



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Nordstrom; Phillips-Van Heusen Corporation

**COUNTRY:** Dominican Republic

**FACTORY CODE:** 080219447H

**MONITOR:** Level Works Ltd

**AUDIT DATE:** November 23-25, 2009

**PRODUCTS:** Men's Dress Pants

**PROCESSES:** Sewing, Finishing, Inspecting, Packing

**NUMBER OF WORKERS:** 464 workers, 30 staff employees



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### **Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions**

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

#### **Noncompliance**

**Explanation:** After reviewing 3 factory payrolls (May, August and October 2009), a total of 12 out of 26 workers between payrolls of May - August 2009 were deducted inaccurate employee social security and retirement fund taxes. These months, workers were deducted less than the taxes required by law.

Dates of inaccurate employee social security and retirement fund taxes:

- \*May 1<sup>st</sup> – May 17<sup>th</sup> payroll: 6 out of 7 employees
- \*August 3<sup>rd</sup> – August 9<sup>th</sup> payroll: 6 out of 9 employees
- \*October 26<sup>th</sup> – November 1<sup>st</sup> payroll: all 9 employees

Legal Reference: Resolution 72-03; approved by the National Council of Social Security in April 29, 2003.

**Plan Of Action:** Asked factory to explain this issue's root cause in order to better understand what happened. Asked factory to explain how they will ensure correct payroll deductions are taken out every time and to put someone in charge of monitoring the payroll and ensuring correct deductions.

**Deadline Date:** 03/05/2010

**Supplier CAP:** We worked on and fixed our payroll system's formulas, as they were deducting too little during specific periods; a procedure is being created to check the system monthly. Formulas are changed only if there is a change in government requirements. At the end of every month, a random sampling will be taken to confirm if the month's deductions were done correctly. The first check will be done March 5 to review how February's deductions were done. HR Manager, [Employee name], is in charge of this.

**Supplier CAP Date:** 03/05/2010



**Action Taken:** Social security and retirement funds were accurately deducted from the entire payroll according to Dominican law.

**Plan Complete:** Yes

**Plan Complete Date:** 04/23/2010

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**Code Awareness:**

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

**Noncompliance**

**Explanation:** It was noted that one of the companies, Nordstrom, has not informed factory workers of the workplace standards through the posting of standards in a prominent place. Nonetheless, factory has undertaken efforts to educate employees about the factory's internal code of conduct during the induction process when they are hired. The factory's internal code of conduct was created based on their clients' code of conducts.

**Plan Of Action:** Nordstrom will send a poster to be displayed for the employees' review.

**Deadline Date:** 04/15/2010

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Noncompliance**

**Explanation:** During the audit it was noted that neither Nordstrom nor Phillips-Van Heusen (PVH) has developed a secure communication channel to enable factory workers to report noncompliances directly to the company. None of the 26 interviewees knew about a confidential noncompliance reporting system within the companies.

**Plan Of Action:** Both companies will provide contact information to be placed within the factory for easy access, so workers can contact them in the event they need to. We will ensure that this contact information is available for and properly conveyed to the workers.

**Deadline Date:** 04/15/2010

**Action Taken:** PVH sent contact information; factory placed it on the code of conduct poster.

**Plan Complete:** No

**Plan Complete Date:**

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## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** 1. It was noted that the Industrial Park where the factory is located, [Industrial park name], does not have the environmental permit required by local law.

Legal Reference: Ley General de Medio Ambiente y Recursos Naturales # 64-00, Art. 40 and Art. 41(20).

2. It was noted that factory's Mixed Committee of H&S at Workplace does not keep written records of their monthly meetings. Thus, factory does not send a copy of meeting minutes to Secretary of Labor (AKA: Direccion General de Higiene y Seguridad Industrial de la Secretaria de Estado de Trabajo) as required by local law.

Legal Reference: Reglamento 522-06 de Seguridad y Salud en el Trabajo y Resolucion 04-2007, Art. 6.4.2

3. It was noted that factory does not keep records of revisions and repairs done to boiler as required by local law.

Legal Reference: Reglamento 522-06 de Seguridad y Salud en el Trabajo y Resolucion 04-2007, Art.3.6.2

**Plan Of Action:** Asked factory to detail root cause of each of these issues. Asked to see what systems were going to be put in place to monitor each issue individually, and who will be in charge of ensuring all laws regarding health and safety issues are met. We will ask for documentation regarding the environmental permit to ensure steps are being taken to gain this necessary permit.

**Deadline Date:** 12/15/2010



**Supplier CAP:** 1. This is in process. The process means that this company visits us, confirms, suggests and makes all tests involved in this certification, then submits it to the Environmental Secretary. These costs include consulting costs and correspondent taxes to government. H&S department and [Employee name] will monitor.

2. Records could be seen at the end of February; meetings will start this month, issues discussed are H&S matters (safety on the floor, blocked aisles, keeping restrooms clean, first aid kits, etc.). Employees on committee are administrative, engineering and production. H&S Manager, [Employee name], will monitor.

3. A detailed record is being posted on each piece of equipment. This record is to be filled out by the mechanic after each repair, and is being included on our H&S checklist. Maintenance Manager, [Employee name], is in charge and monitored by H&S Manager, [Employee name].

**Supplier CAP Date:** 12/15/2010

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## Health and Safety: 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:** It was noted that the 3 factory first aid kits had not been stocked with the following items required by local law: hydrogen peroxide, merthiolate, tourniquet, plastic bags for water and ice, disposable syringes and a clinical thermometer. All other items required by local law to be stocked in first aid kits were found inside the 3 factory kits.

Legal Reference: Resolution No. 34/91, Art. Unico.

**Plan Of Action:** Asked factory to explain why these items were missing from the first aid kits. Asked to see what their plan of action would be to ensure that first aid kits remain properly stocked with supplies at all times, and to let us know the name of the person in charge.

**Deadline Date:** 02/15/2010

**Supplier CAP:** We are proceeding to order missing items; they will be included in our monitoring checklist so they never run out. H&S manager, [Employee name], will monitor.

**Supplier CAP Date:** 02/26/2010

**Action Taken:** All first aid kits contained the items required by law.

**Plan Complete:** Yes

**Plan Complete Date:** 04/23/2010

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## Health and Safety: 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:** It was noted that factory does not have records demonstrating that workers have been trained in the proper use of spot cleaning chemicals and Personal Protective Equipment (PPE). Local law requires employers to maintain records of trainings performed with each worker in regards to workplace health and safety.

Legal Reference: Reglamento 522-06 de Seguridad y Salud en el Trabajo y Resolucion 04-2007. Chapter III, Art.9 (9.6)

**Plan Of Action:** Asked factory to explain why they did not have records of PPE and spot cleaning training. Asked to see how they will ensure that when training for these issues occurs, records will be kept in an organized and timely manner.

**Deadline Date:** 02/15/2010

**Supplier CAP:** Attached, the record we keep when we deliver PPE (which was not shown during the audit), the employee receives proper training at that stage. In regards to chemical handling training, we will have training at the end of February; this record will be kept from then on. Certificate of training participation will be kept in each employee's record. H&S manager, [Employee name], will monitor.

**Supplier CAP Date:** 02/26/2010

**Action Taken:** The factory now trains the employees on PPE and records those trainings.

**Plan Complete:** Yes

**Plan Complete Date:** 04/23/2010

## Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

### Noncompliance

**Explanation:** In sewing department, there are several single needle sewing machines without their safety devices, e.g., needle guards. In addition, it was noted that some workers using overlock machine were not using the needed safety device, protective fiberglass shields. 17 out of 18 single needle machines in sewing department Module #2 did not have needle guard installed. 16 out of 20 single needle machines in sewing department Module #1 did not have needle guard installed. 6 out of 9 workers not using protective fiberglass shields with overlock machines in sewing department pre-production area.

Legal Reference: Reglamento 522-06 de Seguridad y Salud en el Trabajo y Resolucion 04-2007, Art. 2.4

**Plan Of Action:** Asked factory to explain why all of their machines did not have proper safety devices. Asked for a detailed plan as to how they will ensure all machines are properly maintained and fitted with protective devices at all times, along with the name of the person monitoring this.

**Deadline Date:** 03/15/2010

**Supplier CAP:** We are working on providing all machinery with proper safety devices and also on implementing the necessary monitoring record. We will include this as an item to be monitored on our H&S checklist. Plant manager, [Employee name], and H&S manager, [Employee name], will be in charge of this.

**Supplier CAP Date:** 03/31/2010

**Action Taken:** Safety devices were found on all machines that needed them.

**Plan Complete:** Yes



**Plan Complete Date:** 04/23/2010

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**Hours of Work: Other - Hours of Work**

Other

**Noncompliance**

**Explanation:** After reviewing 3 factory payrolls (May, August and October 2009), working hours exceeded number of hours permitted by the FLA Code of Conduct, but fell within the number of hours permitted by local regulations. A total of 6 out of 26 workers reviewed were found to work more than 60 hours per week. During week August 3 – 9, 2009, 1 employee from sewing department worked 64.15 hours; 3 employees from inspection/labeling department worked 60.77, 61.34 and 62.17; and 1 employee from packing department worked 63.98 hours. During week of October 26 to November 1, 2009, 1 employee from inspection/labeling department worked 75.85 hours.

**Plan Of Action:** Asked factory to put the root cause of this issue in detail. Once root cause has been established, factory is to put systems in place that will ensure excessive overtime does not continue and allow for more effective order management. Asked factory to put one person at the facility in charge of monitoring this issue.

**Deadline Date:** 03/31/2010

**Supplier CAP:** We keep working on monitoring areas most affected by extra hours such as finishing; we are developing a plan to achieve commitments from Monday to Friday, thus avoiding work on Saturday. For internal issues, such as out of service equipment, a good prevention plan is being worked out with maintenance; external issues of which we have no control, however, like fabric quality, are very hard to plan for. Both fabric suppliers we have for PVH have been having serious quality issues, which we are working together to solve. One of the actions we are taking is to have extra inventory of fabric and trims built into our production planning, so we can produce earlier. Plant Manager, [Employee name], is in charge of this.

**Supplier CAP Date:** 03/31/2010



**Action  
Taken:**

**Plan**      **No**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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