



COMPANY: **Dallas Cowboys Merchandising, Ltd.**

COUNTRY: **Honduras**

ASSESSMENT DATE: **11/28/13**

MONITOR: **FLA Assessor Team (Americas)**

PRODUCTS: **Apparel**

PROCESSES: **Cut, Sew, Other**

NUMBER OF WORKERS: **1090**

NUMBER OF WORKERS INTERVIEWED:

ASSESSMENT NUMBER: **AA0000000318**

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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.

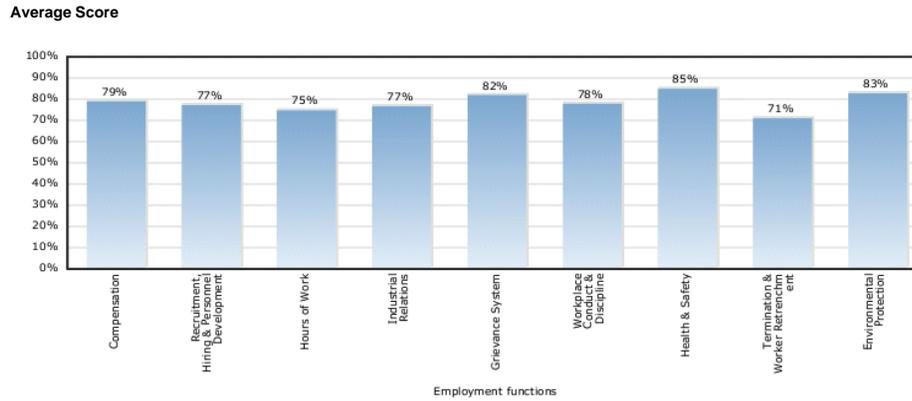
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

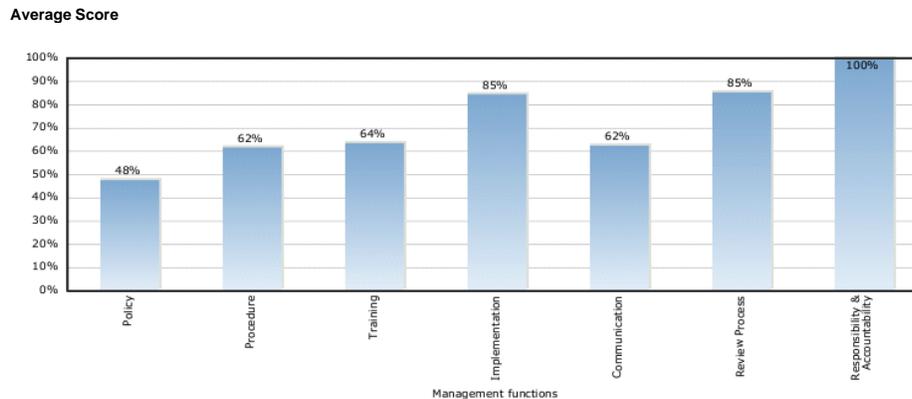
Score by Employment Function

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	70.83%	61.54%	100%	66.63%	63.64%	57.14%	50%	70%	88.89%
Procedure	66.69%	85.71%	43.33%	0%	100%	66.67%	47.62%	63.33%	57.14%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	0%	75%	75%	75%	75%	83.33%
Training	66.25%	49.17%	50%	50%	61.11%	61.54%	43.75%	90.4%	78.57%
Implementation	80.83%	82.8%	80%	85.71%	91.67%	92.86%	88.89%	91.02%	85.28%
Communication	66.67%	70%	30%	0%	75%	75%	62.5%	93.75%	75%

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	3	General Compliance Compensation Workers Awareness and Understanding of Compensation Calculation Basis for Overtime Payments
Employment Relationship	12	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Time Recording System Industrial Relations Work Rules and Discipline Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Hours of Work	4	General Compliance Hours of Work Annual Leave Rest Day Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	3	Material Safety Data Sheets/Workers Access and Awareness Evacuation Requirements and Procedure Safety Equipment and First Aid Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no written policies and procedures that regulate ongoing training for workers with the goal of raising or broadening their skills, in order to advance their careers within the factory.
2. There are no written policies or procedures on conducting performance reviews, which: a) include the steps and process and b)

ensure they are linked to job grading and promotion opportunities.

3. There are no written policies and procedures with regards to promotion, demotion, and job reassignment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.28.1, ER.29.1, and ER.30.1)

Root Causes

1. The management system is not robust enough to cover all FLA benchmarks. There is no expertise for the creation of a comprehensive management system.

