

2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Kranos Corporation DBA Schutt Sports

COUNTRY: United States
FACTORY CODE: 105008211051

MONITOR: Accordia Global Compliance Group

AUDIT DATE: October 21 – 22, 2010

PRODUCTS: Helmets

PROCESSES: Wire Cutting, Shaping, Poweder

Coating, Assembly

NUMBER OF WORKERS: 151

FLA Comment: This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company. The FLA has not yet received a response from the company. Therefore, the report is posted in its current state and will be updated once a finalized report has been received.



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Forced 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: 1. Workers hired into the company by a temporary agency did not completing Schutt job applications. This is based on review of a sample of 5 personnel files for workers who were "temp to perm." 3 of the 5 had no job applications on file.
 - 2. Reviewed I-9 forms reviewed were not adequately completed with worker and employer information, as required by regulations.

Plan Of Action:

- 1. Company shall require all staff to complete a job application at time of hire, whether temporary through an agency, direct hire, or through a recruiter.
- 2. The practice of relying on stapling supporting documentation to the I-9 shall be changed. The requirement will now be for the I-9 to be completed in person and in full.
- 3. HR Coordinator is responsible for ensuring all paperwork is completed prior to a new hire beginning work at the company.

Deadline

01/04/2011

Date:

Action Taken:

- 1. Company did complete the change in practice and with all staff. Those hired through an agency, hired direct or hired through a recruiter are required to complete the application prior to beginning employment.
- 2. Company now only relies on I-9 form as documentation; staff may elect to staple supporting documentation to the I-9 as a supplement.

11/28/11 Update: Confirmed Actions Taken with HR Manager

Plan

Yes

Complete:

Plan

12/01/2010

Complete

Date:



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)

Noncompliance

Explanation: Monitor did not find a written grievance procedure in place where issues can be raised

and escalated, if necessary, through the company.

Plan Of Complete and post written grievance procedure, so it is available to all employees.

Action:

Deadline 01/04/2011

Date:

Action HR completed a written procedure for the grievance process and escalation. The

Taken: document is posted in all facilities and includes a concise step-by-step process for

grievance resolution that employee can follow.

11/28/11 Update: Confirmed with HR Manager the implementation of grievance

procedure and ongoing education

Plan Yes

Complete:

Plan 01/04/2011

Complete Date:



Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: Communication of workplace standards to factory management and the 3rd-party temporary agency has not been made. Monitor interviewed management, but did not find evidence that any person in management, with the exception of [Employee name #1] and [Employee name #2], had any knowledge of a code. Interviews with 12 workers confirmed that no one had knowledge of the workplace code.

Plan Of Action:

- 1. Company had informed management, including the Manufacturing Manager, in the areas responsible for CLC production and provided the code previously. [Employee name #1] was not cognizant that persons not exposed to CLC work would additionally be considered in scope. Interview pool may not have touched those other individuals.
- 2. Resupply code to managers.
- 3. Employment practices are tied to [State name Labor Laws]; ensure that temporary employees are treated as regular employees when hired into the workplace.
- 4. Company has formally supplied these standards to management, employees, and the temporary staff agency.

Deadline

01/04/2011

Date:

Action Taken:

- 1. Schutt Operations Management was resupplied the code.
- 2. Schutt maintains continuous and active compliance to State and Federal laws, in that it believes in being supportive of the code and relies on this in conjunction with its employee handbook, meetings, training, and activities to continuously improve the workplace.

11/28/11 Update: Confirmed that corporate Employee Handbook includes code, which is signed by all employees at hiring and upon revision of the handbook. HR mentioned that there could be a disconnect due to term or language usage. Employees have hard copy and electronic access to the Employee Handbook.

Plan Yes

Complete:



Plan 01/04/2011

Complete 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: Facility has neither posted a code nor trained workers. Through interviews with 12

workers, monitor found that no one had any awareness or comprehension about a workplace code. There was no documentary evidence that workers were informed about

a code. No training occurs upon hire for this element.

Plan Of The company addresses these through the active and continuous compliance that meets

[State name] and federal law and through workplace improvement actions. This includes

a series of training meetings with employees. Company directs [Employee name #1] to

investigate the details of this need that were not apparent to the auditor.

Deadline 01/04/2011

Date:

Action:

Action The Employee Handbook was rolled out in January, 2010; the policy was altered at that

Taken: time, to have employee's sign upon hiring. Temporary workers have a separate policy

through their agency. The Employee Handbook includes all aspects of Kranos Corp/Schutt Sports code. The Handbook is available to employees in hard copy and electronic forms. A computer is accessible to all employees in breakrooms. The Handbook will be updated in January 2012 and all employees will be asked to sign again. State and federal codes are posted in central locations and are updated in a timely manner when changes occur.

Updates are based on the Bureau of Labor website.

Plan Yes

Complete:



Plan

01/04/2011

Complete Date:

Code Awareness:

GEN.3 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.

Noncompliance

Explanation: Monitor did not find a secure communications channel for workers (permanent and

temporary) to report noncompliance with the workplace standards.

Plan Of Ensure employees have access to a communications channel through Human Resources.

Action:

Deadline 01/04/2011

Date:

Action Company added the grievance procedure so employees can access to address their

Taken: concerns. In the event they are not comfortable with their direct supervisor, the posted

document provides a step-by-step process for taking their issue to other staff in the chain

of command, including privately with Human Resources.

11/28/11 Update: Confirmed with HR Manager that the grievance procedure is in place

Plan Yes

Complete:

Plan 01/04/2011

Complete Date:



Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: Inspection of eye wash stations in both distribution center and manufacturing building

found all eye wash bottles and stations to be maintained in an unhygienic manner. Accumulation of dirt was found on the bottles and on the covers, posing a risk to workers. 1 eye wash bottle was found to be past its expiration date (located next to wash

tank on east wall). OSHA 29CFR1910.151

Plan Of

1. Status of eye wash stations to be reviewed with the company's Safety Manager.

Action:

2. Out of compliance item to be brought into compliance with OSHA requirements. 3. Adjust monthly maintenance to reflect additional cleaning requirements.

Deadline

01/04/2011

Date:

Action Taken:

- 1. Safety management review found the eye wash stations to be in compliance with OSHA; however, management recognizes the importance of continuous improvement and supports additional cleaning inside the monthly maintenance check.
- 2. Out-of-expiration water bottle was replaced at east wall of distribution center.
- 3. Monthly maintenance schedule reflects additional requirement for cleaning the surfaces of the eyewash station.

11/28/11 Update: Confirmed with factory management that eyewash stations are periodically cleaned

Plan Yes

Complete:

Plan

01/04/2011

Complete

Date:



Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: Workers have indicated that overtime is mandatory and refusal to work overtime is not acceptable due to fear of retaliation. Monitor interviewed 12 workers; 5 indicated that mandatory overtime is expected. Management interviews confirmed that mandatory overtime is necessary as needed.

Plan Of Action:

The company desires to a) continuously improve the workplace environment, while maintaining relationships with customers and b) meet the requirements of both Federal and [State name] Labor Law (IL 820 ILCS) as administered by the [State name] Department of Labor. The company has a goal to reduce overtime in FY 2011. Beginning in Q1, and throughout FY 2011 ending December 31, 2011, overtime shall be tracked. Start date is deadline date. Workers are informed upon hire and through employee meetings of the highly seasonal nature of the sporting goods industry and of the certainty that overtime will occur. Management shall follow [State name] Department of Labor law, with respect to notification of overtime.

Deadline

01/04/2011

Date:

Action Taken:

- 1. Monthly tracking of Labor OT has occurred. YTD reduction has exceeded goal.
- 2. Employees are informed upon hire of the seasonal nature of the business and of the likelihood of overtime.
- 3. Company maintains continued compliance to [State name] Labor law.

11/28/11 Update: Factory management seeks to balance the requirements of our very cyclical business by smoothing the production curve and managing inventories.

Plan Yes

Complete:

Plan 01/04/2011

Complete Date:



Hours of Work: Other - Hours of Work

Other

Noncompliance

Explanation: Workers have worked beyond code allowances (over 60 hours per week). A sample of 15

workers' time records showed maximum hours worked is 72.25 for 1 worker. Worker and

management interviews both confirmed that this practice occurs.

Plan Of Action:

Company will maintain compliance to [State name] Labor Law. [State name] law is specific and the company is in full compliance at all times. The specific law requires 1 day in 7 as

rest. Overtime rules apply to the hours of work within the 6 days.

EMPLOYMENT (820 ILCS 140/) One Day Rest In Seven Act. Specifically - - (820 ILCS 140/1)

(from Ch. 48, par. 8a) and through Section 8.

Deadline

Date:

Action Company shall maintain compliance with ILCS law and, as noted in prior action, continue

Taken: to reduce overtime.

11/28/11 Update: Factory management and HR met with [State name] Labor department and received clarification of One Day Rest in Seven Act to ensure we are in compliance. They confirmed that we are in compliance with our current practice and that employees

are informed of this practice.

Plan Yes

Complete:

Plan 01/04/2011

Complete

Date: