

FLA Audit Profile	
Country	Sri Lanka
Factory name	010270355E
IEM	T-Group Solutions Pvt. Ltd.
Date(s) in facility	August 8 - 9, 2006
PC(s)	Nike, Inc., adidas AG
Number of workers	818
Product(s)	Knit Sportswear, Intimate Wear, Underwear, Skirts
Production processes	Knitting, Dyeing, Sewing, Finishing, Packing

adidas Comment: In 2006 the adidas-Group along with other FLA Participating Companies created and delivered a remediation plan to address the noncompliances found by this IEM. However, in September 2012 relationship with the factory ended due to production related reasons. Prior to the phasing out process, SEA had conducted regular monitoring and intensive engagement with the factory. Based on the last TC update in 2011, remediation on 3 issues had been completed, while the status for 2 other issues were ongoing and needed further monitoring by other PC involved in this IEM. At the time of the factory termination, the adidas-Group only represented approximately 3% of the factory's capacity; as a result, no impact to the workforce or the factory's operation is expected.

FLA Audit Profile			IEM Findings							Remediation					[Status]	Updates
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources, Documentation	Notable Features	PC Internal Audit Findings (Optional)	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up	Documentation	Completed, Pending, Ongoing	Company Follow Up (May and October 2007)
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.		adidas' Code of Conduct (COC) poster posted outside workers' locker rooms on ground floor is in English.		Finding was incriminating.	visual observation		adidas Group (for both adidas and Reebok brands) will have a new COC titled Workplace Standards. It is now being finalized and will be provided to all factories once completed. adidas is planning to offer its new "Workplace Standards" COC in the local language as well, but this may not happen until February or March 2007.	January 1, 2007					Ongoing	adidas AG has finalized new "Workplace Standards." The new Workplace Standards have been provided to factory in English only. Workplace Standards are currently being translated and will be submitted to factory upon completion in June-July 2007. October 2007: Workplace Standards and Open Letter in local languages has been distributed to factories. Training for factories has been conducted in September 2007. Factory's follow up by posting Open Letter in local language for workers.
Worker/Management Awareness of code		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.		Though COC posters are posted in factory, they have not been appropriately communicated to the employees.			worker and management interviews		PC's have trained management on COC, and in return, request factory to provide training to workers on code elements at induction and at least annually. Factory had incorporated contents of all brands' COC standards under WRAP principles and training was given to all workers at induction and annually. Workers are aware of code elements, even though they cannot recall separately what Nike or adidas or Reebok codes contain. Factory handbook contains relevant factory policies, rules and regulations. Moreover, individual workers are given a printed card containing all WRAP principles, which basically covers all code elements. A documented training was also provided on same (last training March 2006).	1) As a more effective training mechanism, factory agreed to prepare a short presentation/video clip on the different codes of conduct and play it in the cafeteria during break times. 2) Factory is expected to continue periodic in-house training on code elements and other labor practices to both existing and new workers (last training done March 2006). 3) All trainings must be documented with supporting training documentation such as content material and attendance.	Factory agreed to complete this by December 1, 2006.				Pending	Due to changes occurring in the factory, training was postponed to mid-September 2007. October 2007: Training on Workplace Standards and Open Letter for factories has been conducted in September 2007. Factory's follow up by posting Open Letter in local language for workers and internalizing the communication of Workplace Standards into factory's training and communication program.
Confidential Noncompliance Reporting Channel		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.	No secure and confidential channel for reporting issues of noncompliance have been initiated by adidas.	Reebok COC poster has contact information; however, the reason for providing this information has not been explained to employees.		Finding was incriminating (adidas).	visual observation; worker and management (Reebok) interviews		The COC explains in detail the instances when an employee should contact the Reebok representative. Code is posted in prominent places in the factory. Details of the new adidas Group "Workplace Standards" COC (for both adidas and Reebok brands) is currently under development.						Ongoing	1) In addition to Workplace Standards, adidas Group will provide to factory an "Open Letter" to workers explaining recent merge between Reebok and adidas Group, new Workplace Standards, and contact information to PC's compliance team. 2) Factory management has been instructed to post Open Letter to Workers in accessible areas for workers to review, and to provide verbal training on Workplace Standards as part of the factory's HR Management training.
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.																
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 or 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.																
Other			Since factory works on 12 hour shifts, only those willing to abide by these working hours requirements can seek employment in this factory.			Finding was incriminating.	worker and management interviews		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.			Factory feels if the current shift system changes it will first and foremost discriminate those existing workers who are willing and used to current shift pattern. However, this continental shift is currently discussed within factory. Factory agreed to hold a forum before end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation, etc.) to discuss current shift pattern and alternatives, if any required. Update from factory August 16, 2007: As we agreed, we started communication process in June with our workforce. We first set up a committee and included all past and current presidents and the secretaries of the JCC (Employee committee) together with our operation managers, production managers and HR team. Initially there was objection to change of shift, but later we convinced them that there will not be any pay cut or additional hours in proposed shift structure. In return, committee in addressed this to the total workforce and now we got their concern to change it, yet there is little concern about the date of this implementation. Both employees and management team are comfortable to implement this with effect from January 2008.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok representatives met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most of the discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. October 2007: New shift system will still have forced OT issue, as there are no changes on daily working hours. Factory to have voluntary OT work system in place by January 1, 2008.
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.																
Fire Safety: Health and Safety Legal Compliance	Factories Ordinance of Sri Lanka, Ordinance No. 45 of 1942, No. 22 of 1946, Acts Nos. 54 of 1961, 17 of 1965 & 29 of 1971. Law No. 12 of 1976, Acts 17 of 1982, 32 of 1984, 18 of 1998 & 33 of 2000.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	There is no signage suggesting that lift should not be used in case of fire.				management interview, visual inspection		The factory has already put up signage suggesting that lift should not be used in case of fire.	Completed			October 11, 2006	observation	Completed	

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Evacuation Procedure		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.	1) Passage in knitting area partly blocked with cartons and a pallet. 2) Aisles demarcated for passages in knitted fabric storage area had cartons stored on them. 3) Pathways between knitting and sewing machines not marked and found obstructed with garment inspection stands, chairs and bins. Sewing stations seen placed on aisle. 4) Emergency exit staircase on mezzanine floor at industrial training and handknit cutting section found blocked at both ends. 5) Exit of sampling section blocked with workstation and thread cartons. Same exit had evacuation plan posted on it and area marked "You are here" was section blocked. Aisle in this section partly obstructed with chair. 6) Dye store has only 1 exit. Mezzanine floor at dye house does not have an emergency staircase/exit at "physical testing" lab area. 7) "Keep Clear" yellow boxes not marked in front of exits. 8) Emergency staircase of storage area on mezzanine floor is very steep. No signage to suggest descent in reverse position facing steps (use as a ladder) to prevent accident.	Knitted fabric storage area is disorganized. Aisles demarcated for movement had cartons stored on them.		Finding was incriminating.	visual inspection			1, 2) Factory should maintain clear stairways, aisles, and exit points for safe evacuation in an emergency. PC suggests safety committee to routinely monitor safety in these areas. 3) Pathways between knitting and sewing machines should be marked and kept free of obstruction. 5) PC suggests safety committee routinely monitor safety in these areas. 6) Second exit will be made for dye store. Emergency exit stairway already built for mezzanine floor at dye house. 7) The factory has to mark "Keep Clear" yellow boxes in front of exits. 8) Signage already in place to suggest descent in reverse position facing the steps.	December 1, 2006		October 11, 2006; March 12, 2007	observation, inspection records	Closed	Factory has rearranged knitted fabric storage area. Safety officer conducts internal inspection once a month. In addition to this, safety officer also checks maintenance of fire equipment, pathways and exits. Nike visit on March 12, 2007. 5) Safety Committee routinely monitors safety in these areas. 6) Second exit built for dye store. 7) The factory has marked "Keep Clear" yellow boxes in front of exits.
Safety Equipment		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) Eye wash cup and distilled water are not provided in first aid boxes. 2) Eye/mouth wash station is not provided at chemicals storage area near cooling plant on terrace.			Finding was incriminating.	visual inspection			1) Eye wash cup and distilled water already in place in some first aid boxes. The factory has to provide these in all first aid boxes. 2) The factory should have an eye/mouth wash station at chemicals storage area near cooling plant on terrace.	October 16, 2006		October 11, 2006; March 12, 2007	observation	Closed	Nike visit on March 12, 2007. 1) Eye wash cup and distilled water in place in first aid boxes. 2) Eye/mouth wash station available at chemicals storage area near cooling plant on terrace.
Personal Protective Equipment (PPE)		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.	1) Many operators in knitting area not using dust masks. Lint and fabric dust particles noticed in this section. 2) Operators on overlock operations not using dust masks. Fabric dust generation seen on these operations.			Finding was incriminating.	visual inspection			1) The factory had conducted dust level measurement test and as per report, measurements are within TLV. 2) The factory has to streamline cleaning process of machinery to ensure that lint and fabric dust is cleared.	October 16, 2006		October 11, 2006; March 12, 2007	observation	Closed	Nike visit on March 12, 2007. Operators in knitting area and overlock operators using provided dust masks. Regular cleaning carried out in production areas.
Ventilation/Electrical/Facility Maintenance		All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	1) Emergency lights not installed at exits/passage at mezzanine floor in cutting and Industrial engineering sections. 2) Lighting observed at 160-300 lux at needpoint on sewing stations without individual lamps in production hall and sampling section. 3) No emergency lights installed in sampling and design sections. 4) Illumination of emergency lights appears to be weak. 241 lux was reading on light meter when held at a distance of 1 foot from an emergency light after it was switched on. 5) Temperature in dye house was 90°F.			Finding was incriminating.	visual inspection	A temperature issue that is highlighted by FLA audit shows that it is not in danger zone, but it is in the caution zone, for which the factory has to follow the heat stress prevention plan (as indicated in Nike ESH manual, Industrial Health part, page # 5-5).	1) Emergency lights not installed at exits/passage at mezzanine floor in cutting and Industrial engineering sections. 2) Lighting observed at 160-300 lux at needpoint on sewing stations without individual lamps in production hall and sampling section. 3) No emergency lights installed in sampling and design sections. 4) Illumination of emergency lights appears to be weak. 241 lux was reading on light meter when held at a distance of 1 foot from an emergency light after it was switched on. 5) Temperature in dye house was 90°F.	1) Emergency lights already installed. 2) Individual lighting fixed to machinery. Factory has to conduct a light level measure to ensure it meets required standard. 3) The factory agreed to install within next 2 weeks. 4) Per PC standards, illumination of emergency lights are within limits. 5) This temperature level is not in danger zone, but it is in the caution zone, for which factory has to follow the heat stress prevention plan. The factory has provided fans to reduce heat stress.	October 31, 2006		observation, documentation	Closed	Nike visit on March 12, 2007. 2) Light level measure conducted and levels within standard. 3) Emergency lights installed.	
Machinery Maintenance		All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Few sewing machines did not have pedal mats.	Tag guns in packing section do not bear operators' names to ensure personalized usage.			Finding was incriminating.	visual inspection		Pedal mats made available for all sewing machines. Tag guns in packing section should bear operators' names to ensure personalized usage. The factory agreed to do this by end of October.	Completed October 31, 2006	The factory conducts a monthly inspection to ensure that all safety devices are in place.	October 11, 2006; March 12, 2007	observation	Closed	Nike visit on March 12, 2007. Tag guns in packing section are numbered and the issuing department keeps track of workers to whom the tag guns are issued.
7. Freedom of Association and Collective Bargaining																
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																
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.																
Other	Factories Ordinance of Sri Lanka, Employment of Women, Young Persons and Children Act No. 47 of 1956, Wage Board Ordinance of Sri Lanka No. 27 of 1941, 40 of 1943, 19 of 1945, 22 of 1945.	Employment records and records pertaining to wage and benefits are not maintained in the facility for security guards, housekeeping and 25 workers from [Agency name] working in dye house.				Finding was incriminating.	management interview, security guard review of time records			Regarding outsourced services (housekeeping and security guards), factory should have an agreement with each of the outsourced parties. Agreement should stipulate the outsourced parties are to treat workers pursuant to local regulations, (i.e., working hours, minimum wages, OT compensations and legally mandated benefits). Outsourced parties are required to keep track of working hours; maintain time cards and payroll records; and furnish copies of records maintained in respect of workers to principal employer/factory. Additionally, factory is required to monitor outsourced parties to verify they treat the workers properly.	December 31, 2006	1) The factory had conducted an audit on security and janitorial services. 2) Once in 3 months, internal staff will audit service providers. 3) Factory had already spoken with the security company to have a planned duty roster that will not exceed 12 hour shifts.	October 11, 2006; March 12, 2007	observation, documentation	Ongoing	Regards to outsourced workers: 1) Factory conducts regular audits on security and janitorial services. Report and the concerns raised with outsource service providers. 2) Agreements with outside service providers have a clause on compliance with legal benefits for workers employed under the service providers. Factory taking continued efforts to address the issues of service providers.

IEM Findings										Remediation					[Status]	Updates
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B. 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.																
Forced Overtime	BOI (Board of Investments) Standards on Hours of Work, Factories Ordinance Act 6 & 32 of 1984.	Under extraordinary business circumstances, employers will make extensive efforts to secure voluntary overtime work prior to mandating involuntary overtime.	Per appointment letters issued to workers, they are required to work on 12 hourly shifts on a regular basis. Each shift includes 11 hours of work net of breaks. There is no other system in place to ensure that overtime is voluntary.			Finding was incriminating.	record review, worker and management interviews		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.			Continental shift is currently discussed within factory. Factory agreed to hold a forum before the end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation etc.) to discuss the current shift pattern and alternatives if any required.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. <u>October 16, 2007</u> : Factory has sent written commitment to apply new shift system with voluntary overtime by January 1, 2008. "We will introduce 2 shifts of 9 hours (8 working hours) with 3 hours voluntary overtime instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am/pm and end at 7:00pm/am and thereafter 3 hours overtime can be done on voluntary basis. We will issue letters to all existing employees about this new continental shift arrangement, commencement of same, revised working hours and voluntary overtime. We will change the letter of appointment with this effect."
Overtime Limitations	Factories Ordinance of Sri Lanka, Employment of Women, Young Persons and Children Act No. 47 of 1956, Wage Board Ordinance of Sri Lanka No. 27 of 1941, 40 of 1943, 19 of 1945, 22 of 1945.	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. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	1) Employees work 66 hours in a 6-day work cycle at 11 hours per day. 2) Female workers sometimes work more than 10 night shifts a month, which is beyond the legal limit. 3) Instances of security guards being on duty continuously for 60 hours in August 2006 noticed.			Finding was incriminating.	record review, worker and management interviews	The issue of excessive working hours in security services prevail through out the security service industry. All brands, factory management and the security companies have to sit together to find a workable solution for this issue.	(a) PCs are working with factory to find alternatives to current shift system, some suggestions have been shared with factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in factory (brands, department of labor, employee council members, etc) before end of December to agree on a common perspective of this matter. (b) Regarding outsourced services (housekeeping and security guards), factory should have an agreement with each outsourced party. Agreement should stipulate hours, maintain time cards and payroll records; and furnish copies of records maintained in respect of workers to principal employer/factory. Additionally, factory is required to monitor outsourced parties to verify they treat workers properly.	December 31, 2006	Continental shift is currently discussed within factory. Factory agreed to hold a forum before end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation etc.) to discuss current shift pattern and alternatives if any required. 1) Factory conducted an audit on security and janitorial services. 2) Once in 3 months the internal staff will audit service providers. 3) Factory had already spoken with security company to have a planned duty roster that will not exceed 12 hour shifts.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Company reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. <u>October 16, 2007</u> : Factory has sent written commitment to apply new shift system with voluntary overtime by January 1, 2008. "We will introduce 2 shifts of 9 hours (8 working hours) with 3 hours voluntary overtime instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am/pm and end at 7:00pm/am and thereafter, 3 hours overtime can be done on a voluntary basis. We will issue letters to all existing employees about this new continental shift arrangement, commencement of same, revised working hours and voluntary overtime. We will change the letter of appointment with this effect." Regards to outsourced workers: The factory conducts regular audits on security and janitorial services.	
Reduce Mandated OT		The employer will demonstrate a commitment to reduce mandated overtime and to enact a voluntary overtime system to meet unforeseen situations.	Factory works on a daily schedule of 12 hour shifts which include 11 hours of work net of breaks. Workers are given 3 days rest break at the end of a work cycle of 6 days. These work schedules are maintained throughout the year.			Finding was incriminating.	record review, worker and management interviews		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.			Continental shift is currently discussed within factory. Factory agreed to hold a forum before the end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation etc.) to discuss the current shift pattern and alternatives if any required.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. <u>October 16, 2007</u> : Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. "We will introduce 2 shifts of 9 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am/pm and end at 7:00pm/am and thereafter, 3 hours OT can be done on voluntary basis. We will issue letters to all existing employees about this new continental shift arrangement, commencement of same, revised working hours and voluntary OT. We will change the letter of appointment with this effect."
Legal Compliance With Protected Workers		The factory will comply with all applicable laws governing work hours, including those regulating or limiting the nature and volume of work performed by women or workers under the age of 18.	Female workers sometimes work more than 10 night shifts in a month, which is beyond the legal limit.			Finding was incriminating.	record review, worker and management interviews		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.			Continental shift is currently discussed within factory. Factory agreed to hold a forum before the end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation etc.) to discuss the current shift pattern and alternatives if any required.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. <u>October 16, 2007</u> : Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. "We will introduce 2 shifts of 9 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am/pm and end at 7:00pm/am and thereafter, 3 hours OT can be done on voluntary basis. We will issue letters to all existing employees about this new continental shift arrangement, commencement of same, revised working hours and voluntary OT. We will change the letter of appointment with this effect."
Voluntary OT		Overtime hours worked in excess of code standard will be voluntary.	There is no system in place to ensure that overtime is voluntary; however, letters of appointment issued to workers state that they would be required to work 12 hour daily shifts. (Each shift requires workers to work 11 hours per day net of breaks.)			Finding was incriminating.	record review, worker and management interviews		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.			Continental shift currently discussed within factory. Factory agreed to hold a forum before end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers federation etc.) to discuss the current shift pattern and alternatives if any required. <u>Update from factory August 16, 2007</u> : As we agreed, we started communication process in June with our workforce. We first set up a committee and included all past and current presidents and secretaries of JCC (Employee committee) together with our operation managers, Production Managers and HR team. Initially there was objection to change of shift, but later we convinced them that there will not be any pay cut or any additional hours in proposed shift structure. In return, committee addressed this to total workforce and now we got their concern to change it, yet there is a little concern about the date of this implementation. Both employees and management team are comfortable to implement this with effect from January 2008.	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on shift systems taking place among Nike/adidas and factory representatives. <u>October 16, 2007</u> : Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. "We will introduce 2 shifts of 9 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am/pm and end at 7:00pm/am and thereafter, 3 hours OT can be done on voluntary basis. We will issue letters to all existing employees about this new continental shift arrangement, commencement of same, revised working hours and voluntary OT. We will change the letter of appointment with this effect."

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18. 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.																
OT Compensation	BOI (Board of Investment) Standards on Wages and Overtime Payment. Factories Ordinance Acts 7 & 32 of 1984.	The factory shall comply with applicable law for premium rates for overtime compensation.	Though factory treats Sunday as a normal working day and compensates for regular work at 1 time the wage rate and overtime work undertaken on a Sunday at 1.5 times the wage rate, by law, Sunday is supposed to be a weekly day of rest and any work undertaken on a Sunday should be compensated at 1.5 times the wage rate.			Finding was incriminating.	record review, management interview		PCs are working with factory to find alternatives to the current shift system, some suggestions have been shared with the factory and awaiting their feedback. PCs met with factory management and agreed to have a meeting with all related stakeholders in the factory (brands, department of labor, employee council members, etc) before the end of December to agree on a common perspective of this matter.	January 31, 2008	Continental shift currently discussed within the factory. Factory agreed to hold a forum before end of December 2006 with all relevant parties concerned (brands, department of labor, employees, employers' federation, etc.) to discuss current shift pattern and alternatives if any required. Updates from factory August 16, 2007: As we agreed, we started communication process in June with our workforce. We first set up a committee and included all past and current presidents and secretaries of JCC (employee committee) together with our operation managers, production managers and HR team. Initially, there was objection to change of shift, but later we convinced them that there will not be any pay cut or any additional hours in proposed shift structure. In return, committee addressed this to total workforce and now we got their concern to change it, yet there is a little concern about the date of this implementation. Both employees and management team are comfortable to implement this with	October 11, 2006; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nike and Reebok representatives met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns within management and a new shift system will be implemented from January 2008. This seems to eliminate most discrepancies in current shift system. Further discussions on the shift systems taking place among Nike/adidas and factory representatives.	
Miscellaneous																
							1) Factory has a self-service terminal for employees. An employee has access to their personal data, e.g., attendance details, earned leave details, etc. 2) Factory provides free meals and transport. 3) Factory has a blood-borne pathogen policy. 4) Factory provides soft rubber-soled footwear and uniforms to workers. 5) Few workers have been sponsored for a course on fashion and apparel designing. 6) English is being taught to employees in batches. 7) Most work areas are air-conditioned.									