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| FLA Audit Profile | |
| Country name | India |
| Factory name | 12032260C |
| HEM | Bureau Veritas Consumer Product Services, India |
| Date(s) in facility | October 19 - 20, 2004 |
| PC(s) | Nike, Inc.; Reebok International, Ltd.; Phillips-Van Heusen |
| Number of workers | 1486 |
| Product(s) | Apparel/Woven |
| Production processes | Cutting, Sewing, Finishing, Packing |

| | | Findings | | | | | | Remediation | | | | Updates | | |
|---|--|---|---|--|-------------------------------------|---|---|---|------------------------|---|---|---|--|--|
| FLA Code/Compliance Issue | Country Law/Legal Reference | FLA Benchmark | Monitor's Findings | Documentation (If Finding Corroborated/ Verified Via Multiple Sources, List All) | Was Finding Corroborated? Yes or No | If Not Corroborated, Explain Why | Best Practice | PC Remediation Plan | Target Completion Date | Factory Response (Optional) | Company Follow Up (Cite Date of Follow Up) | Documentation to Be Submitted | Company Follow Up (Cite Date of Follow-up Visit) | Documentation |
| 1. Code Awareness | | | | | | | | | | | | | | |
| Code posting/information | | FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers. | No violation observed. COC of participating companies (Nike, Reebok and PVH) is posted near the main entrance, production floors and canteen. Training is provided during the induction but no specific written records are maintained but no training materials are available. | N/A | N/A | N/A | Nil | Maintain on file, specific written records of the code of conduct trainings during induction | January 1,2005 | Factory management will maintain these records on file. | During the follow-up visit conducted on January 13, 2005, it was confirmed that factory informed all employees of code standards of PCs through public address systems on Dec 17 '04 to create awareness & same has been documented. Factory confirmed that it has plans to continue this practice & document them in future. | Written records of code of conduct training will be maintained on file. | During the follow up conducted on February 19, 2005, the auditor confirmed code of conduct trainings have been performed and documentation on file of such trainings. These trainings will continue for existing workers as well as new workers. | Written records of code of conduct training are maintained on file and will continue to be documented. |
| 2. Forced Labor | | | | | | | | | | | | | | |
| There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise. | | | | | | | | | | | | | | |
| 3. Child Labor | | | | | | | | | | | | | | |
| No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. | | | | | | | | | | | | | | |
| 4. Harassment or Abuse | | | | | | | | | | | | | | |
| Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse. | | | | | | | | | | | | | | |
| 5. Nondiscrimination | | | | | | | | | | | | | | |
| No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin. | | | | | | | | | | | | | | |
| Other | | No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin. | Nil | Employment records and visual observation | Yes | Employment records and visual observation | To set an example the factory has recruited physically handicapped workers who are provided with jobs of their capability. | | | | | | | |
| 6. Health and Safety | | | | | | | | | | | | | | |
| Employers will provide a safe and healthy working environment to prevent accidents and occurring in the course of work or as a result of the operation of employer facilities | | | | | | | | | | | | | | |
| Fire Safety Health and Safety legal compliance | According to Section 32 of The Factories Act, 1948, all floors, steps, stairs, passages and gangways shall be of sound construction, and properly maintained and shall be kept free from obstructions and substances likely to cause persons to slip and where it is necessary to ensure safety, steps, stairs, passages and gangways shall be provided with substantial handrails. | Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits. | No handrails were provided to main and emergency staircases in the factory. This is noncompliant with local law and FLA benchmark. | Visual Observation | Yes | N/A | Nil | Factory is required to meet all local laws regarding structural safety. Factory must install the appropriate handrails in the main and 8 emergency staircases, in accordance with local law requirements. | 11/12/2004 | Handrails have been provided as suggested | During the follow-up visit conducted on January 13, 2005, auditor noted that handrails have been provided to main and emergency staircases in the factory. This was verified through observation during the walkthrough. | Photographs are on file to illustrate the improvement | | |
| Evacuation Procedure | | All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. | | Documentation and workers interviews | Yes | N/A | Factory maintains a good system of training the workers on health and safety issues as it maintains a fair amount of almost 40% of the total workforce trained in operation of fire equipment and about 130 personnel trained in first aid. | | | | | | | |
| Sanitation in Dining Area | According to Rule 90 of Central Rules of the Factories Act, 1948, there shall be provided and maintained sufficient utensils, crockery, cutlery, furniture and any other equipment necessary for efficient running of canteen. Suitable clean clothes for employees serving in canteen shall also be provided and maintained. Furniture, utensils and other equipment shall be maintained in a clean and hygienic condition. A service counter, if provided, shall have a top of smooth and impervious material. Suitable facilities including an adequate supply of hot water shall be provided for cleaning of utensils and equipment. | All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building. | It was found that no refrigeration is available in the canteen for proper storage of food stuffs, vegetables etc. This is noncompliant with local law and FLA benchmark. | Visual Observation | Yes | N/A | Nil | Install a refrigerator in the canteen for proper storage of food, vegetables, etc. | January 1,2005 | This will be installed as suggested. | During the follow-up visit conducted on January 13, 2005, the auditor confirmed that a refrigerator has been installed in the canteen kitchen. This was verified through observation during the walkthrough. | Photographs are on file to illustrate the improvement | | |
| Trainings | Nil | Nil | No violation observed. Substantial number of workers have been trained for first aid and fire safety. | Corroborated through employee review of personnel files | | | Factory maintains a good system of training workers on health and safety issues as it maintains a fair amount of almost 40% of total workforce trained in operation of fire equipment and about 130 personnel trained in first aid. | | | | | | | |
| 7. Freedom of Association and Collective Bargaining | | | | | | | | | | | | | | |
| Employers will recognize and respect the right of employees to freedom of association and collective bargaining. | | | | | | | | | | | | | | |
| Right to Freely Associate | | Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment. | | Through workers interview and visit records | Yes | N/A | The factory has actively promoted this element of code as NGOs visit the factory. Workers are free to approach them also for their problems other than usual way of reporting through grievance committee and to the Welfare Officer. | | | | | | | |

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| Other | | | No violation observed. Factory has given freedom of association and policy has been displayed in factory. Joint Worker-Management Committee exists in the form of a Welfare Committee, Canteen Committee and Grievance Committee, that meets on regular intervals (once a month) to discuss various issues related to welfare and health and safety aspects. The committee comprised of equal number of management and worker representatives. The worker's representatives are elected by workers themselves. Also, workers have option to drop their complaints/grievances in the complaint box in the factory. | Worker's interviews covering all the sections/departments of the factory. Corroborated through records of visit of NGOs | N/A | N/A | There are 2 NGO groups visiting facility at regular intervals (at least once a month) and workers communicate their grievances with representatives of said group. The contact information of said group are ***. The factory has actively promoted this element of code as NGOs visit in factory and workers are free to approach them also for their problems other than usual way of reporting through grievance committee and to the Welfare Officer. | | | | | | | |

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| 8. Wages and Benefits | | | | | | | | | | | | | | | |
| Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits | | | | | | | | | | | | | | | |
| Time-recording system | | Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. | For 4 workers employed in canteen, only time card for current month available. For security guards employed through outside security agency ***** manual attendance records available. Manual time in and time out records of security guards shown on first day of audit indicated only 8 hours work in a day. However, payroll records provided by outside security agency for security guards have been paid for maximum 44 shifts in a month. | The payroll records provided by the outside security agency for the security guards on the second day of audit indicated the security guards have been paid for maximum 44 shifts in a month. | Yes | NA | Nil | Please investigate discrepancies between factory time records and security agency payroll records, to determine if pay differential is for hours worked outside "factory". Additional actions will be determined at that time. Please include in plan how records will be maintained, how you will ensure all hours worked and payment for all hours worked, both regular and overtime, will be maintained by factory and its security agency. | 12/15/2004 | On scrutiny of all their records we were surprised to observe that security guards employed with us have gone and worked in another organization on their weekly off day in order to earn additional wages; thus, discrepancy in our attendance and shift payments shown. We have warned security agency on this and discussed at length impact of their shortcut methods and damages it has caused to our organization. They have agreed not to repeat this in future. | During follow-up visit conducted January 13, 2005, auditor noted that factory had changed old canteen contractor and appointed new contractor ***** effective Dec 15 '04. Manual time & payroll records from Dec 15 are maintained at factory. Manual time & payroll records of ***** from April '04 maintained at the factory. Review of records & employee interviews, confirmed factory paid "difference OT" wages to these security personnel Nov 27 '04. These employees have not worked OT from Nov 1 '04. | Plan for time keeping, payroll and record maintenance is maintained on file. | | | |
| Record Maintenance | 1. According to Section 13 A of Payment of Wages Act, 1936 (1) Every employer shall maintain such registers and records giving such particulars of persons employed by him, the work performed by them, the wages paid to them, the deductions made from their wages, the receipts given by them, and such other particulars and in such form as may be prescribed. (2) Every register and record required to be maintained under this section shall for the purposes of this Act be preserved for a period of 3 years after date of the last entry made therein. | All compensation records will be maintained accurately and should be acknowledged by the employee as accurate. | Payroll records of security guards employed through outside security agency ***** not maintained by the factory and also payroll records, Attendance records of 4 canteen workers (except current month's time card) and payroll records not available/maintained by factory. | Documents not available | Yes | NA | Nil | (1) Requirement to provide proper regular and overtime wages and to have payroll records available at any time to demonstrate compliance, should be incorporated in your contract with security agency. Please assign an individual to monitor wages paid to security guards for hours worked at "Factory" to ensure compliance with wage policies. (2) As canteen workers employed directly by factory, factory must maintain appropriate payroll records and time cards to verify actual hours worked on a regular and overtime basis. Factory must immediately require that employee time cards, payroll and other relevant records maintained on site for at least a year. Sustainable Solutions: (3) Please develop and submit a plan for how records will be maintained, including the name of the person(s) responsible for record keeping. | 12/15/2004 | Payroll records have been obtained for the security agency from our corporate office and will be maintained on file for review. In addition, all canteen workers' records will also be maintained on file. | During follow-up visit conducted January 13, 2005, auditor noted that factory had changed old canteen contractor & appointed new contractor ***** effective Dec 15 '04. Manual time & payroll records from Dec 15 are maintained at factory. Manual time & payroll records of ***** from April 2004 are maintained at the factory. | Plan for timekeeping, payroll and record maintenance; name of person assigned to be responsible for monitoring of wages and record keeping is maintained on file. | | | |
| Legal Compliance for holiday/leave | 5. According to Rule 23 (2) of Minimum Wages Central Rules, 1948. Any such employee shall not be required or allowed to work in a scheduled employment on rest day unless he has or will have a substituted rest day for a whole day on 1 of the 5 days immediately before or after rest day. Provided that no substitution shall be made which will result in employee working for more than 10 days consecutively without a rest day for a whole day. As per Section 52 of The Factories Act, 1948 No adult worker shall be required or allowed to work at a factory on first day of week (hereinafter referred to as the said day), unless (a) he has or will have holiday for whole day on 1 of 3 days immediately before or after the said day. | Workers will be paid for holidays and leave as required by law. | Security guards employed through outside security agency ***** not provided with a weekly off. Some workers in sewing section not provided weekly day off in month of July 2004 and compensatory day off was given after 12 consecutive workdays, instead of a legal limit of within 10 consecutive workdays. | Personnel files of workers | Yes | NA | Nil | Please investigate if guards provided by security agency are working excessive hours and/or during their rest period at your facility, or if these hours are worked by guards at another facility. If guards are working during their rest time at "factory" or working more than 60 hours or legal limits at "factory", then factory is to require its agency to develop a legally appropriate schedule to control weekly hours & provide weekly time off for hours worked at "factory". A requirement to meet all working hours and rest day limits should be incorporated in contract with agency. Please assign an individual to monitor hours worked by guards at "factory" to ensure compliance with hour limits. (2) Develop a working hours and rest policy, whereby workers must have 1 day off of rest within every 7-day period, and work no more than 60 hours per week or in accordance with local law. A procedure needs to be developed for implementation and enforcement of its rest day and working hours policy. (3) Working hours and rest day policies and procedures need to be communicated to all workers, both written & orally. | 12/15/2004 | Compensatory holidays for Sunday work, we normally give them within 10 days. Due to urgent business needs we have given an off on the 12th days, there is a delay of 2 days. This is a very rare odd situation and not a normal practice. However, factory will ensure that all workers are provided with the legal compensatory day off. | Review of records & interviews with security guards confirmed that security guards provided by ***** received 1 day off per 7 day week from Nov 1 '04 as per local law, FLA standard and PO's codes of conduct. Employee interviews confirmed that factory gives 1 day off per 7 day week. Workers of sewing & finishing section worked on Sundays (Dec 5 & 19) & compensatory holidays have been given within 3 days as required by Factories Act. However, time records of Nov & Dec could not be reviewed as factory informed that there is a technical problem in accessing database on Jan 13 '05. Production records, injury records, broken needle records were also reviewed. | Copy of factory's rest day & working hours policy, documentation which demonstrates that rest day & working hours policies & procedures have been communicated (such as postings in factory, copy of worker handbook), and name of person accountable for rest day implementation & enforcement is maintained on file. | During the follow up conducted on February 19, 2005, auditor confirmed security guards and workers in the sewing and finishing departments had 1 day off per 7 day week. | This was confirmed through review of time cards | |
| Record Maintenance | | All legally required payroll documents, journals and reports will be available complete, accurate and up-to-date. (In United States terms, this would include W-4s, I-9s, green cards, 941s and supporting material.) | | Personnel files of workers | Yes | NA | Factory maintains a good system of personnel files, copy of health and safety training certificates are also available in the personnel files of the workers. | | | | | | | | |
| 9. Hours of Work | | | | | | | | | | | | | | | |
| Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime, and (ii) be entitled to at least one day off in every seven day period | | | | | | | | | | | | | | | |
| Overtime Limitations | According to Section 64 (4) of Factories Act, 1948: (i). In making rules under this section, State Government shall not exceed, except in respect of exemption under clause (a) of subsection (2) the following limits of work inclusive of OT: (i) the total number of hours of work in any day shall not exceed 10, (ii) spread over, inclusive of intervals for rest, shall not exceed 12 hours in any 1 day; (ii) total number of hours of work a week, including OT, shall not exceed 60, (iv) total number of hours of OT shall not exceed 50 for any 1 quarter. [Explanation: "Quarter" means period of 3 consecutive months beginning January 1st, April 1st, July 1st or October 1st] and According to Section 52 Of Factories Act 1948 No adult worker shall be required or allowed to work in a factory on 1st day of week (hereinafter referred to as said day) unless (a) he has or will have holiday for whole day on 1 of the 3 days immediately before or after said day, and (b) manager of factory has, before said day or substituted day under clause (a) whichever is earlier, (i) Delivered notice at office of inspector of intention to require worker to work on said day and of day which is to be substituted, and (ii) Displayed notice to that effect in factory. Provided no substitution shall be made which will result in any worker working for more than 10 days consecutively without holiday for whole day. | Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime, and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts. | Security guards have worked more than the legally mandated hours of 60 hours/week and no weekly days