



COMPANY: **Mountain Equipment Co-op (MEC)**  
COUNTRY: **India**  
ASSESSMENT DATE: **12/13/12**  
MONITOR: **T Group Solutions Pvt Ltd**  
PRODUCTS: **Apparel**  
PROCESSES: **Cut, Sew**  
NUMBER OF WORKERS: **595**  
ASSESSMENT NUMBER: **AA0000000163**

## What's Included in this Report

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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 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.

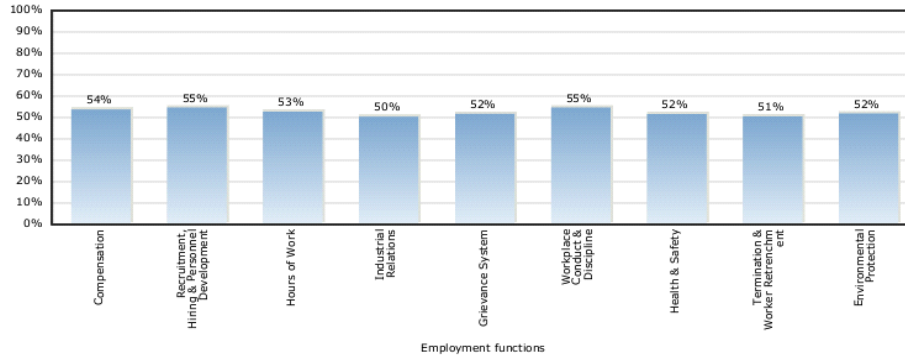
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

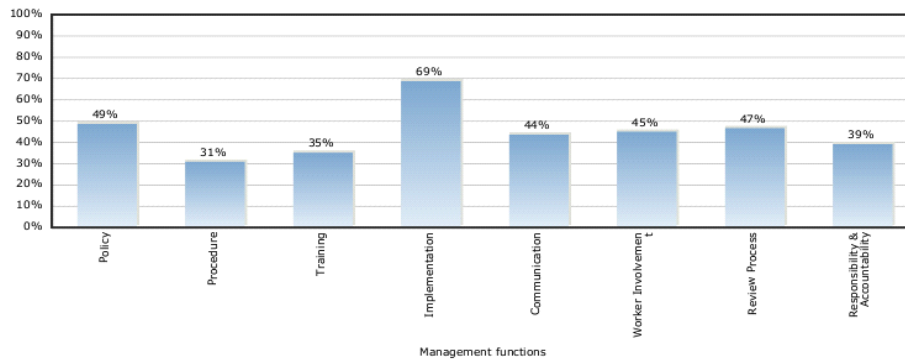
Average Score



## 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.

Average Score



## 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	35.71%	37.5%	30%	16.75%	42.86%	60%	0%	83.33%	100%
Procedure	33.65%	25%	32.26%	41.67%	60%	41.67%	25%	26%	29.55%
Responsibility & Accountability	40.46%	36.6%	59.57%	12.5%	12.5%	12.5%	12.5%	10%	12.5%
Review Process	72.73%	65%	46.67%	54.55%	54.55%	60%	75%	77.27%	78.33%
Training	50.96%	40.63%	38.12%	31.82%	34.09%	33.33%	35%	56.33%	33.33%
Implementation	85.51%	73.75%	75.82%	56%	58.33%	88%	48.7%	64.25%	60.52%
Communication	50%	70%	15.63%	0%	66.67%	50%	0%	75%	30%
Worker Involvement	66.67%	N/A	N/A	100%	0%	N/A	N/A	50%	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
Compensation
Employment Relationship
Forced Labor
Freedom of Association and Collective Bargaining
Hours of Work
Health, Safety and Environment
Non-Discrimination

## Findings and Action Plans

### FINDING NO.1

#### BASIC FACTORY DETAILS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory does not have a canteen facility as per legal requirements.
2. The factory does not have a childcare facility as per legal requirements; however, the construction of a crèche building was in process.

##### Local Law or Code Requirement

The Factories Act, 1948, Sections 46 (1) and 48 (1)

##### Root Causes

1. The factory has space constraints.

## COMPANY ACTION PLANS

1. 1) Providing CRECHE with washroom facility for employee's children 2) Subsidize food, free tea and snacks are provided to employees, to fulfill the local law requirement. This is On-going program at the factory.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	04/01/15
<b>Progress update:</b>	08/11/16 : Pending further documentation from the facility: - Photographs of the canteen (eating area), along with the area where workers can wash their hands in the vicinity of the canteen. - Procedure and/or document that shows how Penguin purchases snacks for workers October 1, 2015 Update: - Dining hall facility was established on April 1991 and the dining hall facility was extended on February 2008. - Free food provided from 1991 and subsidised food provided from 2001. - Subsidised food procedure was created on April 2015 Please refer to presentation page 4, 5, 6 and 7 for the photographs of the canteen at Penguin and the subsidised food procedure
<b>Completion date:</b>	04/01/15

## FINDING NO.2

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has not appointed responsible/accountable persons for Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; Environmental Protection; and Health & Safety (H&S).

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.2)

##### Root Causes

1. Management is not aware of FLA Workplace Code and Benchmarks.
2. Lack of a monitoring system regarding FLA Workplace Code and Benchmark elements.

### COMPANY ACTION PLANS

1. - Factory appointed senior management personnel as a GHI (Grievance Handling In-charge) and as a HSR (Health & Safety Representative) - Annual training plan has been created by the facility. Identification of training needs is done based on requirement. - Induction training is held on the 27th of each month. This training includes workplace code and benchmarks. - Training log, feedback and individual evaluation forms are maintaining as per our organization standard & system requirements - IMS Team & Unit HRs are responsible for providing annual training of MEC Supplier Code of Conduct (which meets the FLA's Principles & Benchmarks) - The GM System is responsible for training of the MEC Supplier Code of Conduct

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	08/11/16 : Pending further documentation from the facility: - Please explain what you mean by "Identification of training needs done based on requirement" And provide any examples of this. - Please send examples of training log, feed-back and individual evaluation forms Sep 14, 2015: Grievance manager appointed handling in charge on April 2009. Please find attachment Annexure 2 GHI Appointment letter.
<b>Completion date:</b>	09/10/15

## FINDING NO.3

### RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

While the factory does have a variety of policies and procedures in place, not all of the Employment Function areas are covered in terms of policy and procedure:

1. No policy and procedure on Recruitment, Hiring & Personnel Development.
2. No special working hour provisions for special categories of employees regarding Hours of Work procedures, even though the factory employs special categories of workers (pregnant workers, employees with various disabilities).
3. The factory has not defined extraordinary and unusual business circumstances in its Hours of Work policy, i.e., notifying workers about overtime work in advance; paying workers appropriate compensation rates for working on their rest days; compensating workers with alternative days off for working on rest days or national holidays; or complying with local requirements on vacation/holiday substitution.
4. No policy and procedure on Termination & Retrenchment.
5. No policy on Industrial Relations.
6. Procedures on Workplace Conduct & Discipline do not: a) provide information regarding disciplinary system steps and b) emphasize the requirement related to recording all initiated warnings and disciplinary actions.
7. The grievance policy does not include a commitment to confidentiality when receiving and acting upon grievances/complaints.
8. Grievance system procedures do not include: a) an anti-retaliation policy for employees who lodge complaints; b) the channels for lodging anonymous suggestions, complaints, and grievances; and c) a timeframe and deadlines for each step in the procedure.
9. H&S procedures do not mention requirements regarding: conducting risk assessments; protecting workers' reproductive health; steps to ensure safe evacuation in case of emergency; information on chemical management and occupational exposure; and information on ergonomics.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.2, ER.14, ER.25, ER.27, ER.31, ER.32.1, and ER.32.2; Hours of Work Benchmark HOW.9)

##### Root Causes

1. Management lacks awareness regarding the need for policy and procedure on the aforementioned Employment Functions.
2. Lack of awareness on FLA Workplace Code and Benchmarks.
3. Lack of identified responsible personnel.
4. Lack of a monitoring system that identifies gaps related to factory policy and procedure.

### COMPANY ACTION PLANS

1. Being SA 8000 certified factory has a reliable Policy and Procedure on Recruitment, Hiring & Personnel Development. DOCUMENT: Recruitment, Hiring & Personnel development Policy & Procedure. 2. Factory has created working hour provisions for special categories of employees regarding Hours of Work procedures (pregnant workers, employees with various disabilities). DOCUMENT: Young Worker Policy and Pregnant Woman Policy. 3. Factory has Urgent Business Needs Policy and defines extraordinary and unusual business circumstances in its Hours of Work policy (i.e., notifying workers about overtime work in advance; paying workers appropriate compensation rates for working on their rest days; compensating workers with alternative days off for working on rest days or national holidays; or complying with local requirements on vacation/holiday substitution). DOCUMENTS: Urgent Business Needs Policy & Procedure, Working hours / Remuneration Procedure, and Training Log 2014. 3.d. Policy and procedure on Termination & Retrenchment is defined in the Disciplinary Action Policy and Procedure. Factory has the approved standing order. It defines the policy and procedure on Termination & Retrenchment. Training provided during induction. 4. Certified Standing order classified and defined the Industrial Relations. 5. Procedures on Workplace Conduct & Discipline are provided in information regarding disciplinary system steps and emphasize the requirements related to recording all initiated warnings and disciplinary actions. DOCUMENTS: Disciplinary action policy & Procedure, and Grievance handling policy & procedure. 6. The grievance policy includes the content of a commitment to confidentiality when receiving and acting upon grievances/complaints. DOCUMENT: Grievance handling policy & procedure 7. Factory has created Grievance System Procedures, that include special categories of workers. DOCUMENTS: Grievance handling policy & procedure, Young Worker Policy, and Pregnant Woman Policy. 8. Factory has created a Health & Safety Policy and Procedures. DOCUMENT: Health and Safety Procedure. 9. Two individuals are now responsible for all policies and procedures related to employment functions. 10. Facility conducts monthly and

ongoing training for all factory policies and procedures. They change policies and procedures as required by law. DOCUMENT: Training 2014, Change Requisition and Amendment Sheet.

**Action plan status:** Completed

**Planned completion date:** 12/19/14

**Progress update:** 08/11/16 : Pending further documentation from facility: - Policy/procedure for Termination and Retrenchment, as well as communication/training to workers. - Clarification on what the facility means by "Factory has the approved standing order" - Policy on Industrial Relations - In the revisions to the Grievance Policy, facility to insert them as the rest of the policy is written (i.e., 3.12: No employee will be punished for reporting... etc.) Please also clearly state a commitment to confidentiality. - Include a section for information on ergonomics in the H&S Procedures (note that it is included in the H/S Walkthrough) Sep 10, 2015: Please refer to presentation page 10, 11, 12 for the photographs of the factory procedures and/or policies. Wherever, the Standards have required the "Documented Procedures", the same have been established, documented, implemented and maintained. While planning for the processes, apart from these procedures, other procedures and guidelines / work instructions have also been identified based on the type of the activity, complexity of the processes and the existing competence of the personnel in the company.

**Completion date:** 09/14/15

## FINDING NO.4

### RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Some points were observed missing during the assessment in terms of training:

1. No training on Recruitment, Hiring & Personnel Development is given to supervisors, production staff, and new employees.
2. No orientation and ongoing training is given to employees on wages and benefits.
3. No training, not even at orientation, is given to supervisors/production staff on Hours of Work.
4. No training on Termination & Retrenchment is given to employees, supervisors, and production staff.
5. No training on Workplace Conduct & Discipline is given to HR personnel, supervisors, production staff, and new employees.
6. No training on the grievance system is given to HR staff, supervisors, and production staff. Although training is given to new employees at orientation, it is only verbal and no records are maintained.
7. Chemicals are mainly used in the finishing section (white petrol for removing stains) and in the sewage treatment plant. The factory has not provided training for employees on chemical storage. The factory has also not provided training to the STP Operator regarding wastewater management.
8. No orientation and ongoing training is given on Environmental Protection.
9. No training on workplace safety and maintenance safety is given to employees.

##### Local Law or Code Requirement

The Factories Act, 1948, 7A/2(c); FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.16, ER.17, and ER.27.2; Compensation Benchmark C.17; Health Safety and Environmental Benchmarks HSE.9.2 and HSE.14.2)

##### Root Causes

1. Lack of awareness on FLA Workplace Code and Benchmarks.
2. Lack of monitoring trainings.
3. Lack of designated personnel regarding trainings.

##### Recommendations for Immediate Action

## 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: Induction Training Procedure Induction Training program content Induction Training Log 2014 Induction Training Guide Training 2014 Training Need Identification - 2014 (PPE) Individual training logs EMS Policy Plan and Procedure (this outlines training and awareness requirements).

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	08/11/16 : Pending further documentation from the facility: - Provide documentation that shows training on recruitment, hiring, personal development that is given to supervisors. Sep 10, 2015: Please ensure that training programme cover all training needs (orientation trainings, supervisor and Hr personnel trainings, worker trainings) on Recruitment, Hiring & Personnel Development, wages and benefits, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, grievance system and chemical safety/ workplace safety. Training Planer will be revised as per the standard requirement TP 2016.
<b>Completion date:</b>	09/14/15

## FINDING NO.5

### COMPENSATION

**FINDING TYPE:** Sustainable Improvement Required

Finding Explanation

1. The factory keeps trainee workers on a 12-month probationary period before confirming their status as permanent workers.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.3)

Root Causes

1. Management is not aware of FLA Workplace Code and Benchmarks.

### COMPANY ACTION PLANS

1. Management is well aware about the FLA Workplace Code and Benchmarks. 1. The factory keeps trainee workers on a 12-month probationary period before confirming their status as permanent workers also entitled all the legal benefits. 2. Legal minimum wages are grantee to all the workers including trainees.

<b>Action plan status:</b>	In Progress
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	02/01/17 : 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.

08/11/16 : Pending further documentation from the facility: - Please send further information as to how the facility is meeting legal requirements for the probationary period - Documentation that shows legal minimum wages are granted to trainees. Sep 10, 2015: All newly recruited employees comes under the category of probationary period of one year and also they are eligible to get all the benefits and legal minimum wages. This has been mentioned their appointment order. After one year Confirmation letter will be issued. Approved Standing Order allowed to keep the probationers period of two years. Please find attachment Annexure 7 - Appointment order Annexure 8 - Confirmation order Annexure 9 - Standing order statement As per our labour authority and approved standing order allowed such periods. Minimum wages are guaranteed for all of them for their nature of work, not for the type of employment. However we will discuss this issue in our management review meeting for better conclusion. Oct 29, 2015: Two categories of workers: Temporary and Permanent. The factory does not engaged probationary workers. INDUSTRIAL EMPLOYMENT (STANDING ORDERS) CENTRAL RULES, 1946 Notification No. L.R. 11 (37) 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'. The limited period time frame for temporary workmen class was not specified in the rule. Also we attached one document of temporary employment time frame move to permanent condition. We recruited employees as temporary up to one year, and confirmed as permanent. There is no differences in their wages and all other benefits for temporary workers. However, facility will go for further amendment to the standing order about the probation period definition. This will be completed in January 2016. The factory sought legal opinion (external legal counsel), and created a Standing Order. Joint Commissioner of Labour has approved the definition of temporary worker. Please find Attachment - Annexure 3 - Training and Probation: i) Classification of Workmen ii) Temporary employment condition In that Standing Order, we categorized the workmen ship in following categorize of (1) Permanent (2) Probationers (3) Badlis (4) Temporary (5) Casual (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.

## FINDING NO.6

### COMPENSATION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Payroll records do not have clear information regarding the amount of leaves/holidays taken by workers and the respective compensation. The compensation paid for holidays is also ambiguous. Additionally, there are calculation errors.
2. Wage slips, which are legally required to be provided, are not issued to some workers.

##### Local Law or Code Requirement

Rule 26 of The Minimum Wages Central Rules, 1950: (2); FLA Workplace Code (Compensation Benchmarks C.5, C.13, C.14, and C.14.1; Employment Relationship Benchmarks ER.22 and ER.22.1)

##### Root Causes

1. Lack of proper monitoring of payroll records and pay slip dissemination to workers.

2. Lack of an internal monitoring system on full compensation of wages and benefits.

## COMPANY ACTION PLANS

1. On-going program at the factory - Factory has an internal monitoring system to verifying the wage. DOCUMENT: Working Hours and Remuneration Procedure. Factory calculates the wages from previous month on the 26th to 27th in the current month, and pays the monthly wages on last day of every succeeding month. - Internal audit and certification audits were held once in six months as per our organizations standards requirement, if anything found they raised non-conformities and reliable action will be taken based on the needs. - Pay slip issued to all the workers with adequate information (in local language) for their better understanding. DOCUMENT: Payslips. October 2015 Update: During the 2015 SCI at a sister factory, there was no issues found related to inconsistencies of payroll and/or workers not receiving pay slips. This factory and another assessed in 2015 have the same Finance team; all policies and procedures related to pay and benefits are from the same system. It was also noted during the past MEC audit, a past SA8000 Audit and the Fair Trade USA Audit, that the facility had no findings related to this item as noted during the 2012 SCI assessment. Therefore, we ask that you please agree to mark this item as closed.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/12/14
<b>Progress update:</b>	08/11/16 : Confirmed as complete through document review and through MEC STEP Audit.
<b>Completion date:</b>	12/12/14

## FINDING NO.7

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has a worker committee (called the "Works Committee") as required by law; however, 3 supervisors, who are nominated by management, represent workers on this committee. This practice does not comply with legal requirements. Most workers are not aware of the committee's composition and functioning. Management selects the Works Committee members; the committee takes input from management.

##### Local Law or Code Requirement

The Industrial Disputes Act, 1947, Section 3(1), Works Committee; FLA Workplace Code (Employment Relationship Benchmarks ER.25 and ER.26)

##### Root Causes

1. Management is not aware of the legal requirements and FLA Workplace Code and Benchmarks.
2. Lack of policy on industrial relations.

## COMPANY ACTION PLANS

1. On-going program at the factory. Workers select their representatives for Works Committee 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

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14

**Progress update:** 08/11/16 : Pending further documentation from facility: - It appears that the SWC has management on the committee. As per FLA Benchmark and previous recommendation to remediate: Factory is to create a Works Committee, which is comprised of workers, who represent workers and workers only, not supervisors or office staff personnel. - Please send documentation on how the election and re-election is conducted at the facility. - Please state where and how the SWC meeting minutes are communicated to the rest of the workers. Sep 10, 2015: Please refer to presentation pages 20 to 23 regarding the works committee, which is comprised of workers, who represent workers and workers only, not supervisors or office staff personnel. - 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.

**Completion date:** 09/14/15

## FINDING NO.8

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The grievance system is not effective. Only supervisors represent workers on the Works Committee. While there are suggestion boxes provided in production and dining areas, workers are not aware of the procedures related to using the suggestion boxes; therefore, they do not use them to submit their complaints and grievances.

##### Local Law or Code Requirement

The Industrial Disputes Act, 1947, Section 3 (1), Works Committee; FLA Workplace Code (Employment Relationship Benchmark ER.25.2)

##### Root Causes

1. Management is not aware of the: a) local laws and b) FLA Workplace Code and Benchmarks.
2. Lacking details on grievance policy and procedures.

### COMPANY ACTION PLANS

1. -Human Resource Development Manager is responsible for Grievance handling system. - Our employees communicate their grievances to factory owner's mother not unofficially. Because she is HRDM and GHI of the factory and she is responsible for handling the grievance. Factories Proposed Plan of Action: - Factory has an open door policy - Top management is available to hear the workers problems and solve it in a swift manner - Suggestion boxes were kept in an accessible area - Grievance procedures are displayed near suggestion box - Suggestion forms also available nearby suggestion box Grievance Procedures have been communicated to all workers during their induction and SA training sessions.

**Action plan status:** Completed

**Planned completion date:** 12/19/14

**Progress update:** 08/11/16 : Pending further documentation from the facility: - Please ensure only workers are on the Works Committee (worker representative) – same as No. 7: (It appears that the SWC has management on the committee. As per FLA Benchmark and previous recommendation to remediate: Factory is to create a Works Committee, which is comprised of workers, who represent workers and workers only, not supervisors or office staff personnel.) Sep 10, 2015: Please refer to presentation pages 20 to 23 regarding the works committee, which is comprised of workers, who represent workers and workers only, not supervisors or office staff personnel. - 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. (supporting document please refer to Industrial Relations - Relationship between management and worker representative(s).

## FINDING NO.9

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Some gaps were observed regarding the communication of some Employment Functions:

1. No communication on Recruitment, Hiring & Personnel Development.
2. No communication to employees about Hours of Work policy and procedure.
3. No communication between employees and employer on Termination & Retrenchment.
4. Management only communicates the grievance system verbally.
5. Grievance system updates are never communicated to the general workforce.
6. No communication about environmental policy, procedure, and program to the general workforce.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16, ER.25.2, ER.25.3, and ER.32.5)

##### Root Causes

1. Lack of awareness on FLA Workplace Code and Benchmarks.
2. Lack of policy and procedures.
3. Lack of a monitoring system that identifies related gaps.

### COMPANY ACTION PLANS

1. 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 thro' notice board and training - Walk a-round report for work place monitoring on once in a month, daily cleaning log maintaining and monitoring

**Action plan status:** Completed

**Planned completion date:** 12/19/14

**Progress update:** 08/11/16 : Pending further documentation from the facility: - Please provide document to confirm your communication between employees and employer on Termination & Retrenchment. Sep 10, 2015: Please refer to power point presentation pages 14 and 47 for more information. Our approved standing order described about the termination & retrenchment practises as per the statutory, and moreover factory doesn't face such kind of issues. However factory will frame the policy for Termination and Retrenchment. 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.

**Completion date:** 02/25/16

## FINDING NO.10

### ENVIRONMENTAL PROTECTION

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The factory has not provided secondary containers for the chemicals used in the factory to avoid spillage. Additionally, chemicals are not labeled.
2. The factory has not labeled the chemicals used: a) in the finishing section to remove stains (white petrol) and b) for the sewage treatment plant. The factory has also not provided secondary containers for the storage of chemicals.

### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.9 and HSE 9.1.1)

### Root Causes

1. Management is not aware of FLA Workplace Code and Benchmarks.

### Recommendations for Immediate Action

1. Provide secondary containers for all chemicals used.
2. Label all chemicals based on information provided in material safety data sheets (MSDS).
3. Monitor chemical management and maintain records.

## COMPANY ACTION PLANS

1. Factories Proposed Plan of Action: 1. Provided secondary containers for all chemicals 2. Labeled all chemicals based on information provided in MSDS 3. Monitored chemical management and maintaining records Facility has a dedicated personnel responsible for environment, health and safety at the factory. They have a team who conducts month walkthroughs of the facility. DOCUMENTS: Walk Around Report On-going program at the factory

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	08/11/16 : Pending further documentation from the facility: - Please send photographs of secondary containment for chemicals. - Please ensure the label is clear in the photograph to ensure they are all labeled as well. Sep 10, 2015: Please refer to powerpoint presentation pages 24 to 30 regarding the improvement work on chemical management.
<b>Completion date:</b>	09/14/15

## FINDING NO.11

## HEALTH AND SAFETY

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The factory has not given training on chemical management. The factory is using chemicals in: a) the finishing section (white petrol) for removing stains and b) the sewage treatment plant.
2. MSDS was not available for white petrol, which, additionally, was not labeled.
3. Employees were noted to not be using personal protective equipment (PPE) in the finishing section where white petrol was being used.

### Local Law or Code Requirement

The Factories Act, 1948, Articles 7A and 87; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.7, HSE.9, HSE.9.1, HSE.9.1.1, HSE.9.2, HSE.10, HSE.10.1, and HSE.10.2)

#### Root Causes

1. Management is not aware of the local law and FLA Workplace Code and Benchmarks.
2. Lack of monitoring.
3. Lack of training given to employees.
4. Lack of detailed H&S procedures.

#### Recommendations for Immediate Action

1. Label white petrol and post MSDS in local language: a) near the location where it is in use and b) at the place of storage.
2. Monitor workers' use of PPE.
3. Conduct more PPE awareness programs for workers, if required.
4. Record workers use of PPE; create PPE awareness programs.

### COMPANY ACTION PLANS

1. Completed & On-going program at the factory. SUPPORTING DOCUMENTS: - Displayed MSDS in local language - PPE usage instruction - PPE awareness training for workers - Individual Training log - PPE awareness training log - PPE display 1 - PPE usage at production floor and finishing area digital - MSDS display digital

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	08/11/16 : Pending further documentation from the facility: - Label white petrol and post MSDS in local language: a) near the location where it is in use and b) at the place of storage. Sep 10, 2015: Please refer to powerpoint presentation pages 24 to 30 regarding the improvement work on chemical management.
<b>Completion date:</b>	09/14/15

## FINDING NO.12

### HEALTH AND SAFETY

#### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. The factory has not provided a second exit for the sampling and buttoning sections in Building B. The sampling section is on the ground floor (12 persons were working at the time of the audit); the buttoning section is on the first floor (14 persons).

#### Local Law or Code Requirement

Model Rules of The Factories Act, 1948; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5 and HSE.5.1)

#### Root Causes

1. There are space constraints in these sections.
2. Lack of monitoring.
3. Lack of a robust risk assessment on emergency evacuation.

#### Recommendations for Immediate Action

1. Provide secondary exits immediately for these sections.

## COMPANY ACTION PLANS

1. - Sample section at ground floor is less than 10 employees at present - Button section was on the ground floor, cutting bundle storage and bar-tack section was there initially, now cutting bundle storage and small parts ironing with in 10 members of work force. The facility provided the secondary exit provision to the workers. SUPPORTING DOCUMENTATION: Walk a-round report Unit I Page 1-3 Walk a-round report Unit II Page 1-3 Number of workers intimation display digital Secondary exit – 1 digital Secondary exit – 2 digital

**Action plan status:** Completed

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

**Progress update:** 08/11/16 : As per document review and MEC STEP Audit, finding is complete.

**Completion date:** 12/12/14

## FINDING NO.13

### HOURS OF WORK

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. The factory has not defined any period in which to review its policies and procedures on wages and benefits; Hours of Work; and Workplace Conduct & Discipline. Per management, the factory updates policies and procedures only when new laws or amendments in existing laws become enforceable.
2. The factory does not review its grievance policy and procedures.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.27.2.1, and ER.31.1)

#### Root Causes

1. Lack of awareness on FLA Workplace Code and Benchmarks.

## COMPANY ACTION PLANS

1. Factories Proposed Plan of Action: - Facility is certified under IMS & SA 8000 standard since June 03, 2004. - All our documents have adequate information and revisions details as per our standard requirement. - Change request slip and document amendment register is maintained. The factory policies & procedures are reviewed during Management Review Meeting. SUPPORTING DOCUMENTS: Change request slip Amendment sheet Sep 10, 2015: Please refer to powerpoint presentation pages 10 to 12 regarding policy review process.

**Action plan status:** Completed

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

**Progress update:** 08/11/16 : Previous STEP Audit and document review has noted this item as complete.

**Completion date:** 09/16/15

## FINDING NO.14

### TERMINATION & RETRENCHMENT

**FINDING TYPE:** Sustainable Improvement Required



### Finding Explanation

1. In cases of termination with cause/fault, management does not follow a progressive disciplinary system. It was further noted that the factory does not: a) follow a clearly defined process for investigating and documenting the circumstances of such cases or b) have a process to provide a hearing for concerned employee.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.32.1 and ER.32.2)

### Root Causes

1. Factory management is unaware of FLA Workplace Code and Benchmarks on Termination & Retrenchment.

### Recommendations for Immediate Action

## COMPANY ACTION PLANS

1. Factory established a well defined policy for Disciplinary Procedures. This is communicated to the workers during awareness training and is on display at notice board.

#### SUPPORTING DOCUMENTATION:

Disciplinary action policy & procedure

Disciplinary action procedure map

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/19/14
<b>Progress update:</b>	08/11/16 : Pending further document review from facility: - Please send an example of any disciplinary actions taken against any employee and the opportunity to appeal before disciplinary actions are initiated. Sep 15, 2015: Please find attachment Scan copy of our 'Standing Order' approved by Joint Commisioner of Labour -Annexure 1. It contains the Disciplinary Action policy and procedures. So for no such occurance was happened and no such abandon found to go such esteem. Attached Disciplinary Action Procedure process chart - Annexure 2. Also, standing order review is on going.
<b>Completion date:</b>	09/15/15

## FINDING NO.15

### COMPENSATION

#### FINDING TYPE: Uncorroborated Risk of Non Compliance

### Finding Explanation

1. Based on worker interviews, their salary is not enough to cover all basic needs and provide a discretionary income. (FLA Comment: The assessment methodology in use by the FLA at the time of this assessment did not involve collection of compensation data nor specific benchmarks against which to measure the adequacy of compensation received by the workers. Fair Compensation findings were based solely on worker interviews/perception and are therefore not actionable for remediation purposes. In 2015, the FLA launched its Fair Compensation Work Plan which requires the collection and benchmarking of compensation data.)

### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

## Root Causes

1. Take an online FLA Fair Wage Self-Assessment.
2. Based on the results of the self-assessment, the factory is to work together with FLA to create strategies that would progressively ensure workers a wage level that covers their basic needs and discretionary income.

## COMPANY ACTION PLANS

1. Factory conducts the market basket survey to understand the Basic Need Wage calculation as per SAI (Social Accountability International) guidance.

On-going program of Penguin.

SUPPORTING DOCUMENT:

BNW (Basic Need Wage) calculation

**Action plan status:** Completed

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

**Progress update:** 08/11/16 : Complete and ongoing as noted through document review and MEC STEP Audit. Factory has been encouraged to take an online FLA Fair Wage Self-Assessment - pending further conversations.

**Completion date:** 12/12/14

## FINDING NO.16

### COMPENSATION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Some points were observed missing during the assessment in terms of training:

1. No training on Recruitment, Hiring & Personnel Development is given to supervisors, production staff, and new employees.
2. No orientation and ongoing training is given to employees on wages and benefits.
3. No training, not even at orientation, is given to supervisors/production staff on Hours of Work.
4. No training on Termination & Retrenchment is given to employees, supervisors, and production staff.
5. No training on Workplace Conduct & Discipline is given to HR personnel, supervisors, production staff, and new employees.
6. No training on the grievance system is given to HR staff, supervisors, and production staff. Although training is given to new employees at orientation, it is only verbal and no records are maintained.
7. Chemicals are mainly used in the finishing section (white petrol for removing stains) and in the sewage treatment plant. The factory has not provided training for employees on chemical storage. The factory has also not provided training to the STP Operator regarding wastewater management.
8. No orientation and ongoing training is given on Environmental Protection.
9. No training on workplace safety and maintenance safety is given to employees.

##### Local Law or Code Requirement

The Factories Act, 1948, 7A/2(c); FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.16, ER.17, and ER.27.2; Compensation Benchmark C.17; Health Safety and Environmental Benchmarks HSE.9.2 and HSE.14.2)

##### Root Causes

1. Lack of awareness on FLA Workplace Code and Benchmarks.
2. Lack of monitoring trainings.
3. Lack of designated personnel regarding trainings.

## COMPANY ACTION PLANS

1. Factories Proposed Plan of Action: 1.Factory appointed senior management personnel as a Grievance Handling In-charge 2. Training need identification process initiated 3. Annual training calendar maintained 4. Existed annual training planner is maintained 5. Prior identification of training needs done based on requirement 6. Training log, feedback and individual evaluation forms are maintaining as per our organization standard & system requirements 7. Induction training will be covered all the information of organization & the functions translucently. SUPPORTING DOCUMENTATION: Disciplinary action policy & Procedure Suggestion / Grievance handling policy & procedure GHI appointment letter HSR appointment letter

**Action plan status:** Completed

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

**Progress update:** 08/11/16 : On-going program of Penguin Through document review and MEC STEP Audit, noted as complete. Tracey Lo: Please refer to presentation page 35 for the training log information.

**Completion date:** 09/15/15