



FAIR LABOR
ASSOCIATION_®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Lakeshirts, Inc.

COUNTRY: Pakistan

ASSESSMENT DATE: 10/18/19

ASSESSOR: Innovatus

PRODUCTS: Apparel

NUMBER OF WORKERS: 340

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	Number of Violations
Compensation	5
Hours of Work	1
Employment Relationship	28
Health, Safety, and Environment	28
Nondiscrimination	1
Freedom of Association	3

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have any written policies and procedures on Recruitment, Hiring, or Personnel Development. [ER.1, ER.28]
2. The factory has no procedure on performance appraisal or workplace promotion and demotion, or grievance mechanisms. Grievances are covered in harassment and abuse procedure, though it does not include how to submit a grievance on wages and payments. [ER.25, ER.29, ER.30]
3. The Procedure on Prohibition of Child Labor does not include steps to remediate the child labor, if found. [CL.1]
4. The factory's disciplinary policy and procedure lacks details, such as how to initiate the disciplinary process, an inquiry, or the provision to have equal representation of workers and management on the disciplinary committee, witnessed by third party, and the ability to appeal the disciplinary actions taken. [ER.27]
5. Local law references cited in the majority of the procedures, including Compensation, Hours of Work, Environmental Protection, Health and Safety, and Freedom of Association are not up-to-date. [ER.1]
6. The factory's Environmental Protection policy does not include a statement of the factory management's general support of energy and water efficiency; a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks; or protections against retaliation for workers who allege environmental violations. [ER.31]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Pending

Company Action Plan Update

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide thorough, specific training to relevant managers and supervisors on any Employment Functions. The factory only provides some training to workers on Health & Safety and provides them no ongoing training for any of the Employment Functions. [ER.1, ER.17, ER.27]
2. The Health & Safety training that is provided to workers is insufficient. Workers with maintenance responsibilities do not receive specific training on maintenance safety. Workers do not receive training on ergonomics, proper lifting techniques, or electrical safety. [HSE.14, HSE.17]
3. The factory has a number of committees, including a EHS Committee and a Joint Worker Council, but the factory does not provide training to Committee/Council members to help them execute their responsibilities. [ER.1]
4. The workers do not receive a copy of the workplace rules or the employee handbook during orientation. This information is posted at the entrance of the factory building only. There is no printed booklet. [ER.15, ER.25]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not have a defined review process or a designated review period for any of its policies or procedures. None of the policies or procedures have been reviewed since their creation. [ER.1]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. Members of the Work Council and Health & Safety Committee are not aware of their functions or responsibilities. They are not involved in decision-making processes within the factory. The EHS Committee is not involved in ongoing EHS efforts such as fire risk assessments, Health & Safety risk assessments, internal assessments, Personal Protective Equipment (PPE) selection, and policy and procedure development and review. [ER.1, ER.25]
2. The factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, or updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1, ER.25]
3. The FLA Code is not communicated to workers. [ER.16]
4. The factory has suggestion boxes and records of complaints received. However, actions taken on grievances are not documented or communicated. [ER.25]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has hired 35% of the workforce through contractors in production which is violation of local law. [ER.7]
2. The factory has included questions regarding marital status and religion in the job application form. [ND.2]
3. There are no written job descriptions for any positions in the factory. [ER.1] 4. The factory does not conduct performance reviews for workers. [ER.29]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

Recommendations for Immediate Action

1. Ensure all production workers are hired directly and not through contractors.
2. Remove questions regarding marital status and religion in the job application form.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. please show proof that "Marital Status" "Religion" along with "No. of Children" is completely removed from the form, not just "N/A" noted.

3. PENDING

Company Action Plan Update

1. Factory converted workforce contractor to company payroll.
2. Factory ejected marital and religion status from discrimination during hiring policy

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory has not implemented the recent minimum wage increase from 16200 PKR to 17500 PKR, which became effective July 1, 2019. [C.2]
2. The factory does not compensate contract workers directly. The factory pays the contractors who subsequently pays the workers. [ND.3]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

Recommendations for Immediate Action

1. Pay at least the current minimum wages @ PKR 17,500 to workers and also ensure arrears payments are made from the time of the wage increment announcement.
2. Pay and compensate all workers directly, including those hired through the contractor.

COMPANY ACTION PLANS

Action Plan no 1.

Description

please show proof that those employees got compensated since July 1, 2019. The attached document was only showing October 2019.

Company Action Plan Update

Factory management increased salary to minimum wage PKR.16,200 to PKR.17,500 and factory management described converted letter to the worker that payment will be given to worker by company.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Per factory records, worker representatives on the Work Council are elected via hand-raising instead of using a secret ballot, per legal guidelines. [FOA.1]

2. According to worker interviews, most workers were not aware of the Work Council elections or its members. [FOA.10]
3. The Joint Work Council composition does not follow local legal requirements. There are six members and all of them are worker representatives, which makes it non-functional. [FOA.1]
4. Factory management does not provide the Work Council office space or other facilities to properly exercise of its functions. [FOA.15]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

Two security guards, hired through a contracted security company, work in 12-hour shifts. [HOW.1]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

Recommendations for Immediate Action

Ensure that security guards are on shifts of not more than 9 hours (including rest) and any time worked beyond regular hours is paid as overtime.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory does not have a waste disposal contract for hazardous waste. [HSE.1]

The factory does not have a segregated area for hazardous waste. [HSE.9]

The factory has not renewed the approval from the Environmental Protection Agency for its environmental management plan. It expired in March 2019. [HSE.4]

Local Law or Code Requirement

Section 14, 17 The Sindh Environmental Protection Act, 2014, Rule 3 Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9)

Recommendations for Immediate Action

1. Engage and develop a waste disposal contract for hazardous waste disposal with a third party service provider.
2. Segregate the area for hazardous waste.
3. Obtain renewal of the environmental management plan from the Environmental Protection Agency.

COMPANY ACTION PLANS

Action Plan no 1.

Description

This will be completed once we see the follow through with the contract.-Pending.

Company Action Plan Update

Factory made agreement with Global Engagement Lab for Hazardous waste Disposal and Factory make segregated area for Hazardous Waste. Environmental Protection Agency will issue NOC by SEPA and this work is under process, NOC will be given to you as an evidence once received.

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory has no wage structure in place to pay workers based on skill levels. The law encourages employers to fix rates for workers based on their skill level and provides a minimum threshold for the unskilled level. The factory is applying the minimum wage threshold for unskilled workers to workers with higher skills, depriving skilled and semi-skilled workers of better wages and benefits. [C.1]

Local Law or Code Requirement

Section 4, Sindh Minimum Wages Act 2015; FLA Workplace Code (Compensation Benchmark C.1)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have a lockout-tag out program to lock out equipment when needed. [HSE.14]
2. The factory does not carry out ergonomic assessments to systematically reduce bodily strains. [HSE.17]
3. The factory carries out inspections of the cargo elevators yearly instead of bi-annually, which is legally required. [HSE.4]

Local Law or Code Requirement

Section.4 The Sindh Occupational Safety and Health Act, 2017; Section.38 The Sindh Factories Act, 2015; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.14 and HSE.17)

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has no proper fire hydrant system in place. There are seven hose reels in various places connected by a standard water line. [HSE.5]
2. The factory has serious fire hazards due to electrical installation. Single breakers are loaded with multiple connections, up to five or six connections. Bare wires were found plugged into various switchboards. Loose wirings and taping was also observed in several places. The electrical panels are filled with excessive stuffing. Three electrical panels were not vermin-proofed. Phase separators were also missing. [HSE.13]
3. Most factory floors are missing aisle markings, leading to inadequate aisle spacing at various places. [HSE.5]

4. Aisles were partially blocked in several production halls. Materials were stored in some evacuation routes. [HSE.5]
5. 50% of the fire alarm call points were more than 1.1 meters high. [HSE.5]
6. The factory has no flash alarms in the embroidery section. [HSE.5]
7. The factory has no fire-rated doors at emergency exits. [HSE.5]
8. The factory lacks properly trained personnel for fire safety. [HSE.6]
9. The factory has no rubber mats in front of 80% of the electrical panels. [HSE.13]
10. The factory does not have any eye wash facility near spot removing areas. [HSE.1]
11. The factory has no secondary containment for diesel storage. [HSE.9]
12. The factory has not provided PPE to electricians or workers in the spot removing and embroidery sections. [HSE.7]
13. The factory has not specified a time period to change water filters at drinking stations. [HSE.23]
14. The interlocking mechanism at the cargo elevator does not work and doors can be opened when the elevator cage is not present. Also, the elevator cage is not safe; the internal gate on the cage is missing and top of the cage is open. [HSE.14]
15. The factory has some rooms and sheds constructed next to the outer wall, near the main electrical panel, generator area, and a waste area. This construction is not approved in the building layout of the factory. [HSE.19]
16. There is a gravity chute conveyer used to transport packed cartons from the second and first floors. Accessing it is not safe; it is a fall hazard. [HSE.1]
17. The factory does not effectively prohibit smoking at the workplace. Cigarette butts were found on staircases. [HSE.1]

Local Law or Code Requirement

Section.4 The Sindh Occupational Safety and Health Act, 2017; Section. 29, 30, 38, and 41 The Sindh Factories Act, 2015; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, HSE.7, HSE.9, HSE.13, HSE.14 HSE.19, and HSE.23)

Recommendations for Immediate Action

Conduct a fire risk assessment and put in place an effective fire hydrant system.

2. Review the electric wiring completely and ensure that all fire hazards are removed.
3. Mark all aisles in production halls and keep evacuation routes free.
4. Keep all aisles free from any blockage.
5. Install fire alarm call points at heights within reach in case of emergency.
6. Install flash alarm in embroidery section.
7. Install fire-rated doors at emergency exits.
8. Train factory personnel on fire safety from technical third-party service providers.
9. Provide rubber mats in front of all the electrical panels.
10. Provide eye wash facility near spot removing areas.
11. Provide 110% secondary containment for diesel storage.
12. Provide PPE to electricians and workers in spot removing and embroidery sections.
13. Change water filters at drinking stations immediately and ensure they are checked and changed on regular basis.
14. Repair the interlocking mechanism at the cargo elevator. Provide internal gate on the elevator cage.
15. Obtain approval of all the complete premises from the local authorities.

16. Provide fencing at the chute conveyer so that it is not a fall hazard.

17. Prohibit smoking at the workplace; create awareness of smoking dangers and display signs especially in high risk sections.

COMPANY ACTION PLANS

Action Plan no 1.

Description

3. Work in process

4. Work in process

5. Work in process

6. Work in process

7. Work in process

10. Work in process

12. Work in process

14. Interlocking mechanism at cargo lift installed. *NEED EVIDENCE

15. Work in process

16. Work in process

17. Work in process

Company Action Plan Update

1. Factory Updated fire hydrant system as per local law.

2. Factory looked at serious fire hazardous of multiple connection and are taking fast action and converted into multiple breakers to single breakers.

8. Factory arranged proper training for fire safety.

9. Rubber mats placed under the all electrical panels.

11. Secondary containment arranged for diesel Storage.

13. Factory changed water filter and made admin aware that water filter change during 02 or 03 months.