off were provided. They have carried out about 44 shifts a month (equating almost 12 hours a day). | As per documents | Yes | NA | Nil | Please see above rest day and working hours requirement. | 12/15/2004 | Please see above rest day and working hours requirement. | During the follow-up visit conducted January 13, 2005, auditor reviewed Nov & Dec 2004 time records, payroll records & interviews with employees confirmed that factory complied with weekly work hours' standards as per Factories Act & FLA. | Please see above rest day and working hours requirements. | During the follow-up visit conducted January 13, 2005, auditor reviewed Nov & Dec 2004 time records, payroll records & interviews with employees confirmed that factory complied with weekly work hours' standards as per Factories Act & FLA. | Please see above rest day and working hours requirements. | |

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| 10. Overtime Compensation | | | | | | | | | | | | | | |
| In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate. | | | | | | | | | | | | | | |
| Accurate recording of OT hours worked | 3. According to Rule 25 (2) of the Minimum Wages Central Rules, 1950, A register of overtime shall be maintained by every employer in Form IV in which entries the column specified therein shall be made as and when overtime is worked, in any establishment. Register shall be kept at worksite and maintained up to date. Where no overtime has been worked in any wage period, a "nil" entry shall be made across body of register at end of wages period, indicating also in precise terms the wage period to which the "nil" entry relates. | Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. | The manual time in and time out records of the security guards shown on the first day of audit indicated only 8 hours work in a day. However, the payroll records provided by the outside security agency for the security guards indicated that the security guards have been paid for maximum 44 shifts in a month. However, no time cards supporting the payment were available/shown by the factory. | For security guards, the payment records of one month provided by the security agency | Yes | N/A | Nil | Please see above rest day and working hours requirement. | 12/1/2004 | On scrutiny of all their records we were shocked to observe that security men employed with us have gone and worked in another organization on weekly off day in order to earn additional wages, thus the discrepancy in our attendance and shift payments shown. We have warned security agency on this and discussed at length impact of their shortcut methods and damages it has caused to our organization. They have agreed not to repeat this in future. | During follow-up visit conducted January 13,2005, auditor noted that manual time & payroll records of ***** from April 2004 are maintained at the factory. Review of records & employees interviews confirmed that factory paid "difference OT" wages to these security personnel on Nov 27 '04. These employees have not worked OT from Nov 1 '04. | Please see above rest day and working hours requirements, as well as above time and payroll record keeping requirements. | | |
| OT Compensation | 2. According to Section 59 (1) of The Factories Act, 1948 where a worker works in a factory for more than 9 hours in any day or more than 48 hours in any week, he shall in respect of overtime work be entitled to wages at rate of twice his 'ordinary' rate of wages. Where there is increase in working hours but increase is below maximum working hours, a workman is entitled to proportionate extra wages for this extra work. | The factory shall comply with applicable law for premium rates for overtime compensation. | Security guards are paid overtime at a single rate instead of a legal rate of double the normal rate. | No documents provided | Yes | N/A | Nil | Security guards must be paid for overtime at rate higher than wages for legally prescribed workday in accordance with local law. Factory must require, and then enforce, its security agency to pay retroactive wage payments for overtime hours, of wage differential to meet double normal rate. (Note: Back payment up to time of Reebok production). A requirement to provide proper overtime wage payments should be incorporated in your contract with security agency. Please assign an individual to monitor wages paid to security guards for all hours worked at "factory" to ensure compliance with wage payments. | 12/10/2004 | Due compensation of all single rate OT will be scrutinized & completed by Nov 30, 2004. Payment will be made by Dec-10, 2004. | During follow-up visit conducted on January 13,2005, the auditor reviewed records & employee interviews confirmed that factory paid "difference OT" wages to these security personnel on Nov 27 '04. These employees have not worked OT from Nov-1 '04. | Proof of back wage payment is maintained on file. | | |
| Miscellaneous | | | | | | | | | | | | | | |