Company Comment: American Eagle Outfitters (AEO) had been sourcing from the reported facility through one of its vendors in 2009-2010. Orders were completed around the same time as the FLA audit in September 2010. Although previous internal and external assessments by AEO also revealed similar issues as raised by the FLA monitor (especially concerning transparency of time records) and much effort had been made to remediate them, the decision to end business was not based on compliance performance, but due to the fact that factory’s communication and quality levels were not up to AEO standards. AEO subsequently contracted a local consultant to correct the issues raised by the FLA in an attempt to help management, the steps and results of which are cited in the current report. No other FLA-affiliated Participating Company was sourcing from the factory to take over remediation. If AEO decides to reinstate business with this factory in the future, AEO will re-commit to engage in steps to follow up, improve and verify.
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Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: In accordance with Bangladesh Labor Code 2006, Section: 94. Rooms for Children. (I) In every establishment, where more than 40 women workers are ordinarily employed, there shall be provided and maintained a suitable room (or rooms) for the use of their children under the age of 6. Child care facility is on first floor of 2nd unit. Child care facility arrangement was not functional and a responsible person/caretaker is not assigned for this purpose. Workers in Unit 1 are not aware of the child care facility.

Plan Of Action:

Immediate action: Facility should inform workers in Unit 1 that child care facility exists, if indeed they have access to utilize it. Accordingly, it should be ensured that a) caretakers are educated about their responsibilities, and b) notices are posted about child care facilities, communicating about them to employees.

Long-term solution: The facility should review opportunities for creating a child care facility in Unit 1, with analysis of feasibility to be conducted by the deadline date.

Deadline Date: 05/31/2011

Supplier CAP: Child care room is made in Unit 1 and is fully operational.

Supplier CAP Date: 11/30/2010

Action Taken: By AEO contracted consultants, it was ensured that the management has provided the necessary set up as outlined in CAP. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure functionality and continuity of said unit.

Plan Complete: No
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: During the current assessment of working hours and wages, overtime (OT) wages and benefits could not be verified due to inconsistencies between production and working hours/payment records provided by management: a) daily production reports indicate factory worked 2 Fridays (Friday is the weekly holiday) in October (23 and 30) 2009, and b) accessories distribution records indicate workers worked Friday, July 16, 2010.

Plan Of Action:
Immediate action: A commitment letter of transparency and accurate payroll records are to be provided for the next visit.
Continuous corrective action: A system shall be established to ensure all working hours and wages are recorded and opened to auditors.

Deadline Date: 05/31/2011

Supplier CAP:

Supplier CAP Date: 11/30/2010

Action Taken: AEO contracted consultant advised management that finding was based on what the FLA team discovered; the management team needed to ensure they showed their due diligence to adhere to being transparent. Meanwhile, from a principles perspective, management reiterated that they were transparent. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure transparency.
Plan Complete: No

Plan Complete Date:

**Forced Labor: Other - Forced Labor**

Other

**Noncompliance**

**Explanation:** In accordance with Bangladesh Labor Code 2006, Section 5. Appointment Letter and Identity Card: No employer shall appoint a worker without issuing appointment letter; every worker appointed shall be given identity card with their photograph. A copy of appointment letters not given to some (20%) workers. 10 of 55 workers interviewed did not get copy of contract paper or appointment letter. Finding agreed by management.

**Plan Of Action:** Immediate action: Provide copy of appointment letter to employees.

Continuous corrective actions:

1. Include this requirement in the recruitment procedure and generate a checklist for each employee regarding where documents should be placed, in employee files and/or provided to employees.

2. Conduct internal audits to ensure HR staff follow recruitment procedures.

**Deadline Date:** 05/31/2011

**Action Taken:** Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
Freedom of Association: General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

Noncompliance

Explanation: In accordance with Act 23 of 2004, making provisions relating to the EPZ Workers' Association and Industrial Relation: The Executive Chairman or any officer authorized by them, shall require employer and workers in an industrial unit in a Zone to constitute, in a prescribed manner, a Workers' Representation and Welfare Committee (WRWC) or, after October 2006, form a Workers' Association (WA). It was noted there aren't any forms of worker representation like WA and WRWC at factory.

Management has provided a document and letter from BEPZA which says they have taken different initiatives:

1. Relevant notice displayed.
2. Desk with available application form.
3. Several counseling sessions were conducted. However, management could not provide any relevant counseling documents. Workers were not aware of the option to form a WA or WRWC or of any related training programs. Rather, many workers reported their interest in establishing a workers’ representation system.

Plan Of Action:

Immediate action:

1. Obtain relevant and counseling documents.
2. Communicate to employees regarding option to arrange WA, WRAC or other training program.

