

FLA Audit Profile	
Country	Pakistan
Name of Factory	260257628F
Independent External Monitoring Organization	T-Group Solutions Pvt. Ltd.
Date(s) in Facility	August 28-29, 2007
FLA Affiliated Compan(ies)	Nike, Inc.; Russell Corp.
Number of Workers	3900
Product(s)	Knit Tops and Bottoms
Production Processes	Knitting, Dyeing, Cutting, Printing, Embroidery, Sewing, Finishing, Packing

Russell Comment: Due to a reduction in business needs, Russell Brands, LLC stopped sourcing from this factory in early 2009. Russell Brands, LLC and Nike were able to help the factory successfully remediate a majority of the noncompliance found by this IEM. At the time of Russell's exit, there were no critical issues outstanding and the factory had earned WRAP certification.

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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	Completed	Most workers were not aware of the code of conduct (COC) elements.						
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	Completed	Nike's contact details were not provided in the COC posters seen in the work areas. Workers were not aware of any confidential noncompliance reporting mechanism implemented by the PC.						
F.9 Employment Records	Noncompliance	Completed	1) Employment documents not maintained for daily wage workers except for National identity Cards. 2) Daily wage workers issued a Temporary Entry Pass valid for 1 week, a time card for that week only. If they continue to work, fresh time cards and passes issued with a different registration number for another week. Hence, every week a fresh time card and pass were issued.						
F.13 Worker Ability to Terminate-Freedom of Movement	Noncompliance	Completed	1) Factory does not have a policy for termination. 2) Procedure for disciplinary action/termination is not defined by the factory.						
Other	Noncompliance	Completed	1) Discrepancies noticed in total number of employees based on department-wide breakdown and shift-wide worker breakdown. Per department breakdown, there were 3766 employees. Per shift breakdown, there were 3900 employees. Per section shift breakdown with timings, there were 3750 employees. 2) During opening meeting, management mentioned they hired daily wage workers and currently there were approximately 150 such workers. However, at 11am, auditors went to work areas, none of these workers were available. Review of time cards punched revealed that few of these workers entered factory between 6am and 8:30am. There were few who worked on night shifts, also. It appeared that these workers were asked to leave the facility so that they would not be around during audit. 3) Some postings seen in time office. Workers did not read these, as they had been instructed to swipe their cards quickly, to avoid overcrowding, while entering and exiting factory.						
H&A.2 Discipline/Progressive Discipline	Noncompliance	Completed	1. Factory does not have a policy for Termination. 2. Procedure for disciplinary action/ termination is not defined by the factory.						
H&S.1 General Compliance Health and Safety	Noncompliance	Completed	1) Medical check up of all employees for detecting contagious diseases not conducted in January and July 2007 as required by law. 2) Vaccinations for small pox, typhoid, and cholera, as required by law not done. Last vaccination done was in February 2004 for Hepatitis (B).						
H&S.8 Permits and Certificates	Noncompliance	Ongoing	1) Lift inspection certificate, lift operator training record, lift maintenance record not produced for review in spite of repeated requests. 2) Building stability certificate available only for new building (B2). Document not available for other buildings. 3) Lime wash and painting records not maintained as required by law. 4) Factory did not have pressure plant inspection certificate as required by law. 5) Only chemical test report of drinking water available. Biological test report not available as required by law.						

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H&S.9 Evacuation Requirements and Procedure	Noncompliance	Ongoing	1) Fire evacuation logs did not provide details of number of workers present during evacuation. No remarks on responses from emergency teams. 2) Few exits had illuminated exit signage which may not be visible in thick smoke owing to poor illumination. High beam emergency lights not installed above exits and on staircase landings. 3) Aisle and evacuation route markings either missing or faded in most work areas. 4) Approach to 2nd exit from finishing section in sampling section located in building #3 blocked with garments. 5) Most aisles in all work areas either partially blocked or completely blocked with garment bins, pedestal fans, tables or other workstations. 6) Side aisles in printing section were very narrow. There was hardly any space between tables and side walls. A person could not even walk freely on aisle. 7) Approach to fire exit from print curing section blocked with bed press machine. 8) Few exit doors in facility open inwards. 9) Evacuation plans missing from most work areas.						
H&S.9 Evacuation Requirements and Procedure	Noncompliance		10) Most aisles in cutting section very narrow. 11) Auto spreader blocks aisles in cutting section. 12) Numerous instances noticed where access to passages for workers completely blocked with garments, tables, and bins. These workers were completely caged in their workstations. Auditor was unable to reach these workstations located on sides of floor. Approach to these work stations blocked from both ends. 13) 2nd exit from sample section 1 was through a window opening into cutting section. Wooden steps provided on both sides of window. However, when auditor attempted to cross over, steps on cutting side gave away. Steps provided on both sides were weak and unstable. 14) 2nd exit from sampling section blocked with tables and a cupboard on cutting side. There was no way that anyone could use this exit. 15) No 2nd exit from thread cutting area in finishing section located on 3rd floor. Passage was completely blocked with tables.						
H&S.9 Evacuation Requirements and Procedure	Noncompliance		16) Air coolers installed on fire exit from sampling section in building #3. 17) Workers seen standing on aisles and working in most of work areas. 18) Sample section I had only 1 exit. 19) Area in front of exits from room housing printing tables 1 and 2 very narrow. 20) There was a drop of approximately 3 feet in floor level of area in front of exit from knitting section. No fencing or guard installed to prevent accidents during emergency evacuation. No signage posted near this area to warn workers of drop in floor level. 21) Electric cable connecting heaters with the mains in printing section loose, close to workers' feet and crossing walkways. 22) Due to constraint of space, factory conducted fire evacuation drills sectionwise once every 3 months. Complete factory was evacuated once a year. 23) "Do not use lift in case of fire" signage not posted near lifts 24) 2 to 3 workers seen working in the same workstation.						
H&S.9 Evacuation Requirements and Procedure	Noncompliance		25) Few workstations on sewing floor were overcrowded with workers caged in with garments and tables from all sides. They had no access to passages. The auditors could not reach few of these workstations.						
H&S.10 Safety Equipment and First Aid Training	Noncompliance	Completed	1) Instructions for first aid not posted near kits as required by law. 2) List of supplies in first aid kit did not meet legal requirements. 3) Approach to few fire extinguishers seen blocked with garments and fabric bundles.						
H&S.11 Personal Protective Equipment	Noncompliance	Completed	1) Excessive floating fiber noticed on sewing floors. Workers complained of lint in their hair and face, which was aggravating asthma and sinus allergies in many instances. 2) None of the operators using eye shields installed on overlock machines. 3) Tag guns not marked. 4) Snap button machine did not have a finger guard. 5) Band knife operator uses mesh gloves only on 1 hand. 6) Few workers in dyeing section not using earplugs, gloves, and appropriate shoes. 7) Overlock operators not using respiratory masks. Excessive floating fiber seen in area where fiber was also noticed on workers' hair.						
H&S.13 Chemical Management and Training	Noncompliance	Completed	1) Chemical storage area in dyeing section open and easily accessible to employees. 2) Containers with chemicals used for printing were lying open near printing tables.						
H&S.17 Ventilation/Electrical/Facility Installation and Maintenance	Noncompliance	Ongoing	1) Few open electric junction boxes noticed. 2) Few pedestal fans connected to mains without a plug. 3) Temperatures recorded in facility ranged from 95-110°F. 4) Ventilation very poor in work areas. 5) Lighting levels recorded ranging between 52 lux to 230 lux on few sewing machines and 285 lux in print curing section. Lighting level recorded on few checking stations in the finishing sections was 410 to 480 lux. 6) Excessive lint seen on all electrical installations. 7) Review of accident register revealed instances of many workers being sent to hospital for falling unconscious.						
H&S.18 Machinery Maintenance and Worker Training	Noncompliance	Completed	1) Needle guards missing from few sewing machines. Few had been tampered with, rendering them ineffective. 2) Belt guards missing from most sewing machines 3) Pedal mats missing from most sewing machines. Many workers seen operating these machines barefoot.						
H&S.20 Bodily Strain	Noncompliance	Ongoing	1) Few workers with standing jobs seen wearing high-heeled footwear. 2) Workers provided hard stools to sit on.						

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H&S.22 Sanitation in Factory Facilities	Noncompliance	Ongoing	1) Water seepage noticed on walls in finishing area in sampling section located in building #3. 2) Fabric seen kept on floor in the cutting section. 3) Fabric seen kept on floor in cutting section. 4) Excessive amount of waste material comprising of cut ends and cartons seen piled up near building #3. 5) Housekeeping standards were poor. All work areas littered with cut ends of fabric.						
H&S.23 Toilets	Noncompliance	Completed	Number of toilets for males was inadequate.						
H&S.25 Food Preparation	Noncompliance	Ongoing	Factory did not have a canteen as required by law.						
H&S.26 Drinking Water	Noncompliance	Completed	Cool drinking water not available as required by law.						
Other	Noncompliance	Ongoing	1) Factory did not have welfare and safety officers as required by law. 2) Record review off grievances received in suggestion/ grievance boxes for August 2007 revealed that workers felt uncomfortable using personal protective equipment (PPE) due to excessive heat on production floors. Drinking water points provided for ladies also being used by male workers. 3) Particulars of Room (working space in work areas) - FORM I (Rule 38) not being maintained as required by law. 4) Factory did not have a group insurance for death, partial, full, temporary, and permanent disability and fortnight income benefit for employees, as required by law.						
FOA.5 Employer Interference/Constitution, Elections, Administration, Activities and Programs	Noncompliance	Ongoing	Per management, representatives in the Joint Worker- Management Committees had been nominated by management.						
FOA.14 Severance Pay	Noncompliance	Ongoing	Terminal dues were not being paid within the time stipulated by the local law.						
FOA.26 Grievance Procedure	Risk of noncompliance	Ongoing	Workers were not aware of any worker committees or Joint Worker-Management Committees.						
HOW.1 General Compliance Hours of Work	Noncompliance	Completed	Time records revealed that on a few occasions, security guards worked for 16 to 24 hours per day continuously.						
HOW.2 Rest Day	Noncompliance	Ongoing	1) Documents collected from production floor revealed that factory had been working on all weekly rest days over the past 3 months. 2) Factory did not provide a compensatory day off for work done on rest days. 3) Instances noticed where few workers worked 12 to 13 days continuously without a day of rest. 4) Most workers stated that they do not get a weekly day off.						
HOW.6 Time Recording System	Noncompliance	Completed	1) Daily wage workers issued a temporary entry pass valid for 1 week; they were issued a time card for that week only. If they continued to work, a fresh time card and pass were issued with a different registration number for another week. Hence, every week, a fresh time card and pass are issued. 2) Auditors had access to the main server after repeated requests. Review of options in software revealed a software menu link which said "Reports – Actual OT." When opened, this file had data pertaining to actual hours of work. On investigating further, management stated that they officially reflected only 2 hours of OT per day; this is to comply with requirements of a few brands that factory produces for. OT hours beyond 2 hours a day were recorded separately and compensated through a voucher. This practice was not disclosed during interviews with management.						
HOW.8 Overtime/Reduced Mandated Overtime	Noncompliance	Completed	Review of actual time records collected from main server revealed that housekeeping workers and security guards worked more than 60 hours a week. Few piece rate workers had worked up to 148 hours of OT in July 2007, up to 82.5 hours per week.						
HOW.12 Extraordinary Business Circumstance/Overtime Explanation	Noncompliance	Completed	Though workers signed consent form for working OT, hours of OT work to be done not mentioned on these sheets.						
HOW.13 Public Holidays	Noncompliance	Ongoing	Factory worked on a national holiday (August 14, 2007, Independence Day).						
HOW.18 Annual Leave/Wage Payments	Noncompliance	Completed	Yearly and half yearly returns for holiday with pay not maintained as required by law.						
HOW.20 Sick Leave/Restrictions	Noncompliance	Completed	Factory provided sick leave for 8 days instead of 16 days a year as required by law.						

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Other	Noncompliance	Ongoing	1) Information on actual shift timings of workers could not be produced until the end of the audit day 2. 2) Though management stated that few sections work on 3 shifts: 6am to 2pm; 2pm to 10pm; 10pm to 6am, few workers seen entering factory at 3 pm. Management later stated that cutting section worked on 3 shifts: 7am to 3pm; 3pm to 11pm; 11pm to 7am.						
WBOT.2 Minimum Wage	Noncompliance	Completed	1) Calculation of wages for days worked did not comply with legal requirement. Factory calculated wages based on number of days in the month, instead of 26 as specified by local law. 2) Minimum wages not being paid as per skill levels notified by local minimum wage board. E.g., a few packers were designated as loaders and were being paid Rs 4600 (unskilled wages), instead of being paid Rs 4753 (semi skilled). Similarly, quality checker was being paid Rs 4600 (unskilled wage) instead of Rs 5137.3. Review of wage records for stitchers (piece rate) revealed that they were being paid an unskilled wage of Rs 4600 as total wage.						
WBOT.4 Timely Payment of Wages	Noncompliance	Completed	Night allowance being paid to night shift workers and production incentives being paid to all workers, items not reflected on wage records. These were being paid through a separate pay sheet. There was no fixed date for payment of these incentives.						
WBOT.5 Holidays, Leave, Legal Benefits and Bonuses	Noncompliance	Completed	1) Factory provided sick leave for 8 days instead of 16 days as required by law. 2) Daily wage workers (approximately 150 workers) were being frequently rotated and their time cards and gate passes were changed every week. This was being done with the intent of ensuring that mandatory benefits were not provided to these workers.						
WBOT.8 Calculation Basis for Overtime Payments	Noncompliance	completed	1) Calculation for OT compensation did not comply with legal requirements. Factory calculated OT compensation by multiplying 80% of gross salary by 12 months, then dividing the result by 313 working days X 8 hours X 2. By law, full gross salary should be divided by 208 hours X 2 (i.e., at twice the ordinary rate of pay). Based on calculation adopted by factory, worker was being compensated at a lower rate than applicable. E.g., If a worker was earning Rs 4600, they were being paid OT at rate of Rs 35.27 per hour instead of Rs 44.23. 2) Pay records for July 2007 for piece rate workers being shown on salary basis revealed inaccurate calculation for OT compensation. This calculation was based on an unskilled wage and not on wage applicable as per skill category.						
WBOT.12 Overtime Compensation for Piece Rates and Other Incentive Schemes	Noncompliance	Completed	1) Until June 2007, wages for tailors were being paid on piece rate basis. Effective July 2007, these workers were being paid on a monthly salary basis. Per management, these workers were shown on a monthly salary though they continued to work on a piece rate basis. Their OT compensation was being calculated based on a monthly salary. The difference between earnings and actual piece rate earnings was paid as incentive. So far, there was no appropriately defined basis for calculating the incentive being paid. This system was being introduced to comply with legal requirements for OT compensation. However, since actual work was based on a piece-rate system calculation compensation for OT was not legally compliant. 2) Pay records for July 2007 for piece rate workers being shown on salary basis revealed inaccurate calculation for OT compensation. This calculation was based on an unskilled wage and not on wage applicable as per skill category.						
WBOT.13 Deposit of Legally Mandated Deductions	Noncompliance	Completed	1) Legally mandated benefits of Employee Old Age Benefit and Social Security were not being extended to Daily Wage Workers. Factory was not contributing towards these benefits as required by law. 2) Member application, declaration of share, nomination for minor/non-minor for Provident benefits not maintained in the facility.						
WBOT.17 Accurate Calculation and Recording of Wage Compensation	Noncompliance	Ongoing	Until June 2007, wages for tailors were being paid on piece rate basis. Effective July 2007, these workers were being paid on a monthly salary basis. Per management, these workers were being shown on a monthly salary though they continue to work on piece rate basis. Their OT compensation was being calculated based on a monthly salary. The difference between earnings and actual piece rate earnings was paid as incentive. However, there was no formula for calculating incentive being paid. This system was being introduced to comply with legal requirements for OT compensation as stated by management. However, this methodology does not meet legal standards for piece-rate earnings.						
WBOT.18 Accurate Length of Service Calculation	Noncompliance	Completed	Daily wage workers were issued a temporary entry pass valid for 1 week. They were issued a time card for that week only. If they continued to work, a fresh time card and pass were issued with a different registration number for another week. Hence, every week, a fresh time card and pass were issued. Hence, actual length of service could not be verified.						

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WBOT.20 Payroll Record Maintenance/Worker Acknowledgement	Noncompliance	Completed	Daily wage loaders and loading supervisor revealed that the loading supervisor would collect wages of these loaders from the accounts department by signing daily wages attendance/ payment sheet. Supervisor would then disburse wages. These sheets did not reflect details of wages paid to individual loaders. However, workers had acknowledged receipt of wages. Amount received was not mentioned anywhere. Same system for daily wage workers being followed for workers working in waste store, Inverter section, general store, fabric store and housekeeping workers. Many payment sheets had entries reflecting "wages for double duty." Management could not provide any explanation for this "double duty."						
WBOT.21 Record Maintenance	Noncompliance	Ongoing	1) Record of service not maintained for employees as required by law. 2) Audit reports for Provident Fund accounts for fiscal years 2005-2006 and 2006-2007 not available. Per law, these should be maintained in facility. 3) Member application, declaration of share, nomination for minor/non-minor for Provident benefits not maintained in the facility.						
WBOT.26 Pay Statement	Noncompliance	Ongoing	Daily wage workers did not receive a wage slip.						
Other	Noncompliance	Ongoing	1) Factory not registered with Government Apprenticeship Institute as required by law. 2) Factory had not provided a fair price shops required by law. 3) Worker Welfare fund had not been established as required by law.						
Other	Noncompliance	Completed	1) Abstract of local labor law not posted. 2) Towards the end of day 2 of audit, a person was seen walking into the factory with a polybag containing cut pieces. They were carrying a material transfer document which stated that pieces were being transferred from unit Cutting 3. Further investigation found that cutting was being done in a building opposite factory across the road. One of the auditors walked into the building with worker and noticed cutting operations in progress and a store. Usage of this building was neither disclosed by management during opening meeting nor during audit procedure. Although this unit was not covered in the audit, a brief walkthrough revealed numerous health and safety flaws.						