



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Nike, Inc.
COUNTRY: Sri Lanka
FACTORY CODE: 0700701221I
MONITOR: Association for Stimulating
Know How
AUDIT DATE: October 12, 2010
PRODUCTS: Sportswear
PROCESSES: Cutting, Sewing, Sampling,
Finishing, Packing
NUMBER OF WORKERS: 752



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*Denotes a Notable Feature

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: 8 out of 67 workers interviewed confirmed that in June 2010, they worked overtime from 6:15pm to 5am, and from 6:15pm to 1:15pm (the following day) for a period of one week. However, the June payroll and attendance sheets did not indicate any of these hours.

Plan Of Action: Due to the excessive finishing requirements and tight delivery schedule, we have asked the labor department for approval to work on a shift basis and we have worked the iron, packing and QC teams accordingly. The approval letter and necessary records are on the payroll and attendance sheets.

Deadline Date: 01/01/2011

Supplier CAP: Factory management shall download the FLA COC from its web and communicate it to all workers by providing training on Nike's COC/CLS's (Code of Conduct/ Code Leadership Standards). Factory management shall post the FLA COC and Nike COC and CLS's for worker's review. Factory management also will provide a training calendar for 2010 and send photographic proof of the COC and CLS postings to [Name of manufacturing company has been removed]/Nike.

Supplier CAP Date: 12/01/2011

Action Taken: Factory has a number of controls in place to ensure work hours are within legal limits. HR team closely works with the production team on the production planning process, tracks the work hours on a daily, weekly, and monthly basis and checks the manpower information including the work hours needed to achieve the target. Additionally, one of the key responsibilities of the Industrial Engineering department is to submit the worker requirement of the succeeding month to HR department. This helps the HR team keep a check on work hours and hire more workers, if needed. Currently the factory is maintaining 45-60 hours/week (regular + overtime hours). Nike works closely with the factory on the above plan to make sure that the work hours are within the limits and the same is also validated during our internal audits.

Plan Complete: No

Plan Complete Date: 06/30/2011

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: Only 6 workers out of 67 workers interviewed were aware of the wage and overtime calculations.

Plan Of Action: This point was not shared in the summary of the report. However, the workers are trained on wage and overtime calculation during the induction process. We have also issued a handbook, and the calculations are displayed on the notice board. We also have the signatures of workers from the induction program; they also sign that they received the handbook.

Deadline Date: 05/20/2011

Supplier CAP: The training records, the policy displays, and a copy of the handbook was reviewed.

Supplier CAP Date: 05/20/2011

Action Taken: The training records, the policy displays, and a copy of the handbook was reviewed.



Plan **No**
Complete:

Plan
Complete
Date:

Freedom of Association: General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

Notable Feature

Explanation: There is an active workers' committee, the Joint Council Committee (JCC), and the workers are aware of the committee.

Freedom of Association: Right to Strike

FOA.15 Employers shall respect all laws, rules and procedures protecting the rights of workers to organize, bargain collectively, and participate in strikes consistent with ILO principles and jurisprudence. (S)

Notable Feature

Explanation: There was an instance where the employees (represented by 5 JCC members) negotiated with the management through the Department of Labour for a 5-day workweek, for 4 months. 3 of the 5 representatives we interacted with stated that it had not been continued since the employees decided to go back to the original workweek due to economic reasons. Also, the factory reimburses 50% of the transportation costs of the workers as a result of the negotiations made through the JCC.

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Notable Feature

Explanation: During discussion, 27 workers stated that they were aware that they could approach the immediate supervisor, the personnel manager or even the highest authority, the factory manager, (in the respective order) in case of a problem/ complaint. The issues can also be forwarded to the JCC through a book provided for this purpose.

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: The monitors observed that there are several issues concerning safe evacuation and the factory should develop a more effective system for fire safety and safe evacuation. The issues observed on the day of the audit were, as follows: 1) One of the emergency exit lights located near the stain removing rooms was not working. 2) Both of the exits (One shutter and an outward opening door) in the cutting section were closed. 3) The color of the lines indicating the aisle colors were faded and not clearly visible. 4) The width of the aisles in the cutting and sewing sections are less than the legal requirement (50cm to 95cm, instead of 112cm as required by the local law).



Plan Of Action: Due to high windy weather some doors were closed but these doors were never "locked" and were never easily accessible. Also all aisles in the factory meet the required international standard of 3 feet. We agree that one aisle was blocked since a bag was off the yellow line. We have addressed this with the staff and corrective action has been taken.

Deadline Date: 12/18/2010

Supplier CAP: It is recommended that we realign the factory to meet the legal requirements and develop the management system to monitor the effective implementation of the program.

Supplier CAP Date: 12/18/2010

Action Taken: Due to high windy weather, some doors were closed but these doors were never "locked" and were easily accessible. Also all aisles in the factory meet the required international standard of 3 feet. We agree that one aisle was blocked since the bag was off the yellow lines. We have addressed this with the staff and the corrective action has been taken.

Plan Complete: Yes

Plan Complete Date: 12/18/2010

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: Out of 15 chemicals used, the factory posted the MSDS of 11 chemicals in the chemical storage room.

Plan Of Action: There were 14 chemicals in the chemical room and all these had the MSDS present and posted on the wall of the chemical room as well.

Deadline Date: 12/18/2010

Supplier CAP: We will develop a system of obtaining the MSDS during purchase and displaying them in the factory for review.

Supplier CAP Date: 12/18/2010

Action Taken: All MSDS were collected and displayed in the factory.

Plan Complete: Yes

Plan Complete Date: 10/25/2010



Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: The number of restrooms for females is below the legal requirement (the legal requirement is 1 restroom for 25 persons. There were 13 restrooms for 566 females, instead of 23). There is no running water in the urinals in the men's restrooms.

**Plan Of
Action:**

**Deadline
Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**



Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: It was observed that the attendance records and overtime is maintained on a separate sheet and is signed by the workers. It was observed that the sheets do not yet indicate any records and were also signed by the workers with a pencil.

Plan Of Action: The only record that captures the workers' in and out times is via the barcode machine and all data is available for attendance and overtime. However, we agree that the OT consent sheet has been signed in pencil for years but have immediately implemented a consent sheet to be signed by workers in pen per FLA suggestion.

Deadline Date: 12/18/2010

Supplier CAP: Take JCC signatures and display the overtime requirement on the notice board.

Supplier CAP Date: 12/18/2010

Action Taken: Factory has stopped taking signatures from each worker. The management decided to take all signatures in pen. The consent will be obtained from JCC members and displayed on the notice board.

Plan Complete: Yes

Plan Complete Date: 10/25/2010