Continuous corrective action: System should be in place to ensure an alternative scheme (approved by the government) serves the purpose of worker representation and works sufficiently.

Deadline Date: 05/31/2011

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.
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: There aren't any written grievance procedures. Workers are not aware of any existing policies or procedures, apart from talking to their line chiefs. They are ignorant about the presence of suggestion boxes.

Plan Of Action:

Immediate action:

1. Establish grievance procedure and system.

2. Communicate grievance procedures to employees and post them on work floor for employees to review.

3. Educate employees on purpose of worker representatives and other communication channels (such as suggestion box) within facility.

Continuous corrective actions:

1. Include grievance practices in new employee orientation.

2. Refresh employees on grievance system on a regular basis.

3. Conduct internal audits to ensure communication channels are functional and employees are aware of grievance procedures.

Deadline Date: 05/31/2011
Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Noncompliance

Explanation: There aren’t any disciplinary procedures or systems established and installed. Workers are not aware of the disciplinary policies.

Plan Of Action: Immediate action: Establish disciplinary policy and procedure; communicate them to employees and supervisors; and post them on work floor.

Continuous corrective actions:
1. Include disciplinary procedure and policy in employee orientation.
2. Communicate disciplinary policy and procedure on a regular basis.

Deadline Date: 05/31/2011

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No
No Child Labor: Legal Compliance (Apprenticeships and Vocational Training)

CL.10 Employers shall comply with all regulations and requirements of apprentice or vocational education programs, and shall be able to document to monitors that these are legally recognized programs. Informal arrangements of any kind are not acceptable. (P)

Noncompliance

Explanation: In accordance with Bangladesh Labor Code, 2006, Section 277. Obligation of Employers: Subject to other provisions of this Chapter and rule, employer shall: b) in accordance with rules, introduce and operate an apprenticeship program in their undertaking and get program registered with competent authority within such time as may be prescribed; and e) be responsible to ensure apprentices receive normal working hours related to theoretical instruction to the extent of at least 20% of total working hours. Observed that trainees/apprentices are not registered in any training programs. Trainees work on production floor from joining date on full-time basis, with regular workers on floor, not in training center. Training plan not followed; training center found empty during audit.

Plan Of Action: Immediate action:

1. Register training program for trainees/apprentices.

2. Trainees/apprentices shall be moved to training center and will not work the same way as regular employees.

Continuous corrective action: System is to be established to ensure all trainees are registered with training program and that training plan is followed (such as an internal audit).

Deadline Date: 05/31/2011

Supplier CAP: Management has initiated a detailed plan to get trainees/apprentices on board with a proper schedule. Management, however, shares the concern that EPZ law does not specify any regulations related to this area of law.

Supplier CAP Date: 11/30/2010

Action Taken: AEO contracted consultant team has clarified with factory that EPZ law is clear in that, where EPZ law is silent, law of the land shall prevail. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.
Plan Complete: No

Plan Complete Date:

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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:** Employees have not been given sufficient training on code awareness. There were no regular efforts to educate employees on code element and standards. The AEO Code of Conduct (COC) posted on notice board is in English. Workers are trained on technical and production issues, along with H&S issues. However, they were unaware of several code provisions, such as leave entitlement and number of days, OT rates, etc.

**Plan Of Action:**

Immediate action: Train all employees on code standards and elements and maintain training records.

Continuous corrective actions:

1. Establish system to conduct code awareness training on regular basis for all employees.
2. Include code training in new employee orientation.

**Deadline Date:** 05/31/2011

**Action Taken:** Trainings are ongoing and factory management shared the schedule they are adhering to. Going forward, worker interviews will reflect how effective it is. For now, factory has put a system in place. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.
Plan Complete: No

Plan Complete Date:

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**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:** The 2 AEO Company COC posters posted on notice board are in English and do not include any contact numbers or email addresses. There is no other communication channel established between company and workers.

**Plan Of Action:**

**Immediate action:** Obtain COC posters in local language and post them in visible places.

**Continuous corrective action:** Conduct internal inspections to ensure COC posters in local language are posted in visible places.

**Deadline Date:** 05/31/2011

**Action Taken:** Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed. For the same reason, factory could not be included in current plans of AEO to provide a local contact number for concerns and grievances.

Plan Complete: No

Plan Complete 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. Aisles partly blocked with pillars, finished or half-finished products; boxes in finishing and sewing sections.

2. Smoke detectors not functional in store area (4 out of 4).

3. Second exit of sampling section blocked.

Plan Of Action: Immediate action: Correct all health and safety issues identified.

Continuous corrective actions:

1. Establish EHS committee and assign responsible persons for each work floor for potential H&S issues.

2. EHS manager/member conducts regular internal audits to ensure facility is in compliance with requirements.

3. Employees are educated to report/identify H&S issues to EHS manager.

Deadline Date: 05/31/2011

Action Taken: AEO contracted consultant team found aisles still blocked and production floor heavily congested. Factory management said they had orders and thus were trying to do their best, but congestion seemed an ongoing issue. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
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: 25% of workers not trained on fire fighting. Auditors randomly selected 9 workers from fire fighting team list for finishing section. Observed that 5 of them had already left factory, while 3 of remaining 4 had no knowledge of their responsibilities as fire fighters.

Plan Of Action:

Immediate action: Update list of certificated fire fighters and increase number of trained workers if any trained worker resigns.

Continuous corrective actions:

1. Establish system to update lists of certificated fire fighters once they are terminated.

2. Conduct internal audits on regular basis.

3. Enhance trainings for fire fighters.

Deadline Date: 05/31/2011

Supplier CAP: Management provided training records.

Supplier CAP Date: 11/30/2010

Action Taken: Worker interviews over a period of time will verify effectiveness of training. Meanwhile, policy is being implemented. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
Health and Safety: 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 were not using gloves and masks in washing and chemical store.

Plan Of Action:

Immediate action: Enforce the use of personal protective equipment (PPE).

Continuous corrective action plan:

1. Educate relative employees on the importance of using PPE on a regular basis.
2. Conduct internal inspections on the enforcement of PPE use.

Deadline Date: 05/31/2011

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
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: Observed that chemical handling operator, washing operator, and helpers were not provided any training on chemical use. Some chemical containers were kept open.

Plan Of Action:
Immediate action: Identify all chemical users/operators or potential users and provide trainings. Document training records.

Continuous corrective actions:
1. Establish system to include chemical training in new employee orientation if their positions are relevant.
2. Trainings are to be provided to relevant staff on a regular basis.

Deadline Date: 05/31/2011

Supplier CAP: Person in charge of chemical store is back at work. She was on maternity leave when the FLA team visited; thus, this issue is being taken care of.

Supplier CAP Date: 11/30/2010

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
**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:** Button attach/loop attach machines (1 in sample section, at least 5 machines in sewing section) do not have any guards.

**Plan of Action:**

**Immediate action:** Correct all health and safety issues identified.

**Continuous corrective actions:**

1. Establish EHS Committee and assign responsible persons on each work floor for potential H&S issues.

2. EHS manager/member conducts regular internal audits to ensure facility is in compliance with requirements.

3. Employees are educated to report/identify H&S issues to EHS manager.

**Deadline Date:** 05/31/2011

**Supplier CAP:** Relevant parts were installed on machines, but some workers still not using them. Management is committed to educating workers on the importance of proper machine usage. Relevant training plans are being put in place.

**Supplier CAP Date:** 11/30/2010

**Action Taken:** Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

**Plan Complete:** No

**Plan Complete Date:**
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: Floor mats not provided for standing workers, i.e., quality section and some workers in ironing department. Temperature level was high in top floor dining and finishing areas.

Plan Of Action:

Immediate action: Provide floor mats for standing workers.

Continuous corrective actions:

1. EHS manager to conduct assessment on required mats for positions and provide them to employees.
2. EHS manager to conduct regular check on whether required mats are provided and used by employees.

Deadline Date: 05/31/2011

Supplier CAP: Management has provided necessary mats to workers. However, management questions the relevance of floor mats in steam ironing areas.

Supplier CAP Date: 11/30/2010

Action Taken: Management has been advised on the importance and relevance of H&S laws of the land on this issue. Nevertheless, due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Noncompliance

Explanation: Water dispensers (source of cold water) found not functional in dining area. Workers are drinking tap water.

Plan Of Action:

Immediate action: Maintain water dispensers.
Continuous corrective action: Inspect water dispensers on regular basis to ensure they are functional.

Deadline Date: 05/31/2011

Supplier CAP: Water dispensers have been provided.

Supplier CAP Date: 11/30/2010

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of CAP agreed.

Plan Complete: No

Plan Complete Date:
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: Noted that workers do not punch cards when they leave factory. Worker testimony also revealed workers only punch cards in the morning when they enter factory.

Plan Of Action: Immediate action: A commitment letter of transparency is to be provided with accurate payroll records for next visit.

Continuous corrective action: A system shall be established to ensure all working hours and wages are recorded and opened to auditors.

Deadline Date: 05/31/2011

Supplier CAP:

Supplier CAP Date:

Action Taken: Due to completion of sourcing from this facility, AEO is unable to control and ensure continuity of transparency.

Plan Complete: No

Plan Complete Date: