2008

Fair Labor Association
Independent External Monitoring Report

COMPANY: NK Apparel Co. Ltd.
COUNTRY: Thailand
FACTORY CODE: 610074845G
MONITOR: Kenan Institute Asia
AUDIT DATE: July 31 – August 1, 2008
PRODUCTS: Sportswear
PROCESSES: Fabric Inspection, Cutting, Embroidery, Sewing, Ironing, Packing
NUMBER OF WORKERS: 4368

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____3
Freedom of Association: Grievance Procedure _____4
Harassment or Abuse: Violence/Harassment/Abuse_____5
Non-Discrimination: Other - Non-Discrimination _____6
Health and Safety: General Compliance Health and Safety_____7
Health and Safety: Document Maintenance/Worker Accessibility and Awareness _____8
Health and Safety: Chemical Management and Training_____9
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness _____10
Health and Safety: Machinery Maintenance and Worker Training _____11
Health and Safety: Bodily Strain_____12
Health and Safety: Medical Facilities _____13
Health and Safety: Other - Health and Safety _____14
Hours of Work: Meal and Rest Breaks _____15
Hours of Work: Time Recording System _____16
Hours of Work: Extraordinary Business Circumstance/Forced Labor _____17
Hours of Work: Sick Leave/Restrictions _____18

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: Company policy stated clearly that workers do not need to submit the medical certificate when taking sick leave for 1-2 days; but most workers understood they have to send the medical certificate to their supervisor any time when taking sick leave, even if only for 1 day. They thought that if they could not produce medical certificate, they would not receive wages for that day.

Plan Of Action:

1. Training
2. Communication
3. Correct the payment

Deadline Date: 08/30/2008

Supplier CAP:

1. Refresher training on sick leave policy based on definition in worker manual for all leaders and supervisors.
2. Communicate sick leave policy to workplace by mass communication.
3. Provide training to all staff of HRM section to correct calculations and payments in case workers take sick leave, even if only for 1-2 days, without medical certificate.

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

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)

Uncorroborated Evidence of Noncompliance

Explanation: 1. In 2007, records were kept and maintained when factory conducted grievance and disciplinary practice training. No such records have been kept and maintained in 2008.

2. The lack of recording of grievance, complaints and suggestions was brought to the attention of the supervisors, Welfare Committee, and management team. Factory only kept records of grievances, complaints and suggestions that were submitted through suggestion boxes.

Plan Of Action: 1. Training for all leaders and supervisors,

2. Communicate to new workers

3. Revise procedure on handling suggestion boxes

Deadline Date: 10/31/2008

Supplier CAP: 1. Training procedure on suggestion boxes to all leaders and supervisors

2. Provide suggestion procedure, rules and layout of suggestion box in orientation program for new employees

3. Revise procedure on handling suggestion boxes by defining that suggestion box opening is an act of cooperation between HR Manager and Welfare Committee.

Supplier CAP Date: 09/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Violence/Harassment/Abuse

H&A.13 Employers shall ensure that the workplace is free from any type of violence, harassment or abuse, be it physical, psychological, sexual, verbal, or otherwise. Employers shall refrain from any action "and shall take all appropriate action to ensure that all workers refrain from any action "that would result in an intimidating, hostile or offensive work environment for workers. (S)

Noncompliance

Explanation: Training record review revealed that security guards did not receive training regarding Harassment and Abuse policy and procedure.

Plan Of Action:
1. Set up and provide training to all security guards
2. Communicate Harassment and Abuse policy into workplace

Deadline Date: 09/30/2008

Supplier CAP:
1. Set up training material on Harassment and Abuse for security guards
2. Provide training course to all security guards (4 training groups)
3. Communicate Harassment and Abuse policy and procedure to workplace by mass communication

Supplier CAP Date: 09/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: Although factory provided Code of Conduct (COC) training to workers, and also posted COC in prominent area, most workers were not aware of or did not remember COC.

Plan Of Action:
1. Set up campaign to promote COC
2. Provide training to all leaders and supervisors

Deadline Date: 10/31/2008

Supplier CAP:
1. Set up campaign to promote COC in workplace

1.1. Communicate pass through factory mass communication

1.2 Meeting in line with all areas about COC

2. Provide training course on COC to all leaders and supervisors, in order to give them the information to talk with their workers about in morning talk (meeting before work).

Supplier CAP Date: 10/31/2008

Action Taken:
1. Send this information through factory mass communication
2. Meeting in line with all areas about COC
3. Provide training course on COC to all leaders and supervisors, in order to give them the information to talk with their workers about in morning talk (meeting before work).

Plan Complete:

Plan Complete Date:

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: There is a Safety and Health Committee in workplace, but they have not attended OSH training course in accordance with law.

Plan Of Action: Provide OSH training course to Safety and Health Committee.

Deadline Date: 02/28/2009

Supplier CAP: Factory had provided OSH training course to all Safety and Health Committee by outside trainer, training date was February 24 – 25, 2009.

Supplier CAP Date: 02/28/2009

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Document Maintenance/Worker Accessibility and Awareness

H&S.2 All documents required to be available to workers and management by applicable laws (such as health and safety policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language(s) spoken by the workers if different from the local language. (P)

Noncompliance

Explanation: Factory does not post a list of Safety and Health Committee members and updated meeting minutes of committee on prominent board in each department. There is, however, a list of committees posted on information board at [building].

Plan Of Action:

1. Communicate this information through factory mass communication

2. Communicate this information by posting on information boards of all departments.

Deadline Date: 08/30/2008

Supplier CAP:

1. Communicate pass through factory mass communication

1.1. List of Safety and Health Committee members

1.2. Meetings minutes of Safety and Health Committee (weekly)

2. Communicate by posting on information boards of all departments

2.1. Name list of Safety and Health Committee

2.2. Meeting minutes meeting of Safety and Health Committee (weekly)

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

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: Bleaching section in Building No. 4, which has been inactive since February 2008, still contains hazardous chemicals, which are being stored with fabrics/raw materials. Some chemical containers not labeled and there is strong smell of acetic acid. Grease, lubricant and water from washing machine are all leaking on floor. In addition, there is water all over floor. Separate storage areas should be provided for chemicals as distinct from fabric or raw materials to avoid fire conditions.

Plan Of Action:

1. Notify about operation stopped, bleaching process
2. Arrange a big cleaning day for this area
3. Find out and contact vendor and/or hazardous chemical disposal company

Deadline Date: 12/31/2008

Supplier CAP:

Supplier CAP Date: 12/31/2009

Action Taken:

1. Officially notification about beaching operation stopped: November 30, 2008
2. Big cleaning day for bleaching section area December 1, 2008
3. Contact vendor to return by sale the hazardous chemicals of bleaching process; December 15, 2008

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: 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 for ultra coolant is not posted in cooling control room Also, list of responsible people not posted in front of room.
Plan Of Action:	1. Post MSDS of ultra coolant 2. Post pictures and names of responsible people
Deadline Date:	08/30/2008
Supplier CAP:	1. Safety Officer had posted MSDS of ultra coolant at work area in cooling control room. 2. Safety Officer had posted pictures and name list of charged persons in front of cooling control room.
Supplier CAP Date:	08/30/2008
Action Taken:	1. Safety Officer had posted MSDS of ultra coolant at work area in cooling control room. 2. Safety Officer had posted pictures and name list of charged persons in front of cooling control room.
Plan Complete:	
Plan Complete Date:	

FAIR LABOR ASSOCIATION

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: Some machines have no working instructions (WI) or safe working instructions (SWI). E.g., Gerber machines in cutting department and fusing machines have SWI, but they are written in English.

Plan Of Action:

1. Translate work instructions of Gerber m/c and Fusing m/c into Thai language.
2. Post work instructions on Gerber m/c and Fusing m/c
3. Provide training on work instructions to responsible operators.

Deadline Date: 08/30/200

Supplier CAP:

1. MTN manger --> Translate work instructions of Gerber m/c. and Fusing m/c. into Thai language.
2. PMTN manger --> Post the work instruction onto Gerber m/c and Fusing m/c
3. Provide training on work instructions to responsible operators; training was done by MTN manager.

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Noncompliance

Explanation: 1. Factory does not provide chairs with back support for all pregnant workers and all workers in production lines.

2. Factory does not provide a non-slip mat (which prevent strain on joints, legs and back) for some workers in ironing section.

Plan Of Action: 1. Provide chairs with back support

2. Provide non-slip mats for all workers in ironing section

Deadline Date: 09/30/2008

Supplier CAP: 1. Check name list and line of pregnant workers

2. Modify or order chairs with back support

3. Modify or order non-slip mats

Supplier CAP Date: 09/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation:	There is only 1 occupational nurse on standby each day at factory clinic; law required 2 occupational nurses for more than 1,000 workers in facility.
Plan Of Action:	Provide 1 occupational nurse to be on standby at factory
Deadline Date:	08/30/2008
Supplier CAP:	Provide 1 occupational nurse to standby at factory
Supplier CAP Date:	08/30/2008
Action Taken:	Factory by HRM staff had contacted hospital to provide 1 occupational nurse to be on stand-by at factory (starting August 18, 2008).
Plan Complete:	
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: 1. Chemical and solid waste management system not managed in workplace. More specifically, there was no one responsible for chemical waste and containers in bleaching department of Building No. 4. Note: Building No. 4 has not been in operation since February 2008.

2. Wastewater is flowing out of doorways of some cooling control rooms in areas and onto stacks of fabrics and on metal heap in walkway. Factory has to manage wastewater discharging in conduit.

Plan Of Action: 1. Return/dispose hazardous chemicals of bleaching process

2. Repair drain pipe of wastewater inside cooling control room at factory

Deadline Date: 12/31/2008

Supplier CAP: 1. Return/dispose hazardous chemicals of bleaching process

2. Repair drain pipe of wastewater inside cooling control room at factory

Supplier CAP Date: 12/31/2008

Action Taken: 1. Return by sale hazardous chemicals of bleaching process to vendor; December 15, 2008.

2. Repair drain pipe of wastewater inside cooling control room at factory; August 15, 2008

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Hours of Work: Meal and Rest Breaks

HOW.3 Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with local laws. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Workers only swipe their cards in and out. Therefore, one cannot verify when workers take rest time, especially in cases when overtime is requested for next day (02.00 or 05.00). Management noted that a ½ hr rest break will be given when employees work until 02.00. They will also be given a rest break when they work till 05.00.

Plan Of Action:

1. Set up and communicate working hour policy, including OT calculation system.

2. Provide training in workplace.

Deadline Date: 08/30/2008

Supplier CAP:

1. Set up working hour policy, including OT calculation system based on local labor law and/or customer requirements.

2. Communicate working hour policy, including OT calculation system in workplace by factory mass communication.

3. Provide training to all leaders and supervisors about meals, rest break times and working hour calculation; if worker works OT, continue from normal working time--> 2 hrs. --> Factory must provide rest break time of at least 30 minutes. - If worker continued to work, worked OT > 8 hrs. --> Factory must provide rest break time of at least 1 hour.

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Factory was able to provide attendance and payroll ledgers for the prior 6 months (January – July 2008). Accounting states factory is using old attendance record program, which could only keep, until recently, a year's information; now it is in transition, changing to new version, which is able to retain records for longer. Thus, monitor could not review and verify work hours in previous of 12 months as per FLA benchmark.

Plan Of Action: Develop/transition program to support/keep the longer periods of past records.

Deadline Date: 12/31/2008

Supplier CAP: Transition Human Resources Information System (HRIS) from "Basic Software" to "Fuzzy Software Program," that can support/keep longer periods of past records.

Supplier CAP Date: 12/31/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Hours of Work: Extraordinary Business Circumstance/Forced Labor

HOW.11 In case of extraordinary business circumstances, employers shall make reasonable efforts to secure voluntary overtime work prior to mandating involuntary overtime. Employers must get workers voluntary consent periodically for all overtime that is above the 12 hours as provided for in the Code and that is not due to extraordinary business circumstances. (P)

Noncompliance

Explanation: Attendance and payroll records during January – July 2008, revealed that workers in packing section have worked up to 35.5 hrs of OT per week, which is just below maximum legal limit of hours per week. A review of OT hours from February to July revealed between 12 – 24 hours per week in each work department; thus, factory has provided OT work hours for workers in excess of 12 hours per week as per FLA requirements.

Plan Of Action: 1. Set up proactive warning report from HR department --> to factory

2. Promote working hour control policy to workplace

Deadline Date: 10/31/2008

Supplier CAP: 1. Develop internal software program to screen/sort risk of persons to work over than requirement (export data from working hour record program) --> complete February 25, 2009

2. Promote working hour policy in workplace; pass through factory mass communication meeting and/or training providing to all leaders and supervisors.

Supplier CAP Date: 10/31/2008

Action Taken:

Plan Complete:

Plan Complete Date:

FAIR LABOR ASSOCIATION

Hours of Work: Sick Leave/Restrictions

HOW.20 Employers shall not impose any undue restrictions on sick leave. Any factory restrictions or procedures regarding sick leave, such as informing the employer as soon as possible, the provision of medical certificates, the use of designated doctors or hospitals, etc., must be in line with local laws, regulations and procedures and must be communicated in full to all workers. (S)

Noncompliance

Explanation: Company policy stated clearly that workers do not need to submit a medical certificate when taking sick leave for 1 – 2 days. However, most workers understood that they have to send medical certificate to their supervisor any time when taking sick leave, even if for only 1 day. If worker cannot submit medical certificate, they will not receive wages on that day.

Plan Of Action:

1. Training
2. Communication
3. Correct the payment

Deadline Date: 08/30/2008

Supplier CAP:

1. Refresher training on sick leave policy based on definition in worker manual for all leaders and supervisors
2. Communicate sick leave policy to workplace by mass communication
3. Provide training to all staff of HRM section to correct calculations and payments in case workers take sick leave, even if only for 1 – 2 days, without medical certificate.

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

Plan Complete Date: