (MACRO)

**FINDING TYPE:** Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

### COMPANY ACTION PLANS

1. Facility gives the opportunity to the Work Committee members to provide inputs and feedback on the facility's policy and procedures; requesting them to share necessary and recommended updates.

**Action plan status:** Completed

**Planned completion date:** 03/10/16

**Progress update:** 06/27/16 : Agreed by FLA.

**Completion date:** 06/11/16