COMPANY: Outdoor Cap
COUNTRY: Sri Lanka
FACTORY CODE: 15007010441
MONITOR: Association for Stimulating Know-How (ASK)
AUDIT DATE: June 8 – 9, 2010
PRODUCTS: Caps, Hats
PROCESSES: Cutting, Sewing, Embroidery, Knitting, Washing, Finishing, Chemical Layering, Plastic Molding
NUMBER OF WORKERS: 579

For an explanation on how to read this report, please visit the FLA website here.
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**Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness**

WBOT.11 Workers shall be informed, orally and in writing, about overtime compensation rates prior to undertaking overtime. (P)

**Noncompliance**

**Explanation:** 45 out of 51 workers stated that they were not aware of the calculations for overtime wages. There was no evidence to train or otherwise inform workers effectively on this issue.

**Plan Of Action:** It is recommended that the factory review the training with all workers to explain overtime wage calculation. Supervisors in each section should review with workers how wages and overtime wages are calculated for their clear understanding. Instructions regarding the calculation of wages should be posted on the notice board as a reminder for informing and training the workers.

**Deadline Date:** 11/19/2010

**Action Taken:** Factory pays monthly wages for all workers, as mentioned in section 2 of the appointment letter; factory also pays for overtime, as mentioned in section 7. In addition to issuing a letter of appointment, the factory has put up a company notice board describing the methods of payment calculation. An awareness program was conducted for regular pay and overtime; it will be revisited every 6 months. Appointment letter and translated calculation of wages are on file at the home office and attached.

December 1, 2010 Verification findings: Though 70% of workers interviewed were aware of wage calculations, new recruits and those hired 3-4 months back were not.

December 1, 2010 Verification findings: Over 60% of workers interviewed were aware of the calculation for OT compensation. The factory has displayed the calculations on notice boards in work areas and in the canteen.

**Plan Complete Date:** No
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: The shipment records and the attendance record for June 7, 2010 were evidence to the fact that in the past months the factory was operating beyond 7pm, and as late as 4:30-7:50am on different occasions. However, the management and the payroll records indicated overtime only up until 7pm. The said attendance record indicating work until 9:30pm was also denied by the management, who stated there was a printing error. However, the majority of workers interacted with reported working until 9:30pm two or three times a week.

Plan Of Action: Transparency is most important between our company and suppliers. The factory should ensure all documents they provide are reliable and consistent. Factory is required to improve their management system, especially in working hours and compensation. Factory management should assign a responsible person to ensure all workers’ hours of work are properly recorded on an electronic timekeeping device, compensated for and fully reflected in payroll records.

Deadline Date: 11/19/2010

Action Taken: December 1, 2010 Verification finding: Effective November 2010, the factory has started maintaining 1 set of time records, where all hours worked are being recorded. As stated by the management, the allocation of orders is being reworked to ensure that the factory does not violate the legal cap on working hours.

Plan Complete: No

Plan Complete Date:
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: Majority of the workers reported that they do not understand the wage calculation for regular hours, and training notes on this issue did not reveal effective attempts at remediation.

Plan Of Action: It is recommended that the factory review training with all workers to explain overtime wage calculation. Supervisors in each section should review with workers how wages and overtime wages are calculated for a clear understanding. Analyzing methods of training may be required and retraining of supervisors and management may be necessary to create an effective method of training for the worker to understand. Instructions should be posted on the notice board regarding wage calculation as a reminder for informing and training the workers.

Deadline Date: 11/19/2010

Action Taken: Factory pays monthly wages for all workers, as mentioned in section 2 of appointment letter; factory also pays overtime, mentioned in section 7. In addition to issuing letter of appointment, factory has put up company notice board describing calculation methods for payment. An awareness program was conducted for both regular pay and overtime; program will be revisited every 6 months. Appointment letter and translated calculation of wages are on file at home office and attached.

December 1, 2010 Verification findings: Though 70% of workers interviewed were aware of wage calculations, new recruits and those hired 3-4 months back not aware.

Plan Complete: No

Plan Complete Date:
**Wages, Benefits and Overtime Compensation: Wage Receipt**

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

**Noncompliance**

**Explanation:** All workers stated that the overtime hours beyond 7pm are neither documented nor mentioned in the wage receipt. The payment for the undocumented hours of work is made in cash to the workers. See finding in WBOT.19 as proof thereof.

**Plan Of Action:** The factory should ensure all documents the factory provides are reliable and consistent. Factory management should assign a responsible person to ensure all workers' hours of work are properly recorded on an electronic timekeeping device, compensated for and fully reflected in the payroll records. All regular hours and overtime must be documented on a wage receipt or a pay stub given to the worker, confirming accurate payroll records.

**Deadline Date:** 11/19/2010

**Action Taken:** The factory has already implemented a time record and accuracy of attendance record. One office assistant has been nominated specifically for controlling the attendance and time records as well as the daily monitoring of overtime.

December 1, 2010 Verification finding: Effective November 2010, the factory has started maintaining 1 set of time records, where all hours worked are being recorded. As stated by the management, the allocation of orders is being reworked to ensure that the factory does not violate the legal cap on working hours.

**Plan Complete:** No

**Plan Complete Date:**
**Forced/Compulsory Labor: Employment Records**

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

**Noncompliance**

**Explanation:** The daily attendance record of May 31, 2010 indicated a total of 579 workers, out of which there were 145 temporary workers. The management explained that these 145 workers were the projected manpower requirement. Majority of workers interacted with reported that there were 150 temporary workers in the facility.

**Plan Of Action:**

It is recommended that the factory have signed contracts with all workers, temps included, as stated per law. The contracts should contain: name; term of employment contract; job description and place of work; working hours; rest and leave; labor compensation; benefits and other matters which law and statutes require to be in employment contracts.

**Deadline Date:** 09/30/2010

**Action Taken:** The factory has received all necessary documents for the 145 temp workers. Appointment letters have been issued to all 145, moving them to permanent status.

December 1, 2010 Verification findings: Currently there are 61 temporary workers, for whom manual time cards are maintained. Management has stated that these workers will become permanent in the next 2-3 months. At end of each month the hours are totaled and compensated. Temporary workers understand wage calculation and had no complaints on the existing practice.

**Plan Complete:** Yes

**Plan Complete Date:**
Forced/Compulsory Labor: Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Noncompliance

Explanation: 11 out of 51 workers reported mandatory overtime after 7pm. Workers also stated that management and supervisors forced workers to do overtime. Workers stated they had to work overnight on April 30, 2010, and several occasions until midnight. Workers also reported there is no provision for transportation before target completion. In this case, management was unable to show proof or dialogue with workers, either via employee council or otherwise, indicating workers were working overtime after 7pm voluntarily.

Plan Of Action: Factory management should create voluntary overtime policy including conditions under which workers can exercise their right to not perform overtime and to leave factory freely at the end of regular work hours. It should be noted voluntary overtime should not exceed legal limits. Policy should include advance worker awareness for overtime during peak season, working with brands to plan production capacity to avoid excessive overtime, transportation rearrangement (if provided) and either dinner meal or snack. It should also include non-retaliation policy or clause for workers refusing overtime. All workers should be trained on voluntary overtime policy and sign-up sheets by supervisors. Please send a copy of new policy for our records.

December 1, 2010 Verification findings: Factory displayed notices in work areas stating OT is voluntary. However, no written consent taken from workers prior to working OT. There is no formal system to ensure voluntary OT. Workers had no complaints, stated they could refuse to work OT if wished to and had no complaints on transport service.

Deadline Date: 12/31/2010

Action Taken: No

Plan Complete Date:
Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: 34 out of 51 workers have reported that the management and supervisors select the worker representatives for the worker council. Workers also reported the practice of favoritism while selecting the representatives of the worker council. No secret ballot elections are held in the facility. The management reported that the employee council was established in February 2009 and 6 workers were nominated from the respective sections. On the day of the audit, only 2 members were working in the facility; they were promoted as leader and supervisor, respectively, while 4 others have resigned.

Plan Of Action:

It is recommended that worker representative candidates be fully elected by workers themselves, instead of management and supervisors. Election process should be taught to all workers, with no favoritism used when selecting representatives. We recommend that factory management prepare a written policy and procedure for worker representation (worker council), including the following: 1) mission and authority of the council (scope of issues to be addressed by council); 2) detailed procedure for regular elections (at least once a year unless local law specifies other terms) and procedure for soliciting nominations; 3) working methods (council meets once every 3 months, each department representative is responsible for bringing workers’ concerns from his/her department to council, each member introduces themselves to new recruits). The procedures shall ensure gender balance, representation of all departments at factory and feedback system for workers. Please send list of all job titles of workers elected as members on above described council, along with written procedures and policies.

Deadline Date: 12/31/2010
**Action Taken:** November 10, 2010: Company employees have formed Employee's Council in terms of formation guidelines and operation of employees’ council issued by BOI. A copy of the guidelines is attached. In terms of section 4 of guidelines, every employee employed at the enterprise, other than employees in managerial grades, shall be eligible for election and for voting at elections for council membership.

December 1, 2010 Verification findings: Factory has displayed notices in work areas stating that OT is voluntary. However, no written consent is taken from the workers prior to working OT. There is no formal system to ensure that OT is voluntary. However, workers had no complaints and stated that they could refuse to work OT if they wished to. Workers had no complaints on transport service.

**Plan Complete:** No

**Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)**

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

**Noncompliance**

**Explanation:** In the employment application, the factory is seeking information on workers' religion and civil status, which can prove to be discriminatory.

**Plan Of Action:** The factory must ensure that no employee is discriminated against due to gender, ethnicity, religion or social background. We recommend that the factory removes the religion affairs condition from the job application.

**Deadline Date:** 11/01/2010
Action Taken: Information regarding religion and civil status mentioned in employee's application is only for information, not for discrimination purposes. Information regarding civil status of employees is essential to deal with a government department official purpose. (e.g., Filling of Employees Provident Fund membership application A, B, H form. Copy of that set application is attached for easy reference). We have removed religion status from application and revised copy is sent for your files.

December 1, 2010 Verification findings: Effective October 2010, the question on religion has been deleted on employment applications. The question on civil status has been retained, as the factory needs this information for completing related legal documentation. New recruits had no objection in providing the information.

Plan Complete: Yes

Date:
**Code Awareness:**

GEN.2 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.

**Noncompliance**

**Explanation:** Upon review of records for FLA Code of Conduct training of workers, auditors found 2 workers absent on day of training. But attendance records illustrated those workers had signed, indicating participation in training. None of workers interacted with had reported participating in FLA Code of Conduct training.

**Plan Of Action:**

It is recommended factory orally explains and ensures all workers are familiar with Outdoor Cap Workplace CoC. Training should include all managers, supervisors and workers.

1. Factory to schedule training and awareness session, submit training plan to Outdoor Cap.

2. Factory should submit details of training, attendee records and training photos.

**Deadline Date:** 11/15/2010

**Action Taken:** Once every 6 months we conduct a training program for purpose of making workers aware of Workers’ CoC. Those absent the training day were trained the following day. This is our practice for distributing both training and awareness for each and every employee. We will make sure we prepare separate attendance sheets in the future for those absent the first day. Training was held in February and October 2010.

December 1, 2010 Verification finding: Last training on October 20, 2010. Workers interviewed confirmed attending training program. Training covered all code elements.

**Plan Complete:** No

**Plan Complete Date:**
Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

Noncompliance

Explanation: According to the management, the H&S policy has been formulated in consultation with the environment management system team, comprising of management and supervisors. The workers have not been consulted on the formulation of this policy.

Plan Of Action: It is recommended that the factory establish a team for developing and implementing the H&S policy that consists of management, supervisors and workers. It is recommended that the factory H&S Team prepare a written policy and procedures which should include: the mission and authority of the team; the scope of the issues that they will address within the factory and the detailed procedure for these issues. There should be regular meetings of this team to discuss H&S issues addressed at the factory, additional future training and equipment needed. Outside training from DFIE is recommended annually for the team. The procedures shall ensure gender balance, a detailed procedure for regular elections of team members with the representation from all departments at the factory, as well as a feedback system for the workers.

December 1, 2010 Verification finding: None of workers were aware of the H&S policy.

Deadline Date: 12/31/2010

Action Taken: December 28, 2010: We have posted the H&S policy on the notice board in English and in the local language. Photos and a copy of the policy are attached.

Plan Complete: No
Health and Safety: Communication to Workers

H&S.6 The health and safety policy shall be communicated to all workers in the local language or language(s) spoken by workers if different from the local language. (P)

Noncompliance

Explanation: 26 out of 51 workers (50%) reported their lack of awareness about H&S policy and the trainings thereto, and could not reveal continual attempts to remediate this.

Plan Of Action: The factory will conduct H&S training for all workers quarterly. The training should cover: prevention of accidents; safety practices; chemical hazards; AIDS and HIV; along with the use and importance of PPE. The factory will schedule a training plan to cover all workers and send to Outdoor Cap. Training material, attendee sign-in sheets and photos of training will be sent for our records.

Deadline Date: 12/01/2010

Action Taken: We have conducted the training program for all employees. The training topics and signage sheet have been sent for your files.

December 1, 2010 Verification finding: All workers interviewed stated having attended H&S training conducted in November 2010.

Plan Complete: Yes

Plan Complete Date:
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: 1. Except the cutting section, no other section of the facility has exit route markings on the evacuation plans posted.

2. The embroidery section has only one fire exit.

3. At time of audit, two exits in plastic molding section found blocked by machinery.

4. Two emergency lights are not functioning in the sewing section.

Plan Of Action:

1. Factory should set up safety system and assign personnel to inspect all fire prevention facilities (e.g., fire extinguishers, exit signs, emergency lighting, evacuation route, exit doors, fire alarms) on regular basis to ensure facilities are functioning properly and safely in an emergency.

2. Factory management must ensure that all evacuation routes and emergency exits are clearly marked, have functioning lighting systems and are free of blockage or clutter.

3. Exit route markings on posted evacuation plans should be in every area of the factory. Send photos of posted evacuation plans for our records.

Deadline Date: 11/30/2010

Action Taken: November 10, 2010: Factory has implemented H&S progress in every section and maintains record in every section. Emergency lights checked daily and maintained by maintenance. Fire extinguishers and free passage in aisles monitored by and controlled by Chief Supervisors of each section. Photos sent for your files of corrections.

December 1, 2010 Verification findings: Exit route markings marked in all work areas.
Are now 2 exits available in embroidery section. Exits from plastic molding section are maintained clear. Emergency lights in sewing section were now found working.

Plan Complete: Yes
Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: In chemical room, chemical labels not translated into local language. Placement of four explosion proof lights in section next to chemical room instead of in chemical room.

Plan Of Action: Factory will label all chemicals in chemical room in workers’ language and install explosion proof lights in chemical room. Send photos of corrections for our records.

Deadline Date: 11/15/2010

Action Taken: MSDS displayed in washing section and translated into local language, Sinhala. Photograph of notice, which is fastened to wall in this section, is attached for reference.

December 1, 2010 Verification finding: Chemical labels have now been provided in the local language. Explosion-proof lights are now installed in the chemical store.

Plan Complete: No

Plan Complete Date:
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: In the chemical section, the MSDS for Hi-Lac is not available; in the washing section, the MSDS for the softeners is not translated into the local language.

Plan Of Action: The factory will post MSDS for Hi-Lac in the chemical section and MSDS for the softeners in the washing section in the language of the workers. Send photos of these corrections for our records.

Deadline Date: 10/29/2010

Action Taken: MSDS is displayed in washing section and translated into the local language, Sinhala. Photograph of the notice, which is fastened to the wall in this section, is attached for your easy reference.

December 1, 2010 Verification finding: MSDS of all chemicals being used are now available. MSDS for softeners used in the washing section are now available in the local language.

Plan Complete: No

Plan Complete Date:
Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Noncompliance

Explanation: In the cutting and packing sections of the facility the operations are implemented while standing up, without any seating arrangement for interim rest.

Plan Of Action:
The factory will provide permanent seating in the cutting and packing areas. Send photos of the seating arrangements in both areas for our records.

Deadline Date: 10/29/2010

Action Taken: The workers who are working in the packing and cutting sections do not work in a sit-down position. However, we have now provided seating facilities for the employees to use while working in the cutting and packing sections.

December 1, 2010 Verification finding: Chairs have now been provided for these workers to take rests at short intervals.

Plan Complete: No

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: The shipment container records and the attendance record of June 7, 2010, indicated clearly that the time recording for the overtime hours worked after 7pm are not documented.

Plan Of Action: The factory is required to maintain accurate and consistent records for monitoring pay and all working hours. The factory is required to implement a clocking or time card system to log all employees' timings: in for the day; lunch and dinner breaks; overtime and out for the day. The factory is required to comply with all applicable laws, rules and regulations regarding working hours, overtime and benefits.

Deadline Date: 12/01/2010

Action Taken: December 1, 2010 Verification finding: Review of the 2nd set of time records reveals that all hours worked are being documented.

Plan Complete: No

Plan Complete Date:
**Hours of Work: Extraordinary Business Circumstance/Forced Labor**

HOW.11 In case of extraordinary business circumstances, employers shall make reasonable efforts to secure voluntary overtime work prior to mandating involuntary overtime. Employers must get workers voluntary consent periodically for all overtime that is above the 12 hours as provided for in the Code and that is not due to extraordinary business circumstances. (P)

**Noncompliance**

**Explanation:**
11 out of 51 workers reported mandatory overtime after 7pm. Workers also stated that management and supervisors force workers to do overtime. Workers stated they had to work overnight on April 30, 2010 and several times until midnight. Workers also reported there is no provision for transportation before target completion. In this case, management was unable to show any proof or dialogue with workers, either via employee council or otherwise indicating workers doing overtime after 7pm voluntarily.

**Plan Of Action:**
Factory management should create voluntary overtime policy that includes conditions under which workers can exercise their right to not perform overtime and to freely leave factory premises at end of regular working hours. It should be noted that voluntary overtime should not exceed legal limits. Policy should include advance worker awareness for overtime during peak season, working with brands to plan production capacity to avoid excessive overtime, rearrangement of transportation if provided and either dinner meal or snack. It should also include non-retaliation policy or clause for workers refusing overtime. All workers should be trained on voluntary overtime policy and sign-up sheets by supervisors. Please send copy of new policy for our records.

**Deadline Date:**
12/01/2010

**Action Taken:**
December 1, 2010 Verification finding: Factory has displayed notices in work areas stating overtime is voluntary. However, no written consent is taken from workers prior to working overtime. There is no formal system to ensure OT is voluntary. However, workers had no complaints and stated they could refuse to work OT if they wished to. Workers interviewed said there were no complaints on transport service.

**Plan Complete:**
No

**Plan Complete Date:**