

FLA Audit Profile	
Country	Sri Lanka
Factory name	360270426E
IEM	Bureau Veritas
Date(s) in facility	December 11 - 13, 2006
PC(s)	Reebok International, Ltd.; Puma AG
Number of workers	1263
Product(s)	Children items, T-shirts, Jersey, (100% knits)
Production processes	Cutting, Sewing, Finishing, Packing, Embroidery

As of July 2007, Puma AG has stopped working with this factory. According to Puma, the factory was used by the licensee (through an agent) only during the period February to September 2006. The reasons for the exit was poor quality, late deliveries and lack of responsibility and accountability for security labels issued to the factory.

FLA Code/ Compliance Issue		Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (9/7/2007)	Documentation
1. Code Awareness														
Code posting/information														
			FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	FLA affiliated company has not taken any steps to develop the grievance policy. The grievance policy was included to factory general code and Reebok code, but new employees were not well aware about the grievance policy and grievance policy was not included to the Puma code.				It was noted during management interview and employees' interviews.		1) PC is currently re-issuing Workplace Standards to factories, along with open letter to workers. 2) Once factories receive new workplace standards, they are required to provide training to all workers (including supervisors and managers) on workplace standards. In addition, open letter to workers will include contact information for the PC in case workers need to grievance to PC's compliance team. 3) Factory to develop mechanism and channel for workers to convey grievance, feedback or complaints with guaranteed confidentiality and no retaliation, and mechanism should include protocol to communicate the follow up back to workers. 4) Designate accountable person to monitor the implementation. This mechanism to be communicated to all workers.	8/31/2007		1) Open letter in local languages have been sent to factories; training on Workplace Standard has been conducted by PC on 9/4/2007. 2) Factory walkthrough verified that the open letter has been posted in canteen and factory areas, but no training has been conducted to workers yet. 3) Factory has developed grievance system with multi channels, procedure is posted in canteen	
			FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	Both Puma and Reebok codes were not communicated to employees separately though it was posted. The Puma code was posted in English. It was noted during employees interview, that lack of employees' awareness with regard to codes. Both FLA (Puma/Reebok) brands codes were posted in several places in factory. The factory general code covers all codes requirement of both Reebok and Puma, but new employees knew some part of the codes.				It was confirmed through management interview, employees' interview process and visual inspection.		1) PC is currently re-issuing Workplace Standards to factories, along with open letter to workers. 2) Once factories receive new workplace standards, they are required to provide training to all workers (including supervisors and managers) on workplace standards.	8/31/2007		1) Open letter in local languages have been sent to factories; training on Workplace Standard has been conducted by PC on 9/4/2007. 2) Factory walkthrough verified that the open letter has been posted in canteen and factory areas, but no training on its content has been conducted yet.	
			FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	Reebok contact number in the code was expired, because contact person resigned from the company two years back.				It was confirmed through visual notification and employees' interviews.		PC is currently preparing "open letter to workers" to all factories. PC's will be required to post the open letter to workers in the factory. Such letter will include an update on the merge of this PC with another PC, information on the new workplace standards, and will also include contact information where workers may contact PC to report grievances/noncompliances.	8/31/2007		1) Open letter in local languages have been sent to factories containing updated PC's contact information; training on Workplace Standard has been conducted by PC on 9/4/2007. Factory walkthrough verified that open letter has been posted in canteen and factory areas along with factory's grievance system.	Doc: Picture of open letter posted
2. Forced Labor														
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.														
3. Child Labor														
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.														
			Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.						All juvenile employees were identified with red band tied around the hands.					
4. Harassment or Abuse														
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.														
5. Nondiscrimination														
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.														
			Reasonable accommodation will be made in the event of pregnancy, in a manner that will not unreasonably disadvantage the pregnant woman.						All pregnant women were highlighted by green scarf, which they were wearing at the time of audit.					
6. Health and Safety														
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.														
	Board of Investment of Sri Lanka (31 March 2004) LABOUR STANDARDS & EMPLOYMENT RELATIONS MANUAL 6.12 In stacking material in stores areas, pathways free of obstruction should conform to the requirements of the Ceylon Electricity Board.		All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	During factory tour, it was noticed that aisle paths were blocked with garments, tools and boxes in production lines, packing and cutting section. Also workstations were obstructed with garments bags, tools, and chairs. It was noticed that several fire extinguishers and first aid boxes were hanged on the wall, which will obstruct the aisle path. Management stated that they are short of space except canteen and there will be some expansion going on in the future.				It was confirmed through the visual notification and management and employees' interview.		1) Factory to clear the aisles of obstruction. Conduct regular inspection to ensure that all aisles are free from obstruction at all times and train the workers accordingly. 2) Review the installation of safety boxes and fire extinguishers that not to obstruct the aisle paths.	8/31/2007		Factory walkthrough verified that 1) Aisles are still obstructed with garments, boxes and machines. No regular inspections have been conducted to ensure that all aisles are free from obstruction at all times and no training on such has been provided to workers. 2) Fire extinguishers have been removed from the path ways & have been adequately reinstalled. Size of the first aid boxes were reduced to avoid obstructions.	Doc: Picture of first aid box and FE installation
			All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	1) Strobe light was not provided in the embroidery section. In emergencies, the fire alarm sound may not be heard by the employees in embroidery section due to the fact that they are wearing ear plugs. 2) The supervisor was not aware about the emergency medical procedure such as in the case of an emergency where to take patient, what to do, how to do etc.				1) It was confirmed through the visual notification and management acknowledged the finding. 2) It was confirmed during supervisor interviewing process and emergency medical procedure was posted in several places in factory and awareness records were available for supervisors.		Factory to install strobe light in embroidery section as back up facility for fire alarm sound. Installation of strobe light should be in prominent places and visible for all workers in embroidery section.	9/30/2007		Factory walkthrough verified that strobe light in embroidery section has been installed. Factory management must ensure to provide verbal training to all managers and supervisors on emergency procedures. Copy of trainings must be maintained by factory.	Doc: Picture of strobe light
			Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.					It was confirmed through visual inspection.		Factory to conduct regular monitoring to control and ensure that PPE is used properly. As training has been conducted, a refreshment training to be conducted for workers who fail to follow the requirement. In addition to that, factory needs to set up internal disciplinary measure, in which enforcement action can be issued if workers continue to not follow requirement on proper PPE usage.	9/30/2007		Factory walkthrough in cleaning operation and cutting section verified that workers are using the PPE. Factory has conducted refreshment training to workers on PPE use. However, there is no evidence on that regular monitoring system has been implemented as well as disciplinary measure in relation with possible violation of the PPE policy. Factory to complete the action by 12/31/2007.	

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation						
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (uncorroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (9/7/2007)	Documentation	
Chemical Management		All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.			During employees interview process, it was noted that chemical trainings were provided but few employees were not aware about correct handling procedures. The trainings records were maintained and management stated that assessment should be done after the trainings, to ensure the awareness of employees.		It was confirmed through employees interview process.		Factory to conduct regular monitoring to control and ensure that chemical handling is done properly. As training has been conducted, a refreshment training to be conducted to remind workers on chemical handling procedure. Factory to conduct assessment on existing training program and result of regular monitoring review if any further improvement is needed.	8/31/2007		Factory walkthrough in production area verified that workers who work with chemicals in cleaning station are aware of the requirements for chemical handling, including proper usage of PPE. However, there is no regular monitoring program as well as documented records of training. Factory to complete the action by 12/31/2007.		
Sanitation in Facilities	Board of Investment of Sri Lanka (31 March 2004) LABOUR STANDARDS & EMPLOYMENT RELATIONS MANUAL 7.9. First Aid Room A well equipped first aid room (sick room) with a trained Nurse or trained First Aid Attendant and adequate facilities should be provided.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	There was no toilet inside the medical room.				It was confirmed through the visual notification and employees interview.		Factory to provide toilet and wash basin in the medical room.	9/30/2007		Walkthrough to clinic verified that there is no toilet and wash basin provided in the medical room. Currently workers are using toilet near canteen area. Management interview indicated that there is a technical problem in building a toilet in the existing clinic because of a concern of a possibility of polluting ground water as well as a lack of space. Factory will review the new location for clinic.		
7. Freedom of Association and Collective Bargaining														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.														
Access to Unions		Trade unions not recognized as bargaining agent of some or all of the workers in a facility should have the means for defending the occupational interests of their members, including making representations on their behalf and representing them in cases of individual grievances, within limits established by applicable law. Workers' representatives should have the facilities necessary for the proper exercise of their functions, including access to	During employees interviewing process, it was noticed that employees were not aware about the decision taken by employees council and President of the employees council also stated that they do not specified time to communicate minutes of meeting to employees.				It was noted, during the interview of president of employee's council and employees.		Factory and employee[s] council to establish a clear mechanism that includes steps to: 1) Involve active participation from workers on collective bargaining made between employee council and management. 2) Update workers on any decision taken by employee council or any agreement made with the management.	8/31/2007		1) Pending. 2) Factory walkthrough and document review revealed that factory management has provided separate area to notify employee council decisions and now provides photographs of the council members for easier distinction.	Doc: Picture of minutes meeting posted and procedure for worker management communication (Sinhalese).	
8. Wages and Benefits														
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.														
9. Hours of Work														
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.														
10. Overtime Compensation														
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.														
Accurate recording of OT hours worked		Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work.	Factory does some deduction of all employees if employees punch the card incorrect time. It was noticed in and out records reviewing process, if employees punch the card on 6:57 p.m. in the evening instead of 7:00 p.m. The overtime hours was calculated for 6:45 p.m. in the system, the balance 12 minutes is not added to salary. When questioned from management, they said the system has been made minimum for 15 minutes.				During in and out records reviewing process.		1) Factory to change the working hours and wage/OT wage calculation system that ensure all hours of works are compensated as per regulation. 2) All non-legitimate deductions to be paid retroactively started January 2007. 3) Factory to conduct regular monitoring and designate accountable person to ensure that improvements are in place.	9/30/2007		Per documentation review: 1) Factory has changed the working hours and wage/OT wage calculation system to ensure that all hours of works are compensated as per regulation (no more round off of 15 minutes for OT wage calculation). 2) Retroactive payment has been made for the deductions due to round off calculation. 3) Additional documentation review shows that factory has correct calculation on wage and benefit.	Doc: Payroll document and back payment	
Miscellaneous														
Illegal subcontracting			1) Factory does not have written subcontract evaluation procedure, according requirement of FLA brands. 2) Factory has done some printing orders for Puma and printing has been done in separate place, which was not approved by Puma. 3) Management has not done separate orientation program to third party contractors and 4 new recruitments.				1) During document reviewing process and management acknowledged the finding. 2) It was noted, during document reviewing process and management interviewing process. 3) It was noted while interviewing the third party cleaners and management acknowledged the finding.		1) Factory to establish procedure to disclose, evaluate and monitor the compliance performance of subcontract for PC production (adidas AG). Designate accountable person to monitor the implementation of these procedures. Written record on subcontract factory's disclosure should be well documented. 2) Factory to establish procedure to ensure that job order is placed only to an authorized facility for PC; regular tracking record should be documented. 3) Factory to conduct orientation program on workplace standards to third party contractors, suppliers and vendors; record of orientation should be documented. 4) Factory to develop induction training program for newly hired workers that include orientation on Workplace Standards.	8/31/2007		No action has been taken based on remediation plan - Factory to complete the action by 12/31/2007.		
Other							Employees were allowed to purchase electrical equipments and jewelry on monthly payment basis. Shop owners from outside will come to the factory for selling. Employees have given written consent to management to buy these things, because it was less than the market price; it was confirmed during employees' interview.							

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Completed;
Pending;
Ongoing

Pending

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and ongoing

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