

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	EM Findings			Sources, Documentation	Notable Features	PC Internal Audit Findings (Optional)	PC Remediation Plan	Remediation				(Status)	Updates
					Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Findings					Target Completion Date	Factory Response (Optional)	Company Follow Up	Documentation		
Evacuation Procedure		All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/paths, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, fire, gas, and evacuation procedures.	1) Passage in writing area partly blocked with cartons and a pallet. 2) Aisles demarcated for passages in limited fabric storage area had cartons stored on them. 3) Pathways between knitting and sewing machines 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 sewing and hand-dye cutting section found blocked at both ends. 5) Exit of sampling section blocked with workstations 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).	Industrial fabric storage area is disorganized. Aisles demarcated for movement had cartons stored on them.	Finding was corroborated.	visual inspection			1) 3) 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 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, 2008	October 11, 2006; March 12, 2007	Observation, inspection records	Closed	Factory has rearranged limited fabric storage area. Safety officer conducts minimal 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 corroborated.	visual inspection			1) Eye wash cup and distilled water already in place in same first aid boxes. The factory has to provide these in all first aid boxes. 2) The factory should have an eyewash/mouth wash station at chemicals storage area near cooling plant on terrace.	October 16, 2008	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 possible exposure (such as inhalation or contact with solvents vapors, noise, dust, etc.) to hazardous agents including medical waste.	1) Many operators in knitting area not using dust masks. Lint and fabric dust particles released in this section. 2) Operators on overlook operators not using dust masks. Fabric dust generation seen on these operations.		Finding was corroborated.	visual inspection			1) The factory had conducted dust level measurement last 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, 2008	October 11, 2006; March 12, 2007	observation	Closed	Nike visit on March 12, 2007. Operators in knitting area and overlook operators use provided dust masks. Regular cleaning carried out production areas.			
Industrial Electrical/Facility Maintenance		All maintenance, starting, 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 workshop/age at mezzanine floor in cutting and industrial engineering sections. 2) Lighting observed at 160-300 lux at nondropout 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. 2x1 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 corroborated.	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 New ESM manual, Industrial Health part, page 4-5-3).	1) Emergency lights not installed at workshop/age at mezzanine floor in cutting and industrial engineering sections. 2) Lighting observed at 160-300 lux at nondropout 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. 2x1 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) 300 lux at nondropout on sewing stations. 4) Per PC standards, illumination of emergency lights are within limits. 5) The temperature levels 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, 2008	October 11, 2006; March 12, 2007	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 corroborated.	visual inspection			Pedal mat mats 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, 2008	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																	
Employees 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 1958, Wage Board Ordinance of Sri Lanka No. 27 of 1941, 40 of 1943, 19 of 1946, 22 of 1946.	Employment records and records pertaining to wage and benefits are not maintained in the factory for security guards, housekeeping and 25 workers from Agency named working in dye house.			Finding was corroborated.	Management interviews, 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.	#####	1) The factory had conducted an audit on security and industrial services. 2) Once in 3 months, internal staff 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 industrial services. Report and the concerns raised with outside 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.		

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Hours of Work															
Excess overtime 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.															
Excess Overtime	Factories Ordinance and 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-hour shifts on a regular basis. Each shift includes 11 hours of work out of breaks. There is no other system in place to ensure that overtime is voluntary.	Finding was inconclusive.	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. 1) Factory conducted an audit on security and industrial 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 day roster that will not exceed 12 hour shifts.	October 11, 2006; March 12, 2007	Management Discussion, Documentation (proposed new shift)	Ongoing	Mex and Rabobank reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns with 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. October 20, 2007. Factory has sent written commitment to apply new shift system with voluntary overtime by January 1, 2008. This will involve 2 shifts of 8 hours (8 working hours) with 3 hours voluntary overtime instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am and end at 7:00pm 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 1958, 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 68 hours in a 6-day work cycle at 11 hours per day. 2) Female workers sometimes work more than 10 hours in a month, which is beyond the legal limit. 3) Instances of security guards being on duty continuously for 24 hours in August 2006 noticed.	Finding was inconclusive.	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 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 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 outsourced parties are to treat workers pursuant to local regulations, (for example, 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 ensure their workers	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 with 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. October 20, 2007. Factory has sent written commitment to apply new shift system with voluntary overtime by January 1, 2008. This will involve 2 shifts of 8 hours (8 working hours) with 3 hours voluntary overtime instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am and end at 7:00pm 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. Factory conducts regular audits on security and janitorial services.			
Reduce Mandated OT		The employer will demonstrate a commitment to reduce mandated overtime and to create a voluntary overtime system to meet unforeseen situations.	Factory works on a daily schedule of 12 hour shifts which include 11 hours of work out of breaks. Workers are given 3 days rest break at the end of a work cycle of 18hrs. These work schedules are maintained throughout the year.	Finding was inconclusive.	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	Mex and Rabobank reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns with 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. October 20, 2007. Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. This will involve 2 shifts of 8 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am and end at 7:00am 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 shifts in a month, which is beyond the legal limit.	Finding was inconclusive.	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	Mex and Rabobank reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns with 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. October 20, 2007. Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. This will involve 2 shifts of 8 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am and end at 7:00am 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 standards 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 out of breaks.)	Finding was inconclusive.	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. Update from factory August 15, 2007: As we agreed, we formed a committee consisting of 5 reps with our workforce. We first set up a committee and included all past and current presidents and secretaries of JCCC (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 get their concern to change. A 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	Mex and Rabobank reps met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns with 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. October 20, 2007. Factory has sent written commitment to apply new shift system with voluntary OT by January 1, 2008. This will involve 2 shifts of 8 hours (8 working hours) with 3 hours voluntary OT, instead of having 12 hour shifts (11 working hours). Shifts will start at 7:00am and end at 7:00pm 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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16. Overtime Compensation																
OT Compensation	BOI (Board of Investment) Standards on Wages and Overtime Payment, Factories Ordinance Acts 7 & 32 of 1964.	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.		Evidence of Noncompliance (Uncorroborated)	Finding was corroborated	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 (boards, department of labor, employees' federation etc.) to discuss current shift pattern and alternatives if any required. Update seen before August 18, 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 PCC (employee committee) together with the 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 out or any additional hours in proposed shift structure. In return, committee addressed this to labor workforce and now we got their concern to change it, yet there is a little concern about the date of the implementation. Both employees	January 31, 2008	Confidential shift currently discussed within the factory. Factory agreed to hold a forum before end of December 2008 with all relevant parties concerned (boards, department of labor, employees' federation etc.) to discuss current shift pattern and alternatives if any required. Update seen before August 18, 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 PCC (employee committee) together with the 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 out or any additional hours in proposed shift structure. In return, committee addressed this to labor workforce and now we got their concern to change it, yet there is a little concern about the date of the implementation. Both employees	October 11, 2008; March 12, 2007	management discussion, documentation (proposed new shift)	Ongoing	Nilu and Raaboh representatives met with factory management in December and discussed an alternate shift pattern. Factory had discussed probable shift patterns with 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 system taking place among Nilu/Raahids and factory representatives.	
16. Amenities																
								1) Factory has a self-service terminal for employees. An employee has access to their personal data, e.g., attendance sheets, 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 umbrellas 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.								