



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** GFSI, VF, Nordstrom  
**COUNTRY:** Honduras  
**FACTORY CODE:** 030329761G  
**MONITOR:** ALGI  
**AUDIT DATE:** July 31 – August 2, 2008  
**PRODUCTS:** T-Shirts, Sweatshirts  
**PROCESSES:** Sewing, Embroidery, Screen  
Printing  
**NUMBER OF WORKERS:** 1490



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____	3
Wages, Benefits and Overtime Compensation: Payment for All Hours Worked _____	5
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation _____	7
Code Awareness: _____	8
Code Awareness: _____	9
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance _____	11
Hours of Work: Time Recording System _____	12



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

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

**Noncompliance**

**Explanation:** Vacation is provided collectively during the month of December (last vacation period was granted from December 17 to January 3, accumulating a total of 14 vacation days). Employees with over 4 years of service are entitled to an additional day; these additional days were worked. Vacation is worked by employees who exceed 4 years of service; this is in order to cooperate with company needs and to generate additional income for the employees in question.

Article 348 mandates a non-working period during vacation.

**Plan Of Action:** Factory management has been requested to provide workers with more than 4 years of service additional vacation days as indicated in the local labor laws. The practice of not providing those days should be terminated and workers should be allowed to take vacation days within the established period, in observance of local labor laws.

**Deadline Date:** 01/12/2009

**Supplier CAP:** Factory acknowledges the vacation days of all workers. Workers are able to take vacation days during the year as needed and also during the factory's closing during Christmas and Holy Week. If an employee has more than 4 years of service, they are allowed to either take their vacation during times of low level production or choose to be compensated for those days by opting to work instead.

**Supplier CAP Date:** 01/12/2009



**Action Taken:** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken. During the 2009 calendar year, all indirect employees (those not involved in production) took all of their entitled vacation days; however, this was not 100% accomplished with operators due to production scheduling. For the 2010 calendar year, the indirect employees' vacation schedule was reviewed, and verified that they will be granted full vacation time. Such actions have been more difficult for operators due to production, and management is determining a system for allowing vacation with fluctuating demand from customers. Operators will be allowed to take as much vacation as allowed during slow times, and will be paid for days not taken at the end of the year.

July 14, 2010: GFSI staff verified that the vacation calendar is scheduled until December 2010. Personnel are taking vacation as per the schedule; consequently, vacations are complete now instead of partial.

**Plan Complete:** Yes

**Plan Complete Date:** 01/21/2010

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## **Wages, Benefits and Overtime Compensation: Payment for All Hours Worked**

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

### **Noncompliance**

**Explanation:** 1. Mechanics work for two hours on their day off and prior to the beginning of their shift to ensure the machines are operable. These times are not computed as time worked or calculated in the payroll.

2. Unit 700 (production floor) arrives 10 to 15 minutes prior to the beginning of their shift in order to reach production levels that generate bonuses. This time is not calculated in the payroll.

3. Three employees were observed working during the last 10 minutes of the lunch period. This time is not recorded in any system and it is not calculated in payroll. The factory does not ask workers to do this, they do it voluntarily to catch up or reach production goals. Mechanics customarily perform these kinds of activities with no complaints, due to their higher salary when compared to the rest of the workforce.

Production Employees: They perform voluntary work during their breaks and prior to their shift in order to achieve production levels that guarantee additional income.

Article 326 mandates a rest period, a minimum of 30 minutes, between shifts.

**Plan Of Action:** The factory management has been requested to record and pay all working hours in accordance with the local labor law. The factory has been requested to ensure a policy is in place enforcing that employees are to be paid for all hours worked.

January 26, 2010: Will continue to work with the factory on a long-term solution (training or restricting power to certain lines) to ensure that employees are not working during breaks.

**Deadline Date:** 01/19/2009

**Supplier CAP:** The factory determined this was happening due to the factory workers' rotation schedule and the scheduling of the mechanics. The rotation of all workers and mechanics has been reassessed and this has corrected the problem. Workers and mechanics are now only working 4 days per week. The factory has a policy not to work anytime before or after the scheduled work shift to ensure employees are paid for all hours worked.

**Supplier CAP** 01/19/2009

**Date:**

**Action** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken.

**Taken:**

1. It was observed that mechanics are no longer working the 4x4 shift and not working on their day off or prior to the beginning of their shift.

2. It was determined that Unit 700 was working 15 minutes prior to their shift due to shift rotation and a style that needed more work to achieve better targets/bonuses. It was verified that employees are now coming to work on time because there is no longer a rotation of shifts.

3. It was verified that the policy of not working at any time before or after any shift was in place; however, 10 workers were observed continuing to work during the first 10 minutes of their lunch. During worker interviews, they indicated that the facility does not ask them to work; however, they would rather work during this time as the canteen has a line for food and they can go later when there are fewer people in line. The Facility General Manager is working on a long-term plan to turn off power to the lines by section.

July 14, 2010: GFSI staff verified that the factory no longer works 4x4 shifts; consequently, the factory may request voluntary overtime on Friday or Saturday when needed. The factory does not work late at night, and if work is completed on a Saturday, workers are also provided free lunch. If workers try to stay at the factory during lunch, the factory requests them to leave the factory during that period. This was verified by GFSI staff.

**Plan** No

**Complete:**

**Plan**

**Complete**

**Date:**

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### **Wages, Benefits 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)

#### **Noncompliance**

**Explanation:** On at least one occasion, (May 1, 2008 - Labor Day) the facility was engaged in an inventory task and approximately 40 employees worked on that day. Approximately 20 were hourly employees, and their compensation consisted in double payment over the regular wage; this is contrary to labor regulations which mandate averaging the regular and overtime wages earned. The calculation of holiday overtime pay has always been done in the same way; the facility was not aware of the proper calculation as required by law.

Article 339 (Holidays): Holidays must be compensated by computing the average of regular wages plus overtime wages earned during the immediate preceding week. Article 340 states that if a holiday is worked, the payment must be at 200% over the regular rate and workers must receive an additional day off.

**Plan Of Action:** The factory has been requested to implement Labor Law Article 339 regarding payment for holiday work, and for this to be included in the factory's payroll system.

**Deadline Date:** 01/12/2009

**Supplier CAP:** The factory has corrected the issue in the payroll system. In order to ensure this issue does not happen again, they now have an auditor from the government office auditing their payroll.

**Supplier CAP Date:** 01/12/2009

**Action Taken:** On January 21, 2010: GFSI and VF auditors visited the factory to verify actions taken. Payroll was reviewed, and it was noted that worked holiday pay is being paid according to law. The memo instructing personnel to adjust the correct holiday payments in the system was also reviewed.

July 14, 2010: GFSI staff verified that the payroll calculation system is still corrected.

**Plan Complete:** Yes

**Plan** 05/31/2009

**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:** Participating Company (PC) has communicated the code of obligations to management; however, the factory has not communicated this to the workforce. Workers are not informed of the code at the time of induction.

**Plan Of Action:** Our expectation is for the factory to discuss a general code with their workers, either one compiled by combining various brands' codes of conduct or one used from the strictest code of all brands in their facility. We encourage the factory to develop their own internal regulations and then communicate them to workers.

**Deadline** 01/12/2009

**Date:**

**Supplier CAP:** The code of conduct is now part of new employee orientation. The factory discusses each company code of conduct, as well as Worldwide Responsible Accredited Production (WRAP) principles and FLA Benchmarks.

**Supplier CAP** 01/12/2009

**Date:**





**Action Taken:** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken. WRAP and FLA principles were communicated to current employees, and also to new employees during induction. The factory is keeping a code awareness form, signed by employees, in each employee file. Every year they are refreshing the WRAP and FLA principles with all employees; the most recent training was in November 2009.

July 14, 2010: GFSI staff verified that the factory has created a new area for new employee induction on codes of conduct. Once a year, the factory reinforces WRAP principles and explains the codes of each customer.

**Plan Complete:** Yes

**Plan Complete Date:** 01/21/2010

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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:** There is no secure communications channel enabling employees to report to the PC about noncompliances in the workplace.

**Plan Of Action:** We encourage the factory to develop their own internal grievance systems. This factory is involved in 3.0 and will continue to improve their grievance systems through that process. Our code of conduct is posted in the factory and it includes a local phone number and e-mail address where workers can contact GFSI directly.

**Deadline Date:** 01/12/2009



**Supplier CAP:** The factory has established an e-mail address and hotline that only the HR Manager and President have access to, where employees can voice concerns. Any concerns are addressed by management within 24 hours, and every 2 years an internal opinion survey is administered to employees. If the indicator results fall below 70%, the survey is then conducted every 6 months; the last survey was conducted in 2008. Concerns received are published to all employees by a roundtable system so they can also gain advice if they have the same concern. GFSI's Code of Conduct has a local contact number and e-mail address for workers to contact the company directly.

**Supplier CAP Date:** 01/12/2009

**Action Taken:** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken. It was observed that an open door policy is well covered in the facility. The suggestion box record was inspected and improvements published; alternatively, people can have a face-to-face interaction with supervisors to discuss matters if they do not want to use the suggestion box. There is also an e-mail address and cards given to employees if they need to express their concerns via e-mail. Two Thursdays a month management has roundtables, with supervisors and employees picked randomly from different lines, in an attempt to cover all workers during the year. They also have a survey system which will be activated more often this year. VF auditors provide employees business cards during interviews or facility tours, explaining that they can call or e-mail us if there is something unusual at the facilities. Moreover, they are told suggestions/complaints will be handled in a confidential manner. It was observed that the GFSI poster was posted in an employee traffic area with a good view of the facility; the poster includes the local contact number and e-mail address for employee use.

July 14, 2010: GFSI staff verified that the GFSI code poster with local contact information is posted in an area accessible to workers. It was also verified that the factory has 11 suggestion boxes and that there are e-mail addresses available for employees to contact the factory with any issues.

**Plan Complete:** Yes

**Plan Complete Date:** 01/21/2010

## Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

### Noncompliance

**Explanation:** Ventilation was poor during the visit, and the factory was excessively hot during the summer. The monitor measured the temperature of the work area. Management acknowledged the need to improve the air quality and has purchased a new air conditioning system to be installed in the coming months. The current system fails to ventilate the entire facility properly. The evaluation performed prior to the purchase was faulty.

**Plan Of Action:** The factory management has been requested to conduct specific actions to measure and/or reduce heat in the factory. The factory should regularly measure heat and reduce heat in cases where it exceeds industrial limits.

**Deadline Date:** 01/12/2009

**Supplier CAP:** The factory has serviced their existing air conditioning units; air quality and temperature will continue to be monitored upon follow-up visits. The factory will have an outside party assess the temperature throughout the day. Facility conducts and records temperature in several areas of the production floor at least three times a day. New equipment is to be installed in June 2009, August 2009 and September 2009.

**Supplier CAP Date:** 01/12/2009

**Action Taken:** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken. During the factory tour, the ventilation was determined to be satisfactory. In July, August and September 2009, 6 air carriers were brought from a closed facility and installed to help with ventilation. The factory still has a plan to improve more, specifically in the cutting warehouse, which will be sealed with special curtains and ventilation activated to provide better temperature.

July 14, 2010: GFSI staff verified that the factory's social compliance department monitors the factory's temperature twice a week in different areas, ensuring the temperature is comfortable for workers. New air conditioning stations are now working.

**Plan Complete:** Yes

**Plan** 09/30/2009

**Complete**

**Date:**

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### **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:** 1. Mechanics (4x4) come on the fifth day (their first day off) for two hours to personally inform the incoming mechanics (from the other shift) on the status of the machinery. These two hours are not accounted as time worked and are not tracked for computation purposes.

2. Whenever a machine breaks down, employees notify the mechanics, and they arrive half an hour prior to the beginning of the next shift in order to have the production line operable at 100%. These hours are not tracked or accounted for computation.

3. Unit 700 (production floor) arrive 10 to 15 minutes prior to the beginning of their shift in order to reach production levels that generate bonuses. These hours are not tracked or accounted for the computation of wages.

4. As per management, mechanics are paid a higher salary and this has been a customary process in the Free Trade Zone (FTZ).

5, 6. As per management, this is done on a voluntary basis; it is company policy not to work anytime before or after the scheduled work shift without permission from the facility.

**Plan Of Action:** The factory's management has been requested to record and pay all work hours in accordance with the local labor law. The factory has been requested to ensure a policy is in place enforcing workers are paid for all hours worked.

**Deadline** 01/19/2009

**Date:**



**Supplier CAP:** The factory determined this was happening due to the factory workers' rotation and the scheduling of the mechanics. The rotation of all workers and mechanics has been reassessed and this has corrected the problem. Workers and mechanics are now only working 4 days per week. Factory has a policy not to work anytime before or after the scheduled work shift to ensure workers are paid for all hours worked.

**Supplier CAP Date:** 01/19/2009

**Action Taken:** On January 21, 2010, GFSI and VF auditors visited the factory to verify actions taken.

1. It was observed that the mechanics are no longer working the 4x4 shift, on their day off or prior to the beginning of their shift.
2. It was verified that if a machine breaks down mechanics will fix it during their shift. The second shift was been eliminated.
3. It was determined that Unit 700 was working 15 minutes prior to their shift due to shift rotation and a style that needed more work to achieve better targets/bonuses. It was verified that employees are now coming to work on time because there is no longer a rotation of shifts.

July 14, 2010: GFSI staff verified that the above actions have continued.

**Plan Complete:** Yes

**Plan Complete Date:** 01/21/2010

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