



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: American Eagle Outfitters, Inc.

COUNTRY: India

FACTORY CODE: 9800321179I

MONITOR: Association for Stimulating
Know How (ASK)

AUDIT DATE: November 29 – 30, 2010

PRODUCTS: Ladies' and Kids' Tops & Skirts

PROCESSES: Full

NUMBER OF WORKERS: 407



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Benefits, Wages 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: In August 2011, 378 workers covered in Provident Fund (PF) and 376 covered in ESI; September 2011, 402 covered in PF and 411 workers covered in ESI; and October 2011, 373 workers covered in PF and 371 workers covered in ESI. Factory provided us the information regarding their number of workers: 472 in August, 420 in September, and 425 in October 2011; subsequently, when taken with the numbers from the previous sentence, all workers were not covered in both PF and ESI. Also, 21 workers, i.e., 30% of workers interacted with, reported that daily wage rate workers are not covered by social security benefits. On the day of the audit, there were 215 daily wage rate workers and 191 regular workers in the facility.

Sources: social security payment records review (August, September, October 2011), management interviews

**Plan Of
Action:**

Long-Term Remedial Action:

1. Provide training to employees in order to create awareness amongst casual workers about the need for and advantage to subscribing to the mandatory benefits of PF and ESI during orientation and on a quarterly basis.
2. Conduct periodic analysis to understand the effectiveness of the training on a quarterly basis; identify areas for improvement; and plan for next steps.
3. Create a feasible plan to gradually increase the coverage for casual employees and the participation rate in both ESP and PF.

Revised CAP, January 2012:

1. Revise policy and provide HR resources.
2. Measure/monitor HR management indicators (turnover; rehires; absenteeism; sickness; OT hours and costs; male/female ratio; skilled vs. unskilled; change of wage levels; ESI/PF coverage, etc.).
3. Meet worker representatives on a monthly basis to discuss indicators.

4. Create action plans and HR instructions.
5. Allocate budget for production/HR incentives and invest more in trainings.
6. Send monthly reports to brands with indicators.
7. Revise action plans and improve continuously.

Deadline Date: 05/01/2012

Supplier CAP: Difficulties in getting full coverage of social security include:

1. The government itself has not been able to implement the requirements of the law where casual labor is concerned.
2. Casual workers migrate from time to time; it is difficult for them to recover the money from the government agency.
3. Employees need all the money they earn for their daily needs.
4. Temporary workers seldom wish to subscribe to mandatory benefits, as it involves the substantial deduction of 13.75% from their earnings (12% for PF; 1.75% for ESI). Nevertheless, training has commenced and completion is expected by the end of March 2011. Subsequently, awareness training during induction and at periodic intervals of 3 months will be undertaken.

Person Responsible: Compliance Officer

Supplier CAP Date: 03/31/2011

Action Taken: May 2011: Management provided general awareness training to workers between January and April 2011 to encourage participation, as immediate mandating would cost a loss of skilled, short-term job opportunity labor to other factories not deducting these benefit funds. (Note that 240 days' employment is required in India to be eligible to access to medical services). Currently, 265/400 workers are registered with the ESI and 230/400 with the PF system. A few newly hired workers were observed not to have any documents filed and therefore no registration yet.

August 2011: Same as before, i.e., continuous improvement plan by encouragement. Current coverage is 300/400 for both funds. Due to it being the low season, there has been little hiring of new workers.



December 2011: Management failed to sustain the improvement; 120 new workers (out of 500 total) still out of coverage as of the end of 2011. Plus, October 2011 11 PF and ESI records could not be revealed; therefore, they were not deposited on time. Further, most of the new workers uncovered in legal benefit programs as such are formerly employed staff rehired upon reapplication; therefore, the root cause is poor HR, as management is unable to raise awareness and there is a long-term employment schemes in place. Some of these new workers, hired within the last 2-5 days, have not been registered at all; the system cannot reveal any documents related their employment, including age verification (though there was no apparent concern for hiring underage workers). In a related issue, it was further noted that none of the workers was provided with sick leave entitlement to date.

Plan Complete: No

Plan Complete Date:

Benefits, Wages and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Factory management reported that they do not work overtime at this facility. However, 55 workers reported that they work excessive overtime hours and that their premium payment is at normal wage rate, not at double the rate.

Sources: worker discussions, closing meeting, management interview

Plan Of Action: Given the discrepancy of information stated in the finding, the short- and long-term remedial actions are:

1. Implement a reliable time-recording system to reveal all hours worked internally, as well as during verification.
2. Create a feasible long-term solution to gradually increase the compensation rate to comply with the legal requirement.

