



COMPANY: The s.Oliver Group
COUNTRY: Turkey
ASSESSMENT DATE: 12/11/12
MONITOR: FLA Assessor Team (Turkey)
PRODUCTS: Apparel
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 361
ASSESSMENT NUMBER: AA000000154

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

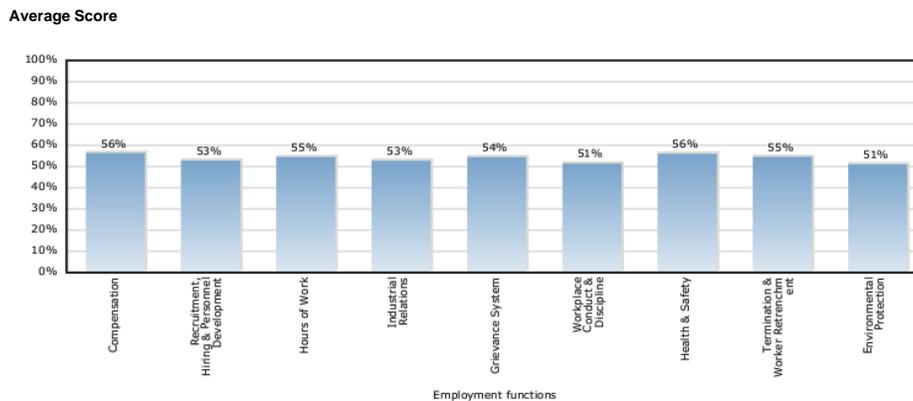
Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

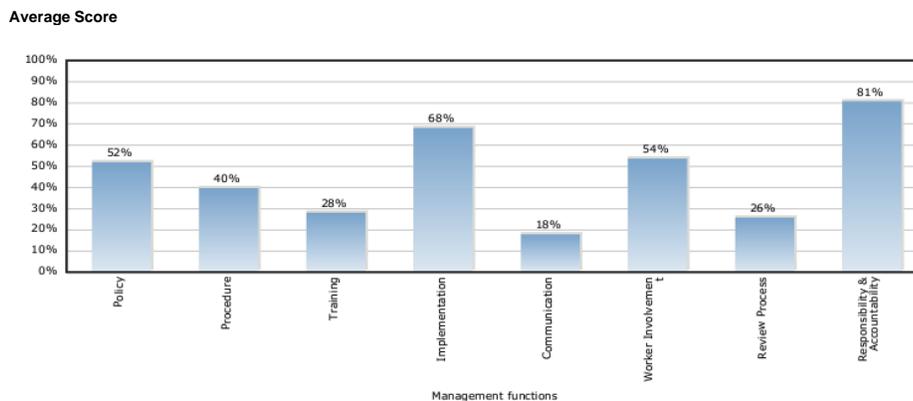
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	0%	0%	0%	0%	0%	33.33%	0%	83.33%	100%
Procedure	48.44%	25.98%	30%	0%	50%	41.67%	50%	50.5%	21.67%
Responsibility & Accountability	73.94%	83.4%	88.14%	62.5%	83.4%	83.4%	83.4%	91.67%	83.4%
Review Process	40%	45%	36.36%	40%	36.36%	40%	44.44%	40%	53.57%
Training	38.1%	41.18%	41.18%	44.44%	41.18%	41.18%	41.18%	48.09%	35%
Implementation	62.56%	79.73%	75.48%	56.67%	80.56%	54.17%	89.33%	63.83%	57.98%
Communication	0%	45%	25%	0%	0%	0%	0%	0%	0%
Worker Involvement	33.33%	N/A	N/A	100%	100%	N/A	N/A	45.83%	0%

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Compensation
Child Labor
Employment Relationship
Forced Labor
Freedom of Association and Collective Bargaining
Harassment and Abuse
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. There are 6 emergency exits on the production floor; however, not all of them are functional. One exit leads first to a technical workshop room, and then into an open space. Although the workshop is mostly kept locked for security reasons, the door is still marked with an exit sign. Additionally, some exit doors open inwards instead of outwards.
- ii. The aisles in the cutting and sewing units are narrow and obstructed at some points, thus preventing safe evacuation in case of emergency.
- iii. 1 empty fire extinguisher was observed in the kitchen; it was reported that this extinguisher was used during the fire safety training and subsequently neither replaced nor refilled.

Local Law or Code Requirement

Turkish Labor Law 4857, Article: 77; Health & Safety Law 6331 Articles: 4, 10, 11 and 12/a; Health & Safety Risk Assessment Regulation Articles: 5-6-7-8-9; Regulations on Protection of Buildings from Fire, Articles: 30, 31, 32, 33, 99 (Paragraph 6), and 100; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5.1 and HSE 6.1)

Root Causes

- i. The Risk Assessment is insufficient for the factory and there is no system to update it. The last assessment was conducted in November 2011 and it has not yet been renewed. The current risk analysis did not take into account that one of the exits passes through a workshop, which is usually locked for the prevention of unauthorized entry.
- ii. Although the Health & Safety Committee is active and meetings are held monthly, it was observed that workers are not actively involved in health and safety management, which includes topics like fire safety and safe evacuation.
- iii. Due to production planning, the sewing line has recently been extended to add new cutting tables. Fire evacuation requirements were not considered during the extension.
- iv. There is no one in charge of monitoring the empty fire extinguishers and coordinating their replacement/refill.
- v. There is no written policy and procedure on Health & Safety.
- vi. There is no system for regular internal monitoring and reporting.

Recommendations for Immediate Action

- i. At least 2 exits should be defined in every production area.
- ii. Where exit signs lead to areas that are not appropriate exits, the respective routes should not be used and the exit signs should be removed.
- iii. All exit doors should open outwards instead of inwards.
- iv. All escape pathways should be reorganized to avoid any obstruction.

COMPANY ACTION PLANS

1. *The risk assessment was updated on 06.08.2013 for the factory. *HSE training will be given to all employees.

Action plan status: Completed

Planned completion date: 05/01/14

Progress update: 07/02/14 : The risk assessment was updated for the factory on 06.08.2013 by the H&S Risk Assessment Committee, which includes the company owner, company doctor, H&S Specialist, HR Responsible, Production Coordinator, Administration Responsible, and 3 worker representatives. The updated risk assessment was communicated to all employees during H&S trainings (given on 07.06.2014) and worker representatives are responsible for giving the announcement to all employees. Some of the findings were corrected after the Risk Assessment, please see below. i) There were 2 exit doors, which were opening inwards; they are now opening outwards and the Exit marking that led to the technical workshop was removed. All exit doors are now proper, open, and not obstructed for safe evacuation. All exit doors and fire evacuation-related issues are being checked during affiliated companies audits/visits by a local team. One staff member from the internal technical team was assigned to check all exit doors daily. A fire drill and evacuation training was conducted by an external contracted team on 18.04.2014 with a total of 401 employees attending. The external contracted party also provided and checked the fire extinguishers. Fire exits, routes, and related issues were also included during a H&S training, which was done on 07.06.2014. ii) Sewing lines and cutting machines were relocated and exit routes were freshly marked on the floor in April 2014. Due to the structure of the building, all exit doors are the same (except for the technical room) and exit routes were still narrow and some of them were semi-blocked. Exit routes will be marked with pathway marking and the evacuation plan will be updated in June 2014. iii) Fire hoses are being inspected periodically once a month by 1 assigned staff member from the internal technical team. Checks are recorded with responsible person's name and signature, the check date, and an explanation. Fire extinguishers are being inspected by the external fire extinguisher provider company every 3 months and were last checked in May 2014. H&S training was given to all employees on 07.06.2014 by a contracted H&S expert through an authorized mutual H&S unit. Documents of the H&S training are available with the signatures of attendances and are valid 3 years according to local regulations.

Completion date: 06/27/14

FINDING NO.2

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. The factory has an orientation training form. According to the form, this training covers information on wages, hours of work, and workplace rules. Workers sign the form and confirm that they received information on the related subjects; however, worker interviews revealed that the majority of workers are unaware of the subjects mentioned in the form.
- ii. The factory has hired an H&S specialist this year and started to provide ongoing trainings on health and safety. Except for H&S, none of the FLA's Employment Functions (e.g., Hours of Work, Compensation, Workplace Conduct, etc.) are covered by ongoing trainings.
- iii. No ongoing training are provided to either middle management or the HR department.
- iv. The factory has a number of special categories of workers (apprentices, workers with disabilities, pregnant workers); however, no training has been provided to these workers on their special rights regarding working conditions; working hours; avoiding assignment to hazardous jobs, etc.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.2.2, ER.14, ER.15.1, ER.15.2, ER.16.1, ER.17, and ER.27.3)

Root Causes

- i. The factory has only very recently started implementing management systems. The need for an extensive orientation and ongoing training program had not arisen before.
- ii. The HR department is comprised of 3 staff members; the department's responsibilities vary from accounting activities to handling grievances. Due to the HR department's lack of a training division and responsible personnel, a training program has not been developed.
- iii. These issues have never been brought to factory management's attention before during previous audits.
- iv. There is no system in place to assess workers' training needs.

COMPANY ACTION PLANS

1. An extensive orientation program will be arisen and and training will be given.

Action plan status: In Progress

Planned completion date: 08/01/14

Progress update: 07/02/14 : ii) Since January 2014, staff member responsible for HR is giving induction orientation trainings to all new employees on their first working day Disciplinary and employment procedures, including disciplinary rules, working hours, overtime limitations, paid leaves, statutory holidays, and overtime payments and so on are being explained.

FINDING NO.3

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. The factory has procedures on recruitment and hiring; however, these procedures are not detailed and do not cover all of the steps related to hiring, such as: hiring decisions, selection criteria, type of information requested from

candidates during interviews, etc.

- ii. The factory does not have procedures for personnel development. Decisions related to promotions do not depend on objective criteria related to performance reviews; they are at the discretion of the management.
- iii. There is no review process in place regarding existing policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.3, ER.3, ER.29.1, ER.30.1, and ER.30.1.1)

Root Causes

- i. The factory has only very recently started implementing management systems. The need for a detailed hiring procedure had not arisen before.
- ii. Management lacks awareness of FLA Workplace Code and Benchmarks.
- iii. These issues have never been brought to factory management's attention before during previous audits.

COMPANY ACTION PLANS

1. Hiring and personnel development procedures will be detailed with objective criterias and training will be given. Performance system is being cretaed with the afford of an external consultant since the beginning of September 2013.

Action plan status: In Progress

Planned completion date: 05/01/15

Progress update: 07/02/14 : i/ii) Hiring and personnel development procedures will be detailed with objective criteria and training will be given. A performance system is being created; ithas been done with the help of an external consultant since the beginning of September 2013. Currently, an internal team of 3 employees are noting the performances in the working area. Performance is being checked line by line and no bonus has been given yet. Once the performance measurement system is finished and settled, a bonus will be planned to be given to employees.

05/14/14 : they are doing it

FINDING NO.4

POLICY & PROCEDURE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. Except for environmental protection, the factory does not have policies on any of the FLA's Employment Functions.
- ii. The factory does not have procedures on either industrial relations or termination and retrenchment. The existing procedures on wages, hours of work, workplace conduct, and the grievance system are not detailed and do not completely match the factory's practices.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1)

Root Causes

- i. The factory was not aware of the need for developing written policy and procedures.
- ii. There is no system to identify gaps between: 1) existing policy/procedures and factory practices and 2) legal requirements or FLA-affiliated brand's code.

COMPANY ACTION PLANS

1. *The policies for each employment function will be created in 6 months.
*The procedures for termination & retrenchment and industrial relations will be created.

*The existing procedures will be detailed in line with the factory's current practices

Action plan status: In Progress

Planned completion date: 05/01/15

Progress update: 05/14/14 : on the way

FINDING NO.5

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. The factory has 2 sets of payrolls. The legal deductions on the official set, such as social security premiums and taxations, are calculated based on minimum wage. The payment is made through bank transfer. Compensation for amounts over minimum wage and overtime are recorded in the unofficial set and paid in cash.
- ii. The factory compensates public holidays at a single rate, whereas the law requires a double rate.

Local Law or Code Requirement

Turkish Labor Law, 4857, Articles: 14 (Severance Pay), 37 (Pay Slip), 47 (Working on Public Holidays), 53 (Annual Leaves), and 56 (Implementation of Annual Leaves); Annual Paid Leave Regulations, Article 15; Overtime and Overtime Work Regulations, Article 10; Turkish Tax Procedural Law, 213, Article: 238 (Payroll); FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.13, C.14, C.16, and C.17; Hours of Work Benchmark HOW.11)

Root Causes

- i. For any registered worker in Turkey, social security contributions (borne by both employee and employer); income tax (borne by the employee); unemployment insurance contributions (borne by employee and employer); and the stamp tax increase labor costs by 33.5%. As such, for the second half of 2013, while the LMW (Legal Minimum Wage) is 803.68 TL/month (USD400), the effective cost to the employer is 1,190.05 TL/month (USD595) . Employers typically resort to double bookkeeping system to reduce labor costs.
- ii. Management is not aware that they should be paying workers a double rate for work on official holidays.
- iii. Management lacks awareness on both local laws and FLA Codes and Benchmarks.

Recommendations for Immediate Action

- i. The factory should pay workers for public holidays as required by law.

COMPANY ACTION PLANS

1. Management will have improvements related to 2 Sets of Payrolls.

Action plan status: In Progress

Planned completion date: 12/01/15

Progress update: 07/02/14 : i) Double book keeping is a common industry-wide practice in Turkey and a cost-related issue, making short-run remediation difficult. For the time being, the legal minimum wage and 30% of total overtime payment is being done via bank account, with the rest by cash. It is planned, that in 1 year's time, 70% of the total overtime payments will be done via bank account. The affiliated brand will work with management towards remediation. ii) Public holidays have been paid according to legal requirements since January 2013.

FINDING NO.6

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. During the assessment process, it was observed that overtime work is not voluntary due to the following:
 - a) Job application forms include a question that asks whether the employee is willing to stay for overtime when needed.
 - b) The employment contract has an article that obliges workers to stay for overtime.
- ii. The majority of workers are unaware of the fact that overtime is a voluntary process by both law and FLA Code; therefore, they assume that the related statement in the contract is binding and could result in their termination if they were to reject overtime work.

Local Law or Code Requirement

Turkish Labor Law: 4857, Article 41; FLA Workplace Code (Forced Labor Benchmark F.8; Hours of Work Benchmarks HOW.8.2 and HOW.8.5)

Root Causes

- i. Management lacks knowledge of local laws and FLA Workplace Code and Benchmarks;
- ii. The factory does not have a robust system for production planning; while making the yearly production plan, management calculates normal working hours at 60 hours per week, making overtime inevitable.
- iii. The factory does not provide training to workers on their legal rights.
 - i. These issues have never been brought to factory management's attention before during previous audits.
- iv. The existing hours of work procedure is not detailed and does not include overtime limits.

Recommendations for Immediate Action

- i. The factory should immediately inform workers that overtime work is voluntary.

COMPANY ACTION PLANS

1. *Job application forms and employment contracts will be updated. *Procedures related working hours will be defined and training will be given.

Action plan status: In Progress

Planned completion date: 05/01/15

Progress update: 07/02/14 : i) Job application forms were updated in May 2014. The overtime question was removed from the form. ii) It is an industry-wide common practice in Turkey to include an overtime clause in the employment contract. A short-run remediation will be difficult. iii) Procedures related to working hours are included in the disciplinary and employment procedures and are announced by posting on announcement boards. They also have formed part of the orientation trainings since January 2014.

FINDING NO.7

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. The factory's unionization process started in August 2012, with the initiative of a few workers. Management has made it clear that they were reluctant to allow any kind of union activity (including the dissemination of information promoting trade unionism) within the factory. This attitude was evidenced by management's following actions:
 - a) Management conducted a meeting with workers, in which workers were requested to divide into groups, according to their union membership. An ex-union representative from another union, MEMUR-SEN, was brought to this meeting to give a speech on the disadvantages of becoming a union member. Management then made a statement that all union members should quit their membership.

- b) The workers who were union members were subject to pressure by both management and their supervisors. During this period, there were instances of physical and verbal violence.
- c) Management offered a number of benefits, such as seniority bonuses, to dissuade workers from union activities/membership. These benefits are provided to all workers, regardless of their union membership.
- d) 2 workers' contracts were terminated without severance pay due to their union membership, even though other excuses, such as low performance, were offered. These workers have sued the company. Some court cases ended with the verdict that the employer violated certain articles of labor law and the Turkish Constitution; therefore, the workers earned either the right to be reinstated or to be compensated accordingly. There are a few ongoing court cases.
- e) Management invited a notary to the factory for a mass union membership cancellation, undertaking all notary costs.

Local Law or Code Requirement

Turkish Union Law, 6356, Articles: 17/1 and 25; Turkish Labor Law, 4857, Articles: 18/a and 18/b; Turkish Constitution, Article: 51; FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.2, FOA.4, FOA.5, FOA.9, and FOA.12)

Root Causes

- i. The factory lacks comprehensive policy and procedures on Freedom of Association.
- ii. These issues have never been brought to management's attention before during previous audits.

Recommendations for Immediate Action

i. Management should cease all anti-union practices and recognize and respect employees' right of freedom of association. The Freedom of Association and Collective Bargaining rights in: 1) FLA's and other customer codes and 2) the Turkish Constitution should be applied immediately.

COMPANY ACTION PLANS

1. *A clear policy about Freedom of Association has been communicated, agreed and posted with the support of s.Oliver. (COMPLETED) *Lawsuits are ongoing.

Action plan status:	In Progress
Planned completion date:	04/01/15
Progress update:	07/02/14 : A clear policy about Freedom of Association has been agreed upon and was announced on 01.08.2013 by posting on announcement boards with the support of the affiliated brand. Lawsuits are ongoing.

FINDING NO.8

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. The factory has written procedures on disciplinary actions in place; however, the responsible personnel/committee are not clearly defined. Supervisors make the decisions on disciplinary actions and middle management handles most issues. The Discipline Committee is rarely involved in this process. There is no evidence that disciplinary actions are based on objective criteria rather than supervisors' personal opinions.
- ii. The progressive disciplinary measures are clearly identified within the workplace conduct procedures; however, some of these actions go against local law and FLA Code, such as:
 - a) Monetary penalty and termination of contract in cases of smoking;
 - b) Monetary penalty for mobile phone use during working hours;
 - c) Monetary penalty and termination of contract upon absence without any notice;

- d) Warning and termination of contract in cases where workers get ill frequently;
- e) Warning and termination of contract in cases of low productivity;
- f) Termination of contract in cases where workers work slower than the other workers in their line.

iii. If workers need to use their phone during working hours in case of emergency, they have to do so next to their supervisor. This violates workers' privacy. If workers are seen talking on the phone without getting their supervisor's permission, their phones are confiscated and returned a week later; during such time, the respective SIM card remains with the worker.

iv. There is only 1 water dispenser within the facility; it is in the canteen upstairs. Workers are allowed to fill their bottles only during their breaks.

v. It was observed that, except for during break times, workers are not allowed to go to the toilets.

Local Law or Code Requirement

Turkish Labor Law, 4857, Articles: 19 (Termination Methods); FLA Workplace Code (Employment Relationship Benchmarks ER.17.2 and ER.27; Harassment and Abuse Benchmarks H/A.2 and H/A/7; Health and Safety Benchmark HSE.23)

Root Causes

- i. Management is not well aware of the local law and FLA Codes and Benchmarks, and tries to enforce discipline through self-determined and strict measures.
- ii. These issues have never been brought to management's attention before during previous audits.

Recommendations for Immediate Action

- i. Workers should be allowed access to water and toilets at all times.
- ii. Monetary penalties should be discontinued effective immediately.

COMPANY ACTION PLANS

- 1. Disciplinary committee will be established and disciplin procedure will be updated.

Action plan status:	In Progress
Planned completion date:	05/01/14
Progress update:	07/02/14 : i) A Disciplinary Committee was established on 01.01.2012, but it is not working properly. The staff member responsible for HR is responsible for the company's disciplinary actions. i) The personnel responsible for disciplinary actions was announced and a Disciplinary Committee was established. iv/v) Workers are allowed to access water with personal potable bottles and the toilets at all times. This was checked during visits conducted by the affiliated brands' sustainability local team.

FINDING NO.9

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. The factory does not have a system in place to communicate effective policies, procedures, and regulations to workers.

Local Law or Code Requirement

FLA Workplace (Employment Relationship Benchmarks ER.2.2, ER.15, ER.16, ER.25.1, and ER.25.2)

Root Causes

- i. Management was not aware of FLA Codes and Benchmarks.
- ii. There is a lack of awareness regarding the importance of communicating policies and procedures to workers.

iii. The existing policy and procedures were not created long ago and there was no related plan in place to communicate policies and procedures to workers.

COMPANY ACTION PLANS

1. The factory will create a system in place to communicate effective policies, procedures, and regulations to workers.

Action plan status: In Progress

Planned completion date: 02/28/14

Progress update: 07/02/14 : All relevant information for workers is posted on the announcement board. In addition to this, induction trainings are given to new workers, which outline factory rules.

05/14/14 : in progress

FINDING NO.10

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

- i. Based on worker interviews, their salary is not sufficient enough to cover all of their basic needs and provide a discretionary income. *(FLA Comment: The assessment methodology in use by the FLA at the time of this assessment did not involve collection of compensation data nor specific benchmarks against which to measure the adequacy of compensation received by the workers. Fair Compensation findings were based solely on worker interviews/perception and are therefore not actionable for remediation purposes. In 2015, the FLA launched its Fair Compensation Work Plan which requires the collection and benchmarking of compensation data.)*

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

- i. Currently, Turkey's apparel industry does not provide wages that allow for the fulfillment of their basic needs plus a discretionary income. One of the main reasons is the low profit margins caused by tense competition in regards to pricing.
- ii. The chronic high unemployment rate undermines workers' bargaining power for higher wages and benefits.
- iii. Due to shortcomings in the local law, a very limited number of factories have collective bargaining agreements.
- iv. According to Ministry of Labor statistics, only 20% of textile industry workers are provided social security benefits.
- v. According to calculations by several unions, the starvation line is 1,000 TL/month (USD500) and the poverty line is 3,000 TL/month (USD1,500) for a family of 4; for the second half of 2012, the minimum wage was 739,79 TL/month (USD370) net. More than 18% of the total population is living under the poverty line.
- vi. These issues have not been brought to factory management's attention during previous external audits
- vii. There factory has no wage structure that would enable workers to progressively earn a wage level that meets their basic needs.

COMPANY ACTION PLANS

1. 22

Action plan status: Planned

Planned completion date: 04/29/18

FINDING NO.11

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. The factory's job application form requires information such as, gender, military status, marital status, and place of birth, which might lead to discrimination.
- ii. Workers do not receive a copy of their employment contracts.
- iii. The factory has recently started providing certain benefits to workers, such as promotions based on seniority and bonuses for religious holidays. However, there is no mention of these benefits in the employment contract, nor are these benefits declared to the social security administration.

Local Law or Code Requirement

Turkish Labor Law, 4857, Articles: 5 (Discrimination) and 8 (Definition and Form of Labor Contract); Social Security Law, 5510, Article: 80, FLA Workplace Code (Employment Relationship Benchmark ER.3; Non-Discrimination Benchmarks ND.1, ND.2, and ND.4)

Root Causes

- i. Management was not aware that the information requested on job application forms could be grounds for discrimination;
- ii. The factory has only recently started providing the said benefits; therefore, management was not aware that contracts should be revised accordingly.
- iii. Due to the high tax costs to be borne by the employer, management did not declare any of the additional benefits to the social security administration.
- iv. Management lacks awareness on FLA Codes and Benchmarks.

COMPANY ACTION PLANS

1. 2

Action plan status: In Progress

Planned completion date: 04/29/18

Progress update: 07/02/14 : i) Questions related to gender and place of birth were removed from job application forms in May 2014. Questions related to military status and marital status are asked only for pre-information, not for discrimination. The company has workers which did not go into the military and also has employees that went into the military; also, the company has married, single, and divorced employees. ii) A copy of each employee's employment contract has been given to all employees since February 2014. iii) Additional payments are declared on announcement boards to all employees. Due to existing double bookkeeping, these payments are not included in official payments and also could not be included in working contracts. As this is a cost-related issue, it is difficult to implement in the short run.