Recommendations for Immediate Action

1. Create policies and procedures that encourage ongoing worker training, with the main objective of raising or broadening workers' skills, in order to advance their careers within the factory and beyond / 3 months;

2. Develop policy and procedures on personnel development, e.g., promotion, demotion, and job reassignment. Furthermore, include periodic performance reviews that provide employees with job grading and promotion opportunities / 3 months;

3. Actively engage/include workers in the creation of policies and procedures by enabling a mechanism for workers to express their views and opinions / 2 months;

4. HR staff is to establish and implement an effective internal monitoring process to ensure that all policies and procedures and other documents are being implemented as intended and are consistent with local law and FLA benchmarks / 4 months.

COMPANY ACTION PLANS

1. 1. The factory will create ongoing worker training, with the main objective of raising or broadening workers' skills, in order to advance their careers within the factory and beyond.

Action plan status:	Completed
Planned completion date:	09/01/14
Progress update:	04/11/17 : The factory has created an ongoing series of trainings for staff, including workers, relating to all aspects of factory operation. A timeline of the trainings is attached as well as various training materials relating to each course.
Completion date:	07/23/14

2. 1. The factory will develop policies and procedures on personnel development, e.g., promotion, demotion, and job reassignment. Furthermore, include periodic performance reviews that provide employees with job grading and promotion opportunities.

Action plan status:	Completed
Planned completion date:	09/01/14
Progress update:	04/11/17 : The factory has established policies and procedures regarding promotion, demotion, and job reassignment. Promotion opportunities and trainings relating to advancement will be presented on a regular basis.
Completion date:	07/01/14

3. 1. The factory will actively engage/include workers in the creation of policies and procedures by enabling a mechanism for workers to express their views and opinions.

Action plan status:	Completed
Planned completion date:	08/01/14
Progress update:	04/11/17 : The factory has instituted a new set of policies to encourage dialogue between workers and management.
Completion date:	04/07/14

4. 1. HR will establish and implement an effective internal monitoring process to ensure that all policies and procedures and other documents relating to promotion, demotion, and job reassignment are being implemented as intended and are consistent with

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has formalized its existing set of processes relating to promotion, demotion, and job reassignment. Some examples of program successes are included in the evidence.

Completion date: 07/29/14

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. From review of a sample of working time records and payroll (Jan 2013-Jan 2014), several instances were noted whereby the factory did not pay overtime compensation to piece rate workers from the sewing department, who stayed beyond regular work hours in order to reach production goals.

Local Law or Code Requirement

Labor Code, Article 330; FLA Workplace Code (Compensation Benchmarks C.1.1, C.5, C.7.1, and C.7.2)

Root Causes

1. The non-payment of overtime to piece rate workers reduces factory's operational costs. 2. Factory management considers this practice reasonable, as piece rate workers are allowed to leave the factory once they have reached their production goals, which is sometimes earlier than the time scheduled for departure.

Recommendations for Immediate Action

1. Pay piece rate workers all due overtime for work performed in order to reach production goals.

COMPANY ACTION PLANS

1. 1. The factory will pay piece rate workers all due overtime for work performed in order to reach production goals.

Action plan status: Completed

Planned completion date: 06/01/14

Progress update: 12/12/14 : The factory has committed to paying workers overtime rates regardless of meeting production targets during that time. Workers were provided with information regarding their right to overtime wages a training event. Signatures of workers acknowledging the training are attached.

Completion date: 05/15/14

2. 1. The factory will revise its current compensation procedure. The revised compensation procedure will include steps and requirements to ensure that all working time is accredited and paid regardless of production output.

Action plan status: Completed

Planned completion date: 08/01/14

Progress update: 12/12/14 : The factory has formalized policies relating to the compensation to ensure that all workers are paid per legal requirement.

Completion date: 04/08/14

3. 1. The factory will regularly train production and administrative staff who are in charge of payroll on the revised compensation procedure.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 12/12/14 : The factory has instituted trainings for production and administrative staff who are in charge of payroll on the revised compensation procedure.

Completion date: 08/18/14

4. 1. The factory will regularly hold training and communicate to both workers and supervisors on the revised compensation procedures, focusing on the requirement related to overtime and production goals.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 12/12/14 : The factory completed its first series of trainings regarding compensation procedures defined in the revised policies. Three days of trainings were held.

Completion date: 07/25/14

5. 1. The factory's HR staff will periodically monitor the proper implementation of the revised procedure.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 12/12/14 : Per the factory's revised policies, the HR Department will monitor implementation of the compensation procedures.

Completion date: 04/08/14

FINDING NO.3

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory management has not made sufficient efforts regarding communication and ongoing training to ensure that the general workforce understands wage and benefits packages, which include wage structure, applicable rules for all legal benefits (with focus on vacations), and supplemental bonuses.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, Compensation Benchmark C.17)

Root Causes

1. The current training plan implemented by factory management does not include compensation and other related Employment Functions.
2. Due to the existence of an electronic system that allows workers to check on their working hours and salary payment, the factory does not consider it necessary to conduct training or engage in other communication efforts to ensure that workers are broadly aware of the wage and benefits' policies and procedures.

COMPANY ACTION PLANS

1. 1. The factory will provide ongoing training to workers on their compensation package and the existing wage structure. Training will include the applicable legal provisions on benefits and their calculation methods.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has created ongoing training for workers regarding their compensation package and the factory's existing wage structure. Training includes applicable legal provisions on benefits and their calculation methods.

Completion date: 08/18/14

2. 1. The factory will regularly communicate to the general workforce, through different channels, the compensation package and wage structure, including the legal framework applicable to: a) wage and benefits and b) calculation methods.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has integrated a wage and benefits component in its annual training cycle in order to communicate to the general workforce its compensation packages and wage structure, including the legal framework applicable to: a) wage and benefits and b) calculation methods.

Completion date: 07/22/14

FINDING NO.4

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The number of paid vacation days in Honduras is based on seniority. For 2013 and based on seniority, 343 workers (38% of the workforce with 3 or more years of service) were entitled between to 15 – 20 vacation days, but were instead only provided 13 days. Although management paid these workers complete and correct vacation payments, some vacation days were not taken as rest days, as required by law.

Local Law or Code Requirement

Labor Code, Article 346 d); FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1.1 and HOW.11)

Root Causes

1. Factory's production plan does not include safeguards to ensure that workers rest on all of the vacation days to which they are entitled.
2. As a way to increase their income, workers seek to work, during some of the vacation days to which they are entitled.

Recommendations for Immediate Action

1. Ensure that all workers rest for the whole vacation period they are entitled to, based on their seniority, as required by law.

COMPANY ACTION PLANS

1. 1. The factory will ensure that all workers rest for the entire vacation they are entitled to, based on their seniority, as required by law.

Action plan status: Completed

Planned completion date: 06/01/14

Progress update: 04/11/17 : Processes and associated documents have been created to ensure that workers take their full vacation days during the course of the year. Trainings to make management and workers aware of their rights have been instituted.

Completion date: 04/10/14

2. 1. The factory will regularly train workers, supervisors, and managers on the legal provisions regarding workers' right to vacation.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : Trainings have been created and scheduled to make worker aware of their vacation privileges. Attached is the training brief and a training schedule which includes "Entrenamiento de Política de Vacaciones" (Training Vacation Policy).

Completion date: 07/15/14

3. 1. In accordance with local regulations in production planning, the factory's planning and production staff will include all leave days workers are due to receive as part of their vacation time.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : Workers due vacation time have begun to receive their appropriate leave time. Vacation time has been scheduled for workers through November 2014. The new vacation policy document and a sample vacation request form has been attached as reference.

Completion date: 07/15/14

FINDING NO.5

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their wages are not enough to cover 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. Currently, the Honduran textile industry does not provide workers wages that allow for the fulfillment of basic needs plus a discretionary income.
2. Management lacks awareness of FLA's Workplace Code and Benchmarks related to compensation.
3. The issue has never been brought to management's attention before.
4. The factory has no wage structure that enables workers to progressively realize a wage level that meets their basic needs.

COMPANY ACTION PLANS

1. 1. The factory will take an online FLA Fair Wage Self-Assessment.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The factory completed the online FLA Fair Wage Self-Assessment.

Completion date: 08/25/14

2. 1. Based on the FLA Fair Wage Self-Assessment results, the factory will work together with DCM and FLA to create strategies that would progressively ensure workers a wage that covers both their basic needs and discretionary income. 2. FLA has not yet issued guidelines on the implementation of this portion of the FLA Workplace Code and Benchmarks. But when it does, the factory will adhere to them.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory management has completed the FLA Fair Wage Self-Assessment which determined that the factory provides a wage and benefits that meet the basic needs of workers. The factory had created strategies that continue to ensure workers a wage that covers both their basic needs and discretionary income.

Completion date: 10/20/14

FINDING NO.6

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory has not developed hours of work policies and procedures that include: a) a commitment to reducing overtime and b) the conditions under which workers can refuse to work overtime.
2. From a sample of time records reviewed from December 2013 and January 2014, it was noted that in some cases, guards and cleaning/cutting workers worked on Sundays (a designated rest day) without receiving an additional rest day in the 7-day period immediately following, as required by local law and FLA benchmarks..
3. From time record review, it was observed that some guards exceeded the limit of 60 working hours per week, on a systematic basis, during all of 2013. Additionally, it is common for these workers to exceed the legal limit of 12 working hours per day.

Local Law or Code Requirement

Labor Code, Articles 332, 334, and 338; FLA Workplace Code (Employment Relationship Benchmark ER.23; Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2, HOW.8.1, HOW.8.3, and HOW.8.4)

Root Causes

1. The gaps in hours of work policies and procedures have not been brought to management's attention during previous external audits.
2. Factory does not provide alternative rest days, as production plan does not include safeguards to handle workers' absences during the regular workweek.
3. Tasks assigned to factory guards demand excessive hours of work; factory management has not looked for alternatives to avoid this.
4. As it results in a significant increase in their income, factory guards accept working excessive overtime.

Recommendations for Immediate Action

1. Ensure that all employees who work on Sunday are provided an additional rest day in the 7-day period immediately following.
2. Ensure that internal guards do not exceed 60 working hours per week, as required by FLA, and 12 working hours per day, as required by local law.

COMPANY ACTION PLANS

1. 1. The factory will ensure that all employees who work on Sundays are provided an additional rest day in the 7-day period that

immediately follows any Sunday work.

Action plan status: Completed

Planned completion date: 06/01/14

Progress update: 04/11/17 : Factory sent a memorandum to all managers instructing them to ensure that their employees who work seven continuous days have one rest day immediately after the 7th day. Policies have been formalized to ensure that workers receive their appropriate rest days.

Completion date: 05/05/14

2. 1. The factory will ensure that internal guards do not exceed 60 working hours per week, as required by FLA, and 12 working hours per day, as required by local law.

Action plan status: Completed

Planned completion date: 06/01/14

Progress update: 04/11/17 : The factory has provided all managers with a memorandum instructing them to ensure that working hours do not exceed 60 hours per week. New policies have been instituted and related trainings have been scheduled to make workers aware of working hour rules.

Completion date: 04/04/14

3. 1. The factory will develop hours of work policies and procedures that are consistent with the FLA Workplace Code and Benchmarks and local legal requirements. Specific FLA requirements and legal provisions regarding: a) rest days; b) weekly and daily hours of work limits shall be included in the procedures; c) Factory will communicate new hours of work policies to workers.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The factory has created and disseminated new working hour and rest day policies to managers and workers.

Completion date: 05/05/14

4. 1. The factory will assign staff to lead the implementation/enforcement of the newly created Hours of Work policies and procedures.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The HR department will oversee division managers in the enforcement of the working hours.

Completion date: 07/05/14

5. 1. The factory will revise the current shift for guards and look for alternatives to reduce their excessive working hours (e.g., additional shifts).

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory had revised the current shift for guards, and it has put measures in place

update: to ensure that working hours are not excessive. The new policies have been communicated to the factory guards.

Completion date: 04/04/14

6. 1. The factory will retroactively provide all workers who worked on Sundays in 2013 with a rest day.

Action plan status: Completed

Planned completion date: 11/01/14

Progress update: 04/11/17 : The factory has scheduled days for all workers to retroactively receive rest days for Sundays worked in 2013.

Completion date: 11/20/14

FINDING NO.7

HOURS OF WORK

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Employees in screenprinting work under a rota-system (called a 4x4), which means that they work 12 hours a day for 4 consecutive days, and then receive 4 consecutive days of rest. This schedule has not been agreed upon in the employment contracts and the factory has not required an authorization from the Secretary of Labor, either. According to employment contracts, the schedule is from 7:00am to 4:30pm from Monday to Thursday and from 7:00am to 3:30pm on Friday.

Local Law or Code Requirement

Labor Code, Articles 318 and 322; FLA Workplace Code (Hours of Work Benchmark HOW.1.1)

Root Causes

1. As operating under a 4x4 rota system has become a widespread practice in the apparel industry in Honduras, factory management has not considered it necessary to ask for the Secretary of Labor's authorization.

COMPANY ACTION PLANS

1. 1. The factory will seek official authorization from the Secretary of Labor to operate under the rota system (4x4). If authorization is not provided, the factory will adjust operation shifts in accordance with the local legal framework.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The factory has obtained official authorization from the Secretary of Labor to operate under the rota system (4x4).

Completion date: 06/23/14

2. 1. If authorization of the rota system is approved, the factory will amend employment contracts to accurately reflect the actual working hours workers perform. A copy of this document shall be provided to workers.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The factory has amended employment contracts to accurately reflect the actual working hours workers perform. A copy of that document has been provided to workers.

Completion date: 07/18/14

TERMINATION AND RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Management does not have written policy regarding worker retrenchment.
2. There is no procedure for determining termination payouts, which includes: a) methods for the correct assessment of payouts for all modes of termination/retrenchment and b) takes into account legal requirements.
3. No confidential channel has been established for workers to express the concerns or issues they might be experiencing around their legally owed payments during a retrenchment process.
4. There is no appeal process in cases of disciplinary action imposition and termination with cause.

Local Law or Code Requirement

LA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, and ER.19.2)

Root Causes

1. There are gaps in factory's management systems. For years, management has been working without some written policies and procedures and has not seen the need to formalize their practices.
2. The revised FLA Workplace Code and Benchmarks now include policy and procedure development requirements, which are relatively new for companies and their supplier base.

COMPANY ACTION PLANS

1. 1. The factory will create written policies regarding the worker retrenchment process determining payouts, administration of payouts, on-time payment of severance, and all legal benefits terminated employees are entitled to.

Action plan status:	Completed
Planned completion date:	09/01/14
Progress update:	04/11/17 : The factory has revised written policies regarding the worker retrenchment process determining payouts, administration of payouts, on-time payment of severance, and all legal benefits terminated employees are entitled to.
Completion date:	06/02/14

2. 1. The factory will develop a channel that would enable workers to confidentially express the concerns or problems they might be experiencing during the process of retrenchment.

Action plan status:	Completed
Planned completion date:	09/01/14
Progress update:	04/11/17 : The factory has developed a channel that to enable workers to confidentially express the concerns or problems they might be experiencing during the process of retrenchment.
Completion date:	06/02/14

3. 1. The factory will create an appeal process that would allow workers subjected to disciplinary actions or termination with cause to challenge those decisions.

Action plan status:	Completed
Planned completion date:	09/01/14
Progress update:	04/11/17 : The factory has created an appeal process that will allow workers subjected to disciplinary actions or termination with cause to challenge those decisions.

Completion date: 08/12/14

4. 1. The factory will assign staff to lead the communication and implementation/enforcement of newly created retrenchment policies and procedures. These members of staff will be responsible for communicating the procedure to workers via the system defined on the action plan for Finding #13.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has assigned staff to lead the communication and implementation/enforcement of newly created retrenchment policies and procedures.

Completion date: 08/18/14

FINDING NO.9

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory has neither created nor implemented industrial relations policy and relevant procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.1)

Root Causes

1. Management systems are not comprehensive enough to cover FLA's new benchmarks. Management is comfortable with handling labor relations issues informally.

COMPANY ACTION PLANS

1. 1. The factory will create and implement industrial relations policies and procedures that include a process that enables workers to consult with and provide input to management through appropriate structures, including a workers council and/or union.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : The factory has updated its industrial relations policies and procedures and has instituted a bi-annual worker training on FOA rights for new and existing employees.

Completion date: 06/02/14

2. 1. The factory will assign staff responsible for the implementation or enforcement of industrial relations policies and procedures. Members of staff will facilitate the creation of structures through which workers may consult with and provide input to management and then communicate the procedure to workers via the system defined in the action plan for Finding #13.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has assigned staff responsible for the implementation or enforcement of industrial relations policies and procedures. Those staff members will facilitate the creation of structures through which workers may consult with and provide input to management and then communicate the procedure to workers via the finalized system defined in the action plan for Finding #13.

FINDING NO.10

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The disciplinary practices do not include a provision for the review of disciplinary actions by someone senior to the manager who imposed the disciplinary action.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.2.1)

Root Causes

1. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. There are gaps in factory's management systems in the workplace. For years, management has been working without written policies and procedures and has not seen the need to formalize their practices until recently.

COMPANY ACTION PLANS

1. The factory will enhance workplace conduct and discipline policies and procedures so that they include an appeal process whereby disciplinary actions can be reviewed by a senior manager and then communicate the procedure to workers via the system defined on the action plan for Finding #13.

Action plan status:	Completed
Planned completion date:	10/01/14
Progress update:	04/11/17 : The factory has enhanced workplace conduct and discipline policies and procedures to include an appeal process whereby disciplinary actions can be reviewed by a senior manager and then communicate the procedure to workers via the system defined on the action plan for Finding #13.
Completion date:	06/02/14

2. 1. The factory will periodically check that policies and procedures are being implemented as intended. Metrics to be considered include: a) the nature of disciplinary action; b) the reasons for disciplinary action; c) the frequency of disciplinary action. Based on the analysis of the metrics, the factory will conduct regular policy and procedure reviews/updates to ensure consistency with desired worker behavior.

Action plan status:	Completed
Planned completion date:	12/01/14
Progress update:	04/11/17 : The factory has established periodic checks to ensure that policies and procedures are being implemented as intended. Metrics considered include: a) the nature of disciplinary action; b) the reasons for disciplinary action; c) the frequency of disciplinary action. Based on the analysis of the metrics, the factory conducts regular policy and procedure reviews/updates to ensure consistency with desired worker behavior.
Completion date:	11/28/14

FINDING NO.11

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The following health and safety issues were observed via physical observation:
 - a) Evacuation routes are not marked on the floor in screenprinting or the warehouse (Building 26);
 - b) The first aid kit in screenprinting was not equipped with all necessary supplies; absorbent cotton and cotton applicators were missing;
 - c) The Material Safety Data Sheet (MSDS) of 1 chemical in use at the stain removal station was missing;
 - d) A toilet lever was broken in the men's restroom in the sewing department;
 - e) There is no mechanism for workers to directly report health and safety issues

Local Law or Code Requirement

General Regulations of Measures for Preventing Work Accidents, Article 424; FLA Workplace Code (Employment Relationship Benchmark ER.31.2.4; Health, Safety and Environment Benchmarks HSE.1.1, HSE.5.1, HSE.6.1, HSE.10.1, and HSE.19)

Root Causes

1. The layout in screenprinting and the warehouse has recently changed; the evacuation routes were not repainted accordingly.
2. Day-to-day needs and high worker demand of the clinic services prevents the nurse from conducting daily inspections to verify that all first aid kits are equipped with the basic supplies.
3. The chemical management procedure does not include steps to ensure that MSDS for all new chemicals introduced to the workshop are posted in the relevant workstations;
4. Since there is a H&S Worker Committee, management does not see the need to establish a channel for workers to report health and safety issues directly to management.

Recommendations for Immediate Action

1. Mark evacuation routes on the floor in screenprinting and the warehouse.
2. Ensure all first aid kits in screenprinting are equipped with basic supplies (specifically, absorbent cotton and cotton applicators);
3. Ensure that MSDS for all chemicals in use are posted in the relevant workstations;
4. Repair the broken toilet lever in men's restrooms in the sewing department.

COMPANY ACTION PLANS

1. 1. Mark evacuation routes on the floors of screen-printing area and the warehouse.

Action plan status: Completed

Planned completion date: 03/14/14

Progress update: 05/22/14 : Attached PPT with photos provided by the factory and attached photo verification taken during DCM visit to the factory.

Completion date: 03/14/14

2. 1. Ensure all first-aid kits in the screen-printing area are equipped with basic supplies (e.g., absorbent cotton and cotton applicators)

Action plan status: Completed

Planned completion date: 03/14/14

Progress update: 05/22/14 : Attached PPT with photo evidence provided by the factory

Completion date: 03/14/14

3. 1/ Ensure that MSDS for all chemicals in use are posted in the relevant workstations.

Action plan status: Completed

Planned completion date: 03/14/14

Progress update: 05/22/14 : Attached PPT with photo evidence provided by the factory.

Completion date: 03/14/14

4. 1. Repair the broken toilet lever in the men's restroom in the sewing department

Action plan status: Completed
Planned completion date: 03/14/14
Progress update: 05/22/14 : Attached PPT with photo evidence provided by the factory.
Completion date: 03/14/14

5. 1. The factory's H&S manager is to revise H&S policies so that they include a requirement for painting new evacuation routes on the floor every time the layout of a specific area/department is changed. The H&S staff responsible for the revisions these policies will be assigned this task.

Action plan status: Completed
Planned completion date: 09/01/14
Progress update: 04/11/17 : The factory's H&S manager has revised H&S policies so that they include a requirement for painting new evacuation routes on the floor every time the layout of a specific area/department is changed. H&S staff responsible for the revisions of these policies has been assigned to this task.
Completion date: 09/05/14

6. 1. The factory will assign someone from screen printing responsible for helping the nurse check that all of the first aid kits in this work area are properly stocked.

Action plan status: Completed
Planned completion date: 09/01/14
Progress update: 04/11/17 : The factory has designated a worker to conduct rounds to ensure that first aid boxes are fully stocked.
Completion date: 03/14/14

7. 1. The factory will revise the current chemical management program to include steps that ensure that all MSDS are kept in production areas when new chemicals are introduced. Specific responsibilities for implementation will be assigned to staff.

Action plan status: Completed
Planned completion date: 09/01/14
Progress update: 04/11/17 : The factory has revised the chemical management program to include steps that ensure that all MSDS are kept in production areas when new chemicals are introduced. Specific responsibilities for implementation have been assigned to staff.
Completion date: 08/18/14

8. 1. The factory will develop a procedure for workers to confidentially report H&S concerns or issues. The factory will then communicate this procedure to workers via the system defined in the action plan for Finding #13.

Action plan status: Completed
Planned completion date: 10/01/14
Progress update: 04/11/17 : The factory has developed a procedure for workers to confidentially report H&S concerns or issues. The factory will communicate this procedure to workers via the system

defined in the action plan for Finding #13.

Completion date: 10/01/14

FINDING NO.12

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory does not conduct trainings for supervisors on policies and procedures, and applicable legal provisions, for almost any of the Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System.
2. During factory's orientation training, new workers are not broadly trained on the wage & benefits structure and the payment scheme. In addition, orientation includes neither personnel development nor termination & retrenchment policies and procedures.
3. For most Employment Functions (Recruitment, Hiring & Personnel development; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System) ongoing training activities are not provided to workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2; ER.15.1; ER.15.2; ER.17.1; ER.17.3)

Root Causes

1. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. There is no mechanism to harmonize production needs with training needs.
3. Orientation trainings are not very effective because they cover too many topics in a very short span of time.
4. Management does not recognize the benefits of training (for supervisors and workers) for a robust grievance system.

COMPANY ACTION PLANS

1. Based on the SCI Employment Functions, the factory will create and implement a comprehensive training program for management teaching how to incorporate FLA benchmarks into production planning. All policies and procedures on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance Systems will be included in the training.

Action plan status: Completed

Planned completion date: 09/01/14

Progress update: 04/11/17 : Based on the SCI Employment Functions, the factory has created and implemented a comprehensive training program for management, alongside training for workers, teaching how to incorporate FLA benchmarks into production planning. All policies and procedures on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance Systems are included in the training.

Completion date: 07/08/14

1. The factory will establish mandatory training sessions to educate administrative staff, supervisors, and those in managerial positions on the FLA Workplace Code and Benchmarks. Topics included in the training will be Recruitment, Hiring & Personnel Development, Compensation; Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance Systems.

Action plan status: Completed

Planned completion date: 10/01/14

Progress 04/11/17 : The factory has established mandatory training sessions to educate administrative staff,

update: supervisors, and those in managerial positions on the FLA Workplace Code and Benchmarks. Topics included in the training are Recruitment, Hiring & Personnel Development, Compensation; Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance Systems. Trainings are held on alternate dates of those for workers.

Completion date: 08/26/14

3. 1. Factory management will enhance new worker orientation training content so that it includes more information and it is spaced over a longer period of time. Separate trainings will be dedicated to: a. wages & benefits structure; b. recruitment, hiring & personnel development; c. termination policies and procedures, ensuring that a reasonable amount of information is provided during each training . 2. The factory will create and implement training for current workers regarding Employment Functions.

Action plan status: Completed

Planned completion date: 11/01/14

Progress update: 04/11/17 : 1. Factory management has enhanced new worker orientation training content so that it includes more information and it is spaced over a longer period of time. Separate trainings have been dedicated to: a. wages & benefits structure; b. recruitment, hiring & personnel development; c. termination policies and procedures, ensuring that a reasonable amount of information is provided during each training . 2. The factory has created and implemented training for current workers regarding Employment Functions.

Completion date: 12/01/14

4. 1. The factory will assign compliance staff to lead the training programs' implementation for workers, administrative staff, supervisors, and those in managerial positions.

Action plan status: Completed

Planned completion date: 10/01/14

Progress update: 04/11/17 : The factory has assigned two compliance staff members to lead the training programs' implementation for workers, administrative staff, supervisors, and those in managerial positions.

Completion date: 09/18/14

FINDING NO.13

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. For some Employment Functions (Recruitment, Hiring & Personnel Development; Hours of Work; Termination; Industrial Relations; and Workplace Rules and Regulations), it was noted that the factory does not communicate its policies and procedures to the general workforce at all. In the case of other Employment Functions (Compensation, Grievance System, and Environmental Protection), there have been sporadic communication efforts (mostly through training), but they are not systematic.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2 and ER.16.1)

Root Causes

1. Management does not appreciate the benefits of having informed staff and workers. 2. FLA's Employment Relationship benchmarks include Communication related requirements, which are relatively new for companies and their supplier base. 3. Management has heavily relied on orientation/induction and some other sporadic training activities; hence, no further communication activities are considered necessary.

COMPANY ACTION PLANS

1. 1. The factory will create a communication system that includes: a. a definition of the factory's communication channels; a. the need for two-way communication between workers and management on factory affairs (e.g., welfare issues, production issues, and employment terms and conditions), and c) express commitment to: i. support transparent and ongoing communication between workers and management and ii. the principle of non-retaliation. 2. The factory will create appropriate procedures to: a. Describe how each communication channel functions, including how each is used by workers and management, b. how the information flow is managed; how responses and decisions, if any, are made and conveyed, c. describe how workers and management use the grievance system for investigation and resolution of issues, d. explain how the communication channels' policies and procedures are conveyed and promoted to relevant parties, e. explain who is responsible for each step in the process, and f. define how communication channels are to be analyzed: i. to identify or define what communications channels exist across management levels, across department, how often they are used, and with what agenda and result, ii. whether two-way communication channels work, and iii. to identify if improvement/updates may be needed. Metrics may include analysis of communication channels' effectiveness (meeting agendas and minutes; issues received, investigated, and resolved).

Action plan status: Completed

Planned completion date: 03/01/15

Progress update: 04/11/17 : 1. The factory has created a communication system that includes: a) A definition of the factory's communication channels; b) A two-way communication between workers and management on factory affairs, and c) A commitment to support transparent and ongoing communication between workers and management and to the principle of non-retaliation. 2. The factory has created appropriate procedures to: a. Describe how each communication channel functions, including how each is used by workers and management, b. Describe how the information flow is managed and how responses and decisions are made and conveyed, c. Describe how workers and management use the grievance system for investigation and resolution of issues, d. Explain how the communication channels' policies and procedures are conveyed and promoted to relevant parties, e. Explain who is responsible for each step in the process, and f. Define how communication channels are to be analyzed: i. To identify/define what communications channels exist across management levels, across department, how often they are used, and with what agenda and result, ii. To determine whether two-way communication channels work iii. To identify if improvement/updates may be needed. Metrics include analysis of communication channels' effectiveness (meeting agendas and minutes; issues received, investigated, and resolved).

Completion date: 10/28/14

FINDING NO.14

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

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

Local Law or Code Requirement

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

Root Causes

1. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. Top-down communication without the incorporation of workers' feedback is culturally acceptable for management.

COMPANY ACTION PLANS

1. 1. The factory will train all workers, supervisors, and managers on the newly created worker integration procedures.

Action plan status: Completed

Planned completion date: 03/01/15

Progress update: 04/11/17 : The factory has created a system to train all workers, supervisors, and managers on the newly created worker integration procedures and on all updated procedures.

Completion date: 12/09/14

2. 1. The factory will assign staff from HR Department and/or a Compliance Manager with the responsibility of implementing the worker integration procedure.

Action plan status: Completed

Planned completion date: 03/01/15

Progress update: 04/11/17 : The factory has assigned specific staff members from the HR Department with the responsibility of implementing the worker integration procedure.

Completion date: 12/09/14

3. 1. The factory will establish a procedure that enables workers to consult with and provide input to management.

Action plan status: Completed

Planned completion date: 03/01/15

Progress update: 04/11/17 : The factory has established policies to enable workers to consult with and provide input to management.

Completion date: 12/09/14