Company Comment: Due to production, quality and delivery issues with this factory, the GFSI sourcing team decided to consolidate styles into 1 vertical factory. A follow-up audit was conducted in March 2011, where the factory was found to have addressed most of the issues identified during the initial audit as reported below. GFSI stopped sourcing from the factory as of August 2011. Due to our discontinued relationship, we are no longer able to receive updates on outstanding issues. There were no other FLA-affiliated companies sourcing from the factory at the time of our exit to take over remediation.
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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: ESI (Employee State Insurance) and PF (Provident Fund) benefits are not given to casual workers. On the date of the assessment, there were 59 casual workers.

Source: Record review

Legal references: Employees' Provident Funds and Miscellaneous Provisions Act, 1952: Every employee, including the one employed through a contractor, who is in receipt of wages up to a specified amount per month, shall be eligible for becoming a member of the funds. A similar provision also exists in Employees State Insurance Act, 1948.

Plan Of Action: Factory should ensure that all workers, including casual workers, are receiving benefits as per law. Ensure that as workers are hired they are receiving legal benefits.

Deadline Date: 07/31/2010

Supplier CAP: The 59 employees joined at the end of June and the first week of July 2010. Necessary forms duly filled for the employees concerned; they will be covered from July 2010 onwards.

Supplier CAP Date: 07/31/2010

Action Taken: Necessary forms duly filled for the employees concerned, they will be covered from July 2010 onwards.

March 8 – 9, 2011: Record review and factory management interaction showed that factory had not provided the social benefits of PF and ESI to any of the 52 temporary employees.

June 13, 2011: Factory has advised that they have provided ESI benefits to temporary employees. Received documentation, Social Benefits CAPIX-2.

Plan Complete: Yes
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:  Piece/production records are not available for casual workers; they are said to be paid at piece rate, but piece records were not available.

Source: Records from floor

Plan Of Action:

Factory must maintain accurate records in order to calculate employee wages correctly. Ensure that records are available if workers are paid on a piece rate basis.

Deadline Date: 08/02/2010

Supplier CAP:

Production Manager/Production Supervisor will track and record the line production system in our unit. Only in the final stage, do we tally the cutting quantity with the packed quantity. In the future, we will record the output at each stage and monitor it.

Supplier CAP Date: 08/02/2010

Action Taken:

March 8 – 9, 2011 (3rd party follow-up audit): Record review, employee interviews and facility management interaction found that facility has abolished piece rate system. They have implemented a new wage structure for fixed wages so that wages are: a) above the legally recommended minimum wage for skilled employees and b) based on employees’ previous experience.

Plan Complete: Yes
Plan
Complete Date: 03/08/2011

Wages, Benefits and Overtime Compensation: False Payroll Records
WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Overtime was not found to be accurately captured and recorded, as there were inconsistencies between production records and time records.

1. Factory worked 2 Sundays (July 19, 2009; May 9, 2010) that were not recorded.
2. Factory has engaged outside workers for checking, trimming and button attaching; time and payroll records for these workers were not available.
3. Factory worked beyond legal work hours on week days, as well as on 2 rest days, but did not record these hours in time records.

Source: Records from floor (production, time and accessory issue records), on-line pieces notebook

Plan Of Action: GFSI prefers to work with suppliers that are transparent about their business practices, even if the actual practice is out of compliance. Factory must maintain accurate records to account for all hours worked, including overtime. Factory must ensure they are paying appropriate wages, meeting legal minimum wage for all normal and overtime hours. Factory must clarify how wages are calculated and demonstrate to all employees that they are being paid at a rate meeting or exceeding the legal minimum wage. Management must develop a plan that ensures all workers are being paid properly. Management must ensure workers receive their day of rest.

Deadline Date: 08/31/2010
In the future, all temporary workers will be monitored by HR personnel on a regular basis and their work times will be monitored and recorded. Factory is planning to implement electronic punching systems for casual/temporary workers, too. Factory has implemented electronic punching system to monitor the in/out times of both temporary and permanent employees, to help them calculate exact work hours. Factory is keeping time cards for all temporary workers and using electronic system for permanent workers.

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**Action Taken:**
Factory has implemented an electronic punching system to monitor the in/out times of both temporary and permanent employees, to them calculate their exact work hours. Factory is keeping time cards for all temporary workers and using electronic system for permanent workers.

**March 8 – 9, 2011 (3rd party follow-up audit):** Record review and audit process found no evidence of double records in relation to work hours.

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**Wages, Benefits and Overtime Compensation: Pay Statement**

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

Noncompliance

**Explanation:** 26 pay slips were not issued to casual workers.

Sources: Record review, management interview

Legal reference: Minimum Wages (Central) Rules, 1950, Section 2: A wage slip shall be issued by every employer to every person employed by them at least a day prior to the disbursement of wages.

**Plan Of Action:** Copies of pay slips indicating hours worked should be provided to employees. The factory should also maintain a copy of these slips.

**Deadline Date:** 07/31/2010

**Supplier CAP:** Temporary workers' payments are being issued through cash vouchers only. At the time of audit, vouchers were available at our auditor’s office. In the future, a copy of the vouchers will be kept in the HR department.

**Supplier CAP Date:** 07/31/2010

**Action Taken:** Casual workers are issued pay slips/cash vouchers showing days worked when they are paid.

**March 8 – 9, 2011 (3rd party follow-up audit):** Record review, employee interviews and facility management interaction found that facility is issuing wage slips to all employees, including temporary employees.

**Plan Complete:** Yes

**Plan Complete Date:** 07/31/2010
Child Labor: Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

Noncompliance

Explanation: No age proof documentation observed for 59 casual workers.

Source: Personnel file review

Plan Of Action: All age proof documentation must be maintained for all workers, including casual workers. System should be in place to ensure this information is obtained upon the hiring of all workers.

Deadline Date: 07/31/2010

Supplier CAP: All 59 employees joined between the end of June and the first week of July 2010. At the time of joining, we collected only their bio-data and other. Now, we have collected all required documents with age proof and made personnel files for all employees in our unit. Also, we advised HR department to positively collect all required documents at the time of recruitment.

Supplier CAP Date: 07/31/2010

Action Taken: Age proof documents for all workers maintained. Received age proof documentation.

March 7 – 8, 2011 (3rd party audit): Facility had not maintained age proof for all workers.

June 13, 2011: Received copies of age proof certificates, which are now kept on file.

Plan Complete: Yes

Plan Complete Date: 06/13/2011
**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:** Employees were educated on workplace standards orally only at the time of induction. There were no regular efforts to educate employees on work standards on a regular basis.

Sources: Record review, management interview

**Plan Of Action:** Factory should educate employees on workplace standards at time of induction and on a regular basis.

**Deadline Date:** 07/31/2010

**Supplier CAP:** All employees were given induction training on company's and buyers' COCs and on H&S at time of recruitment. This concerns most employees that joined in the end of June 2010, as we gave training at the time of joining. However, HR is advised to conduct an awareness program periodically without fail.

**Supplier CAP Date:** 07/31/2010

**Action Taken:** Factory conducted an awareness session on July 20, 2010 for all workers. Received documented evidence of training. Factory conducted an awareness session on October 6-7, 2010. Received copies of attendees and photos.  

*March 8 – 9, 2011 (3rd party follow-up audit)*: Facility conducts GFSI COC education meeting once every 6 months for all employees.

**Plan Complete:** Yes

**Plan Complete Date:** 07/20/2010
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: There is no secure communications channel for employees to report to the FLA affiliate on any noncompliance issue in factory.

Sources: Record review, management interview

Plan Of Action: GFSI COC includes the contact information for our local office.

Deadline Date: 07/31/2010

Supplier CAP: GFSI's COC is already displayed on production floor with the contact number for the manager at the local GFSI office. Since then, COC is supplied by GFSI Kansas.

Supplier CAP Date: 07/31/2010

Action Taken: Received photos of COC showing that local contact information for GFSI is included in COC posted on the production floor.

March 8 – 9, 2011 (3rd party follow-up audit): Facility had posted GFSI COC in local language on facility notice board and on production floors. COCs have email ID and mobile number for GFSI contact, provided for reporting noncompliances through a confidential mechanism. Further, it was noted facility has provided confidential suggestion and complaint box through which workers can express their concerns directly to management.

Plan Complete: Yes

Plan Complete Date: 07/31/2010
**Miscellaneous: Illegal Subcontracting**

MISC.1 Illegal Subcontracting

**Noncompliance**

**Explanation:** Factory is subcontracting many operations to various units, including button attaching, checking, trimming and embroidery. Complete subcontracting information should have been provided to the FLA-affiliated company. Subcontractor bill file review found that factory subcontracts many of its production processes to various units.

Example of 1 such subcontract: [Checking center name]. Bill dated July 2, 2010. Style No-G-7350, 5562 pieces. (It is for a GFSI order.)

Source: Record review

**Plan Of Action:** GFSI does not allow subcontracting. Please ensure that if any subcontracting is needed, we are notified in advance and that you request approval. You are responsible for upholding GFSI standards at any other facility.

**Deadline Date:** 07/31/2010

**Supplier CAP:** No subcontracting found for GFSI orders. GFSI will be notified if there is any need for subcontracting and approval requests.

**Supplier CAP Date:** 07/31/2010

**Action Taken:** Factory understands that no subcontracting is allowed for GFSI orders.

**March 8 – 9, 2011 (3rd party follow-up audit):** Facility is only engaging security guards on a contract basis through contractor services. Facility has a valid legal contract agreement signed with contractor.

**Plan Complete:** Yes

**Plan Complete Date:** 07/31/2010
**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:** No back rests provided for workers' seats; this could be an ergonomic concern.

**Source:** Factory tour

**Plan Of Action:** Chairs for workers should take into account ergonomic concerns.

**Deadline Date:** 08/31/2010

**Supplier CAP:** Necessary arrangements will be made to provide chairs with back rests for tailors.

**Supplier CAP Date:** 08/31/2010

**Action Taken:** No back rests provided for workers' seats; however, factory provided some documents which show objections from workers. Received documentation showing that workers prefer the chairs without back rests and find them more comfortable.

**March 8 – 9, 2011 (3rd party follow-up audit):** Record review and facility management interaction found that facility had already conducted a survey with all their employees regarding the need for back rests on the workers' seating arrangements. Survey states that employees do not prefer back rests in seating arrangements; this has already been communicated to GFSI, which was also recognized. Further, factory management stated that if any employee requests a back rest for their seating arrangement, they will be provided with one. It was noted from audit process that employees were comfortable with seating arrangements.

**Plan Complete:** Yes

**Plan Complete Date:** 08/31/2010
**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:** Exact hours of the duration of overtime could not be properly calculated. Overtime was not found to be accurately captured and recorded, as there were inconsistencies between production records and time records.

*Source: Production record review*

*Legal references: The Factories Act, 1948, Sections 64, 65, 66: Work hours of all workers have to be measured to ensure compliance with these provisions; time records have to be maintained by factory.*

**Plan Of Action:** GFSI prefers to work with suppliers that are transparent about their business practices, even if the actual practice is out of compliance. Factory must maintain accurate records to account for all hours worked, including overtime. Factory must ensure they are paying appropriate wages and meeting legal minimum wage for all normal and overtime hours. Factory must clarify how wages are calculated and demonstrate to all employees that they are being paid at a rate meeting or exceeding legal minimum wage. Management must develop a plan that ensures all workers are being paid properly.

**Deadline Date:** 07/31/2010

**Supplier CAP:** Necessary care will be taken in future. Comprehensive check will be made and arrears amount will be paid in a due course of time.

**Supplier CAP Date:** 07/31/2010

**Action Taken:**

- **March 8 – 9, 2011:** Factory had not maintained in/out time records for temporary employees for pay period.
- **June 13, 2011:** Factory is now documenting overtime hours. These hours are accounted for on a voucher which workers sign when overtime payment is received. Proof for overtime wages received from factory.
Plan Complete: Yes
Date: 06/13/2011