

SUMMARY REPORT

Third Party Complaint; Triangle Apparels, Unit VI (India)

May 16, 2018



FAIR LABOR
ASSOCIATION™

On July 25, 2017, the Fair Labor Association (FLA) accepted for review a Third Party Complaint filed by the Garment Labour Union in Karnataka, India (hereinafter “the Complainant”) with regard to the factory Triangle Apparels, Unit VI (hereinafter “Triangle Apparels” or “the factory” or “Factory”), 4th Main Road, Raja Industrial Estate, Yeshwanthpur, Bengaluru, Karnataka, India.

FLA-affiliated companies adidas Group and Puma were sourcing from the factory at the time of the Complaint.

The allegations in the Complaint included: (1) lengthy procedures to pay workers the proper settlement (e.g., Provident Fund, bonus, leave balance) when they leave the factory; (2) pressure on workers to meet high production targets that results in uncompensated work and restricts them from taking breaks to drink water and use the restroom; (3) abusive language and mistreatment of workers by managers when production targets are not met; (4) failure on the part of management to make accommodations for female workers who requested changes from strenuous jobs; (5) poor care of children at the factory’s crèche; (6) lack of consultation with workers regarding an anticipated change in working hours that would extend the workday and make it more difficult for workers to access transportation in order to reach their homes; (7) threats by management against workers who express an interest in joining the union; and (8) lack of management openness to engage in discussions with the union over workplace issues.

Based on an initial review indicating that the issues raised in these allegations would appear to be in conflict with a range of FLA Workplace Code of Conduct provisions and Compliance Benchmarks regarding Compensation, Freedom of Association, Discrimination, Harassment or Abuse, and Hours of Work, among others, the FLA accepted the Complaint at Step 2 of the Third Party Complaint process.

Under Step 2, the FLA-affiliated companies sourcing from the factory have up to 45 days to conduct an assessment of the allegations and provide a report to the FLA with suggested remediation, if appropriate. Alternatively, the affiliated companies may waive the assessment and agree to move the case to Step 3, where the FLA identifies a third party monitor to conduct the assessment. The FLA-affiliated companies adidas Group and Puma chose to conduct their own investigation.

Independent of and prior to receipt of this Third Party Complaint, the FLA in November 2016 had conducted a Sustainable Compliance Initiative (SCI) Assessment at Triangle Apparels;¹ this provides the most in-depth tool that the FLA has at its disposal for factory-level due diligence consistent with the FLA Workplace Code of Conduct and Compliance Benchmarks.

The FLA carefully compared the allegations in the Third Party Complaint with the SCI findings in order to validate

¹ <http://portal.fairlabor.org/fla/go.asp?u=/pub/zTr5&tm=5&Rid=1975&Fdn=133&Fna=AA0000002271%5F2016%2Epdf>

the allegations. The comparison is set forth in an Annex to this report. Several of the issues raised in the Third Party Complaint already had been identified as findings in the SCI assessment; remediation thus had commenced with respect to those issues.

ASSESSMENT BY FLA-AFFILIATED COMPANIES

Shortly after the FLA accepted the Third Party Complaint, adidas Social and Environmental Affairs (SEA) and Puma Sustainability staff jointly conducted an assessment of the allegations raised.

Specifically, staff of the two companies reviewed available information and records regarding the factory's payroll, working hours, and its human resources (HR) policies and procedures; conducted a factory walk-through; and conducted on-site interviews with 45 workers, including from the cutting section, sewing section, finishing section, and security department, five working mothers who regularly used the factory's daycare facility, as well as the factory's HR manager, welfare officer, daycare workers, nurse, and other factory management representatives. As reflected below, they found some instances in which the appropriate procedures had not been followed, while in other cases they did not find evidence to corroborate the allegations contained in the Third Party Complaint.

REMEDIATION PLAN AND STATUS OF CORRECTIVE ACTIONS

Based on the assessment conducted by the two companies, Triangle Apparels management developed a remediation plan to address identified findings of noncompliance. adidas and Puma

supported factory management in the development of this remediation plan.

The corrective action plan and status of corrective actions are as follows:

1. Failure to pay workers the proper settlement (e.g., Provident Fund, bonus, leave balance) when they leave the factory.

Corrective Action Plan: Factory management will engage with Life Insurance Corporation (LIC) of India (the appropriate government agency) to make gratuity payments to workers who have resigned.

Status of Corrective Actions: The factory has adopted a policy of paying workers a gratuity via checks issued promptly when they leave the factory, and has provided copies of checks issued to workers and a signature sheet verifying that payments have been made. Going forward, it will follow up with LIC to ensure that gratuity payments are made in full and on time.

The factory has committed to make full and final settlements on the 25th day of each month, and to post notification of this information near the factory's front gate. If any former employee is unable to collect the payment on that date, it will be available on the 25th day of the following month. This information will also be included in written materials provided to workers as part of the factory's induction program.

Complainant has confirmed that the factory has taken steps, per the above, to address its concerns as a result of the Third Party Complaint procedure. However, it remains concerned about the lack of written communication through letters to individual workers – including some who left the factory without

receiving such information in writing – regarding their eligibility for the above-referenced settlements.

It will therefore be important that the Complainant as well as adidas Group and Puma are able to carefully monitor that the payments made on the 25th day of each month do in fact cover the range of eligible workers, and that the process is made as efficient as possible for the workers – particularly in light of worries about burdensome document production requirements.

2. *Abusive language and mistreatment of workers by managers when targets are not met.*

Corrective Action Plan: Factory management will organize a behavioral training session beginning in September 2017, for all supervisors and production staff as part of a continuous improvement process. Training will include topics such as harassment or abuse policy and disciplinary practices.

Status of Corrective Actions: On November 11, 2017, the factory conducted awareness training for all supervisory and managerial staff with respect to proper communication with workers; 50 supervisors and floor in-charge personnel attended the training session. The training covered issues of appropriate forms of communication with workers, prohibition on use of foul and abusive language, proper forms of discipline in the workplace, and policies and procedures in the event of inappropriate management communication with workers.

In addition to this training, in October 2017 management required all supervisors and floor in-charge personnel to sign a document setting out professional

standards for communication with workers and warning recipients of potential disciplinary action should those standards not be followed.

On December 28, 2017, the factory conducted an additional training for all supervisors and floor in-charge personnel focused on the disciplinary program. The training was conducted by the Bhoruka Charitable Trust, a local non-government organization, and covered the following topics:

1. Means of communicating with individual workers consistent with principles of dignity and other worker rights;
2. General business and human rights principles;
3. Means of improving interpersonal skills;
4. Production planning and capacity; and
5. Proper approaches to disciplinary action where this is warranted by the behavior of an individual worker.

The factory has provided copies of the training program and photos from the December 28 session.

Complainant has acknowledged the trainings and follow-up actions by the factory at regular intervals, though in its view there still is room for improvement in the quality and content of the trainings. It has noted further that future trainings should extend to a wider range of management officials in addition to supervisors and floor in-charges, including the factory general manager, complaints officer, and quality manager.

Complainant also urges the factory to conduct training “refreshers” periodically, perhaps once every three months, and

recommends that the issues to be covered in the training modules maximize the benefits for both management and workers concerning appropriate management-worker relations, the right to be free from harassment, and so forth. It adds that certain officials who are responsible for the factory's internal complaints mechanism should be trained separately from production officers who may not be supportive of a more robust complaints procedure or grievance mechanism.

Complainant further believes that there may be opportunities to engage with other non-governmental organizations with greater expertise and credibility than the above-referenced entity with respect to the issues covered by the trainings. It also would welcome having a role in helping guide and build support for future training sessions.

3. *Lack of consultation with workers regarding an anticipated change in working hours that would extend the workday and make it difficult for women workers to access transport to be able to reach their homes.*

Corrective Action Plan: Factory management will further engage with workers, beginning in September 2017, to understand remaining concerns with respect to the change of working hours and, accordingly, to determine possible areas for improvement.

Status of Corrective Actions: Effective September 26, 2017, the factory changed working hours back to those previously in effect (eight hours per day, six days per week, with one day off per week (Sunday)), as required under The Indian Factories Act of 1948. Complainant has confirmed that this change was made after the initiation of the Third Party Complaint procedure.

The factory also has committed to consult with workers and their representatives prior to acting in future instances when changes in working hours might be contemplated.

4. *Threats by management against workers who express an interest in joining the union.*

Corrective Action Plan: Factory management will conduct, beginning in October 2017, refresher trainings on freedom of association for all workers.

Status of Corrective Actions: The factory conducted trainings on this critical set of issues in October and November 2017. At the November 6, 2017 training program for supervisors and floor in-charge personnel, the trainers focused on issues that included freedom of association and freedom from the threat of retaliatory actions, as well as from the threat of harassment and abuse. The factory provided documentation of this training and a list of attendees.

Factory management has committed to training as an ongoing process, and to that end arranged for a further training session on February 26, 2018 that was administered by the Janani Trust, a non-governmental organization. This session was attended by management personnel from Triangle Apparels Unit VI and other facilities. Topics of this training program included methods of communication, worker rights focused in particular on female employees, the right to be free from harassment and abuse, and internal complaint mechanisms. More trainings are planned in 2018 on these and related topics.

Complainant acknowledged the response of the factory to the important set of freedom of association issues, while at the same time noting that much more remains to be

done to safeguard respect for freedom of association and the right of workers to join a trade union. It notes further that trainings need to be focused on sensitizing “middle management” officials, who need to better understand the importance of not targeting or otherwise harassing workers who express an interest in joining a union. Concerns remain about the general “mindset” of factory management with respect to union membership.

Complainant also has identified the need to engage additional non-governmental organizations with specialized expertise in this area in order for the trainings to have a more sustainable impact on freedom of association in the factory.

5. Management not open to engage in discussions with the union.

Corrective Action Plan: Factory to hold meetings with Complainant.

Status of Corrective Actions: The factory contacted Complainant and scheduled a first meeting, which was held on September 13, 2017. The two sides also established channels of communications to address issues that might arise in the future. At the September 13 meeting, the factory apprised Complainant of the elements of the corrective action plan that had been developed to address findings from the Third Party Complaint procedure.

An additional meeting was held with the General Secretary and other union leaders on January 9, 2018, at which factory management provided updates on actions taken to resolve the issues raised in the Complaint and on other occasions by union representatives.

Complainant notes the meetings held in September 2017 and January 2018, and

recommends that the meeting schedule be formalized and that the factory and union meet at least once per quarter, while also engaging with other interested parties, including suppliers, on an annual basis. It looks forward to using these regular meetings as a way to build more open and transparent means of communication between factory management and the union.

FLA CONCLUSION AND NEXT STEPS

The Corrective Action Plan developed by Triangle Apparels factory management, with the support and guidance of adidas Group and Puma, satisfactorily addresses the key issues raised in the Third Party Complaint. Complainant has acknowledged progress in several areas in the wake of the Third Party Complaint and the assessment of the allegations of non-compliance that it raised.

Based on the status of Corrective Actions taken, the FLA considers that this Third Party Complaint is closed. At the same time, the FLA recognizes that this is an ongoing process that will require additional time to ensure sustainable improvements are made. It also recognizes that Complainant has raised legitimate issues concerning the regularity and formalization of meetings, quality of training sessions, sharing of information with the union, and engagement with credible non-governmental organizations having expertise with respect to the relevant issues.

To that end, the FLA calls on adidas Group and Puma to build on their engagement with the factory to date and continue to monitor implementation of the Corrective Action Plan by Triangle Apparels management.

ANNEX

Third Party Complaint (TPC) Allegations and Findings in the SCI Assessment

1. For workers who leave their jobs, the settlements (Provident Fund, gratuity, bonus, leave balance, etc.) are pending for a long period of time. The workers are forced to make many trips to the factory, with security guards often denying access and asking them to return later.

SCI Finding 1.4 states that the factory does not have written procedures on termination. There is an informal system to manage terminations, but it does not include procedures to define methods for calculating final payouts and timelines in accordance with legal requirements.

Finding 6.5 provides that wages for days worked between the last pay period and the date of employment termination, as well as wages for unused leave, are paid on the 25th day of the month, irrespective of date of termination. Per legal requirement, wages due should be paid within two days of the last day of employment.

Finding 6.6 provides that the annual bonus, due as part of any termination payments, is paid in October, which is seven months after the end of financial year (April to March). This payment is made in two installments. Bonuses earned for work done in the previous financial year are paid the same October of the last year of employment. The bonus earned between March and the last day of employment is paid in October of the following financial year.

By law, all payments (except wages) should be made within 30 days from the last day of employment. For example, if a worker resigns in June 2016, the bonus earned for work done between April 2015 and March 2016 will be paid October 2016 and the bonus earned for work done from April 2016 to June 2016 will be paid October 2017.

Furthermore, the factory pays workers gratuity (a bonus paid to workers who complete five years at the factory) two months after the last day of employment.

The SCI assessment appears to support key parts of this TPC allegation.

2. Workers complain about the work environment in the factory and say that there is tremendous work pressure, based on the need to fulfill high production targets which restrict them from using the restroom or water breaks. If the targets are not met, then the supervisors often use abusive language. At times if a particular worker does not achieve the target then she is forced to work additional hours without being paid for overtime.

The SCI assessment does not have a finding on production targets per se.

However, **Finding 7** (Hours of Work) cites excessive hours of work and it is not clear that the additional hours are properly remunerated.

In addition, **Finding 1.3** indicates that the factory does not have any written procedures for hours of work.

Finding 8 indicates that only sewers are eligible for production incentives.

With respect to allegations that managers verbally mistreat workers when they do not meet production targets:

Finding 10.2 references a grievance filed by a worker against a supervisor who had a record of abusive behavior; the supervisor was reprimanded and eventually left the factory.

There is no confirmation about workers having to work additional time without pay (off the clock) to make up targets.

However, **Finding 7.4** speaks to overtime consent sheets not being signed in advance as required and to the start and end of overtime not being properly recorded.

The SCI assessment appears to corroborate the general focus of this TPC allegation.

3. Women with health issues who have requested the supervisor to give them another less strenuous job instead have been asked to leave their current job if unable to fulfill the work.

The SCI assessment does not make any findings with regard to failure to meet requests from female workers for special accommodations to protect them from strenuous jobs.

However, **Finding 14.7** notes that female workers from the housekeeping department were observed loading waste cartons onto a truck and they were doing so without the proper PPE (lifting belts) or training.

4. Workers who leave their children in the crèches allege that the conditions are terrible and include abusive treatment (language and even cases of children being struck). They also allege that there is no food or drinking water given to the children; everything has to be brought by the workers. The workers are not allowed breaks to see (and in some cases breastfeed) the children. The workers also complained that the caretakers often leave children unattended.

Finding 13.2. In October 2016, the factory conducted fitness examinations for the three attendants in the child care room (two hired in September 2014 and the third hired in December 2015). To protect children, fitness examinations of the child care attendants must be conducted prior to hiring.

In addition, **Finding 14.5** notes that the factory has not provided a play area near the crèche, as required by law.

The SCI assessment relates to the TPC allegation regarding crèche attendants' fitness; however, it does not cover how the crèche is operated, the food and drink given to children, or the ability of parents to visit their children.

5. Under a new policy the factory will increase the working hours from the existing eight hours to nine hours, with two Saturdays per month as holidays. Workers expressed concerns at the lack of any consultation concerning this change, which will create problems for many workers with respect to access to transportation back home. Despite the longer work day, the only break will remain a half hour for lunch.

The SCI assessment does not have findings regarding the factory's plan to change hours of work.

Finding 7.1 cites some workers already having long trips to the factory, sometimes causing their time at the factory coupled with transportation to exceed the legal maximum.

6. The workers are threatened if they become a part of the union. Women who speak at regular meetings at the front gate with union representatives have been monitored and regularly asked to reveal what the meetings were about.

The SCI assessment does not have any findings regarding violations of freedom of association standards.

7. There is no freedom of association and the management is not willing to talk to the union to sort out any of the issues raised.

The SCI assessment does not have any findings regarding violations of freedom of association standards.

However, **Finding 1.5** states that the factory has incomplete policies and procedures regarding industrial relations, which would include the right of freedom of association.

In addition, **Finding 9** states that worker representatives who have left the factory have not been replaced in the Works Committee.