Revised CAP, January 2012:

1. Revise policy and provide HR resources.
2. Measure/monitor HR management indicators (turnover; rehires; absenteeism; sickness; overtime hours and costs; male/female ratio; skilled vs. unskilled; change of wage levels; ESI/PF coverage, etc.).
3. Meet worker representatives on a monthly basis to discuss indicators.
4. Create action plans and HR instructions.
5. Allocate budget for production/HR incentives and invest more in trainings.
6. Send monthly reports to brands with indicators.
7. Revise action plans and improve continuously.

Deadline Date: 05/01/2012

Supplier CAP: Effective January 10, 2011, overtime is being electronically recorded based on workers swiping their cards. All hours worked are being recorded.

Person Responsible: Compliance Officer

Supplier CAP Date: 02/15/2011

Action Taken: May 2011: Since January 2011, workers check in and check out via electronic thumb decoders and records kept centrally. However, workers are still being paid at normal rates for overtime, despite the legal requirement of a 100% raise. Management agreed to incrementally increase rates, initially by 25%, starting from the next high season in October 2011.

August 2011: Since production is at a low, overtime needs are lower, too; therefore, management is paying a 100% raise for each hour of OT worked. However, there is a tendency to revert to normal rates when high season starts and overtime work increases.

December 2011: Overtime work has increased again with increased orders; rates were kept back again at normal wage rates. Management was questioned how to recover incremental raises back, initially to +25%, then +40%, +50%, etc. in predetermined intervals, e.g. biannually.

Plan No
Complete:

Plan
Complete
Date:

Benefits, Wages 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)

Uncorroborated Evidence of Noncompliance

Explanation: There is no overtime work at the facility. However, according to more than 50 workers, there has been excessive overtime work at the facility in the past 12 months. On the day of the audit, the auditors observed 150 workers returning back to the factory for overtime work. As the auditors were still in the factory, the management asked the workers to go home. The auditors interacted with 50 of these workers who reported overtime work.

Sources: payroll document review, auditor observation, worker discussions, management interviews

Plan Of Action: AEO needs a commitment that the practice of hidden records will be ceased immediately with a plan whereby accurate records for both wages and working hours will be provided for review going forward.

Revised CAP, January 2012:

1. Revise policy and provide HR resources.
2. Measure/monitor HR management indicators (turnover; rehires; absenteeism; sickness; overtime hours and costs; male/female ratio; skilled vs. unskilled; change of wage levels; ESI/PF coverage, etc.).
3. Meet workers' representatives on a monthly basis to discuss indicators.
4. Create action plans and HR instructions.

5. Allocate budget for production/HR incentives and invest more in trainings.
6. Send monthly reports to brands with indicators.
7. Revise action plans and improve continuously.

Deadline Date: 05/01/2012

Supplier CAP: Effective January 10, 2011, overtime is being electronically recorded based on workers swiping their cards. All hours worked are being recorded.

Person Responsible: Compliance Officer

Supplier CAP Date: 02/15/2011

Action Taken: May 2011: Electronic recording system works fine, except for the new workers who have not yet registered and therefore cannot check in and check out by thumb decoders. Management is transparent with their wage and time records. Overtime is still excessive and beyond legal/code limitations, e.g., April's average was 78 hours per week, sometimes exceeding 100 hours.

August 2011: Owing to low season, OT has dropped drastically, around 10 hours per month; however it will not be too long before OT gets back to higher figures. (Capacity being 60,000 pc/m may be forced to 100,000 with more or less the same workforce; therefore there is a high risk of an increase.)

December 2011: There were issues of inconsistencies based on production records for the laundry, which showed work on Sundays (7/10, 7/31, 10/23, 11/6, 11/13); however, any other records or worker interviews could not further prove this. Management hesitated to reveal true time records due to high overtime encountered, but had to do so upon discussing a number of discrepancies observed between production and payroll records. Therefore, the regular + OT hours reached levels of 80-90 hours a week again, with no tangible plan in place to decrease them. The sampling, finishing, and washing departments especially work 40 hours a week OT on top of 48 regular work hours per week.

Plan Complete: No

**Plan
Complete
Date:**

Forced Labor: Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Facility management has reported that there is no overtime work in the facility. 80% of workers interviewed with (55 workers) reported that there is excessive overtime hours worked in the facility. On Saturdays, they work the entire night in the facility and an average of 10 days a month; they work overtime until 1am. Workers reported that they are asked to work overtime by the management and it is understood that they have to work.

Sources: discussion with 55 facility workers

**Plan Of
Action:** AEO considers forced overtime a serious issue, as not only is employee willingness towards overtime work a requirement, but also because H&S risks increase highly in such situations, especially if it is a persistent practice. Management must create a policy to abolish forced overtime and provide awareness and trainings on the policy. Further, training of the policy should also be included in the orientation of new hires going forward.

Revised CAP, January 2012:

1. Revise policy and provide HR resources.
2. Measure/monitor HR management indicators (turnover; rehires; absenteeism; sickness; overtime hours and costs; male/female ratio; skilled vs. unskilled; change of wage levels; ESI/PF coverage, etc.).
3. Meet workers' representatives on a monthly basis to discuss indicators.
4. Create action plans and HR instructions.
5. Allocate budget for production/HR incentives and invest more in trainings.

6. Send monthly reports to brands with indicators.

7. Revise action plans and improve continuously.

**Deadline
Date:** 05/01/2012

**Supplier
CAP:** All OT work undertaken is now recorded and remunerated. Workers in the industry are migrants and prefer to work overtime to enhance their earnings. Nevertheless, a comprehensive policy on Hours of Work is being drafted and will be posted in work areas. The policy will clearly indicate that all OT work will be undertaken on a voluntary basis. Expectation for completion is by the end of March 2011. Awareness training on the policy will be undertaken in April 2011 and will be repeated at periodic intervals of 3 months.

Person Responsible: Compliance Officer

**Supplier
CAP Date:** 04/30/2011

**Action
Taken:** May 2011: Written policy on overtime work and its voluntary nature exist in the Employee Handbook. Management organizes quarterly awareness trainings, though they can only cover 10% of the workforce each time. Management agreed to train the trainers (i.e., supervisors) at once and then repeat worker trainings more frequently, e.g., on a monthly basis. (Note: The results and effectiveness may be difficult to monitor as management allegedly informed workers not to discuss further on such concerns.)

August 2011: Overtime is low during the low season; therefore, no concerns were encountered, though there needs to be a plan to sustain the recovery.

December 2011: No further improvement expected/envisaged as overtime increased again during the high production season. Several workers had to continue working high amounts of overtime, though it is a known fact in the area that some of them are allegedly willing to work these hours for shorts-term gains.

**Plan
Complete:** No

**Plan
Complete
Date:**

Harassment or Abuse: General Compliance Harassment or Abuse

H&A.1 Employers shall comply with all local laws, regulations and procedures concerning discipline, violence, harassment and abuse. (S)

Noncompliance

Explanation: The factory's Harassment and Abuse policy is not comprehensive. At present, it states that the factory treats workers with respect and does not allow for any misconduct among/toward workers. There is no comprehensive coverage of all forms of harassment and abuse such as coverage of physical, psychological and sexual abuse. In the procedure, there is no mention of the Anti-Sexual Harassment Committee and its role and relevance.

Source: Employee Handbook review

Legal Reference: Industrial Employment Standing Orders Act, 1946

Plan Of Action:

Immediate Action: All forms of harassment and abuse, including physical, psychological and sexual, should be addressed in the Harassment and Abuse Policy. Moreover, roles and responsibilities for the Anti-Sexual Harassment Committee should be clearly stated.

Long-Term Remedial Action:

1. Provide training for employees on the updated harassment and abuse policy, and the roles and relevance of the Anti-Sexual Harassment Committee.
2. Include training related to company's anti-harassment policy in employee orientation and refreshment training for employees in a quarterly basis.
3. Conduct internal assessments to verify the effectiveness of the training, identify areas of improvement and work on them.
4. Analyze the complaints periodically, look for anomalies and identify solutions.

Revised CAP, January 2012:

1. Revise policy.
2. Observe behavior and communication on the work floor.
3. Meet workers' representatives on a monthly basis to discuss issues of abuse, if any.
4. Create or review anti-harassment procedures.
5. Implement disciplinary actions for abusing supervisory staff and invest more in trainings.

6. Send monthly reports to brands with training/meeting feedback.

7. Improve continually.

**Deadline
Date:** 05/01/2012

**Supplier
CAP:** Comprehensive policy on harassment and abuse is being drafted and will be posted by March 31, 2011. The policy will include different forms of Harassment and Abuse along with preventive and corrective measures to address them. Awareness training for employees will be imparted in batches and will be completed within April 2011. Thereafter, such training will be repeated at periodic intervals of 3 months.

Person Responsible: Compliance Officer

**Supplier
CAP Date:** 04/30/2011

**Action
Taken:** May 2011: Revised policy posted and agreed trainings started. However, effectiveness is questionable: An interviewed supervisor commented there was no abuse in the workplace, and that, therefore, there was no need for training, either. Management agreed to train the trainers (i.e., supervisors) at once and then repeat worker trainings more frequently, e.g., on a monthly basis. (Note: The results and effectiveness may be difficult to monitor as management allegedly informed workers not to discuss further on such concerns.)

August 2011: Each worker was given a copy of the Employee Handbook formally and induction trainings are implemented continuously, for about 15 minutes or so, for each newly hired worker. General and specific trainings need to be repeated every 6 months.

December 2011: Supervisors are still unable to maintain a healthy relationship with the workers, both verbally and physically (no severe physical harassment, but the workers are not treated with dignity and respect).

**Plan
Complete:** No

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: There are 2 clauses workers' employment agreements that do not indicate a progressive discipline policy. Clause 4 says that, if a worker goes on strike, it will be considered gross misconduct; thusly, the worker can be terminated. Clause 7 suggests that the company can suspend workers for any misconduct and can lay off workers for any reason.

Source: review of disciplinary policy in workers' employment agreements

Plan Of Action: Review and redraft employment agreements to provide for progressive and fair disciplinary clauses. This action should also include employees that have existing appointment letters with the factory.

Deadline Date: 04/30/2011

Supplier CAP: Letter of appointment (Appointment Contract) is being re-drafted; clauses pertaining to disciplinary procedures will be appropriately amended in keeping with law of the land.

Person Responsible: Compliance Officer

Supplier CAP Date: 03/31/2011

Action Taken: May 2011: Clause 4 cited above was completely removed from Appointment Letters. Clause 7 was redrafted to reflect to legal requirements in case of dismissal, i.e., payment of compensation in case of violations leading to legal termination.

Plan Complete: Yes

Plan Complete Date: 05/14/2011

Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation: According to factory management, supervisory staff has been trained on disciplinary policy and procedures. However, there were no training materials, attendance records or evaluation sheets available for review during the audit. At the same time, there are reports by 20 workers of regular instances of verbal abuse by supervisors and managers. 4 workers have confirmed physical abuse, of being hit with hands. In addition, the policy on harassment and abuse does not clearly indicate the company's policy on the prohibition of physical abuse.

Source: review of the company's harassment policy, worker discussions, management interviews

Plan Of Action: Provide for immediate action to stop verbal and/or physical harassment of workers by supervisors/managers, including, but not limited to, creation of policies and provision of awareness trainings. The training of the policy should also be included in the orientation of new hires going forward.

Revised CAP, January 2012:

1. Revise policy.
2. Observe behavior and communication on the work floor.
3. Meet worker representatives on a monthly basis to discuss issues of abuse, if any.
4. Create or review anti-harassment procedures.
5. Implement disciplinary action for abusive supervisory staff and invest more in trainings.
6. Send monthly reports to brands with training/meeting feedback.
7. Improve continually.

Deadline Date: 05/01/2012



Supplier CAP: A comprehensive policy on Harassment and Abuse is being drafted and will be posted by March 31, 2011. Awareness training to employees will be imparted in batches and will be completed within April 2011. The training will include workers, supervisors, and management. Thereafter, such training will be repeated at periodic intervals of 3 months. The policy will include different types of Harassment and Abuse along with preventive and corrective measures to be implemented.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Revised policy posted and agreed trainings started. However, effectiveness is questionable: An interviewed supervisor commented there was no abuse in the workplace, and that, therefore, there was no need for training, either. Management agreed to train the trainers (i.e., supervisors) at once and then repeat worker trainings more frequently, e.g., on a monthly basis. (Note: The results and effectiveness may be difficult to monitor as management allegedly informed workers not to discuss further on such concerns.)

August 2011: Each worker was given a copy of the Employee Handbook formally and induction trainings are implemented continuously, for about 15 minutes or so, for each newly hired worker. General and specific trainings need to be repeated every 6 months.

December 2011: Supervisors are still unable to maintain a healthy relationship with the workers, both verbally and physically (no severe physical harassment, but the workers are not treated with dignity and respect).

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Physical Abuse

H&A.10 Employers shall not use any form of – or threat of – physical violence, including slaps, pushes or any other forms of physical contact as a means to maintain labor discipline. (S)

Noncompliance

Explanation: During off-site interviews, 4 workers reported that the production manager hits workers using his hands when he gets angry. The production manager himself hit 1 of the 4 workers.

Source: worker discussions

Plan Of Action: Provide for immediate action to stop physical harassment of workers by management, including, but not limited to, creation of policies and provision of awareness trainings. The training of the policy should also be included in the orientation of new hires going forward.

Revised CAP, January 2012:

1. Revise policy.
2. Observe behavior and communication on the work floor.
3. Meet worker representatives on a monthly basis to discuss issues of abuse, if any.
4. Create or review anti-harassment procedures.
5. Implement disciplinary actions for abusing supervisory staff and invest more in trainings.
6. Send monthly reports to brands with training/meeting feedback.
7. Improve continually.

Deadline Date: 05/01/2012



Supplier CAP: A comprehensive policy on Harassment and Abuse is being drafted and will be posted by March 31, 2011. Awareness training to employees will be imparted in batches and will be completed within April 2011. The training will include workers, supervisors, and management. Thereafter, such training will be repeated at periodic intervals of 3 months. The policy will include different types of Harassment and Abuse along with preventive and corrective measures to be implemented.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Revised policy posted and agreed trainings started. However, effectiveness is questionable: An interviewed supervisor commented there was no abuse in the workplace, and that, therefore, there was no need for training, either. Management agreed to train the trainers (i.e., supervisors) at once and then repeat worker trainings more frequently, e.g., on a monthly basis. (Note: The results and effectiveness may be difficult to monitor as management allegedly informed workers not to discuss further on such concerns.)

August 2011: Each worker was given a copy of the Employee Handbook formally and induction trainings are implemented continuously, for about 15 minutes or so, for each newly hired worker. General and specific trainings need to be repeated every 6 months.

December 2011: Supervisors are still unable to maintain a healthy relationship with workers, both verbally and physically (no severe physical harassment, but the workers are not treated with dignity and respect).

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Verbal Abuse

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

Noncompliance

Explanation: 29% (or 20) of workers from various sections of the factory have reported that there is a regular practice of using abusive language at the workplace by both supervisors and managers. Such instances take place when production mistakes or delays happen. In addition, it was reported that the HR department managers are involved in threatening to withhold workers' ID cards and salary. 20 workers have reported withholding of ID cards as a means to threaten workers as a practice. More than 50 workers have confirmed that workers are threatened to not share any information to auditors and visitors; otherwise, their salary would be withheld. Absence of a comprehensive policy statement and lack of comprehensive training of the managers and supervisors on policy for 1) anti-harassment and abuse and 2) discipline could be the 2 root causes of the present situation.

Sources: company policy review, record review, worker discussion

Plan Of Action: Provide for immediate action to stop verbal harassment and intimidation of workers by management, especially threats towards the withholding of wages and/or ID cards, including, but not limited to, creation of policies and provision of awareness trainings. The training of the policy should also be included in the orientation of new hires going forward.

Revised CAP, January 2012:

1. Revise policy.
2. Observe behavior and communication on the work floor.
3. Meet worker representatives on a monthly basis to discuss issues of abuse, if any.
4. Create or review anti-harassment procedures.
5. Implement disciplinary action for abusive supervisory staff and invest more in trainings.
6. Send monthly reports to brands with training/meeting feedback.
7. Improve continually.



Deadline Date: 05/01/2012

Supplier CAP: A comprehensive policy on Harassment and Abuse is being drafted and will be posted by March 31, 2011. Awareness training to employees will be imparted in batches and will be completed within April 2011. The training will include workers, supervisors, and management. Thereafter, such training will be repeated at periodic intervals of 3 months. The policy will include different types of Harassment and Abuse along with preventive and corrective measures to be implemented.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Revised policy posted and agreed trainings started. However, effectiveness is questionable: An interviewed supervisor commented there was no abuse in the workplace, and that, therefore, there was no need for training, either. Management agreed to train the trainers (i.e., supervisors) at once and then repeat worker trainings more frequently, e.g., on a monthly basis. (Note: The results and effectiveness may be difficult to monitor as management allegedly informed workers not to discuss further on such concerns.)

August 2011: Each worker was given a copy of the Employee Handbook formally and induction trainings are implemented continuously, for about 15 minutes or so, for each newly hired worker. General and specific trainings need to be repeated every 6 months.

December 2011: Supervisors are still unable to maintain a healthy relationship with workers, both verbally and physically (no severe physical harassment, but the workers are not treated with dignity and respect).

Plan Complete: No

Plan Complete Date:

Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

Noncompliance

Explanation: According to factory management, they have developed the health and safety policy. There has been no consultation process with the workers or their representatives. The workers interacted with also reported that they have not been engaged by management on any policy development.

Sources: worker discussions, management interviews

Plan Of Action: Include consultation with and ensure awareness of workers in the creation of H&S policies. The training of the policy should also be included in the orientation for new hires going forward.

Deadline Date: 04/30/2011

Supplier CAP: The H&S Policy is being revised after obtaining input from workers as well as other sources. The revised policy will be posted by March 31, 2011. Awareness training on the policy will commence from April 2011 and be repeated every 3 months thereafter.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: New H&S Policy drafted/issued in collaboration with workers during training sessions as well as during the Workers' Committee meeting held in March 2011.

Plan Complete: Yes

Plan Complete Date: 05/14/2011

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation: The H&S policy developed by factory management provides basic guidelines for health care, machine safety and environment, along with brief guidelines for fire safety and a description of MSDS, along with a brief risk-analysis document. However, a comprehensive health and safety management system within which employer's responsibilities and workers' rights and responsibilities has not been documented. The audit team observed that factory management's level of awareness regarding fire safety norms was low. 1 concrete example was with the aisle markings, both in terms of their width and structure, as pillars are part of the aisle in many sections; there are also aisle markings on the staircase. Secondly, there is no designated H&S officer in the facility. MSDS postings are in poor condition, not legible, and there is no training on chemical handling provided to the authorized person. Chemicals were misspelled in the list of chemicals provided, for example, "estitone" was used for acetone. All these are indications that there is no system-driven approach to manage H&S issues in the facility.

Sources: visual observation (photos sent to FLA for review), H&S policy document review, management interviews

**Plan Of
Action:**

Immediate Action:

1. Provide training to the authorized person for handling chemicals.
2. Check all fire safety measures, such as aisle markings, from an emergency-preparedness perspective.

Long-Term Action: It is required for an H&S management system to be established, as this is the root cause for all these findings. Moreover, the training on the H&S policy/procedures should be included in the orientation for new hires going forward.

Revised CAP, January 2012:

1. Revise policy and provide H&S resources, including a specialist.
2. Assess H&S risks in writing and conduct regular internal audits.
3. Consult internal and external stakeholders, including the workforce.

4. Make plans and issue procedures for improvement.
5. Budget and invest on safety equipment and trainings.
6. Send monthly reports to brands with key indicators and achievements.
7. Re-audit and improve continually.

Deadline Date: 05/01/2012

Supplier CAP: A comprehensive policy on H&S is being prepared and will be posted in work areas by March 31, 2011. Subsequently, awareness training will be imparted, in batches, to all employees. This training will be repeated every 3 months and will include the rights and responsibilities of employers and employees. Aisle markings have been rectified, and MSDS, in the local language, have been posted. By law, a Safety Officer is required only in factories that have 1000 employees or more.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Although management of fire safety and chemicals is improving, there still needs to be better management of factory layout and process order, due to their impact on health and safety issues. AEO suggests basic risk assessment and system management elements based on leadership, awareness, and preventive action. Specifically, e.g., embroidery workers were fully unaware of noise hazards and use of earplugs was simply rudimentary, and there was no air quality monitoring in sewing sections.

August 2011: Chemical handling is better managed in the washing section by compartmenting, containing, and documenting (i.e., MSDS) and in the spot-removing area, cleaners use fairly appropriate masks and gloves. Awareness should be sustained by more trainings and visual aids on notice boards; electrical safety be also taken care of.

December 2011: Spot-removal area requires and 1) better exhaust/ventilation and 2) electrical switchboards/panels to be cleaned and fitted with rubber mats. All portable ladders on rooftop to be fitted with handrails. Canteen to be equipped with first-aid material. All chemical storage areas to be better controlled/locked (especially when close to canteen).

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. The facility's aisle markings are not per H&S standards, both in terms of the local law and international standards. Aisle markings all across the facility are obstructed structurally by the building's pillars and are narrower than 36 inches (in violation of Factories Act, 1948).

2. The fire alarm is regular switch type, rather than the break-glass type, so it is very easily accessible to anyone and can be misused. In 1 location, the socket for the fire alarm is broken.

3. Arrow markings on the floor do not always lead to an exit; in 1 section, the arrow marking leads to the workstation itself. All these are indicators that safe evacuation for this factory may be at risk.

Source: visual observation (photos sent to FLA for review)

Plan Of Action: Immediate Action: Check all fire safety measures, such as widths of aisles and escape marks, as well as alarm systems, from an emergency-preparedness perspective.

Long-Term Action: It is required to establish an H&S management system, as this is the root cause for all these findings. Moreover, the training of H&S policy/procedures should be included in the orientation for new hires going forward.

Revised CAP, January 2012:

1. Revise policy and provide H&S resources, including a specialist.
2. Assess H&S risks in writing and conduct regular internal audits.

3. Consult internal and external stakeholders, including the workforce.
4. Make plans and issue procedures for improvement.
5. Budget and invest on safety equipment and trainings.
6. Send monthly reports to brands with key indicators and achievements.
7. Re-audit and improve continually.

Deadline Date: 05/01/2012

Supplier CAP:

1. Factory has space constraints, but in sewing areas, some machines will be removed to enhance passage space for movement. This will be implemented before March 31, 2011. In the cutting section, 3 pillars partially obstruct movement along 1 of the passages where there are a maximum of 8 workers, 4 on either side, working in cutting operations. The width of the passage is 4 feet, while the width of the pillar is a foot and a half. Around the pillars, free space of a foot and a quarter is available on either side. As there is a maximum of 8 workers here, evacuation during an emergency will not be hampered.
2. Fire alarm switches are being replaced with the appropriate type, while evacuation sign markings have been rectified.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Actions continuing; in general, factory floor layout needs to be reconsidered and redesigned, if necessary. Products always block the second floor fire exit for sewing operations near the pressing works; the other exit in front near the QC inspections is as well.

August 2011: Some changes implemented to ease aisles, but more layout organization is necessary to better arrange machinery and workers' stations.

December 2011: Management must ensure that all exit doors are fully operational during work hours, either by more control or by changing the lock type. Fire alarms still lack covers, leaving them liable to erroneous ringing; these alarms are not different than the regular lunch siren. Emergency lights are not fully functional or operational, either.

Plan [No](#)
Complete:

Plan
Complete
Date:

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: [The toilets in the facility are not cleaned adequately; this can lead to several health-related problems for the workers.](#)

[Source: visual observation \(photos sent to FLA for review\)](#)

Plan Of Action: [Factory should take precautions about the appropriate maintenance of toilets.](#)

[Revised CAP, January 2012:](#)

- [1. Revise policy and provide H&S resources, including a specialist.](#)
- [2. Assess H&S risks in writing and conduct regular internal audits.](#)
- [3. Consult internal and external stakeholders, including the workforce.](#)
- [4. Make plans and issue procedures for improvement.](#)
- [5. Budget and invest on safety equipment and trainings.](#)
- [6. Send monthly reports to brands with key indicators and achievements.](#)
- [7. Re-audit and improve continually.](#)

Deadline Date: 05/01/2012

Supplier CAP: The gents' toilets on the terrace are under repairs. They will be repaired and appropriately maintained by the end of March 2011.

Person Responsible: Compliance Officer

Supplier CAP Date: 03/31/2011

Action Taken: May 2011: Action initiated, but not completed; requires more ambitious planning by fixing date and phase of improvement. Toilets are extremely unsanitary and food/chemicals are kept near them.

August 2011: Repairs on rooftop toilets are continuing; hygiene at ground and 1st floor toilets needs to be cared for.

December 2011: Hygiene is better and refurbishments completed; however, a number of washrooms are inadequate. Factory has only 13 toilets for 475 workers, while the total workforce (including management and staff) is around 530.

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: 1. The drinking water in this facility is tested for bacteria, but requires testing for lead.

2. The location where the drinking water taps are installed is unhygienic. There are no means provided for workers to drink water; they use their hands. There is no provision of soap to wash hands.

Sources: visual observation, drinking water test record review

Plan Of Action:

Immediate Action: Arrange drinking water test against lead content.

Long-Term Remediation:

1. Factory should conduct tests on provided drinking water, as tests are legally required every 6 months.

2. Health and safety checklist will include checking the hygienic conditions of the drinking water station.

3. Internal audit should be conducted to verify the aforementioned points.

4. Employees should be given soap for washing hands and cups for drinking water.

Revised CAP, January 2012:

1. Revise policy and provide H&S resources, including a specialist.

2. Assess H&S risks in writing and conduct regular internal audits.

3. Consult internal and external stakeholders, including the workforce.

4. Make plans and issue procedures for improvement.

5. Budget and invest on safety equipment and trainings.

6. Send monthly reports to brands with key indicators and achievements.

7. Re-audit and improve continually.

Deadline Date: 05/01/2012

Supplier CAP:

1. Drinking water has been tested for lead. Report is available.
2. Drinking water station is being re-located away from the gents' toilet block. This will be achieved by April 15, 2011.
3. As a cultural habit, workers drink water with their hands.
4. The present location for drinking water near the gents' toilet block will be converted into a hand wash area for the toilets; soap and hand-drying facilities will be provided. This will be completed by April 15, 2011.

Person Responsible: Compliance Officer

Supplier CAP Date: 04/30/2011

Action Taken: May 2011: Potable water is still an issue, whether culturally driven or due to poor H&S management. 2 water test reports were obtained in 2011; in both cases, management, which does not create credible results, although they look acceptable on paper, provided samples. Workers need to be consulted whether they need cups or not. Hand washing and drinking area still vaguely defined and workers drink water at any occasion.

August 2011: Potable water fountain at rooftop operates fine, but designations are still ambiguous.

December 2011: Still no proper test and awareness on the quality of potable water among management/workers.

Plan Complete: No

Plan Complete Date:

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: Factory management has reported that they have not worked OT in the past 12 months. 55 workers have reported that on at least 10 days a month, workers are asked to work until 1am. On Saturdays, OT work takes place for the entire night. According to workers, this is a company practice and they have to work OT when asked to work by management; therefore, this is an indication of forced OT. Further, workers also reported that factory management is paying workers OT payments at normal wage rates, instead of double the rate. On the day of the audit, the factory reported that no OT work was taking place. While waiting outside to leave the premises, auditors saw a large group of workers (approximately 150 workers) return back to the factory for OT work, and upon seeing the auditors at the gate, they all returned back to their homes. Auditors were able to interact with a group of these returning workers.

Sources: visual observation, worker discussions

Plan Of Action: Management should consider the following to reach long-term solution to excessive OT:

1. A single, reliable and transparent hours of work recording system.
2. Analysis of workers' needs based on wages and other benefits/compensations.
3. Effective planning of work and unexpected requirements, in an attempt to foresee and/or control excessive OT.
4. A dialogue with workers to get their prior consent and/or explain the need to decrease OT work.
5. A system to track turnover, absenteeism and OT over a defined period, to re-analyze root causes and improve.
6. Continually communicate improvements, as well as problems, regarding excessive OT to AEO and other buyers.

Revised CAP, January 2012:

1. Revise policy and provide HR resources.
2. Measure/monitor HR management indicators (turnover; rehires; absenteeism; sickness; overtime hours and costs; male/female ratio; skilled vs unskilled; change of wage levels; ESI/PF coverage, etc.).

3. Meet workers' representatives on a monthly basis to discuss indicators.
4. Create action plans and HR instructions.
5. Allocate budget for production/HR incentives and invest more in trainings.
6. Send monthly reports to brands with indicators.
7. Revise action plans and improve continuously.

Deadline Date: 05/01/2012

Supplier CAP: Effective January 10, 2011, OT is being electronically recorded based on workers swiping their cards. Factory expects to control working hours to within 60 per week from June 2011 onwards, after the present backlog (caused by a high rate of absenteeism) is cleared. However, being migrants, workers choose to work in factories where they have an opportunity to work long hours and therefore enhance their earnings through OT.

Person Responsible: Compliance Officer

Supplier CAP Date: 06/30/2011

Action Taken: May 2011: Factory is transparent and therefore the visible system now reveals that the majority of workers work a total of between 75-100 hours a week; some workers work even longer hours, especially those in certain sections (QC checking, washing) and positions (re-work operators and helpers). Management agreed to monitor and control OT work up to 12 hours a week in low seasons and 20 hours a week in high seasons, as a starting benchmark, with no OT work at night and on Sundays, then making a gradual decrease. Besides, workers' awareness on wages/OT calculations should be enhanced as they have little idea; they mostly earn 7-9k INR with OT compensation.

August 2011: Low season, not high OT hours with proper payments.

December 2011: Based on records provided by management, the factory is working excessive hours again, i.e., 80-90 hours a week in September, October, and November, although none of these records showed any work on Sundays. Also, female workers work beyond the legally allowed hours and overtime premiums are still not compensated per legal requirements.

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)

Uncorroborated Evidence of Noncompliance

Explanation: According to management and time records, factory has not worked OT in the past 12 months. According to more than 50 interviewed workers, there is excessive OT work. This shows that either the time-recording system is not accurate or that the OT hours record is destroyed.

Sources: time record review, worker discussions

Plan Of Action: AEO needs a commitment that the practice of hidden records will be ceased immediately with a plan whereby accurate records for both wages and working hours will be provided for review going forward.

Deadline Date: 02/15/2011

Supplier CAP: Effective January 10, 2011, OT is being electronically recorded based on workers swiping their cards. All hours worked are being recorded.

Person Responsible: Compliance Officer

Supplier CAP Date: 02/15/2011



Action Taken: [May 2011](#): System is fully visible and management is transparent now.

[August 2011](#): Low season; therefore, the level of transparency for future transactions cannot be predicted.

[December 2011](#): Visible and transparent with high overtime and underpayment of premiums.

Plan Complete: Yes

Plan Complete Date: 12/02/2011
