

ESPRIT

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SOURCING COMPLIANCE

# Social Compliance Standards Manual

June 2015

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### INTRODUCTION

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June 2015

Esprit's fundamental principal when conducting its business is to operate in accordance with the highest ethical, social and ecological business standards. As a globally represented company, Esprit takes its responsibility very seriously to offer sustainably produced merchandise to customers. We strive to assure that Esprit products are made under conditions that treat workers fairly and with respect, and that take into account environmental laws, international trade regulations (including but not limited to anti-corruption regulations) and labor law, and health and safety regulation.

As our compliance program has developed, has realized that our suppliers sometimes need help understanding precisely Esprit's expectations regarding management systems and general factory conditions. Esprit has developed this Standards Manual in an effort to outline as clearly as possible all of Esprit's expectations regarding social compliance management in supplier factories. We expect that, rather than reading this Manual cover to cover, suppliers will use it as a reference to return to periodically as they develop their CAPs. We hope that suppliers will find it to be a useful complement to their own efforts to satisfy local law, international standards, and the code of conduct requirements of Esprit and their other customers.

The Esprit Standards Manual is an evolving work. We hope over time to make it ever more practical, easy to use, and effective in outlining ways to achieve, maintain and document compliance. We expect that our suppliers, as users of this Manual, will have much to say about how to make it better. I hope that you will e-mail comments or suggestions to me at [sustainability@esprit.com](mailto:sustainability@esprit.com)

## ESPRIT SUPPLIER CODE OF CONDUCT

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### **Preamble**

Esprit's fundamental principal when conducting its business is to operate in accordance with the highest ethical, social and ecological business standards. As a globally represented company, Esprit strives to assure that Esprit products are made under conditions that treat workers fairly and with respect, and that take into account environmental laws, international trade regulations (including but not limited to anti-corruption regulations) and labor law safety provisions.

It is Esprit's uncompromising expectation that each individual party involved in the supply chain (hereinafter referred to as "Supplier") respect these key elements of Esprit's values and principles and abide by the rules of the Supplier Code of Conduct.

As further laid down in detail, Esprit may assess the compliance with this Code of Conduct by informal visits on our own or by third parties with or without notice or in order to conduct formal audits of Supplier's working conditions including but not limited to work hours, payroll, wages, safety conditions and trainings.

### **1.     ETHICS**

#### **1.1     Business Integrity / Anti-Corruption**

Esprit strictly prohibits any form of corruption, extortion and/or embezzlement. National and/or international anti-corruption provisions must not be violated. This does apply including but not limited to the U.S. Foreign Corrupt Practices Act (FCPA), any international anti-bribery conventions and local anti-bribery provisions. Supplier shall under no circumstances offer, accept or tolerate bribes (such as money, gifts or similar benefits) in order to obtain an improper business advantage. Supplier expressly understands that Esprit and its staff is for legal reasons not allowed to take or accept any bribes as described above from Supplier. Therefore, Supplier will refrain from offering any benefits and will not interpret Esprit's refusal of acceptance as an affront.

#### **1.2     Fair Competition / Anti-Trust**

Supplier shall conduct its business in line with international standards and regulations for fair competition and applicable anti-trust laws.



1.3      Intellectual Property and confidential business information

Intellectual rights including confidential information are to be respected and protected in accordance with contractual obligations and prevailing industry standards.

1.4      Anonymous Complaints

Supplier shall enable employees to make confidential complaints with respect to unlawful activities, non-compliance with this Code of Conduct and/or other concerns related to their workplace. Supplier shall evaluate such complaints in a confidential way and take corrective action, if necessary.

**2.      LEGAL COMPLIANCE**

2.1      Compliance with statutory national and international laws

Supplier shall comply with all applicable national laws and regulations, industry minimum standards, ILO and UN Conventions, OECD Conventions and any other relevant statutory requirements, whichever requirements are more stringent, even if they are not expressly referred to in this Code of Conduct.

2.2      Compliance with national and international trade and customs laws

Supplier shall comply with all applicable local and international trade control and customs laws under which Supplier is doing business. Esprit does not condone or permit any activities that are in violation of the Customs Laws, International Treaties or Foreign Laws, including, but not limited to, false declarations, counterfeit visas or illegal transshipment to evade trade restrictions and import quotas.

2.3      Compliance with REACH Requirements

Supplier furthermore explicitly undertakes to comply with the requirements under the laws and regulations of EU legislation on registration, evaluation, authorization and restriction of chemicals ("REACH"). Supplier explicitly warrants that Esprit shall not have to pay any fee, cost, fine or any other expense (including damage for negative reputation) on payment in connection with the registration and notification of chemicals either contained or delivered in connection with the delivered products. Supplier warrants that he will take all necessary

steps for the registration and/or notification of chemicals in connection with the delivered products under the REACH legislation in the EU.

### **3.     MANAGEMENT SYSTEMS**

Supplier shall define and implement management systems to assure that compliance with this Code of Conduct and applicable laws and regulations can be achieved and maintained over time.

Management systems shall contain the following elements:

#### **3.1     Legal and compliance aspects**

Supplier is responsible for the correct implementation of this Code of Conduct and for continuous improvement, including corrective measures where needed. Esprit will conduct periodic reviews to assess compliance. Supplier is expected to set up systems being able to identify, monitor, understand and implement applicable laws, regulations and customer requirements.

#### **3.2     Company Commitment and Communication**

Supplier shall issue a statement with respect to Supplier's social and environmental responsibility and communicate such statement including the requirements of this Code of Conduct to all workers and employees in the primary local language and/or the language(s) spoken by significant numbers of workers and shall address employees' concerns about non-compliance.

#### **3.3     Risk Assessment and Risk Management**

Supplier shall develop and install processes to identify, determine and manage risks in all areas of environmental, health and labor topics including ethical risks in connection with Supplier's operations.

#### **3.4     Management Accountability and Responsibility**

SUPPLIER shall appoint a senior management member responsible for assuring compliance with this Code of Conduct in order to confirm the Supplier's commitment with the rules.

#### **3.5     Trainings**



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Supplier shall establish appropriate training measures for managers and workers to facilitate implementing this Code of Conduct by allowing all employees an appropriate level of knowledge with respect of its terms and conditions.

### 3.6 Documentation

Supplier is expected to install a documentation system in which all documents showing the compliance with the values and principles of this Code of Conduct are laid down, taking confidentiality aspects into account to protect the privacy of each individual.

## 4. **CHILD LABOR**

Reference is made to ILO Conventions C138 (ILO Minimum Age Convention), C182 (Worst Forms of Child Labor Convention).

### 4.1 Prohibition of Child Labor

Child Labor is strictly prohibited. Supplier shall not employ children and shall establish robust age verification mechanisms as part of the recruitment process, which may not be in any way disrespectful or degrading to employees.

### 4.2 Minimum Age for Employment

The minimum age for employment or work shall be 16. If, however, the local age for completing compulsory education is lower or the local minimum age law is set at 14 or 15 years of age in accordance with developing country exceptions under ILO Age Convention 138, this lower age may apply.

### 4.3 Consequences of Child Labor

Supplier shall not recruit child labor nor exploit children in any way. If children are found to be working directly or indirectly for the Supplier, the latter shall seek a sensitive and satisfactory solution to terminate such child labor and support children to attend and remain in school until no longer a child, all in the best interests of the child.

### 4.4 Legitimate Workplace Apprenticeship

Notwithstanding the foregoing, this Code of Conduct does not prohibit legitimate workplace apprenticeship programs that are consistent with Article 6 and/or Article 7 of ILO Minimum Age Convention 138.

### 4.5 Working Conditions for employees under 18 years

Supplier shall not employ young workers less than 18 years of age at night, or in conditions which compromise their health, their safety or their moral integrity, and/or which harm their physical, mental, spiritual, moral or social development.

## **5. FORCED, BONDED, INDENTURED AND PRISON LABOR**

Reference is made to ILO Convention C29 (Forced Labor Convention) and C105 (Abolition of Forced Labor Convention).

### **5.1 Voluntary Work**

All work shall be conducted on a voluntary basis, and not under threat of any penalty or sanctions.

### **5.2 Prohibition of Compulsory Labor**

The use of forced or compulsory labor in all its forms, including but not limited to prison labor, slavery and human trafficking is prohibited. Esprit expects Supplier to certify that all materials and products incorporated into the final garments as well as all manufacturing performance/services being provided by Supplier in order to produce the garments comply with the international laws or local laws regarding the prohibition of slavery and human trafficking, whichever is stricter.

### **5.3 Prohibition of Deposits/Guarantees and Retention of Documents**

Supplier shall not require workers to make deposits/financial guarantees and shall not retain identity documents (such as passports, identity cards, etc.) nor withhold wages outside a legal contractual agreement.

### **5.4 Prohibition of Bonded Labor**

Bonded labor is prohibited. Supplier shall not use any form of bonded labor nor permit or encourage workers to incur debt through recruitment fees, fines, or other means. Supplier shall ensure that labor brokers providing workers to Supplier of POFs do not collect fees of any kind from the employees, but rather that all fees related to hiring are borne by the employer.

### **5.5 Prohibition of Indentured Labor**

Indentured labor is prohibited. Supplier shall respect the right of workers to terminate their employment after reasonable notice. Supplier shall respect the right of workers to leave the workplace after their shift.

## **6. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

Reference is made to ILO Convention C87 (Freedom of Association and Protection of the Right to Organize Convention) and C98 (Right to Organize and Collective Bargaining Convention)

### **6.1 Right to associate and to collective bargaining**

Workers have the right to join or form trade or labor unions, to associate and/or engage in collective bargaining to seek representation and to join workers councils - all without prior authorization from Supplier's management. Supplier shall not interfere with, obstruct or prevent such legitimate activities.

### **6.2 Prohibition of hindrance of alternative forms of independent workers representation**

Where the right to freedom of association and collective bargaining is restricted or prohibited under law, Supplier shall not hinder alternative forms of independent and free workers representation and negotiation, in accordance with International Labor Standards.

### **6.3 Prohibition of discrimination against of workers representatives**

Supplier shall not discriminate against or otherwise penalize worker representatives or trade union members because of their membership in or affiliation with a trade union, or their legitimate trade union activity, in accordance with International Labor Standards.

### **6.4 Access to representative functions**

Suppliers shall give worker representatives access to the workplace in order to carry out their representative functions, in accordance with International Labor Standards.

## **7. DISCRIMINATION, HARASSMENT AND ABUSE**

Reference is made to ILO Convention C100 (Equal Remuneration Convention) and C111 (Discrimination (Employment and Occupation) Convention)

### **7.1 Equal treatment of all employees**

Equal treatment of all employees and workers as well as equal opportunities including but not limited to terms of recruitment, compensation, access to training, promotion, rewards, termination or retirement is essential.

### **7.2 Prohibition of discrimination for whatever reason**

Supplier shall not engage in, support or tolerate discrimination in employment including hiring, access to training, working conditions, job assignments, pay, benefits, promotions, discipline, termination or retirement on the basis of race, color, gender, age, religion, marital status, caste, social background, disability, pregnancy, ethnic or national origin, nationality, membership in worker organizations including unions, political affiliation, sexual orientation, or any other personal characteristics.

### **7.3 Prohibition of medical/pregnancy tests unless intended to protect the employee**

Supplier shall treat all workers with respect and dignity. Supplier shall not require a pregnancy test or discriminate against pregnant employees, unless the measures undertaken are provided by law and are intended to secure the employee's health and safety. Medical tests for workers or potential workers may not be allowed unless required by applicable law or prudent for workplace safety.

### **7.4 Base of employment**

Supplier shall base all terms and conditions of employment on an individual's ability to do the job, and not on the basis of personal characteristics or beliefs such as described under 6.2.

### **7.5 Prohibition of bullying, harassment or abuse**

Supplier shall not engage in or tolerate bullying, harassment or abuse of any kind. Supplier shall ensure that workers are not subjected to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse.

7.6      Written, clear and understandable disciplinary procedures

Supplier shall establish written disciplinary procedures and shall explain them in clear and understandable terms to their workers. All disciplinary actions shall be recorded.

**8.      WAGES, BENEFITS AND TERMS OF EMPLOYMENT**

8.1      Compliance with Statutory Labor Laws

All work shall be performed on the basis of a recognized and documented employment relationship established in compliance with national legislation, custom or practice, and international standards, whichever provides greater protection.

8.2      Payment Conditions

Wages shall be calculated at a minimum according to applicable law. Wages shall be paid promptly, in full, in legal tender and on schedule according to local regulations.

8.3      Prohibition of Precarious Employment

Supplier shall ensure that their employment relationships do not cause insecurity or social or economic vulnerability for their workers.

8.4      Prohibition to circumvent statutory labor and social security provisions

Supplier must not use labor-only contracting, sub-contracting or home-working arrangements apprenticeship schemes or other deviation methods, if such measures are only taken in order to avoid a regular employment which would obligate SUPPLIER to comply with the applicable labor or social security laws.

8.5      Overtime payment, benefits and paid leave

Supplier shall compensate its workers by providing wages, overtime payments at a premium rate, benefits and paid leave which respectively meet or exceed legal minimum and/or industry benchmark standards and/or collective agreements, whichever is higher.

8.6      Discretionary income

Wages and compensation for regular working hours shall meet basic needs and provide some discretionary income for workers and their families.



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8.7      Written and understandable information about all employment conditions

Prior to commencement of employment, Supplier shall provide all workers with a written employment contract that includes conditions of employment and wages. Supplier shall also provide a detailed pay slip for each pay period that includes sufficient information for each worker to fully understand how his/her wages are calculated.

8.8      Prohibition of illegal deductions from salary

Supplier shall not make any deductions from wages which are unauthorized or not provided for by national law. SUPPLIER shall not make any deduction from wages as a disciplinary measure (this does not exclude the entitlement of damages on a contractual or legal basis).

8.9      Qualification and training opportunities

It is recommendable that SUPPLIER offers their employees and young employees in particular, qualification opportunities and advanced training on a regular basis.

## **9.      WORKING HOURS**

9.1      Working Hours

Supplier shall set working hours that comply with national laws or benchmark industry standards or relevant International standards, whichever affords greater protection to ensure the health, safety and welfare of workers.

9.2      Maximum Working Hours per week

Supplier shall respect that the standard allowable working hours in a week are 48 or less where local law provides, excluding overtime. Workers shall not on a regular basis be required to work in excess of 48 hours per week.

9.3      Overtime on voluntary basis and not regular basis.

Overtime shall be voluntary, and shall not be requested on a regular basis.

9.4      Breaks, Free Days and Holidays

Supplier shall respect all workers' right to breaks during work shifts and to at least one free day following six consecutive days worked, as well as public and annual holidays.

## **10. OCCUPATIONAL HEALTH AND SAFETY**

### **10.1 Safe and clean working conditions and facilities**

Supplier shall provide safe and clean conditions in all work and residential facilities and shall establish and follow a clear set of procedures regulating occupational health and safety. Vulnerable individuals, including but not limited to young workers, pregnant women and new mothers, and persons with disabilities, shall receive particular consideration. Supplier shall provide all workers with access to clean toilet facilities, split to gender, with adequate supplies including soap and water for washing and to drinkable water and, if applicable, sanitary facilities for food preparation and storage.

### **10.2 No Sandblasting**

Esprit has for some years implemented a global ban on sandblasting in all of our product lines. The ban includes, but is not limited to, the use of aluminum oxide, aluminum silicate, silicon carbide, copper slag and garnet for abrasive blasting. Even if Esprit will not place any order for sandblasted products, Esprit will not tolerate Supplier being in possession of aforesaid sandblasting facilities. Therefore, Supplier is required to completely eliminate such finishing processes from its operation.

### **10.3 Safety Committees**

Active cooperation between management and workers is essential to assuring a safe and healthy work environment. Each Supplier has to establish a health and safety committee comprised of equal numbers of management staff and line workers. The health and safety committee shall be committed to assuring a safe workplace, and shall meet regularly, keeping complete minutes of each meeting.

### **10.4 Emergency Plans**

Supplier shall be prepared with respect to emergency situations and he shall provide and implement emergency plans and response procedures including but not limited to emergency reporting, employee notification and evacuation procedures, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans.

### **10.5 Prevention of accidents, injuries and hazards**

SUPPLIER shall take adequate steps to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

10.6     Medical Assistance and Reporting Systems

Supplier shall provide access to adequate medical assistance and facilities and put systems into place that prevent and track occupational injury and illness. Such systems shall encourage worker reporting, classify and record injury and illness cases, investigate the causes for cases, implement corrective actions to eliminate them and facilitate affected employees 'return to work.

10.7     Assignment of Responsibility for Health and Safety

Supplier shall assign the responsibility for health and safety to a senior management representative.

10.8     Regular Health and Safety Trainings

Supplier shall provide regular and recorded health and safety training including but not limited to handling and disposal of chemicals and other dangerous materials to workers and management, and such training shall be repeated for all new or reassigned workers and management.

10.9     Safety of Buildings, Equipment and Facilities

Supplier shall ensure the strength, stability and safety of buildings and equipment, including residential facilities where provided.

10.10    Conditions of Residential Facilities for Workers

Supplier shall ensure that residential facilities for workers, where provided, are clean and safe, and that they meet all of the same standards required above. Dormitories shall be in a separate building from production or warehousing areas, and shall have a separate entrance. Employees should have free access to dormitories.

**11. ANIMAL TREATMENT AND ENVIRONMENT**

11.1     No animal cruelty

Animals shall be treated with dignity. Cruel treatment of animals is strictly prohibited. This applies to all unkind methods including but not limited to live-plucking of downs and mulesing. The use, possession, sale and/or processing of products being a result of animal cruelties is not tolerated.

11.2     Waste Management, Disposal of Chemicals

Supplier shall assure that procedures and standards for waste management, handling and disposal of chemicals and other dangerous materials, emissions and effluent treatment meet or exceed minimum legal requirements.

11.3     Environmental Permits and Registrations, Reporting Requirements

Supplier shall obtain, maintain and keep current all relevant environmental permits and registrations required under local regulation and follow their operational and reporting requirements.

11.4     Reduction of waste, air emissions, recycling and substitution materials

Supplier shall endeavor to reduce or eliminate solid waste, wastewater and air emissions, including energy-related indirect air-emissions, by implementing appropriate conservation measures in their production, maintenance and facilities processes, and by recycling, reusing or substituting materials.

11.5     Identification and Management of Hazardous Substances

Supplier shall identify and manage hazardous substances in order to ensure a safe handling, moving, storing, recycling or disposal.

11.6     Control and Treatment of Wastewater, Prevention of Contamination

Supplier shall monitor, control and treat wastewater generated from operations before discharge as required by applicable local law. SUPPLIER shall take appropriate precautions to prevent contamination of storm water runoff from its facilities.

11.7     Identification and Treatment of Air Emissions

Supplier shall identify and monitor, control and treat air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations as legally required prior to discharged.

**12. SELF-ASSESSMENTS, AUDITS, PLANT VISITS AND NON-COMPLIANCE**

12.1     Onboarding of POF / Announcement of Sub-Contractor and Material Supplier

Prior to undertaking any work for Esprit, all POF have to be approved by Esprit in writing and Sub-Contractors as well as Material Supplier as defined in the GCPD must be

disclosed to Esprit in advance. Esprit may in its sole discretion decide to refuse the appointment of individual POF, Sub-Contractor or Material Supplier.

## 12.2 Self-Assessment / Audits / Plant Visits

### a) *Self-Assessments*

Supplier shall establish periodic self-assessments to ensure the compliance with the Esprit Supplier Code of Conduct. In particular, VENDOR shall himself and at own cost – conduct regular plant visits and formal audits at POFs, Sub-Contractors and Material Supplier accompanied with a process for timely correction of deficiencies discovered.

### b) *Audits*

Additionally, formal audits may be executed by Esprit or appointed experts throughout the whole supply chain to assess in particular the compliance with (1) the Esprit Supplier Code of Conduct, (2) other Code of Conducts of associations, Esprit may be a member of and (3) further terms and conditions of the GCPD and with local laws that apply to them.

### c) *Plant Visits*

Beside these formal audits, Esprit reserves the right – with or without prior notice – to always access (or appoint experts to access) the site of Supplier where Esprit raw materials or Esprit pre-finished or finished goods are manufactured, stored and/or prepared for loading.

## 12.3 Applicability throughout the supply chain

This Esprit Supplier Code of Conduct applies to all stages of the supply chain. The Vendor shall be responsible and liable for assuring that all Suppliers that they work with are in full compliance. In all cases of self-assessment, formal audit or plant visit, Vendor shall be responsible

- a) That records are taken and retained and upon Esprit's request handed over to Esprit Social Compliance Department
- b) To obtain Supplier's general approval to grant Esprit (or the appointed expert) access to their sites and documents.

## 12.4 Consequences of non-compliance or obstacles in connection with plant visits and/or audits

Non-compliance with the terms and conditions of this Code of Conduct may lead to severe penalties including but not limited to fines, withdrawal of Esprit's acceptance as party in the supply chain , notification of local authorities of unlawful practices, and/or termination of the business relationship. The same does apply to obstacles set by Supplier s in connection with audit and/or plant visits such as denying access to the respective productions sites or to any kind of document requested, obstacles to interview employees etc.

### **13. MISCELLANEOUS**

The original version of this Code of Conduct is drafted in English language. It may be translated into local language. In case of discrepancies between the local version and the original English version, the latter shall prevail.

## IMPLEMENTING THE CODE OF CONDUCT

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### **Zero Tolerance Issues**

When problems are found in factories, Esprit generally tries to work with management to resolve them rather than abruptly withdrawing business. When efforts to address problems fail, Esprit may find it necessary to stop doing business with the supplier. If an issue is exceptionally severe, however, it may be necessary to take immediate action, which could include suspending orders immediately and shifting cut pieces or materials to other factories to be completed. Zero tolerance issues include the following:

- Child labor: Production can continue only if management immediately implements the remediation plan outlined in the Child Labor section of this Manual.
- Non-transparency: Refusing audits, actively hiding documents or producing falsified records, actively misleading the auditor, failing to participate in the audit process as agreed upon becoming an Esprit supplier.
- Illegal activity
- Attempted bribery / corruption
- Imminent physical danger posed by the factory to workers, Esprit staff or others.
- Other serious violations of human rights.



## 1. **ETHICS**

Suppliers must:

- Have a written policy to prevent and eradicate any engagement in illegal activities, including corruption and bribery, among their staff.
- Require staff at the management level sign their understanding and agreement with the policy.
- Ensure that the system allows employees to report corruption or bribery. Keep records of actions taken with regard to any cases reported.
- Develop a procedure to guarantee that workers can address complaints with respect to unlawful activities, non-compliance with the Esprit Code of Conduct and/or concerns related to their workplace without danger of reprisals.
- Develop a training program to assure that all employees understand and can use the procedure.

## 2. **LEGAL COMPLIANCE**

Suppliers must:

- Obtain and keep on file, preferably in a file established for this specific purpose, up-to-date copies of all applicable local laws and regulations.
- Maintain all necessary records and required permits for operation of the production facility.
- Ensure that senior management and other personnel are thoroughly familiar with all relevant laws.

Include in the company policy manual descriptions and procedures for proper handling of:

- Processes for avoiding child labor and the treatment of young workers
- Harassment and abuse- especially criminal penalties for physical abuse and sexual harassment and abuse
- All aspects of health and safety relevant to the factory
- Processes for avoiding discrimination in all employment decisions
- Treatment of female workers, including maternity regulations
- Legally mandated wages and benefits
- Work hours and overtime regulations, including limits
- Freedom of association, including regulations related to trade unions
- Relevant environmental regulations

### 3. **MANAGEMENT SYSTEMS**

A robust social compliance management system is the set of policies, procedures, and accountability that a factory uses to assure that standards for working conditions are met and maintained over time.

This system would include, in addition to written policies, clearly defined roles and responsibilities and means to monitor compliance. Documentation is a necessary part of management systems because it allows effectiveness to be assessed over time and for the causes of failures to be traced. Written policies must be gathered together in a worker handbook, which is distributed to all employees (See Appendix B: Worker Handbooks). Thorough and ongoing training programs, as well as a regular internal monitoring system, are vital to assuring that the workforce understands the goals of social compliance and is positioned to play an appropriate role in achieving them (See Appendix C: Training and Capacity Building). For regular internal monitoring, all suppliers are encouraged to use the Esprit Self-Assessment Template provided in Appendix Q of this Manual.

Well defined management systems are also required for the vital task of involving the entire workforce in the work of social compliance and achievement of sustainable improvement. Responsibilities for the various aspects of social compliance must be clearly assigned, and the responsibilities of nearly everyone in the factory must be recognized, defined, and declared so as to assure widespread support for the work and to assure that the entire program is not overly reliant on a single person.

Esprit suppliers are responsible for assuring adherence to local law and international standards throughout their supply chains just as Esprit is responsible for these matters within our own. Fulfilling this obligation requires suppliers to establish processes and procedures to assess conditions in their suppliers' factories, to remediate as necessary and to assure sustainable improvement in these factories over time.

Suppliers must:

- Develop written policy and implementation procedures on each Esprit Code of Conduct element. Such policy and procedures should be specific to the nature and the specific conditions of the factory.
- Effectively communicate these policies and procedures to workers and management staff at all levels.
- Assign roles and responsibilities for all staff, including workers, for the operating of the management system. A good practice would be to include the effective conducting of these roles and responsibilities within the promotion or bonus system at the factory.

- Assign a person at the management level for the overall monitoring of the system. The person assigned must have decision making authority necessary to take immediate action where necessary. He / she should be backed up by a group of management personnel so that his / her absence will not cause regular monitoring activities to stop.
- All actions on the implementation of policy and procedures, as well as regular monitoring must be documented properly.

#### **4. CHILD LABOR**

Esprit business partners do not use child labor. We expect that our partners adhere to local law with regard to age of employees and that under no circumstances will they hire employees under the age of 16 (14 or 15 where the governing law and ILO Standards allow such employment under special circumstances).

Suppliers must:

- Include in the company policy manual a description of hiring procedures establishing a minimum age for employees that satisfies this code and local law.
- Maintain up-to-date copies of all relevant law and regulation.
- Keep copies of government-issued photo identification of all employees in the employees' personnel files.
- Develop processes for human resource staff (or any other staff authorized to recruit new workers, such as supervisors in small scale factories) to identify applicants using falsified personal identification at the time of hire.
- Where proof of age documents are unreliable or unavailable, find other ways to verify the employee's age. Examples could include an official copy of a school certificate or affidavit from local government representative. Because proof of age documents can be easily forged or altered, factories in some regions may need to utilize the services of a government-certified medical doctor to verify employees' ages through a physical examination. Documentation of examination results must be included in personnel files with at least one other proof of age document.

Restrictions on work hours and types of work that can be performed by Young Workers:  
Esprit partners must ensure that they adhere to regulations governing work hours, overtime, weekend and night work, exposure to chemicals, working conditions, and other restrictions placed on young workers who, although of legal age to work in the factory, are not yet legal adults (usually 18 years of age). If the factory cannot guarantee compliance

with regulations restricting the type of work performed by young workers, or that young workers will not be required to work in violation of the law, the factory's minimum age for new hires should be raised to allow the factory to assure compliance with local law.

Suppliers must:

- Maintain a list of employees who, because of their age, are restricted to certain hours or tasks. Ensure that they are employed in compliance with legal limits placed on young workers.
- Thoroughly understand all regulation related to young workers, including specific production areas and functions within the factory where young workers may not be employed. Include this list of functions in materials given to young workers when they are hired.
- Identify and list production operations where young workers may be engaged.
- Develop a system to train responsible personnel who will supervise young workers on relevant regulation and to monitor compliance.
- Develop specific written materials to be given to young workers, in addition to the company handbook, that outline specific regulation relevant to their employment. Explain these regulations verbally, and emphasize that the young worker has a role in assuring that regulation is followed.
- Establish a program to encourage young employees to attend night classes and participate in educational programs.
- Any factory employing young workers must maintain an active file of all young workers. Esprit will review this file periodically.

#### Responding to Child Labor

Esprit partners must ensure that, if child labor is found, the child will be safely returned to his or her family, that his/ her livelihood and minimum education will be ensured, and that he or she will be offered a job upon leaving school and reaching to legal age to work as per local law.

If underage workers are found in the factory, suppliers must:

- Immediately remove the child from the work area.
- Collect names & address of the child's parents or legal guardians, contact them and return the child to them.
- Arrange to enroll the child in school, vocational training or another appropriate educational setting and pay the tuition fee. The supplier should collect and preserve attendance records, and maintain the child in school until graduation or until the child decides to leave school after having reached the legal age to do so.

- Continue paying the child's monthly wage to the child's family in exchange for keeping the child in school.
- Encourage stakeholder engagement, e.g., local NGOs specializing in children's issues, to support the child until she / he completes compulsory education.
- Track the age of the child and offer him or her employment upon reaching the legal minimum age permissible to work as per local law, unless the child decides to remain in school.

### 5. **FORCED, BONDED, INDENTURED AND PRISON LABOR**

Esprit prohibits the use of labor that is anything other than voluntary. Some unacceptable types of compulsory labor include the following:

- Prison Labor: Laborers whose freedom of movement is monitored or restricted for alleged or adjudicated criminal or political activity.
- Indentured Labor: Workers who are offered to the employer by another person, possibly a parent or a labor broker, in exchange for a sum of money. This includes Indian Sumangali and other similar arrangements.
- Debt-bonded Labor: Individuals who pledge their personal services or those of a person under their control to work as security for a debt.
- Foreign contract labor: Persons who have paid fees to labor brokers to help them obtain employment outside of their home countries.

Suppliers must:

- Ensure that hiring procedures in the company policy manual prohibit any kind of forced labor.
- Have complete, up-to-date personnel files for each employee. These files should contain copies of at least one type of basic employee identification, such as a government-issued identification card, a birth certificate, passport or other documentation.
- Be aware of and take steps to assure that there is no human trafficking in their supply chain in accordance with standards set out by the California Supply Chain Transparency Act of 2010 and similar European legislation.

Voluntary Labor Practices: Suppliers must never physically prevent employees from leaving the workplace.

Employees should be free to leave the factory after regular work hours are completed. The factory should not keep original copies of employee documents, such as passports or identification cards, nor should the factory require fees or deposits in order to prevent employees from leaving.

Employers must ensure that all overtime is strictly voluntarily. The imposition of overtime where workers are unable to leave the work premises is forced labor. This includes practices such as declaring compulsory overtime for a specific time period for the entire workforce.

Employers must ensure that employees are free to terminate their employment relationship at any time following local legal requirements.

Armed guards, military or police personnel stationed at the workplace or in residential buildings are highly questionable, and should be present only for legitimate security reasons. Perimeter fences designed to keep employees in, rather than intruders out, are not acceptable.

Suppliers must:

- Ensure that the factory has no policy restricting employees' right to leave- whether at the end of the shift or the end of employment. This includes practices such as locking exit gates or doors, keeping original copies of employees' personal documents, and withholding deposits or wages.
- Utilize professional security services, not police or military personnel, to provide workplace security.
- In case the factory needs overtime work, workers must receive advance notice. They must be allowed to decline, and to leave the factory after completing regular hours.
- Ensure that workers are free to resign from their job following local legal requirements, and that they receive all due benefits in a timely manner.

Freedom of movement: Suppliers must never physically prevent employees from moving inside or outside of the factory premises.

Esprit expects that business partners will respect employees' freedom of movement, even while understanding that an orderly work process is necessary to factory operation.

Employees should not be coerced or punished for moving about the factory for necessary personal reasons, such as going to the bathroom.

Outside of work hours, employees have the right to choose what to do with their free time, and rules should not restrict employees during free time.

How can Esprit business partners demonstrate compliance?

- Allow employees to move about the factory as needed to address such personal needs as using the toilets, accessing drinking water, or seeking medical care.
- Strictly prohibit any sorts of restriction on the use of the toilets during working hours. Prohibit all practices such as turnstiles at the toilet gates, designating limited number of cards per line for toilet use during working hours or any restriction on the use of toilets short before or after the breaks.
- Do not have regulations governing what employees may do or where they may go during their free time.
- If curfews in dormitories are necessary for safety reasons or to assure a good living environment, these rules should be reasonable and formulated with input from employee representatives.

Educate workers living in company dormitories of any potential hazards when traveling outside the factory. Encourage workers to travel in groups and not to travel alone at night.

## **6. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

Esprit expects our business partners to respect the right of employees to join or form unions and to bargain collectively. We expect factory management not to discriminate based on union membership.

Suppliers must:

- At a minimum, obey all relevant laws and regulations related to freedom of association, union organizing and collective bargaining.
- Not discriminate, penalize, threaten or restrict employees from choosing to form or join lawful unions and associations.



- Recognize and bargain in good faith with any legally formed unions.
- Allow union representatives access to workers for meetings and other activities as required by law.
- Provide space or other facilities for legally recognized unions as required by local law.

## 7. DISCRIMINATION, HARASSMENT AND ABUSE

Esprit expects that our business partners will create and support working environments that are not discriminatory. This means that hiring policies are fair, objective, and based upon the employee's ability to do the job. Employees should be paid equal wages for comparable work regardless of personal characteristics such as gender or place of origin. All kinds of harassment and abuse, including verbal, physical, and sexual harassment are strictly prohibited.

Suppliers must:

- Have a written policy stating that employees are hired without regard to gender, ethnic origin, race, color, religion, age, maternity, sexual orientation, or marital status.
- Ensure that wages and benefits are paid without regard to gender, ethnic origin, race, color, religion, age, maternity, sexual orientation, or marital status.
- Provide equal support and opportunity for all employees in promotions to supervisory positions.
- Not terminate or refuse to hire workers because they are pregnant or may become pregnant.
- Ensure that all personnel understand the definitions of harassment and abuse, including physical, verbal, sexual and psychological harassment and abuse.
- Have a written policy on harassment and abuse that includes exact definitions of unacceptable behavior, and a clear system for employees to report violations. Since many instances of harassment and abuse occur between employees and their supervisors, the reporting system must include mechanisms to allow workers to report problems to someone other than their direct superiors.
- Ensure that all employees receive training on harassment and abuse, that they understand company policy on acceptable behavior, and that they understand and feel comfortable using the established reporting system.
- Provide training for employees on workplace communication strategies that encourage clear, professional, non-coercive methods of employee interaction.



- Develop and maintain a comprehensive grievance procedure to ensure that all cases of harassment and abuse are reported so that they can be addressed. A guidance document on the establishment of effective worker communication and grievance procedures may be found in Appendix D of this manual.
- Ensure that the written disciplinary procedures define concrete disciplinary actions against discrimination, harassment and abuse (See Appendix E: Disciplinary Policies and Termination).

Female Employees: Esprit expects that female employees will not face discrimination in the workplace. While we support initiatives to provide family planning information to employees, such activities may not be used to discriminate against women or be forced upon them.

How can Esprit business partners demonstrate compliance?

- Obligatory pre-employment or on-going pregnancy testing will not be performed.
- Any lawful family planning program should only be instituted in partnership with a government agency or relevant community organization.
- Employees who take legally mandated maternity leave should be reinstated to the same position at the same pay upon returning to work.
- Factories shall adhere to laws regarding pregnant employees, such as limiting overtime or restricting work to certain jobs that do not have the potential to injure the health of the mother or baby.
- Develop specific written materials to be given to pregnant employees in addition to the company handbook. These should include relevant regulation, as well as a description of specific areas of the factory (e.g., the chemical storage room) where pregnant employees may not work, as well as job functions that they may not perform.
- Educate pregnant employees about the potential risks that some jobs may pose.

## **8. WAGES, BENEFITS AND TERMS OF EMPLOYMENT**

At a minimum, Esprit expects its business partners to pay employees according to applicable minimum wage laws or prevailing local standards, whichever is higher. Business partners must also provide reasonable increases in wage rates based on skill levels or other non-discriminatory factors. In addition, employees may not be paid less because of their gender or place of origin.

Suppliers must:

- Establish factory base wages that are at least the legal local minimum wage or the prevailing local wage whichever is higher.
- Ensure that all employees, including trainees or contract employees, are paid at least this base wage.
- Have a wage system that allows for wage increases based on skill level, productivity or other relevant factors.

Pay Calculation and Communication with Employees: Methods of pay calculation must be standardized and clearly explained to employees. Employees must receive a pay slip written in a language that they understand along with their pay. The pay slip outlines gross pay and includes a complete breakdown of deductions, allowances, and bonuses, such that wage calculations can be checked and verified from the information provided. Additional information on the contents of pay slips is available in Appendix F: Sample Pay Slip.

Suppliers must:

- Include in the factory policy manual a written description of how pay is calculated. Provide a copy of this description to new employees upon hire, and post the description in the factory where employees can refer to it as needed.
- Produce a pay slip for employees each pay period which shows gross base wage and overtime, and includes all deductions and bonuses, as well as the calculations used to arrive at net pay. Ensure that workers understand clearly how their pay is calculated.
- Utilize accurate records generated by a time clock or other automated device for calculating pay. Any manual changes to records must be indicated within the system.
- Have employees punch or swipe their own time cards.
- Involve employees in keeping production and other records; do not make supervisors solely responsible for maintaining this information.

- Establish necessary communication channels for the workers where they are able to approach the accounting department for questions or appeals they may have on pay calculation in general or for a specific month.

Timely Payment of Wages: Employees must be paid on time and according to an established schedule that reasonably takes employee needs into consideration. For monthly payments, no payment term may exceed 20 days after the completion of working month.

### **How can our business partners document compliance?**

Have an established pay schedule and strictly adhere to it.

Where practical and acceptable to workers, have an automated system for payroll, such as direct deposit.

Deductions: Deductions from wages must be reasonable, legal and in keeping with local law and industry standards. The services for which deductions are made must be well provided. For example, deductions for meals should support nutritious, ample and hygienically prepared meals.

No deductions may be made for equipment or tools to be used by employees in doing their jobs, or for personal protective equipment, in particular. These items should be provided by the employer at no charge. No deductions may be made for items required by factory management, such as uniforms, employee identification cards, electronic time cards, or other similar items.

Fines as a disciplinary measure are not permitted. Where pay is docked in response to workers arriving late or leaving early, the amount deducted may not exceed that which the worker would have earned had he / she worked.

Suppliers must:

- Include a complete description of all deductions in the company policy manual.
- Ensure that services being paid for by deductions are high quality and well delivered. Ask employee representatives to evaluate these services and find ways to improve them.
- Deductions cannot result in workers earning less than the minimum legally prescribed wage or local industry standards, whichever is higher.
- Deductions cannot economically benefit the employer
- Deductions cannot be applied as a form of discrimination

Benefits: All legally mandated benefits must be provided to all eligible employees. Employees should be informed of their benefits through the company policy manual, and must know how to access benefits. The employer should facilitate employees' receiving benefits as much as possible. In particular, Esprit expects all legally required maternity benefits to be provided to employees.

Suppliers must:

- Clearly describe all employee benefits in the company policy manual.
- Instruct office staff responsible for issuing benefits on how to provide them to employees. Train office staff to provide good "customer service" related to providing benefits.
- Maintain regular contact with outside sources of benefits, including government agencies, health clinics, etc. in order to provide accurate, up-to-date information to employees on accessing benefits.

Overtime Premiums: At a minimum, employees must receive overtime premiums as required by local law.

Suppliers must:

- Ensure that all hours worked beyond the legally mandated regular workweek are paid the applicable overtime premium.
- Maintain complete payroll records to show that employees are being paid according to law.
- Pay special attention to assure that piece rates during overtime hours are calculated according to local regulation.

Where Regulation is Lacking or Unconfirmed: Esprit expects its business partners to be completely familiar with local regulations regarding wages, benefits and work hours, and to ensure that Esprit understands them as well. In areas where local regulation is lacking, or where Esprit has not been able to confirm local regulation, we assume the following:

- The standard workday is eight hours
- The standard workweek consists of five, eight-hour days
- Work in excess of eight hours on normal workdays is compensated at 1.25 times the normal base rate. This also applies to piece rate workers.
- Work on weekends is compensated at twice the normal base rate
- Work on national holidays is compensated at three times the normal base rate

Probation, Training and Apprenticeship Programs: Esprit supports lawful probation, training, apprenticeship and work-study programs for the benefit of employees. These programs must be implemented according to local law, and in cooperation with an appropriate government agency or other organization, such as a technical school.

Suppliers must:

- Maintain clear and complete records describing the program, how it is administered, its objectives and timeline, and which employees are enrolled in the program. Where required by local law, the program must be approved by the appropriate government agency.
- Probationary and training wages may not be lower than the local minimum wage.
- Workers must be provided all legally mandated benefits during the probation and / or training period.
- Normal training periods for all jobs must be defined and incorporated into a written training policy.
- No training period should exceed three months, and no employee can be considered a trainee for longer than three months.

The length of any training program must be proportionate to the skills actually being learned. Workers should be made regular employees as soon as they have acquired the needed skills.

## 9. WORK HOURS

The normal workweek, during which normal pay rates apply, must be no longer than the legally mandated workweek. Any hours worked outside of the normal workweek are considered overtime, must be voluntary, and must be paid at a premium rate. In addition, legally mandated breaks, rest periods and days off must be respected. Workers must always be given one day off in seven.

Suppliers must:

- Ensure that the official factory workweek meets legal requirements.
- Include in the company policy manual all breaks, rest periods and holidays, in accordance with local law.
- Ensure that regular work hours do not arbitrarily change from week to week, and that employees are aware of their work schedule.

Recording work hours: Supplier factories must have an automated time-keeping system to record workers' hours. Workers must punch or swipe their time cards themselves; supervisors or co-workers may not clock workers in or out. Factories may also use other machines like thumb readers or face screening machines for attendance. The machines should be well placed and numerous enough to assure that all workers are able to punch in and out within 10 minutes of the beginning or end of the shift.

Off-the-Clock Work: Esprit business partners are committed to compensating employees for all work performed. If employees enter the work area before the start of the regular shift in order to prepare their machines, get an early start, etc., if they return to work early from breaks, or if they remain in the work area after the end of the regular shift to clean their machine or complete a daily / hourly quota, this time must be compensated.

Where Regulation is Lacking or Unconfirmed: As mentioned in the previous section, Esprit expects its business partners to be completely familiar with local regulations regarding wages and work hours, and to ensure that Esprit understands them as well. In areas where local regulation is lacking, or where Esprit has not been able to confirm local regulation, we will assume that the standard workweek consist of five, eight hour days and that hours in excess of this standard are compensated as outlined in section 6 of this manual.

Recording and analyzing working hours: Factories should maintain at least 24 months working hour records, or more if required by law. When excessive overtime (60+ hours per week) occurs in the factory, management must analyze working hours by section or department in order to identify causes and find solutions to reduce work hours. See Appendix X for more information on work hour analysis.

Production Planning: Factories must conduct production capacity analysis and production planning using legal regular working hours (not overtime) as the base of available production time.

Overtime: While Esprit recognizes the need for flexible scheduling, our partners should ensure that work hours are in compliance with the Esprit Code of Conduct and all applicable laws.

Suppliers must:

- Stipulate in the company policy manual that any hours beyond the legally mandated workweek will be considered overtime. Define, according to local law, the various types of overtime, including weekday overtime, weekend work, and holiday work, and the corresponding pay rates.
- Seek management solutions to ensure that work hours stay within the limits of local law.

Voluntary Overtime: Employees have the right to refuse overtime. There should be no penalties, fines, or retribution of any kind for refusing overtime. Workers must not be deprived from or forced to work overtime as a disciplinary measure.

For more information on work hours and managing overtime, see Appendix G: Work Hour Analysis and Appendix H: Work Hour Analysis Work Sheet.

## **10. HEALTH AND SAFETY**

Esprit expects all business partners to maintain the highest standards of workplace health and safety, based on international standards combined with local law and regulation. Where the standards below are higher than required by local law, business partners are expected to implement these standards. If local law calls for a higher standard, the higher standard must be met.

*A note about fire safety:* Esprit endorses the Fire Safety Initiative of the Fair Labor association. Full information about the Initiative is available at <http://www.fairlabor.org/firesafety>. The official FLA materials should be referenced at all times. In addition to this, Esprit is a member of the Accord on Fire and Building Safety in Bangladesh. We endorse the standards set by Accord in Bangladesh and globally. More information on the Accord can be found at <http://bangladeshaccord.org/building-standards/>.

Beyond developing standards for the numerous aspects of workplace health and safety, Esprit expects its business partners to develop professional health and safety plans, and to implement comprehensive management systems to ensure high standards on the factory floor from day to day. These include systems for communicating standards and training workers to identify and deal with workplace hazards, reporting systems to manage problems as they arise, and methods for keeping up-to-date on best practices for minimizing the hazards inherent in the factory's specific manufacturing processes.

### Reference List of Written Health and Safety Materials

Compliance with Esprit's Health and Safety Standards requires a significant number of written policies and plans, as well as periodic tests of various kinds. Necessary Written Materials include the following:

#### Plans

- Risk Assessment
- Fire Safety Plan
- Personal Protective Equipment (PPE) Plan
- Emergency Response Plan



- Medical Care and First Aid Policy
- Chemical Storage, Dispensing and Handling Program

### Training Records

- Fire Safety Training
- PPE Training
- Chemical Handling Training
- First Aid Training
- Emergency evacuation drills. An evacuation drill log must be maintained and must include at least the following details:
  - 1) Date/time of the drill
  - 2) Alarm type/drill scenario
  - 3) Evacuation time (pre-movement time plus travel time)
  - 4) Attendance time
  - 5) Number of attendees (including visitors, office staff etc.)
  - 6) Problems observed during evacuation process; bottlenecks, panicking/stampede, coordination issue etc.
  - 7) Problems observed on fire alarm & emergency lighting systems
  - 8) Precautions for evacuation of special category workers (disabled workers, pregnant workers, etc.)
  - 9) Signature of health and safety committee members
- Certificates for all trained medical personnel and qualified providers of first aid. Copies of certificates should be kept in personnel files, and copies should be displayed on the work floor, in the clinic, or at other appropriate work areas to help identify personnel who can provide medical assistance or first aid.

### Test Results and Maintenance Records

- Light testing records
- Noise level testing records
- Vibration testing records
- Air quality / VOC testing records
- Thermal comfort testing records
- Drinking water testing records
- Fire extinguisher maintenance records
- Fire alarm system maintenance records

- Machine maintenance records

First Aid Kits: No oral medicines or invasive devices, such as needles, should be placed in first aid kits. Suggested contents for first aid kits include: sanitary bandages (plasters, or Band-Aids), bagged cotton, gauze bandages, scissors, tweezers, antiseptic cream, medical alcohol, burn cream, insect sting cream, eyewash solution, 2 packaged pairs of sterile gloves, biohazard waste bags for contaminated product disposal (bloody bandages, etc.), and a face shield for resuscitation use.

Further information on health and safety can be found in the following appendices of this Manual: Appendix I: Risk Assessment, Appendix J: Chemical Management, and Appendix K: Health and Safety Committees.

## **11. ENVIRONMENT**

Esprit business partners must comply with all relevant local environmental laws and regulation.

Suppliers must:

- Identify all relevant laws and regulations.
- Maintain all required permits and necessary records, including wastewater permits, emission permits, water testing records, waste disposal records, factory inspection records, and any other records related to environmental concerns.
- Designate a manager to be responsible for addressing and overseeing compliance with environmental regulation.

Environmental Management Program: Esprit business partners should develop a plan for managing environmental issues in their production facilities. An environmental management plan demonstrates an organized method for minimizing the environmental impact of operations.

Suppliers must:

- Develop an environmental management plan that details how relevant issues are to be addressed. The plan should designate the employee responsible for implementing the plan, and include a description of the environmental impact of production processes, and a list of permits and records to be maintained and the relevant government agencies.
- Encourage management staff to attend conferences or other events to learn more about environmental management, and speak to other contractors to learn to minimize the use of materials.

## **12. SUPPLIER, POF AND SUB-CONTRACTOR, AUDITS AND CONSEQUENCES**

Suppliers must:

- Identify all subcontractors in an active file that can be easily accessed. Disclose all subcontractors and POFs to Esprit when completing the Vendor Profile Form.
- Visit and approve subcontractors to assure that they are in compliance with the Esprit Code of Conduct and Standards. Suppliers may use the Esprit Self-Assessment Template as appropriate while internally auditing the subcontractors.
- Require all subcontractors to sign a statement confirming understanding and compliance with the Esprit Code of Conduct and Production Standards.

Esprit reserves the right to monitor, audit, and reject all subcontractors.

## APPENDIX

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### A. On-boarding SOP

1 April, 2014

New POFs must demonstrate knowledge of social compliance, an awareness of the areas where they fall short, and on-going work to improve. They can demonstrate engagement with social compliance and the improvement process in three ways:

- ❖ BSCI (preferred globally): POFs can provide a **current BSCI Audit Report with An A, B, or C Rating**, or a valid **SA8000 Certificate**. In general, a factory with a D or E rating from a BSCI audit is not eligible for on-boarding until the rating improves. In certain cases, the Head of Global Sourcing Compliance & Sustainability may allow a non-compliant factory to be on-boarded, but only with a robust and time-bound corrective action plan.
- ❖ Better Work (required where available in Bangladesh, Cambodia, Indonesia, and Vietnam): If a POF is actively engaged in the Better Work Program, they must submit their most recent **Better Work audit report with a Corrective Action Plan (CAP)** outlining how they are addressing the deficiencies found, instead of a BSCI or other audit report. Esprit will then engage the factory within the context of the Better Work Program to assure continued progress. Factories located anywhere in Cambodia, as well as in the areas of Bangladesh, Indonesia and Vietnam covered by Better Work, are required to participate in the program as a condition of working with Esprit.
- ❖ Other reputable Social Compliance Programs (acceptable on a case by case basis): If a POF is undertaking work in social compliance with another customer within the structure of a reputable non-BSCI, non-Better Work compliance program, we will consider that work on a case-by case basis. The POF is required to submit an **audit report** and a **Corrective Action Plan** outlining steps being taken to address deficiencies found in the report.
  - The report submitted must be an audit report from a social compliance audit that covers all areas of a standard code of conduct. Quality, capacity, C-TPAT, health & safety or other reports that do not cover all relevant code of conduct issues are not acceptable.
  - The audit described in the report must be from within the preceding 12 months

- The CAP outlining improvement plans must include issues found in the audit report, specific steps to be taken, and dates by which the work will be completed.
- Esprit Sourcing Compliance, at our discretion, will decide whether materials provided are adequate based on the perceived risk presented by working with the POF.
- Examples of acceptable non-BSCI programs include reports for members of SEDEX (ETI), the FLA, or a number of other individual company programs.

POFs that cannot provide adequate audit reports will be required to undergo a BSCI audit before on-boarding can proceed. Factories on-boarded based on non-BSCI audit reports may be required to undergo a BSCI audit six months after on-boarding.

- ❖ Factories in Bangladesh must also have already undergone an Accord or Alliance audit proving that they are structurally sound and are in the process of remediating any problems found. Factories in Bangladesh may not occupy shared buildings.

Factories wishing to arrange a BSCI audit should contact Esprit Social Compliance for a list of acceptable BSCI auditing companies.

Questions regarding social compliance at Esprit should be addressed to Lary Brown, Vice President- Head of Global Sourcing Compliance and Sustainability at [lary.brown@esprit.com](mailto:lary.brown@esprit.com).

## **B. Worker Handbooks**

Assuring that factory employees understand the standards outlined in Esprit's Code of Conduct is at the heart of implementing and maintaining compliance. There are many ways that knowledge of company policies can be communicated, including through postings on the wall of the factory, explaining the policies verbally, and providing single-page copies of policies in response to specific questions. However, a vital part of the overall education effort is the worker handbook, a copy of which should be given to each worker upon hire. There is no guarantee that every worker will read the handbook but, by providing each worker with a copy, factory management can be sure that adequate copies of the manual will be in circulation within the workforce so that workers can refer to it if they have questions. In all likelihood, some workers will read the handbook carefully, and will then be able to answer co-workers' questions when asked. This sort of exchange can be encouraged by providing training sessions to interested workers who then serve as peer educators to others around them.

There is no set format for a company worker handbook, and each company must develop its body of policy according to local conditions and its own corporate culture. However, there are certain topics that a worker handbook must cover:

- Wages, including regular and overtime, as well as information on wage calculation and the pay schedule
- Work Hours, including overtime policies
- Vacations and Holidays
- All benefits provided and how to access them
- Health and Safety Information
- Minimum Hiring Age and Required Identification for Employment
- Harassment and Abuse Policy, including descriptions of what constitutes physical, psychological, sexual and verbal harassment or abuse, as well as a full description of company grievance procedures
- Sick Leave Policies and procedures for taking time off from work
- Nondiscriminatory Hiring Policies
- Disciplinary Procedures
- Grievance Procedures
- Resignation Procedures
- Dismissal Procedures
- Summary of Employee Contract
- Company Rules (dormitory rules, if applicable)
- Fire Safety and Emergency Procedures

- Relevant Local Laws

Some worker handbooks also cover other topics, such as company recreation programs and facilities, but again, the contents of the manual will be a reflection of the specific tone that management is trying to set for the workplace as a whole.

## C. Training and Capacity Building Programs

To react to dynamic market expectations, business enterprises continuously need to build the skills, capacities and expertise of their workforce. Esprit expects a commitment to provide necessary information, skills and knowledge to the company's employees on an on-going basis via various means such as training, orientation programs, and skill development program from suppliers.

### **Orientation training:**

Orientation training is crucial for new hires, who are the most at-risk in terms of health and safety issues and who lack information about the overall operation of the factory, its rules and regulations and factory policy and procedures to ensure decent working conditions. A robust orientation program not only reduces risks related to worker exposure to workplace accidents or human rights violations, it also increases workers' commitment to their jobs from the very first day and may contribute to reducing worker turnover.

The orientation training must be held by management staff who are equipped with adequate information on all factory policy and procedures. The orientation training, at a minimum, should cover the following topics:

- General information about the labor law and worker rights, the BSCI and Esprit Codes of Conduct, including the relevance of the Codes to the factory and its workers,
- Factory policy and procedures on social compliance,
- Overall factory rules and regulations,
- Content of the employment contract including but not limited to: general terms and conditions of the employment agreement, wages and benefits and wage calculation, salary payment (date, method, etc.), contract period and terms of termination,
- Overall health and safety requirements including fire safety, emergency evacuation, machine safety, personal protective equipment (PPE) requirements (when and where to obtain the PPE, how to maintain the equipment, etc.), other job specific



health and safety hazards and protective measures (such as ergonomics, electrical safety, lock out tag out, etc.)

- Grievance and complaint procedures, including confidential complaint mechanisms,
- Disciplinary procedures.

#### **Procedures for ongoing trainings:**

- Prepare a capacity building plan based on needs or gaps identified through a Training Needs Assessment (TNA). TNA should be conducted periodically to identify required training for workers and staff.
- Identify training needs from using the following means and sources;
  - Employee surveys
  - Opinions and feedback from supervisors and managers on the performance of workers/subordinates
  - Periodic review of minor and major injury records to identify trends and gaps in health and safety management systems, and periodic review of medical records and feedback from workplace medical staff
  - Performance Appraisal System (PAS)
  - Review of training evaluations (Training evaluation forms should be completed by training participants, and should include space to receive participants' suggestions for future training topics).
  - Any other source that could potentially identify training needs
- Prepare a training calendar to include both legally mandated trainings and other trainings that are identified through TNA.
- Depending upon the nature of the training programs, engage trainers/facilitators from both internal and external sources. Where the factory has good in-house capacity, use it, and seek external support when needed.
- Prepare training modules and materials (Handouts) in the local language(s) and distributed them to workers.
- Conduct a training evaluation at the end of each training to obtain feedback from participants to be incorporated into future trainings

#### **Supply chain**

Besides training their own employees, suppliers are also expected to identify the capacity building needs from their own supply chain and provide inputs periodically.

ESPRIT

SOURCING COMPLIANCE

Suppliers can visit the BSCI website for support from the BSCI Academy <http://www.bsci-intl.org/bsci-academy>.

## **D. Worker Communication and Grievance Procedures**

Communication between the management and the workforce, as well as grievance mechanisms, are important to assuring working conditions in a factory. In addition to their primary function of allowing workers to seek redress for problems in the workplace, strong communication mechanisms also allow management to understand what is happening on the work floor. This flow of information allows management to solve problems while they are still small, improve productivity, and lower worker turnover.

Some countries legally require that workplaces establish various types of bodies to represent workers. Esprit supports such worker organizations in line with local law. Worker representatives must, however, be freely and fairly chosen, and the function of these groups must be widely understood throughout the factory. Representative body meetings must take place regularly with full meeting minutes maintained and published throughout the factory.

Grievance procedures provide the means for workers to report violations of the Esprit Code of Conduct and company policy. They also give management the ability to learn about employee concerns and respond quickly and effectively to problems as they arise. Effective grievance procedures can take many forms, but all will include several key elements:

- **Multiple Channels of Reporting-** Since employee grievances are most often generated between line workers and their immediate supervisors, simply telling employees to report problems to their supervisors is inadequate. Employees must have means to report to someone other than their immediate supervisor.
- **Confidentiality-** A key reason that employees fail to report harassment, abuse or other violations of their rights is fear of repercussions. For a grievance procedure to be effective, employees must be confident that their complaints will be kept private.
- **Responsiveness-** If employees feel that management does not respond to their complaints and suggestions, they stop providing feedback. When communication breaks down in this way, senior management may believe that all is well on the factory floor, when in fact serious problems exist. When management appears unresponsive, the grievance process breaks down and management loses a valuable resource to understand a wide range of issues beyond social compliance.

Ways to assure that grievance procedures include the three elements above include the following:

- Put employee confidentiality and freedom from retribution at the center of the process- While grievance procedures may take a variety of forms, assuring confidentiality and anonymity of employees voicing grievances, as well as assuring that there is no retribution for employees who make complaints, are vital. A single mistake with regard to confidentiality may be enough to undermine the entire grievance process and cause it to break down. The social consequences both inside and outside the workplace for employees whose confidentiality is violated can be severe.
- Assign one senior manager to oversee the system- Each production facility should have an assigned senior manager who is ultimately responsible for assuring the effectiveness of factory grievance procedures. This manager must have authority to make changes and to assure that functions are carried out within the factory at all levels.
- Assign multiple people to hear complaints- In addition to talking with their immediate supervisors, employees should have the option of taking grievances to several other managers within the factory, including the senior manager overseeing factory-wide grievance procedures. This prevents personality conflicts from interfering with the flow of information from the production floor, and helps assure that someone is always available to deal with issues as they arise. If the factory has a union or a formal compliance committee, its members can play a key role in assuring that employees have multiple avenues through which to lodge grievances.
- Establish suggestion boxes and anonymous procedures to receive grievances- Suggestion boxes allow workers to report problems discretely and provide the option of reporting problems anonymously. However, unless it is clear that suggestions (not only grievances will be reported) are read and considered by management, employees will not bother to write. Suggestion boxes should be available at locations throughout the production area, and should be visible while allowing letters to be dropped into them discreetly (the toilets are a good place for suggestion boxes). Provide a pen and paper next to all suggestion boxes and make sure that they are clearly labeled. They should be locked, and opened at regular intervals by an assigned member of the management team, who is responsible for responding to issues raised through the suggestion boxes. Personal responses will not always be possible. One way to respond to anonymous letters, when appropriate, is to summarize the letter on a notice posted on a bulletin board, along with management's response. Posting the letters themselves will allow their writers to be identified by hand-writing, and is not acceptable. In all cases, preserving confidentiality must be the primary consideration in any efforts to respond publicly to suggestions or complaints.
- Provide thorough on-going training on grievance procedures- A well designed grievance procedure will not work unless employees know about it, and are

comfortable using it. A detailed description of the procedure should be included in the worker handbook that is distributed to all employees, and the procedures should be posted in the factory as well. A verbal description of the procedures should also be provided to new employees, and other opportunities to spread understanding of the system should be explored as well, such as notes in pay packets or other information.

Below is a guideline for the establishment of an effective grievance mechanism:

**Objective:** Development of a system through which workers' grievances will be received, investigated & resolved and resolution will be communicated to the complainants.

**Concept of the System:**

The system should have at least five clearly defined parts. These parts are multiple channels for raising complaints, investigation, clearly defined remediation plan; communication of the remediation and periodic trend analysis.

**Multiple channels for raising grievances:**

In order to ensure that workers have maximum options to raise their grievances, there need to be multiple channels through which they can raise complaints with or without disclosing their identities. These channels can be Workers' Participatory Committee (WPC); designated management staff (welfare officer, compliance officer, etc.); grievance boxes, hot lines (landline or mobile phone numbers where workers can call to express their grievances); etc. Factory management needs to develop clear procedures to receive, record and forward grievances received through any channels. A basic idea of the procedures for handling each channel can be as mentioned below.

*Workers' Participatory Committee (WPC):* WPC members should report all grievances received. Each member of the WPC should have tools (ex: note book, etc.) to maintain a personal record of the grievances she/ he has received. She/ he needs to have a clear understanding of which grievances to report immediately & to whom (designated management personnel) and which grievances they should mention in the committee meetings. Designated management personnel should record all the grievances received from the WPC members. Grievances raised in committee meetings should also be recorded properly. Senior level management personnel should conduct a periodic random

cross-check this record with WPC members to ensure that all grievances raised through this channel have been recorded and correctly and responded to.

*Management Staff (Welfare Officers, Compliance Officers, etc.):* Management staff should report all grievances that they have received. Each management staff should have tools (ex: note book, etc.) to maintain a personal record of the grievances she/ he has received. Designated management personnel should compile all the grievances received from the management staff.

*Grievance Boxes:* Factory management must install grievance boxes at places where workers can place grievances without being noticed by anyone (Ex: in the changing room area). Designated senior management staff must open the boxes and bring out the letters of grievances on a regular basis. Each and every grievance must be recorded and the original copies of the notes (written by the workers) must be preserved. Make sure that the grievance box procedures, including the frequency of opening the boxes, the person in charge, the process for evaluating the grievances, and the means for providing feedback on each grievance raised are posted on the grievance boxes in simple language and in language(s) understood by all members of the workforce.

*Hot Lines (Landlines or Mobiles where workers can call to express their grievances):* Factory management can post phone numbers of mid and senior level management personnel on the production floors as hot lines. Responsible personnel should record each and every grievance received and report to a designated senior level manager. Senior level personnel can act as a coordinator who, after a fixed time interval, should check and collect unreported grievances from the responsible personnel. He / she must maintain a central record and put these forward for further response.

#### Investigation:

The factory needs to develop a clear strategy for investigating grievances received from different sources. Grievances will be categorized as requiring either a single-level or a multi-level investigation. For each type of investigation, the factory should follow the procedure outlined below:

*Single-level investigation:* This may take place in two types of situations as mentioned below.

- a) For minor issues (Ex: minor H&S issues), management may nominate a mid-level manager to follow up. Senior management should allocate a fixed time for the

investigator(s) to complete the investigation and report. Senior level personnel must coordinate this kind of investigation and ensure issues are resolved in a timely manner.

- b) For highly sensitive issues (Ex: allegation of physical or sexual harassment against a mid or senior level management personnel), senior level management personnel or team should investigate. They must also complete the investigation and report within pre-planned time line.

*Multi-level investigation:* For sensitive grievances raised against floor level or mid-level management (Ex: verbal abuse, assigning excessive production targets, not approving leave requests, etc.), a multi-level investigation should be conducted. Assigned floor level management personnel (Ex: Compliance officer, welfare officer, etc.) in coordination with WPC members will conduct a primary investigation and report within a fixed time period. The mid-level management team will cross check the finding from the primary investigation, conduct required further investigation and report to the senior management. Senior level management personnel must coordinate this kind of investigation and ensure these are done diligently, with due respect for worker confidentiality, and in a timely manner.

Clearly defined remediation plan:

Factory management must develop specific and time bound remediation plans for grievances. They should at least follow the below mentioned guidelines in preparing and executing a remediation plan.

- a) Define the remediation steps in a detailed manner.
- b) Assign personnel to implement the plan.
- c) Allocate budget and arrange funding, if required, to implement the remediation plan.
- d) Conduct periodic follow-ups to track progress after a set interval.
- e) Document all remediation steps and progress.
- f) Senior level management personnel must coordinate the remediation plan to ensure proper execution.

Communication of the remediation:

Factory management needs to develop a clear procedure for communication of their response to grievances. They need to develop different procedures for anonymous complaints and complaints where management knows the complainant's name.

*Complaints where management knows the complainant's name:* Management can communicate and inform complainant about the remediation in person.

*Anonymous complaints:* Management needs to identify and implement means to communicate the remediation. Here, they can use notice boards and/ or personal announcement system. However, in case of an anonymous grievance against any personnel, they need to ensure that his/ her identity will not be disclosed during using these public announcement mechanisms to communicate remediation. Confidentiality is paramount. If a response cannot be made without guaranteeing confidentiality, then no response public can be made.

Periodic trend analysis:

Factory management should conduct periodic (ex: quarterly, bi-annually, etc.) analysis of the received grievances to understand the types of grievances and their frequencies. Through this analysis, management will be able to identify frequently raised grievances and develop sustainable solutions.



## E. Disciplinary Policies and Termination

Disciplinary Procedures should be well defined with clear rules and responses to infractions. All employees should know how infractions are to be addressed and follow the procedure. Disciplinary procedures may NOT include:

- Fines or Financial Penalties
- Physical Abuse/ Corporal Punishment
- Physical Separation/ Isolation
- Verbal Abuse, including threats, screaming, etc.
- Any other behavior leading to an intimidating, hostile, humiliating or offensive work environment

Appropriate disciplinary procedures are those that isolate the unacceptable behavior from the individual engaging in such behavior, and seek to prevent the individual from repeating the behavior. A constructive disciplinary policy will include warnings of increasing severity leading to dismissal. For example, the procedure may start with a verbal warning from the employee's supervisor, followed by a written warning, employee-management conferences, a final warning and, when other options are exhausted, dismissal.

The disciplinary procedures related to failure to abide by factory rules, which may lead to dismissal, must be clearly defined and communicated to the workforce. The implementation of these procedures must be documented properly, and must be in compliance with the relevant local law and regulations. If factory management cannot verify that the dismissal is based on the violation of factory rules and regulations, the worker dismissed shall be fully compensated.

How can Esprit business partners demonstrate compliance on this issue?

- Include detailed descriptions of disciplinary policy, including a description of infractions and responses, in the worker handbook.
- Explain details of the policy to managers, production supervisors and line employees upon hire, and review the process on a regular basis, stressing that actions outside of the policy will not be tolerated.
- Keep detailed records of all disciplinary actions taken.

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- Provide on-going training to supervisors to assure that they develop the communications, coaching, and mentoring skills necessary to provide positive leadership.

F. Sample Pay Slip

## 工資支付單

200 年 12 月

編號	8110021
姓名	
實領工資	932
入廠日	20020717
總工時	270.0
平時上班時數	184/494
基本薪資	450
平時加班時數	46.0
平時加班薪資	185
例假加班時數	40.0
例假加班薪資	215
國假加班時數	
國假加班薪資	
應付工資	894
獎金	
績效分數	
技術獎	100
獎勵	
扣分	
其他	
績效欠分	
應發獎金	100
代扣	
伙食費	62
住宿費	
個人納稅	
預支	
簽名	

## Employers Must Provide a Complete Pay Slip on Each Payday

In addition to keeping proper time and wage records, employers must provide a pay slip to each employee every time wages are paid.

A **pay slip** is a written document provided by the employer to each employee, which provides detailed information about the employee's pay, and how it was calculated.

A pay slip must be given at the time an employee is paid. An employer is free to provide information on a pay slip other than that outlined below, such as the employee's upcoming shift assignment, information about the factory, and the employee's annual leave and sick leave balances.

The employer must keep a copy of each pay slip, or the information contained in it, within each employee's time and wage record. Many factories ask employees to sign the employer's copy of the pay slip to indicate receipt of wages.

## Information that Should Appear on a Pay Slip

Name of the employee and identification number, if any;

- Employee classification (cutter, sewer, cleaner, etc.);
- Date on which payment was made;
- Period of employment for which payment is made;
- Total hours worked;
- Overtime hours worked;
- Gross pay;
- Amount paid as overtime;
- Amount deducted for taxes;
- Type and amount of all other deductions;
- Net amount paid.
- Any other information required under local regulation

## Translation of Chinese Pay Slip on Previous Page:

### 工資單

- 200\_ 年12 月  
編號  
姓名
- (1) 實領資
  - (2) 入廠日
  - (3) 總時
  - (4) 平時班數
  - (5) 基薪資
  - (6) 平時加班數
  - (7) 平時加班資
  - (8) 例假班數
  - (9) 例假加班資
  - (10) 國假班數
  - (11) 國假加班資
  - (12) 應付資

### Pay Slip

- Month/Year  
Employee ID Number:  
Name:
- (1) Net Wage:
  - (2) Date of hire:
  - (3) Total hours worked:
  - (4) Regular hours worked:
  - (5) Basic wage:
  - (6) Regular overtime hours:
  - (7) Regular overtime wage (150%):
  - (8) Weekend overtime hours:
  - (9) Weekend overtime-wage (200%):
  - (10) National holiday overtime hours:
  - (11) National holiday overtime pay (300%):
  - (12) Wages due:

### 獎金

- (13) 績效數
- (14) 技能獎
- (15) 獎勵
- (16) 扣分
- (17) 其他
- (18) 績效分
- (19) 應獎金

### Bonus

- (13) Production bonus:
- (14) Skill bonus:
- (15) Incentive pay:
- (16) Point deduction:
- (17) Other:
- (18) Achievement pay:
- (19) Total bonus pay:

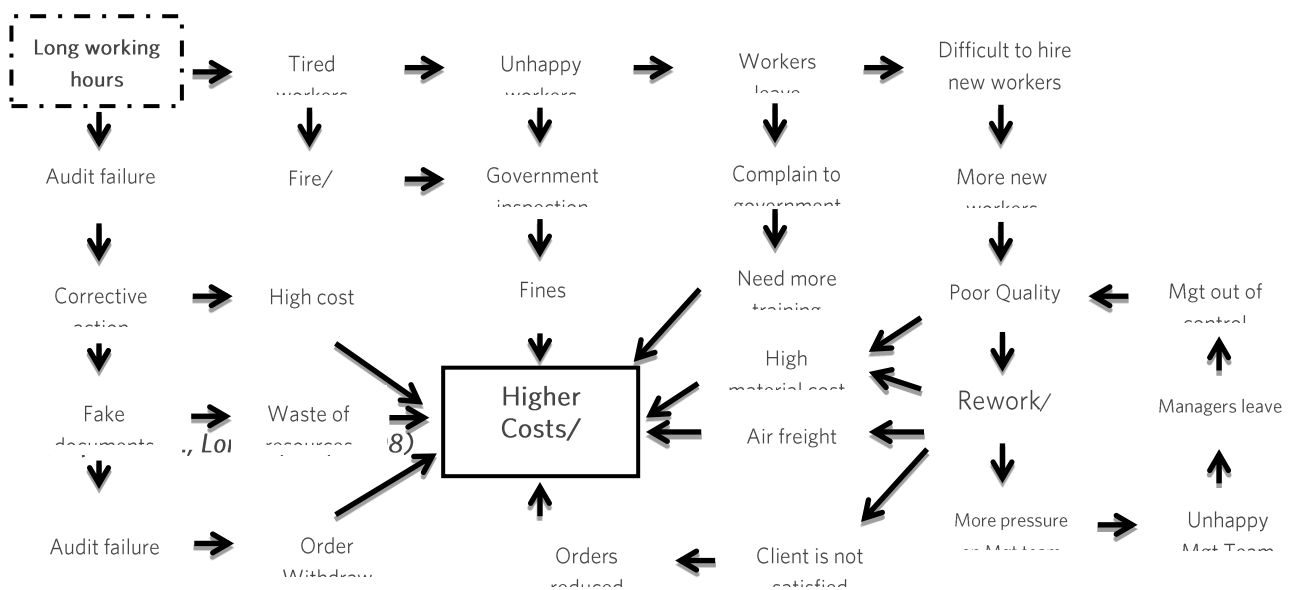
### 代扣

### Deductions

(20) 伙食費	(20) Meals:
(21) 住宿費	(21) Dormitory:
(22) 個人稅	(22) Personal income tax:
(23) 社會保險費	(23) Social insurance :
(24) 淨支付	(24) Net-pay:
(25) 簽名	(25) Signature:

## G. Introduction to Work Hour Analysis

Excessive work hours are a common problem in most apparel factories globally, mostly due to a lack of systematic production planning and the absence of work hour management systems. As a result, factories are less efficient than they should be, and surges in orders can only be managed with overtime work. Excessive overtime is, first and foremost, a health issue. In addition to the general health effects of lack of sleep, tired workers are also much more prone to accidents. Families suffer from the absence of their mothers, fathers, sisters or brothers. From a commercial perspective, tired workers are also inefficient, and factories with excessive overtime struggle with reduced productivity, increased rework rates, and increased worker turnover, all of which lead to higher production costs and less profit. Moreover, most countries require overtime premiums, which make excessive overtime expensive, particularly as longer hours reduce efficiency. The following flow-chart describes the multiple ways that long work hours impact profitability:



*(Impactt Ltd., London, UK; 2008)*

The first step toward controlling work hours is to track and count them. Proper tracking and analysis of work hours show which departments have the longest hours so that factory management can identify causes and proper methods for remediation.

Work hour analysis has 3 parts:

*Data Tracking:* The factory will use Esprit's Monthly Working Hours Analysis Tool to track work hours by department on a weekly and monthly basis. The factory will gather the previous 12 months' data in order to have an understanding of work hours throughout the year.

*Problem Analysis:* Factory will then review the data to identify which departments and which times of year have the most overtime. Knowing where and when peak work hours occur will help the factory identify the causes for excessive overtime.

*Identification of Causes and Solutions:* The causes of overtime can be divided into two broad categories: internal factors over which the factory can exert partial or complete control, and external factors over which the factory has limited or no control. An unexpected rush of orders offers factory management limited opportunity to avoid excessive overtime, but management can plan for a seasonal increase that happens every year. Understanding the nature of the causes of excessive overtime will help factory management to develop plans to control the problem when it is possible to do so, and to minimize it to the extent possible when it can't be controlled.

Remediation plan:

*Internal factors:* Factory management needs to build procedures to streamline their operations. This should involve, at a minimum, planning production in such a way as to

retain some buffer to handle unexpected problems which may increase working hours. Managers should identify areas in the operation that often slow the production process (bottlenecks in certain operations), develop plans to increase efficiency, develop a worker retention plan, etc. Above all, when planning capacity, assume a legal standard workweek of not more than 48 hours (40 where required by law). Do not plan capacity assuming that overtime will be required.

*External factors:* Sometimes materials arrive late, the customer makes last-minute changes, or order size suddenly increases. Although it is impossible to control such factors, they occur often enough that they should come as no surprise. Factory management must develop strategies to work with relevant stakeholders (Ex: buyers, suppliers, relevant government agencies, etc.) to deal with external factors causing increases in work hours, and internal strategies to mitigate them to the greatest extent possible.

The attached Work Hours Analysis Tool will help suppliers begin to understand their work hours better so that they can be controlled. Please contact Esprit with any questions related to its use.



## H. Work Hour Analysis Worksheet

See attached Excel file.

## I. Risk Assessment

Assessing and controlling health and safety risks in the workplace are a key part of managing a factory. To do this, management must think about what might cause harm to people and take steps to prevent that harm. In most countries, risk assessment is something that the factories are required by law to carry out.

**A risk assessment is not about creating huge amounts of paperwork, but rather about identifying sensible measures to control risks in the workplace.** The risk assessment helps the factory management to decide whether they have done all that is necessary for the protection of workers from any sorts of workplace accidents or occupational illnesses that are likely to occur in the course of production.

The most important points to consider while conducting a risk assessment include:

- Think about how accidents and ill health could happen and concentrate on real risks – those that are most likely and which will cause the most harm. Make sure that all areas, including inside and outside of the factory building, are included in the risk assessment.
- Ensure that the risk assessment is specific to the workplace, including the location and the structure of the building, profile of the workforce (educational level, foreign employees, etc.), previous records on health and safety hazards (such as previous workplace accidents, health hazard complaints raised by the workers, records of near-miss accidents, etc.)
- A risk assessment should be a “living document” that is reviewed and updated regularly, and extended as necessary upon purchase of new machinery or equipment, structural changes on the production floors, emerging issues (such as an unforeseen workplace accident, etc.)
- Ensure that workers from all sections and shifts are involved in the risk assessment and that the assessment covers special categories workers such as pregnant workers, workers with disabilities, or young workers.

When preparing the risk assessment, remember:

- a **hazard** is anything that may cause harm, such as chemicals, electricity, climbing on ladders, an open drawer etc
- the **risk** is the chance, high or low, that somebody could be harmed by these or other hazards, together with an indication of how serious the harm could be.

The basic steps of a risk assessment include the following:

- 1) Look for the hazards (fire, machinery, chemicals, hygiene etc)
- 2) Who might be harmed and how?
- 3) Is the risk is acceptable?
- 4) What are the causes of the risk?
- 5) How can the risk and its root causes be removed/ reduced/ controlled? Can management reduce workers' exposure to risk or protect them better?
- 6) Draw up an action plan - What improvements should be made? By whom? By what date?
- 7) Check that the actions have been taken.

Below is a very simple example of demonstrating how these steps can be taken:

Workplace Name: <i>Factory X</i>		Date: <i>01/01/10</i>		Person filling out this form: <i>H&amp;S Manager</i>			
Area of Workplace	Type of Risk	Level of Risk	Description of Risk	Root Cause Analysis	Remedy	Action Date:	Person Responsible
Cutting Section	Machinery	High	No guard on cutting machine	Machine guards slow workers down and make it more difficult to visually check quality	<ul style="list-style-type: none"> <li>•Find new guards that don't have these problems</li> <li>•Train workers on using machines with new guards &amp; the importance of guards to personal safety</li> </ul>	1 month	Cutting Section in-charge

## J. Chemical Management

The facility must provide a safe and healthy environment for its employees and the wider community by ensuring that all chemicals (including chemical waste) are managed to meet the needs of the users, to demonstrate industrial best practices and to comply with applicable regulatory requirement. Chemical Management Systems must ensure minimization of chemical usage, and proper storage and disposal.

Facility must have a documented annual risk assessment performed which includes at a minimum:

- a. A survey to identify all potentially hazardous materials.
- b. Level, type (e.g. inhalation, skin contact, ingestion etc.) and duration of exposure.
- c. Amount of substance used and location.
- d. Preventative measures to be taken (e.g. ventilation, personal protective equipment, emergency showers or eye wash stations).

MSDS, PPE and spill response requirements:	Yes	No
An up-to-date MSDS (Material Safety Data Sheet) and TDS (Technical Data Sheet) must be available in the local language(s) at areas of storage and use.		
The MSDS and TDS are communicated to the person in charge of storing and/or person(s) using the chemical		
Required PPE is available and kept in good condition		
Required PPE is effectively being used		
Required type of fire extinguisher is available and accessible		
A documented spill response plan and equipment must be available where hazardous materials are used and stored.		

Chemical container requirements	Yes	No
All hazardous materials must be stored in suitable containers and labeled with relevant hazard information. The Containers must be:		
In good condition (i.e., no visible damage or deterioration). Any container found to be leaking, rusted, or forming precipitates must be disposed of immediately as chemical waste.		

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Accurately labeled according to contents		
Labeled in language(s) of employees, legible and in good condition. The labels should be clear on the chemical origins and contain information of supplier for the purpose of returning in case this is needed.		
Closed at all times when not in use		
All primary flammable material containers must be bonded and grounded		
Empty containers must be labeled and stored per storage area requirements		

Storage area requirements:	Yes	No
Containers must be stored on impermeable surfaces		
Storage areas must have adequate ventilation and accessible emergency eyewash or shower		
Eating, smoking and drinking are prohibited in these areas.		
There must be secondary containment for materials exceeding 208.2 liters (55 gallons) that is at least 110% of the volume of the largest container.		
Adequate aisle space must be maintained between containers.		
Containers must not be over stacked		
Incompatible material must be segregated.		
Flammable and combustible material must be stored away from ignition sources.		
A documented spill response plan and equipment must be available where hazardous materials are used and stored.		

Chemical transfer requirements:	Yes	No
Drip trays / pans must be placed under dispensing containers.		
Dispensing must occur on impermeable surfaces.		
Leaks or spills must be cleaned up immediately.		

Training Requirements:	Yes	No
Employees working with hazardous materials must be trained annually. Trainings must be repeated whenever hazards, processes or procedures change. Training must include:		
Properties and risk of hazardous chemicals		

MSDS and TDS		
Labeling		

Some information on common chemical hazards symbols, risk and safety phrases can be found in below link

<http://www.chemistry.nus.edu.sg/PSSO/safety/ChmHazard.htm>

Regular Health Checks for Workers Exposed (to be conducted on an annual basis)	Yes	No
Lung x-ray		
Blood test		
Liver function test		

### Restricted Substances List

A number of chemicals are considered to be harmful to human health and the environment and are banned from being used at any phase of the manufacturing process at owned and contracted facilities.

Contractors/employees must be aware that these chemicals are not to be used at any time and each facility is responsible for ensuring that only approved chemicals are used in accordance with Esprit Standard Manual and local requirements.

To achieve the banned chemical use objective, each facility should be able to demonstrate that they have the following documentation controls in place:

### Chemical inventory control:

The facility should have available for inspection a current inventory of all chemicals used on site. The inventory must include:

- 1) Name and process where chemicals are used
- 2) Quantities used and stored on site
- 3) MSDS and TDS
- 4) Certification that the chemicals are not on the applicable RSL

### SAMPLE CHEMICAL INVENTORY

Chemical Name	Use or Function	MSDS (Yes / No)*	PPE requirement	Type of fire extinguisher required	Storage Area	Area(s) of Use	Person(s) storing the	People using the chemical
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							chemical	

### Purchase approval procedure:

The facility must maintain a procedure to review all requests for new chemical purchases. The procedure must include:

- 1) Chemical requisition form
- 2) Review of MSDS and TDS
- 3) Cross-check of proposed purchase against the RSL
- 4) Chemicals approved for purchase list

### Routine inspection

The facility must maintain a record of inspections for all chemical storage areas to ensure that chemicals on site are listed on the RSL.

## K. Health and Safety Committees

The Health and Safety Committee (H&S Committee) is responsible for maintaining and improving health and safety conditions in the factory. The activities of the committee primarily involve gathering workers' concerns on health and safety related topics, periodic monitoring, planning and implementation of remediation plans to address health and safety risks, and analyzing frequently occurring problems to identify root causes in order to develop sustainable improvement plans and avoid recurrence.

The health and safety committee meets regularly as fits the needs of the workplace, but generally not be less than once every 3 months. Meeting minutes and decisions taken should be communicated to the workforce both in a written form and verbally.

### Composition of the H&S Committee:

#### ***Worker Representatives (WR):***

The worker representatives are production workers elected by the workers themselves. Alternate members to replace the worker representatives who leave the company should also be chosen during the elections. The WR are responsible for daily monitoring to ensure cleanliness and maintenance of the work space, such as firefighting equipment, lint build up on machines and light fixtures, first aid boxes, toilets (cleanliness, supply of soap, paper towels, covered garbage pails), etc. The WR are also responsible for gathering workers' concerns about health and safety related matters and reporting them immediately or during regular health and safety committee meetings, depending on the nature of the hazard reported.

Worker representatives report to Management Representatives (MR) about health and safety conditions and assist in remediation as needed.

Management must ensure that the worker representatives are elected in a manner ensuring that all departments, different shifts, different categories of workers are represented, and that there is a gender balance. In addition to the elected workers, the factory management may assign firefighters, electricians, mechanics, first aiders, generator operators or cleaners as appropriate.



***Management Representatives (MR):***

The MR is responsible of monitoring the activities of the worker representatives, and taking necessary actions for the implementation of the remediation plans based on the reports / suggestions of the worker representatives, as well as conducting regular monitoring through daily, weekly, and monthly checks depending on the nature of the health and safety hazard. Regular monitoring must be recorded. The MR also records all near miss accidents in the workplace. The checklists, records of near miss accidents, and notes on regular monitoring will be discussed in Health and Safety Committee meetings.

Management Representatives may include supervisors, line leaders, or facility engineers.

***Senior Management Representatives (SMR):***

The senior management representative is the head of the Health and Safety Committee, and is responsible for all Committee activities. The SMR conducts regular monitoring of the other two levels' activities, identifies training needs, provides training, and supplies equipment, machinery or third party services to maintain a safe working environment.

The SMR is also responsible of maintaining all necessary official documentation related to health and safety, including regular checks of pressure and lifting equipment, electrical installation and grounding (earthing), elevator safety certificates, etc.

The Senior Management Representative may be one of a number of managers in the factory, but he or she must have decision making authority.

***Supporting Staff (SS):***

Supporting Staff are either third party professionals or regular employees at the factory who have specialized training or experience in matters related to health and safety. SS are responsible for assisting as needed in monitoring and implementation activities. The SS can deliver trainings related to their specialty or on specific issues related to their jobs. The SS will participate in all H&S Committee meetings. Depending on the nature of the factory, the management may also assign SS to check on regular monitoring activities, to identify the training needs, and to plan job specific trainings. All such activities must be recorded accurately.

Possible Team Members: health and safety specialists, factory medical staff, maintenance supervisors, electrical supervisors, licensed generator technicians, welfare officers, compliance officers, electrical engineers, mechanical engineers, etc.

**Training for the Health and Safety Committee Members:**

For the H&S Committee to function properly, its members must be trained in the following areas:

- a) Responsibilities and mandate of the H&S Committee,
- b) Local law and regulations and international standards related to occupational health and safety,
- c) Reasons for frequently observed workplace accidents, near miss accidents, and hazardous situations,
- d) Basic principles of workplace hygiene,
- e) Communication methods,
- f) Emergency precautions,
- g) Occupational diseases,
- h) Risks specific to the workplace,
- i) Risk assessment.

**Committee Meetings:**

Where local law specifies the nature or frequency of meetings, follow the law. Where local law is not specific, factories can consider the following possibilities.

- Worker representatives meet with management representatives on a monthly or weekly basis, depending on need. Initially the group will probably meet more often, and then less frequently as the Committee establishes itself. These meetings will discuss overall health and safety conditions of the factory, specific problems,

remediation plans for outstanding problems, bottlenecks and challenges, and ideas for further improvement.

- Management representatives meet with the senior management representatives (or nominated member) on a monthly basis. These meetings carry suggestions and concerns of the worker representatives to senior management.
- Full H&S Committee meetings (where all WR, MR, SMR and SS representatives participate) are held at least once in three months, if not required more often by local law and regulation. These meetings bring together all information gathered from the factory floor (through monthly meetings or other means), evaluation of remediation plans and concerns, planning of future activities with persons responsible for implementation.
- Discussions and outcomes of the H&S Committee meetings will be communicated to the workers through posting the meeting minutes on the notice boards, and/or other available feedback mechanisms.

### **Required activities for development an effective H&S Committee:**

- Development of policies & procedures,
- Development of monitoring procedures and tools for recording,
- Preparation of training manuals,
- Preparation for on-going risk assessment,
- Development and implementation of the corrective action plans against the risk assessment, as well as regular monitoring.

## **L.     Personnel Files**

Personnel files are a vital collection of materials that assist factories assure that workers are managed in compliance with local law and Esprit Standards. Each employee should have an individual personnel file. Personnel files should contain all legally required documents, as well as the following:

- A photocopy of government-issued photo identification for each employee. The identification should include the employee's date of birth, showing that the employee is of legal age to work
- Employee emergency contact information
- A copy of the Esprit Code of Conduct that includes the employee's signature stating that he or she has read and understands the Code
- A copy of the employee's employment contract in a language which the employee can read, which should include starting wage, work hours, holidays, benefits and other relevant information. The employee must be given a signed copy of his or her employment contract.
- Records of all safety and emergency response training, as well as other professional training that the employee has undergone, including dates
- Records of bonuses, pay raises and performance commendations
- Records of any disciplinary action taken against the employee
- Records of any reportable occupational injuries or accidents suffered by the employee

Upon termination of employment, a record should be added to the employee's personnel file stating the reason for termination (resigned/ was fired for \_\_\_ reason, etc.) and effective date of termination. Closed personnel files should be retained according to local law, and for no less than two years.

## **M. Foreign Contract Workers**

Esprit defines foreign contract workers as employees from countries other than the one where a supplier factory is located, and who are recruited to work for a fixed period of time, usually through one or more labor brokers or employment agencies. Foreign contract workers agree to work in a factory for perhaps 2-3 years, and are usually required to return to their country of origin at the end of that time. Labor brokers in both the workers' home countries and the countries where they go to work match employers with workers. Often, these labor brokers collect fees from both employer and employee, and charge exorbitant fees to the workers. Some originating countries have laws against such practices, but the payments are often unrecorded and the laws rarely enforced. In some cases, workers must borrow large sums of money at high rates of interest to pay these fees, thereby using a good deal of the income from their time abroad to repay loans rather than earning money for their families as intended. Employers may even be unaware of these payments. Since the payments are made in the workers' home countries, employers may lack the ability to prevent them, even if the employer knows about them.

This problem is complex and rooted in a labor trafficking system beyond any individual company's ability to control or solve. Esprit recognizes that we lack leverage to respond effectively. Esprit is unable to trace payments to labor brokers, or prevent workers from being forced to pay excessive fees to obtain employment abroad. Therefore, rather than work with factories that import foreign contract workers, Esprit seeks instead to create jobs in the workers' home countries by making our products there. We will not establish business relationships with factories that use foreign contract workers.

For the purpose of this policy, foreign contract workers do not include domestic or international migrants, refugees or other non-local employees who are hired on direct contracts without the services of labor brokers. We expect that these employees will be treated the same as local employees, and in accordance with relevant laws and regulations. Under no circumstances does Esprit permit workers to be charged to obtain employment in a factory making our products.

Should Esprit find foreign contract workers in an existing factory, we will expect the following:

- Do not withhold deposits from foreign employees.

- Do not withhold workers' passports or other important documents. Provide a secure place, such as an individual, lockable cabinet where the employee has the key for employees to store important documents themselves.
- Ensure that contracts provide foreign contract workers with the same holidays and leave as the local workforce, and assure that foreign contract workers receive all accrued vacation and leave.
- Ensure that all workers are paid according to the same pay scale, regardless of whether they are foreign or local.
- The employer must pay ALL fees and expenses related to the hiring of foreign contract workers.
- Never deduct any portion of the recruitment fee from workers' salaries.
- Deductions, such as for housing, should be reasonable and comparable to amounts paid by local employees for similar accommodation.
- Stipulate in the contract that any worker who becomes pregnant will not be penalized.
- Provide a system to address foreign contract workers' grievances and assure that there are no retributions for workers lodging complaints. Grievance procedures must allow employees to express grievances through multiple channels, so there must be more than one person in the factory who can understand the foreign workers' languages and can bring grievances to senior management's attention. Where needed, seek help from outside groups, such as churches or NGOs, to facilitate communication between foreign workers and factory management.
- Train supervisors to be sensitive in managing employees from different cultures.

## N. Temporary and Casual Workers

### *Temporary Workers*

Esprit permits the use of temporary workers where appropriate, but does not permit arrangements where workers are employed for extended periods of time on temporary contracts simply to allow their employer to avoid providing secure employment and mandated benefits. If the job is not temporary, the worker doing it should not be temporary. Employers should know when they will need temporary workers, including the specific time of year, length of time in weeks or months, and the approximate number of people needed. Factories that use temporary workers must have clear workforce planning.

Temporary work arrangements must:

- Meet the spirit and requirements of local law.
- Include a contract for each worker that stipulates the start and end dates of employment, the nature of the work to be done, pay and work hours, and all other information required by local law for labor contracts.
- Temporary contracts may not exceed six months in length and may be renewed one time only. If the total time of employment exceeds 9 months in a year, the worker should be made a permanent employee.
- Each casual worker must have a personnel file that contains the same information that is gathered for regular workers.

### *Casual Workers*

In some regions, it is common for factories to hire teams of temporary workers, which they call casual workers. The team leader also works in the factory with his or her team, and is responsible for recruiting the team, which works together and then leaves the factory at the same time to seek employment elsewhere. While such arrangements may not be inherently bad for workers in theory, the system as practiced is open to a range of abuses. To avoid these abuses, Esprit requires casual work arrangements to meet the requirements above for other temporary workers, as well as the following additional criteria:

- Workers must pay no fees to obtain employment. All expenses related to recruitment and all payments to the team leader must be borne by the factory employing the team, and not the workers on the team.

# ESPRIT

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## SOURCING COMPLIANCE

- As stated above, each worker must be hired by the factory with an individual contract. Collective contracts are not permitted.
- Wages must be paid by the factory to each individual employee directly. Wages for the team may not be given to the team leader to distribute to team members.



## O. Homeworkers

*“Home workers are those workers who work at their home or any other premises of their choice, other than the workplace of the employer. They work for an employer, intermediary or sub-contractor for a piece rate, are not responsible for designing or marketing the product, but contribute their labor.”*

- Ethical Trading Initiative Homeworker Guidelines: Recommendations for Working with Homeworkers, July 2006).

Homework presents special risk because of the potential for factories not to know who is making their product, not to know whether their workers are of legal age to work, and to be unable to assure that workers receive all compensation and benefits required by law. Esprit strongly prefers that homework not be used. Only styles that require special workmanship, like beading or embroidery, and that cannot be produced in the factory may be sent out to homes. Normal production must all be done in the factory. Homework may not be used to avoid compliance with local legal requirements. We insist that suppliers know precisely who is doing the work in order to avoid child labor or other unacceptable employment arrangements. Esprit's policy on the matter takes guidance from the Ethical Trading Initiative, which has done extensive research on homeworkers and the best way to manage them. The full ETI Guidelines are available at:

<http://www.ethicaltrade.org/sites/default/files/resources/ETI%20Homeworker%20guidelines,%20ENG.pdf>.

Suppliers using homeworkers must:

- Inform Esprit of the specific styles and orders where homework is to be used. Homework is only for exceptional cases, and may not be used for normal production.
- Meet the letter *and the spirit* of local law.
- Know who makes their products. Ensure that no under-age workers are engaged in production.
- Know where production takes place. Map the supply chain (See below: Sample Format for Mapping Homeworkers).
- Ensure that all workers earn at least the legal minimum wage. Where workers are paid piece rate, price per piece must be fixed in such a way that allows workers to earn the legal minimum wage for hourly, daily and monthly work.

- Provide pay slips with all details related to payment, deductions and other benefits so that workers can fully understand how their wages are calculated.
- Maintain a personnel file for each homeworker that contains the same information that is gathered for regular workers in the factory, including documentation of the worker's age.
- Take all reasonable steps to ensure that homeworkers' children are in school and not home working when they should be studying.

In some regions, it is common for factories to work with homeworkers through contractors or other intermediaries who are not factory employees. While such arrangements may not be inherently negative for workers, the system is open to a range of abuses. To avoid these abuses, Esprit requires that factories using homeworkers ensure that all contractors or intermediaries meet the requirements above, as well as the following additional criteria:

- Wages must be paid by the factory directly to each individual worker by an employee of the factory. Wages for home workers may not be given to the contractor or intermediary to distribute.
- Wherever possible, replace the independent contractor with salaried employees by bringing the contractor onto the company payroll as an employee.

Should there be a remote stitching center (away from the main factory) where workers come to work under the supervision of the supplier or sub-contractor, the location where work is undertaken will be considered a production floor and must comply with all legal requirements, including health and safety regulation, as well as the following:

- Provide a contract for each worker that stipulates the start and end dates of employment (open ended contracts must be explicit on this point), the nature of the work to be done, pay and work hours, and all other information required by local law for labor contracts.
- If the contract is made for defined period, it may not exceed six months in length and may be renewed one time only. If the total time of employment exceeds 9 months in a year, the worker should be made a permanent employee with an open ended contract.
- As with homeworkers who work in their own homes, the factory must distribute salaries and pay slips to workers directly and maintain a personnel file for each worker that includes copies of the worker's national ID card to confirm age.

Sample format for mapping homeworkers

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## SOURCING COMPLIANCE

ID#	Production process	Contractor name	Subcontractor name	Homeworker's location (Village/town)	Number of homeworkers in each location

## P.    How to Prepare a CAP

Preparing a Corrective Action Plan against any finding identified during internal or external audits or monitoring is the process of identifying the main causes of the non-compliance, and developing a strategy to resolve the finding and will help the factory to prevent its recurrence.

In order for the Corrective Action Plan (CAP) to be acceptable to Esprit, it must contain the following information:

- **CAUSE ANALYSIS:** Factory must analyze and record the underlying reason(s), and not just the immediate causes, of the non-compliance finding. The example below shows how to make a cause analysis.
    - Finding: The fire extinguishers in the finishing department were blocked.
    - Immediate reason: It was peak season, and boxes piled up in the loading area and blocked the fire extinguishers.
    - Causes (underlying reasons): The questions to be asked in order to analyze the causes may involve the following:
      - Is the loading area equipped with shelves that are placed away from the fire extinguishers?
      - Are areas that must be free from any obstruction (the electric panels, fire extinguishers, fire hoses, etc.) marked?
      - Are workers trained on the procedures to keep all these areas free of obstruction?
      - Is there a person in the loading area responsible for monitoring the fire extinguishers and taking immediate action to avoid any blockages?
      - Is there a system in place to verify that the regular monitoring is conducted regularly?
      - Are there any disciplinary procedures in place to report the persons in charge failing to do monitoring?
- (The list of the questions can be extended based on the nature of the workplace)

In order to complete the cause analyses, make sure that all relevant questions are asked and answered properly. All “No” answers to the questions listed may themselves or together with other questions be the cause of the non-compliance, and the non-compliance will not be remediated unless all issues identified as causes are addressed properly.

- **CORRECTIVE ACTION:** All corrective actions must be specific, do-able, and time bound. They must address both
  - The immediate solution, called “Immediate Action”, as well as
  - The mid- or long term long-term remedial measures, called “Sustainable Action”.

Similar to the example above, for a finding of blocked aisles, the immediate corrective step should be to clear the aisles and train employees, while the long-term measure could be the setting up of a system for routine monitoring of all aisles and designating staff to be responsible for this task.

Please note that unclear and brief statements like “It has been corrected” or “It will be corrected in September” do not provide enough information to understand the corrective action intended by the factory management. If the factory has completed the remediation of the noncompliance prior to drafting of the CAP, the CAP needs to elaborate on what and how remedial actions have been taken and the system put in place to prevent the recurrence of noncompliance, i.e., what arrangement has the factory set up to ensure sustainable compliance.

- **RESPONSIBLE PERSON:** This will identify the management staff responsible for implementing the corrective action. Enter both name and job title of the individual(s).
- **FINAL COMPLETION DATE:** A reasonable deadline date is required for each noncompliance item. This is the factory’s committed timeline for completing all corrective measures outlined under ‘Corrective Action’. If the action is already completed by the time CAP is written, record the date when the action was completed.

Details of Findings		<u>To Be Completed by Factory</u>		
		Factory Response to the CAP with Systematic Management Approach	Responsible Person (Name & Job Title)	Scheduled Completion Date
1	<b>Finding:</b> Most of the aisle markings in the factory are faded, and some no longer reflected the actual workplace	<u>Cause Analysis:</u> Movement of machines and workers on the aisles affects the markings.  There is no periodic maintenance schedule for the	Mr. X [General Manager]-Head of the Health & Safety Committee  Ms. Y [Manager,	January 31, 2015

	configuration.	<p>aisle markings.</p> <p><b><u>Correction Action:</u></b></p> <p><b><u>Immediate Action:</u></b></p> <p>All faded aisles will be identified and marked with durable floor paint.</p> <p><b><u>Sustainable Action:</u></b></p> <p>Floor level maintenance team will check the aisles after each change of the workplace lay-out is completed. Aisles will be re-marked immediately if faded.</p> <p>H&amp;S Committee members will conduct regular monitoring in their areas and will inform designated personnel upon finding faded aisle markings. Maintenance team will mark the faded aisles immediately.</p> <p>Compliance team will conduct monthly monitoring and report to concerned Senior Management. Remedial steps will be undertaken upon finding any problem.</p>	<p>Compliance]</p> <p>Mr. Z</p> <p>[Maintenance Manager]</p>	
	<p><b><u>Recommendation</u></b></p> <p>Mark all aisles where marks are faded. Develop a system that will ensure proper monitoring and maintenance of the aisle markings.</p>			

## Q. Self-Assessment Template

### Employment contracts

1. The factory has employment agreements for all types of employees

- ☐ All regular or permanent workers
- ☐ All temporary or casual workers
- ☐ Workers contracted through a third party (including security, housekeeping, etc.)
- ☐ Apprentices/trainees
- ☐ Probationary or workers hired for a trial period

2. The factory employment contracts contain:

- ☐ Nature and type of worker arrangement (e.g., probationary, apprentice/trainee, regular/permanent);
- ☐ Terms and duration of the contract under the specified employment arrangement that is in accordance with the local labor law
- ☐ Starting wage and overtime wages
- ☐ Work hours and holidays
- ☐ Benefits
- ☐ Resignation and termination conditions

3. Workers are given:

- ☐ A signed copy of the employment agreement
- ☐ That is written in a language that they understand
- ☐ Verbal information about the contents of the contract (in particular for workers of low literacy level)

## Code of Conduct and Company Policy

1. Esprit standards are communicated to all types of workers through:

- ☐ Postings on bulletin boards with an introduction on the relationship between the BSCI and the factory
- ☐ Induction/orientation training

2. The factory's Company Policy is communicated to all types of workers through:

- ☐ Postings on bulletin boards
- ☐ Induction/orientation training
- ☐ An employee handbook given to all employees and is
- ☐ Written in a language that workers understand

## Child Labor

1. Policy

- ☐ The factory has a written policy on minimum hiring age.
- ☐ The factory has written policy on young workers as applicable under local law that includes description of types of work, schedule of work, and other relevant aspects.
- ☐ The factory has written child worker remediation policy.

2. Procedures

- ☐ The factory has clear procedures on child labor that includes a description of hiring procedures to verify the age of applicants.
- ☐ The factory has clear monitoring procedures, as applicable under local law, to ensure adherence to any special restrictions regarding young workers.
- ☐ All training and apprenticeship programs are implemented according to local law and Esprit Standards.
- ☐ Factory has a detailed child worker remediation procedure.



### 3. Implementation Effectiveness and Workers Awareness

- ☐ The primary responsible person is properly trained.
- ☐ The factory does actually follow policy and procedures. The factory does not employ workers under the age of 16 (or 14 or 15 as per law).
- ☐ The factory is in compliance with all local regulations regarding the employment of young workers (if the factory hires young workers with restrictions).
- ☐ Factory actually initiates the remediation procedure upon finding a child worker.
- ☐ Workers are well aware of these policies and procedures.

### 4. Documentation

- ☐ The factory maintains official documentation in individual personnel files allowing for verification of each worker's date of birth.
- ☐ The factory maintains personnel files of any young workers in a separate file.
- ☐ The factory maintains legally required health examination records for young workers.
- ☐ The factory maintains records that describe all training and apprenticeship programs.
- ☐ In the event that child labor is found, the factory maintains a personnel file, monthly school attendance and monthly wage payment records for the child.

## Forced, Bonded, Indentured and Prison Labor

### 1. Policy

- ☐ The factory has a written policy that prohibits any kind of forced labor, whether in the form of prison labor, indentured labor or bonded labor.
- ☐ The factory does not have any policy that physically interferes with the freedom of movement of employees.
- ☐ Factory has a policy requiring all overtime work to be voluntary.
- ☐ The factory has a written policy that ensures that employees are free to terminate employment following local legal requirements, and receive due benefits on a timely manner.

### 2. Procedures

- ☐ The factory does not hold the original copy of any workers' personal documents.
- ☐ If recruiting agents are used, the factory has the written procedures for recruiters, and requires that no fees are charged to workers.
- ☐ The factory has written procedures that explicitly forbid physically preventing employees from leaving the workplace or imposing penalties or fines for declining overtime.
- ☐ The factory has written procedure that includes specific steps to ensure that capacity assessment and production planning do not depend on overtime hours, that workers are informed of overtime work in advance (at least at the first half of the day when overtime work is needed), and that overtime work is strictly voluntary.
- ☐ The factory has a written resignation procedure with specific steps and that pays all due severance benefits.

### 3. Implementation, Effectiveness and Worker Awareness

- ☐ The primary responsible person is properly trained.
- ☐ The factory actually follows policy and procedures. Workers do not work under bond, debt or other obligation, and receive wages directly from the facility.
- ☐ Workers do not pay any pre-employment fees or deposits to the factory or recruiting agents.
- ☐ The factory utilizes professional security services, not police, to provide workplace security.
- ☐ Monitoring mechanisms ensure that steps of the resignation procedure are properly followed in a timely manner.
- ☐ Managers and the production planning department are clearly informed on the prohibition of production capacity assessment and production planning that depend on overtime hours.
- ☐ Workers are trained on voluntary overtime work.
- ☐ Workers are trained on the resignation procedure.
- ☐ Dormitory residents are not restricted in their movements while they are not working beyond what they agree to be reasonable given legitimate concerns for their safety or consideration for the privacy of other residents.
- ☐ There are no unreasonable restrictions on or monitoring of their toilet use.
- ☐ Workers have unlimited access to drinking water.

### 4. Records

- ☐ The factory maintains the up-to-date personnel records for each employee.
- ☐ Records of information dissemination on upcoming overtime work, like notices on the notice board, etc.

## Freedom of Association and Collective Bargaining

### 1. Policy

☐ The factory's written policy states that the factory respects the right of workers to join and organize associations of their own choosing, including trade unions, and to bargain collectively.

### 2. Procedures

☐ The factory does not interfere with the workers' right to freedom of association (including forming and joining unions and bargaining collectively).

☐ The factory does not discriminate, penalize, threaten, restrict or interfere with workers choosing to lawfully form or join unions or associations.

### 3. Implementation/Workers Awareness

☐ If there is a union, it is able to hold regular branch meetings in the factory.

☐ Workers have the right to join and organize associations of their own choosing.

☐ Workers interviewed judge any union or worker representative in the factory to be effective.

### 4. Documentation

☐ There is a collective bargaining agreement in place in the factory that is available for the workers to examine.

☐ If there is trade union in the factory, the union maintains records of branch elections and minutes of branch meetings.

☐ If there is a worker representative committee in the factory, the factory maintains files with a description of its mandate, composition and selection procedure, as well as files of the minutes of the committee meetings.

## Discrimination, Harassment and Abuse

### DISCRIMINATION

#### 1. Policy

☐ The factory has a written policy that states that employees are hired, promoted and terminated without regard to gender, ethnic origin, race, color, religion, age, maternity, sexual orientation, or marital status.

#### 2. Procedures

☐ The factory has written procedures on decisions for work assignments- promotion and pay are based on skills and abilities.

☐ The factory has written procedures that do not include pre-employment screening for pregnancy, or required screening thereafter.

☐ Procedures to guarantee that laws regarding pregnant employees are adhered to, such as: limiting overtime or restricting work to specific jobs that do not have the potential to injure that health of the mother or baby.

☐ The factory has robust procedures for workers to report pregnancy, and the protections provided are such that workers do not hesitate to avail themselves of the benefits offered.

☐ Employees who take legally mandated maternity leave are reinstated to the same position at the same pay upon returning to work.

☐ Factory has procedures for developing and updating job descriptions of the work positions that exist in the factory (e.g. managers, management staff, production workers, administrative staff, security guards, etc.). The job descriptions include basic responsibilities, deliverables for the position, and specified targets, where applicable, for advancement.

☐ Factory has an effective performance appraisal procedure for all employees (e.g. managers, management staff, production workers, administrative staffs, security guards, etc.).

☐ Factory has procedures to effectively monitor the implementation of the non-discrimination policies and procedures.

### 3. Implementation Effectiveness and Worker Awareness

- ☐ The primary responsible person is properly trained.
- ☐ Workers are employed, promoted, and compensated based upon their ability to perform their job, rather than on the basis of gender, race, caste, sexual orientation, and marital status, religious and cultural beliefs.
- ☐ There is no discrimination against workers based on political affiliation or union membership and workers are highly aware of this.
- ☐ Supervisors and workers are well aware of the factory discrimination policy and procedures.
- ☐ Employees are informed about their job descriptions both verbally (induction training, training after achieving the next level of position) and in written format (copy of job description with appointment and promotion letters).
- ☐ Human resource, production management, and supervisory staff understand and play their parts in the performance appraisal process.
- ☐ Periodic monitoring, both scheduled and random, is undertaken to ensure implementation of non-discrimination procedures.

### 4. Documentation

- ☐ The factory maintains records of any pre-employment skill tests and promotions.
- ☐ The factory maintains a list of pregnant employees that includes due date, work hours, permitted tasks, and other relevant information.
- ☐ The factory maintains records of female employees who are entitled to receive legally mandated maternity benefits.
- ☐ Factory maintains job a description in each employee's personal file.
- ☐ Factory maintains employee training records.
- ☐ Factory maintains training records for HR, production management and supervisory staff on their part of the performance appraisal.
- ☐ Factory maintains relevant records on monitoring done to ensure implementation of the non-discrimination procedures.

ESPRIT

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SOURCING COMPLIANCE

## HARASSMENT AND ABUSE

<p>1. Policy</p> <p><input type="checkbox"/> The factory has a written policy on harassment and abuse that describes what constitutes:</p> <p><input type="checkbox"/> Physical Abuse   <input type="checkbox"/> Psychological Abuse   <input type="checkbox"/> Sexual harassment &amp; abuse</p> <p><input type="checkbox"/> Verbal harassment &amp; abuse</p>
<p>2. Procedures</p> <p><input type="checkbox"/> The factory has written procedures on harassment and abuse.</p> <p><input type="checkbox"/> The factory has written procedures for workers to report harassment and abuse by supervisors and managers.</p> <p><input type="checkbox"/> The disciplinary procedures address all kinds of harassment and abuse at all levels and clearly define responses.</p>
<p>3. Implementation Effectiveness/Workers Awareness</p> <p><input type="checkbox"/> The workplace is free from corporal punishment, physical, verbal, sexual or psychological harassment or abuse.</p> <p><input type="checkbox"/> Workers interviewed judge factory's procedures in responding to harassment and abuse to be effective.</p> <p><input type="checkbox"/> Workers interviewed are aware of the factory's policy and procedures on harassment and abuse.</p> <p><input type="checkbox"/> The factory maintains records showing all cases of harassment and abuse found, and disciplinary actions taken against perpetrators.</p>
<p><i>GRIEVANCE PROCEDURES</i></p>
<p>1. Policy</p> <p><input type="checkbox"/> The factory policy manual includes grievance procedures to ensure that workers can report problems anonymously and without fear of reprisal or negative repercussions.</p>



<p>2. Procedures</p> <p><input type="checkbox"/> The factory's company policy manual contains a description of the grievance mechanism in the factory, including:</p> <p>channels of reporting (who to report to, when and how)</p> <p>mechanism to allow workers to report to someone other than their direct supervisor</p> <p>mechanism to ensure confidentiality and freedom from reprisal</p> <p>procedure for management follow-up of reported grievances</p> <p>procedure for workers to monitor status of complaints</p>
<p>3. Implementation Effectiveness/Worker Awareness</p> <p><input type="checkbox"/> The factory has one senior manager assigned to oversee the grievance system who is properly trained in grievance handling.</p> <p><input type="checkbox"/> Workers interviewed are aware of the grievance procedures.</p> <p><input type="checkbox"/> Workers who have used them judge the factory's grievance procedures to be effective.</p> <p><input type="checkbox"/> Workers interviewed feel comfortable using the grievance mechanism.</p>
<p>4. Documentation</p> <p><input type="checkbox"/> Records of grievance deliberations are properly documented and filed.</p>
<p>Discipline and Termination</p> <p>1. Policy</p> <p><input type="checkbox"/> The factory has a written policy on discipline and termination that includes description of: a) infractions of discipline, b) corresponding actions to be taken in response.</p>

### 2. Procedures

☐ The factory has the written disciplinary procedures that describe the process including:

Communication of infraction or violation to erring employee

Response or explanation from employee

Evaluation and deliberation of infraction and disciplinary action taken

Implementation of progressive disciplinary action (e.g., verbal warnings and written warnings)

A system for appeal of unfavorably resolved complaints or disciplinary actions

### 3. Implementation/Workers Awareness

☐ Disciplinary measures do not include the use of punitive deductions (fines) from workers' pay.

☐ Most of the workers interviewed feel these disciplinary measures are objective and fair.

☐ Workers interviewed are aware of the discipline and termination policy and procedures.

### 4. Documentation

☐ All disciplinary and termination notices (e.g., written warnings, sanctions and other supporting documents) are documented and filed in HR and in individual worker files.

## Wages, Benefits and Terms of Employment

### 1. Policy

- ☐ The factory has a written policies that include: rates of regular and OT wages for all types of workers; description of how wage is calculated; pay schedule complete description of all deductions.
- ☐ The factory has a written policy that describes/lists the benefits employees are entitled to within the time period prescribed by law and describes procedures on how to access these benefits.
- ☐ The factory provides of this description to new employees upon hire, and post the description in the factory where employees can refer to it as needed.

### 2. Procedures

- ☐ The factory has a procedure that allows for wage increases based on skill level, productivity or other relevant factors.
- ☐ The factory has procedures on upgrading the trainees/probationary workers to permanent status after the legally mandated time period. If there is no time period indicated, training / probation period must not exceed 1 month. Temporary workers are upgraded to permanent status in case of renewal more than once. No temporary contract for a worker may exceed 12 months including renewals.
- ☐ The factory has procedures for communicating wage calculation methods to workers.

### 3. Implementation Effectiveness/Workers Awareness

- ☐ All employees (including trainees or contract employees) are paid at least the legal minimum wage or the industrial standard wage, whichever is higher.
- ☐ The factory guarantees piece rate workers the minimum wage.
- ☐ All workers are paid the legal overtime rates or at least a premium of 1.25 where there is no legally defined overtime rate.
- ☐ All legally mandated benefits are provided to workers.
- ☐ Workers are aware of the benefits to which they are entitled and procedures on how to access these benefits.
- ☐ Workers understand how their wages are calculated.
- ☐ Deductions from wages must be reasonable, legal and in keeping with local law and industry standards.
- ☐ No deductions for Tools, equipment, PPE, Uniforms, Employee IDs, Timecards, or fines for disciplinary purposes

☐ Employees are always paid on time based on an established schedule (weekly/twice per month/monthly)

### Work Hours

#### 1. Policy

- ☐ The factory has a written policy that indicates regular and OT hours, breaks, rest periods and holidays that are in accordance with the local laws.
- ☐ All workers are given at least one day off in seven and all legally required breaks.
- ☐ The factory has written policy that production planning will only be done considering regular working hours (excluding overtime hours).

#### 2. Procedures & Documentation

- ☐ Factory has procedures for OT request to the top management
- ☐ Factory has procedures for OT refusal to workers
- ☐ Factory has detailed & step by step procedure for tracking, analyzing working hours and uses this information to prepare production planning.

#### 3. Implementation Effectiveness

- ☐ The factory implements voluntary overtime at all times.
- ☐ Employees punch or swipe their own timecards to record hours worked.
- ☐ Overtime is voluntary. No penalties or repercussions for refusing overtime.
- ☐ Train relevant managers & management staff on working hours tracking & analysis and production planning.
- ☐ Train employees with supervisory responsibilities on ensuring voluntary nature of overtime work.
- ☐ Train workers on their right of voluntary overtime work.
- ☐ Develop a multi-departmental joint monitoring system to ensure hours of work related policies and procedures are implemented properly.

### 4. Records:

The factory should have:

- ☐ Timecards
- ☐ Attendance & leave records
- ☐ OT request records
- ☐ OT payment records (payroll)
- ☐ Working hours tracking and analyzing records.
- ☐ Relevant training records.
- ☐ Monitoring records.

### Overtime

#### 1. Policy

- ☐ The factory has a written policy that indicates regular and OT hours, breaks, rest periods and holidays that are in accordance with the local laws.
- ☐ All workers are given at least one day off in seven and all legally required breaks.

#### 2. Procedures & Documentation

- ☐ Procedures for OT request to the top management
- ☐ Procedures for OT refusal to workers

#### 3. Implementation Effectiveness

- ☐ The factory implements voluntary overtime at all times.
- ☐ Employees punch or swipe their own timecards to record hours worked.
- ☐ Workers interviewed confirm that overtime is voluntary. No penalties or repercussions for refusing overtime.
- ☐ Workers interviewed confirm that factory does actually follow the factory's work hour policy and procedures.

#### 4. Records

- ☐ Timecards
- ☐ Attendance & leave records

- ☐ OT request records
- ☐ OT payment records (payroll)

## Health and Safety

Health and Safety Management System
<p>1. Policy</p> <p><input type="checkbox"/> Employers must develop, maintain, and regularly review written health and safety policies, at the very least, aimed at complying with legal minimum health and safety standards or international best practices, whichever is more stringent.</p> <p><input type="checkbox"/> The health and safety policies must contain the framework for a comprehensive health and safety management system within which the following are clear and regularly tested and reviewed:</p> <p><input type="checkbox"/> employers' responsibilities,</p> <p><input type="checkbox"/> workers' rights and duties,</p> <p><input type="checkbox"/> responsibilities of designated personnel.</p>
<p>2. Procedures</p> <p>The factory has:</p> <p><input type="checkbox"/> Procedures to ensure workers' involvement in the health and safety management system (such as effective health and safety committees, etc.)</p> <p><input type="checkbox"/> procedures that enable workers to raise health and safety concerns</p> <p><input type="checkbox"/> procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents)</p> <p><input type="checkbox"/> Procedures for the protection of workers who allege health and safety violations.</p> <p><input type="checkbox"/> procedures for the maintenance and regular update of all documents on health and safety by applicable laws or international best practices (e.g. health and safety policies, risk assessment, MSDS, emergency response plans)</p>
<p>3. Implementation Effectiveness / worker awareness</p> <p><input type="checkbox"/> All documentation on health and safety policy and procedures are available to workers in the local language or language(s) spoken by the workers.</p> <p><input type="checkbox"/> The factory management conducts regular trainings on health and safety issues at the factory including job specific trainings, and evaluates the effectiveness of the trainings</p> <p><input type="checkbox"/> Workers are aware of the composition and the mandate of the health and safety committee, and the committee members</p>

### 4. Records

- ☐ All legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, and inspection of machinery.
- ☐ All illness, safety, accident, and emergency reports are maintained on site for at least one year, or longer if required by law.
- ☐ Regularly updated risk assessment study
- ☐ Health and safety committee meeting minutes

### Animal Treatment and Environment

#### Environmental Conditions

##### 1. Policy

- ☐ An Environmental Management Plan is in place to ensure compliance with environmental laws and regulations. The plan contains:
  - ☐ description of employee responsible for implementing the plan;
  - ☐ description of the environmental impact of production processes;
  - ☐ government permits & records to be maintained;
  - ☐ responsible government agencies
- ☐ The factory has reduction, reuse and recycling programs for water and solid wastes

##### 2. Procedures & Documentation

- ☐ Does the factory have an up-to-date waste water permit
- ☐ Does the factory have up-to-date water testing records
- ☐ Does the factory have up-to-date waste disposal records
- ☐ Solid waste Management



- ☐ The factory practices solid waste segregation at source
- ☐ The factory practices non-burn technologies for waste disposal

### Supplier, POF and Sub-contractor, Audits and Consequences

<p>1. Policy</p> <p><input type="checkbox"/> The master supplier has established PoF/subcontractor engagement standards that encourage its business partners to uphold/follow the factory's policies and Esprit Code of Conduct.</p>
<p>2. Procedures &amp; Documentation</p> <p><input type="checkbox"/> The master supplier has procedures in place to recruit PoF and subcontractors to meet Esprit's requirements and a procedure in place for regular monitoring.</p> <p><input type="checkbox"/> Regular monitoring records are maintained and updated according to the monitoring schedule developed by the master supplier.</p> <p><input type="checkbox"/> All PoF and subcontractors used by the master supplier have signed a statement confirming their understanding and compliance with the Esprit Code of Conduct and Production Standards.</p>
<p>3. Implementation Effectiveness</p> <p><input type="checkbox"/> The factory does not use PoF and subcontractors to manufacture any part of Esprit products without prior approval.</p>