



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT

COMPANY: Grupo Miguel
COUNTRY: El Salvador
FACTORY CODE: 950022414HV
MONITOR: Grupo de Monitoreo
Independiente de El Salvador
AUDIT DATE: December 8, 2011
PRODUCTS: Apparel
PROCESSES: Full (Full Service)
NUMBER OF WORKERS: 333

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



CONTENTS:

Fair Wages: Premium/Overtime Compensation _____	3
Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation _____	5
Forced Labor: General Compliance Forced Labor _____	6
Freedom of Association: Grievance Procedure _____	7
Harassment or Abuse: General Compliance Harassment or Abuse _____	9
Harassment or Abuse: Discipline/Progressive Discipline _____	10
Harassment or Abuse: Discipline/Verbal Abuse _____	11
Health and Safety: Evacuation Requirements and Procedure _____	12
Safety & Health: Safety Equipment and First Aid Training _____	13
Safety & Health: Personal Protective Equipment _____	14
Safety & Health: Chemical Management and Training _____	15
Safety & Health: Material Safety Data Sheets/Worker Access and Awareness _____	16
Safety & Health: Ventilation/Electrical/Facility Installation and Maintenance _____	17
Hours of Work: General Compliance Hours of Work _____	18



Fair Wages: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: In some cases, the factory did not pay overtime or night shift rates to the employees that worked 24 consecutive hours.

Payroll records reviewed: May 16-31, 2009; June 16-31, 2009; July 1-15, 2009

Labor Code Reference: Article 168-169

Plan Of Action: We will provide feedback to all Miguel Group department heads on the commitments that the company has acquired regarding the code of conduct (COC), reinforcing details that are important, like the recording of workmen's overtime. Files were created where there is firm commitment and each head has promised to not make this mistake. Correspondence will be forwarded to the operational and administrative personnel to make sure that they post or report the payment of stipulated hours as our laws require. We invite the use of existing channels of information gathering or posts of information (suggestion boxes, open door policies) to report any incidents or concerns that exist in connection with the payment of employees in order to ensure proper follow up, registration and the finding of a solution.

Deadline Date: 02/04/2010

Action Taken: We have developed a procedure that strengthens our commitment in relation to hours worked. The policy describes the hours of work, overtime limits per week and legal payment of these hours. The company's executive director signed this policy; it will be published and placed in strategic locations. The Procedure of Working Hours has been sent to FLA (Fair Labor Association) for review, which details the forward communication logistics for staff concerning policy, overtime and other items related to this commitment.

Responsibility for human resources management: The Working Hours Policy already details the different communication channels for staff in Miguel Group.

Details are below:

- Post: The Working Hours Policy has been placed in a strategic location (marker area), in order to make all staff aware of the policy.



- Email: The HR manager sent the policy of Miguel Group to all users, strengthening the awareness and importance of compliance.
- Meetings: Meetings had already been done with Miguel Group staff when the first memorandum about the importance of such compliance was delivered. A meeting will soon take place to ensure success and compliance on this matter. Human resources management is taking responsibility for evaluating the level of compliance.
- Marking system: HR is responsible for daily reviewing of the dialing system, which verifies the time of entry, exit and overtime, if overtime is worked.
- Payroll: During the creation of payroll, HR is required to inspect the total hours worked daily and weekly in order to monitor compliance to this policy.
- Internal Audit: The financial manager will be audited quarterly by HR, focused on compliance with the Working Hours Policy. A copy of the Working Hours Policy has been sent to Fair Labor Association for review.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: PENDING: It was not possible to verify if 24 hours of consecutive work is being fully compensated. Employees working 24 consecutive hours do not use the time tracking system to record all working hours. Time performed after the regular scheduled shift (5:00pm to 6:00am of next day) is not recorded by an accurate time tracking system.

Action Verified Date: 12/08/2011

Follow Up Plan of Action: We have proceeded to find a new time keeping system, and we will run a test of this new system to see if we get the desired results. If that is the case we will proceed to make the change to the new time keeping system. The provider's letter has been sent to the FLA for review. The new overtime system is working right now and we will check into buying it. The test of the system will be during the following dates: June 15th-22nd. We hope to buy this system at the end of the month.



Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: The time keeping system (clock) is not set up to record hours worked beyond the regularly scheduled shift; therefore, wages earned by workers are affected.

Labor Code References: Articles 168-169

Plan Of Action: A technical visit will be scheduled with the vendor of the fingerprint time clock, with the objective of finding the correct form for the registration of overtime.

Deadline Date: 11/27/2009

Action Taken: We had a visit from tech support and they gave us a viable option. They suggested that the employees have to dial in at the end of the normal working schedule. If they need to work overtime, the employees will have to wait 1 minute and then dial again in order to register the beginning of the overtime.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: PENDING: Employees working 24 consecutive hour shifts do not use the time tracking system to record all working hours. Time performed after the regular scheduled shift (5:00pm to 6:00am of next day) is not recorded on an accurate time tracking system.

Action Verified Date: 12/08/2011

Follow Up Plan of Action: We have proceeded to find a new system, which has been selected, and we will run a test to see if we get the wanted results. If that is the case, we will proceed to make the change. The provider's letter has been sent to FLA for review.

Forced Labor: General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

Noncompliance

Explanation: None of the factories of Miguel Group has registered individual labor contracts with the Ministry of Labor and Social Provision. It is not documented that the workers receive a copy of the contracts.

Labor Code Reference: Article 18

Plan Of Action: Contracts of 2009 will be delivered to the Ministry of Labor and Social Provision; signatures will be retrieved from all employees, keeping a record that they were handed a copy.

Deadline Date: 11/24/2009

Action Taken: The letter has been sent to FLA for review. This letter seeks approval of the internal rules of undertakings. The labor contracts were delivered to the Labor Ministry. These were rejected on the grounds that the stipulated minimum wage and salary were listed by month, and they are supposed to be stipulated by day. These documents have been reprinted and are to be sent again.

Plan Complete: No

Plan Complete Date: 01/13/2010

Action Verified: No



Action Verified Text: PENDING: Factory showed documentary evidence that employment agreements up to July 2011 have been submitted to the Ministry of Labor. However, employment agreements after July 2011 have not been submitted to the Ministry of Labor. In the same way, the factory showed documentary evidence that workers hired up to July 2011 received their relevant employment agreements, but workers who were hired after July 2011 have not received a copy of their employment agreement. According to Articles 18 and 22 of the Labor Code, employers must abide by these procedures within 8 days of both parties signing the employment agreement.

Labor Code Reference: Articles 18 and 22

Action Verified Date: 12/08/2011

Follow Up Plan of Action: We are following the protocol for the new hires, specifying the day that the work contract is given to the employees (5 days after their start day). In this way we are following the protocol and fulfilling the local work code. This protocol has been sent to FLA for review.

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: According to information gathered during the audit, it has been concluded that there is an inconsistency in the operation of the Group's complaints system. The company has an open door policy and a suggestion box; however, not all complaints are resolved satisfactorily, particularly those relating to promotions or complaints about the salary and incentives that are received by the supervisor or manager.

Labor Code Reference: Article 204



Plan Of Action: We are working on documenting the complaints raised during the year and new complaints that emerge. We are trying to organize those complaints that are backed up by photographs and documents that certify the proper operation and consistency of the complaints system. We plan on organizing them and filing them.

Deadline Date: 10/29/2009

Action Taken: A copy of the annual employee evaluation form has been sent to FLA for review. This is the latest form and is used in promotions, as well as leadership skill development of the department heads, and we sent it with the objective of correcting the errors in the treatment of staff. A copy of the letter concerning the general direction of work and the approval of the internal rules has been sent to FLA for review.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: No inconsistencies exist in the factory grievance system. All complaints are recorded and dealt with appropriately.

Sources: record review; worker and management interviews

Action Verified Date: 12/08/2011

Harassment or Abuse: General Compliance Harassment or Abuse

H&A.1 Employers shall comply with all local laws, regulations and procedures concerning discipline, violence, harassment and abuse. (S)

Noncompliance

Explanation: Factory does not have internal rules authorized by the Ministry of Labor and Social Provision.

Labor Law Reference: Article 302

Plan Of Action: The internal rules of both companies have been delivered. The Ministry of Labor is reviewing them and we are awaiting approval. The last corrections were made on October 19, 2009, accompanied by the letters sent to the work address (Ministry), which shows the seal and signature of receipt.

Deadline Date: 12/18/2009

Action Taken: We are subject to any comments or changes requested by the Ministry of Labor. All changes they requested, we accepted, and we met their expected resolution time concerning our internal rules.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified: COMPLETED: The Ministry of Labor has authorized current factory internal rules.

Text: Source: record review

Action Verified Date: 12/08/2011

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: The factory does not have an established discipline process.

Plan Of Action: In adopting the rules we will have disciplinary proceedings, which will be introduced to the department heads after its approval.

Deadline Date: 12/18/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: As part of the factory internal rules, there is a disciplinary procedure (Articles 77 and 78 of the internal rules).
Source: record review

Action Verified Date: 12/08/2011

Harassment or Abuse: Discipline/Verbal Abuse

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

Noncompliance

Explanation: Some supervisors use verbal violence (screaming) as means to maintain labor discipline.

Labor Code Reference: Article 29(5)

Sources: worker interviews

Plan Of Action: We will provide feedback to all Miguel Group department heads, and remind them of the commitments regarding the COC, reinforcing important details concerning harassment or abuse. We will create signature files and collect signatures from each boss in order to get them to commit to not make mistakes regarding harassment or abuse.

Deadline Date: 11/26/2009

Action Taken: Leadership training for Miguel Group chiefs took place that contained important details that will help them fulfill their leadership responsibilities. The chiefs took self-diagnostic questionnaires that assess how they deal with employee behavior. Follow ups will be provided on topics that are important, such as good communication, how to avoid conflicts, etc.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: There is no evidence that supervisors or area chiefs perpetrate verbal abuse.

Sources: worker interviews

Action 12/08/2011
Verified
Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: 1. Night shift workers have not performed an evacuation drill.

2. In the knitting, elastic and twill buildings, the alarm systems were missing.

Plan Of Action: 1. The night personnel carried out the evacuation simulacrum.

2. 2 alarm system providers have visited; we will analyze these offers and the chosen alarm system will be placed in the work buildings.

Deadline Date: 12/18/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: All factory employees have participated in at least 1 evacuation drill in the last 12 months. Regarding the alarm systems that were missing, in the new facilities, all buildings and work areas are now equipped with the relevant alarm systems.

Sources: record review, worker interviews

Action Verified Date: 12/08/2011

Safety & Health: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Workers have not received first aid training.

Plan Of Action: We have formed a first aid brigade, which is composed of 23 persons from every department, and 45% of staff on the night shift.

Deadline Date: 08/29/2009

Action Taken: Photos have been sent to FLA for review

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: Members of the first aid brigade received a training in December 2010.
Source: record review

Action Verified Date: 12/08/2011

Safety & Health: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Workers in the heat transfer area do not have the appropriate personal protective equipment (PPE) (safety glasses, gloves).

Plan Of Action: The safety data sheet has been checked and again we have given out PPE and we have also emphasized the importance of its use.

Deadline Date: 10/02/2009

Action Taken: A copy of signatures has been sent to FLA for review.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: Employees in the transfer department have been provided with the relevant PPE: glasses, gloves and masks with filters.

Sources: inspection tour, worker interviews

Action 12/08/2011
Verified
Date:

Safety & Health: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: 1. Chemicals used in the printing area are missing labels.
2. Workers have not received training in the safe use of chemicals.

Source: factory tour

Plan Of Action: We have asked the chemical suppliers for a new training that the night shift personnel will be included in. Photos of the containers with identification have been sent to FLA for review.

Deadline Date: 12/16/2009

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No



Action Verified Text: COMPLETED: All chemicals are labeled and the relevant material safety data sheets (MSDS) are kept in the chemical storage area. Employees that handle chemicals have been trained.

Sources: observation tour, record review, worker interviews

Action Verified Date: 12/08/2011

Safety & Health: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: MSDS were missing in the chemicals storage area.

Plan Of Action: We have communicated (both electronically and by telephone) with all our chemical suppliers with the objective of getting the missing MSDS in our native language. We are still waiting for some of the MSDS that we requested. However, we have posted the ones that we have received.

Deadline Date: 12/22/2009

Action Taken: Photos of the posted MSDS and the chats to the suppliers where the requests were made were sent to FLA for review. We have asked chemical suppliers for a new training in which the night shift personnel will be included.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: COMPLETED: MSDS of all chemicals used at the factory are kept in the chemical storage area.

Action Verified Date: 12/08/2011

Safety & Health: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: The ventilation in buildings 1 and 2 was inadequate. There is no extraction system and the air does not circulate; subsequently, the temperature is high and uncomfortable for workers.

Plan Of Action: Studies on temperature and humidity have been done in the heat transfer area. Service providers have presented to us. We are waiting for quotes from these service providers to improve the thermal environment in these buildings.

Deadline Date: 02/26/2010

Action Taken: Mail from the service providers has been forwarded to FLA for review.

Plan Complete: No

Plan Complete Date:

Action Verified: No



Action Verified Text: COMPLETED: There is no problem regarding the ventilation system. It was found that the extraction system works appropriately in all buildings. Worker interviews confirmed this.

Source: observation tour, worker interviews

Action Verified Date: 12/08/2011

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: 4 workers worked 24 consecutive hours, 2 of them 4 months ago, and the other 2 on the day before the audit.

Labor Law Reference: Article 167

Source: payroll record review

Plan Of Action: Factory has stopped the practice of working 24-consecutive hour shifts. We will provide feedback to all of the Miguel Group department heads, reminding them of the commitments that the company has regarding the COC. We will reinforce important details concerning working hours (such as maximum weekly overtime). A letter of commitment has been created, which each department head will sign. The letter pertains to getting the department heads to not make this mistake. The letter is from the president of the company, which stipulates the maximum hours of work.

Deadline Date: 11/04/2009

Action Taken: A copy of the letter of commitment and its signatures has been sent to FLA for review. The policy and procedure that strengthens our commitment in relation to worked hours has also been sent to FLA for review. The policy describes the hours of work, overtime limits per week and the legal payment of these hours. The executive director of the company has signed this policy; it will be published and placed in strategic locations. The procedure concerning working hours has been sent to FLA for review, which details the logistics of communication to staff about policy, overtime and other related items.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: PENDING: The noncompliance is based on the fact that the factory operates on a rota system and the night shifts have not been approved by the Ministry of Labor as the law requires. Time tracking records showed that some employees have worked 24 consecutive hours and this shift does not have the approval of the Ministry of Labor, either. The lack of the approval of the Ministry of Labor implies the violation of the legal limits of daily working hours.

Labor Code Reference: Articles 167, 170 and 173

Action Verified Date: 12/08/2011

Follow Up Plan of Action: As mentioned above, no more 24-consecutive hours shifts are performed at the factory. Now, some departments operate a Rota System of 12-consecutive hour shifts. However, after a recent SCI assessment conducted in December 2012, it was found that these shifts are also out of compliance, because the Ministry of Labor has not authorized them. Therefore, the new factory commitment is to seek the relevant official authorization of the Ministry of Labor for all 12-consecutive hour shifts. In the case that the factory is not approved to work under this rota system, a new analysis of the hours of work system will be conducted to establish new shifts that meet all applicable legal requirements.
