



COMPANY: PVH Corp, SanMar Corporation
COUNTRY: Sri Lanka
ASSESSMENT DATE: 11/24/14
MONITOR: Ask India
PRODUCTS: Apparel
PROCESSES: Cut, Sew
NUMBER OF WORKERS: 1085
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: AA0000000566

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

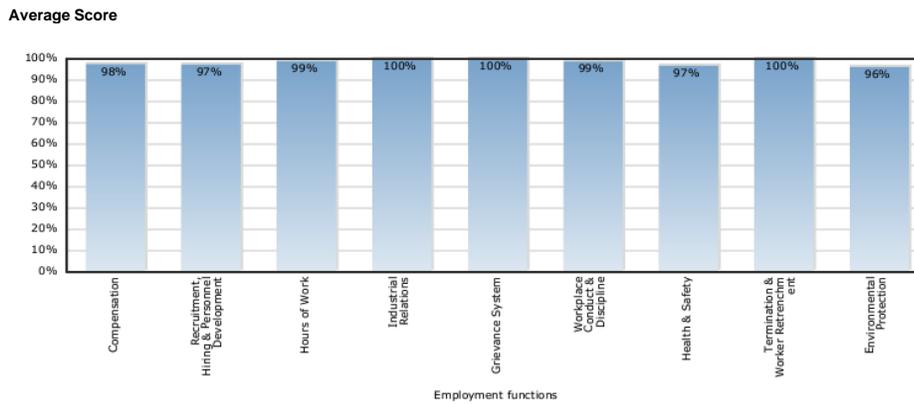
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

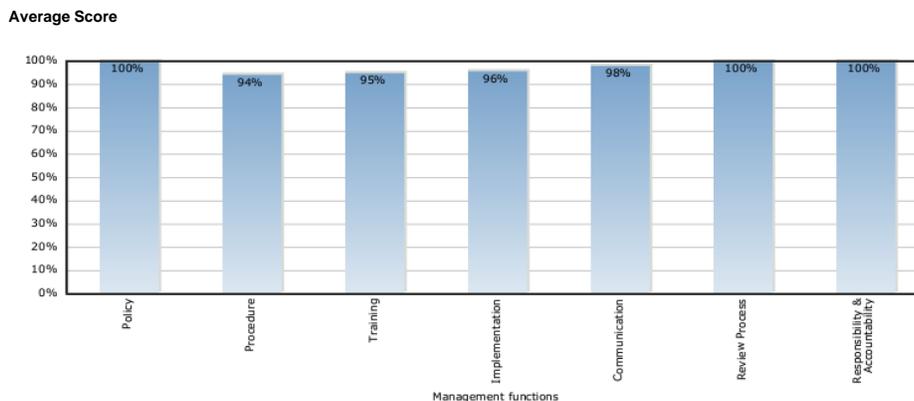
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	100%	100%	100%	100%	100%	100%	100%	100%	100%
Procedure	89.63%	77.67%	90%	100%	100%	100%	100%	95.16%	90%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	100%	100%	100%	100%	100%	100%
Training	91.67%	100%	100%	100%	100%	100%	100%	92.86%	100%
Implementation	93.57%	95.92%	100%	100%	100%	92.86%	100%	96.06%	88.1%
Communication	100%	100%	75%	100%	100%	100%	100%	100%	100%

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Employment Relationship	2	Terms and Conditions/Communication Skills Development/Management of Performance Reviews
Harassment and Abuse	1	Discipline/Monetary Fines and Penalties
Health, Safety and Environment	6	Protection Reproductive Health Machinery Safety, Maintenance and Workers Training Proper Use of Machinery Ergonomics Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The written health and safety procedures do not include measures to protect the reproductive health of employees through minimizing exposure to workplace hazards.
2. In the sewing section, finger guards for majority of the sewing machines are not fitted in the correct position, and the majority of the overlock machines do not have air pipes connected to the suction mechanism. The workers operating the overlock machines without functional dust suction mechanism were not using dust masks. The person responsible for maintenance of machine guards was not aware of correct positioning and the purpose of the machine guards.
3. The lid of the steamer in the Boiler section is broken and leaking steam, instead of discharging through the safety outlet pipe.
4. The factory does not provide rubber mats or rubber slippers for standing workers to minimize shock and stress injuries. There is no training provided to workers on ergonomics.

Local Law or Code Requirement

Recommendations for Immediate Action

1. Adjust finger guards in sewing machines to the correct positions.
2. Attach air pipes to the dust suction mechanisms on the over lock machines. In the case of an over lock machine without a functional dust suction mechanism, the factory needs to ensure that the operator wears a dust mask.
3. Train maintenance personnel who are responsible for regular inspection of the machine guards on the correct positioning of the machine guards.
4. Replace the lid of the steamer in the boiler area.

COMPANY ACTION PLANS

1. Focused health & safety risk analysis being conducted to understand whether existing factory processes can contribute to deficiencies in reproductive health. Based on the result of the assessment, appropriate trainings will be developed and conducted.

Factory has provided chairs and rubber mats to standing workers and conducted respective ergonomics training by the Cluster Compliance Manager.

Action plan status: In Progress

Planned completion date: 05/19/15

Progress update: 09/28/15 : Will verify by factory visit 9/23/15: Factory has been conducting training on various health & safety topics based on need. Factory had not conducted trainings previously regarding reproductive health. Bimonthly training on PPE is covered in our general training for all employees.

2. Immediate Action –

Factory will take action to fit the Finger guards in correct position and provide suction mechanism in to overlock machines
Factory will conduct an awareness program to mechanics and the Maintenance people regarding the machin equipments, safety guards and their importance

- Sustainability Action –

Factory will include this requirement in to the preventive maintenance plan and will make a system to check the availability of all safety guards on the machines before they are are released to the production floor.

Action plan status: In Progress

Planned completion date: 05/19/15

Progress update: 09/28/15 : CSR team will plan factory FU visit in order to review progress

3. Immediate Action-

A new lid was fixed and the steam is discharged in a safer way

- Sustainable Action-

Maintanance of the Boiler will be included to the monthly preventive maintainace plan

Boiler operater will be reponsible to notify maintainace issues daily

Action plan status: In Progress

Planned completion date: 02/27/15

Progress update: 09/28/15 : Follow-up visit at the factory to review the progress

4. Immediate action -

Factory will conduct ergonomics training for the employees by 1st week of May 2015 and this training will be conduct by the Cluster Compliance Manager.

- Sustainable action –

Factory will provide rubber mats and chairs to all standing workers. Factory will include an ergonomics training to the training calendar and plan to conduct annual external ergonomics training through the NIOSH (National Institute of Health & Safety) by end of June 2015.

Action plan status: In Progress

Planned completion date: 06/30/15

Progress update: 09/28/15 : CSR team will plan follow-up visit at the factory to review the progress 9/23/15: Rubber mats have been provided to all workers, and chairs have been placed near the work station for workers with standing jobs to rest. Chairs and rubber mats have been provided to all the workers conducting standing operations. Workers have also been provided awareness training on the benefits of using rubber mats.

FINDING NO.2

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has no formal mechanism to communicate policies and procedures on late arrival deductions to employees. The wage records review and interview with management revealed a large number of late arrival deductions. There is a lot of confusion (e.g., the cutoff for late arrival) among workers regarding this deduction.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16; Harassment or Abuse Benchmark: H/A.2)

COMPANY ACTION PLANS

1. New policy & procedure have been drafted. In this new policy, late arrival fees deductions have been removed.

Action plan status: In Progress

Planned completion date: 06/30/15

Progress update: 09/28/15 : Will verify progress by factory visit 9/23/15: Factory has stopped deducting for late arrivals. Policy has also been revised.

FINDING NO.3

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Paints in the chemical storage room do not have labels, appropriate Material Safety Data Sheets (MSDS), and secondary containers. An interview with the person responsible for chemical handling revealed that the factory does not treat paint4ko as a "chemical," therefore; none of the required chemical management procedures are applied to them.
2. The eyewash station outside the chemical storage room is out of order.

Local Law or Code Requirement

Factories Ordinance sec 53 (1)- protection of eyes; Factories Ordinance No. 45 of 1942- occupational health and safety – chemical safety; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. Ensure that all chemicals have the proper label, MSDS, and secondary containers.
2. Fix the eyewash station.

COMPANY ACTION PLANS

1. 1.

Immediate Action-

MSDS for the paints is posted in local language at the chemical store. Factory will provide secondary container for chemicals.

Sustainable Action-

Chemical handlers were educated on the MSDS. Availability of MSDS for all the chemicals will be assessed/checked by the maintenance team in the monthly internal audits.

Workers have been trained on MSDS & Chemical handling. Chemical training records are now been maintained.

2.

Immediate Action-

Eash station has been fixed, with water pressure adjusted.

Sustainable Action-

Chemical handler was made responsible to raise any maintainace issue to the maintenance team. Maintenance officers will check the water pressure and the operation condition weekly. Eye wash station maintance will be included to the preventive maintenance plan.

Action plan status: In Progress

Planned completion date: 02/27/15

Progress update: 09/28/15 : A follow-up visit is required at the factory to verify the progress in corrective action as planned by the factory management.

FINDING NO.4

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no written procedures for performance reviews as well as for reinstating workers after probation.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.29)

COMPANY ACTION PLANS

1. Immediate Action –

Develop a grievance policy and procedure on performance reviews and process to follow after probation. The policies will be communicated to workers through the notice board and worker council.

Sustainability Action –

Appoint the HR manager to take care of the practical difficulties which may arise at the practical use of procedures.

Worker grievances/suggestions will be collected and solutions will be also included to the procedures. The policies will be reviewed and renewed annually.

Action plan status: In Progress

Planned completion 07/31/15

date:

Progress update:

09/28/15 : A follow-up visit is required at the factory to verify the progress in corrective action as planned by the factory management. 9/23/15 : Recruitment policies & procedures have been drafted. Training has been provided to all employees about the new recruitment policies. The new policies have been posted on the notice board.

FINDING NO.5

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no system in place to take action on the corrections recommended by the fire safety inspection personnel. For example, the suggestion to replace a fire extinguisher has not been followed, and the factory has no plans to replace it.
2. One of the emergency exits in the sewing section, and another in the storage section of Building ENT:2, lead to unsafe evacuation locations, which are obstructed by parked vehicles.
3. The main fire assembly area in the factory was blocked by a loading/unloading vehicle (Truck), and there is no mechanism in place to ensure this does not regularly happen.

Local Law or Code Requirement

Factories Ordinance 1976 sec 42 A (1, 2); Factories Ordinance 1776 sec 39 (2); FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5 and HSE.6.1)

Recommendations for Immediate Action

1. Ensure that the recommendations of the fire safety personnel are implemented in a timely manner.
2. Ensure that the entire evacuation route for the two mentioned emergency exits do not pass through parking areas. Put a mechanism in place to ensure that no one is able to park vehicles in the evacuation routes.
3. Ensure that the assembly area is not used for parking.

COMPANY ACTION PLANS

1. Immediate Action-
Fire Extinguisher was replaced as recommended by Fire Safety Inspector.

Sustainable Action-

Maintenance manager made responsible to take actions to rectify the issues based on the recommendations from the Fire Safety Inspector.

Compliance team will include the fire safety recommendations to be reviewed at the annual compliance assessments.

Action plan status: In Progress

Planned completion date: 02/27/15

Progress update: 09/28/15 : A follow-up visit is required at the factory to verify the progress in corrective action as planned by the factory management. 9/23/15: All exits are now cleared and free of obstacles. The safe assembly area is clearly marked. The parking area is been shifted to another location. Training has been provided to the line supervisors and all workers to make sure that emergency pathways remain free of obstacles.

2. Immediate Action-

A separate space was provided for the vehicle parking. Security personnel were advised on the safety procedures and the importance of keeping the evacuation paths and the assembly area clear.

Sustainable Action-

Notice boards will be always placed to make sure everybody can identify the assembly point and nothing will obstruct the area.

Compliance team will assess practical as they relate to the assembly area and vehicle parking.

Action plan status: Planned

Planned completion date: 03/31/15

FINDING NO.6

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no grievance policies or procedures to redress the grievances of special categories of workers (e.g., pregnant workers).

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25.3)

COMPANY ACTION PLANS

1. Immediate Action –

Develop a grievance policy and procedure to address the issues of particular special categories of workers. The policies will be communicated to workers through notice boards and the worker council.

Sustainability Action –

Appoint the HR Manager to handle grievances of special categories of workers. The policies will be reviewed and renewed annually.

Action plan status: In Progress

Planned completion date: 07/31/15

Progress update: 09/28/15 : 9/23/15: Grievance policy & procedures has been drafted and been posted near the canteen. Awareness training has been provided to all employees regarding the new grievance policy and procedures. Focused training will be conducted for all special categories of workers.

FINDING NO.7

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has two types of loans that are provided to workers: “Higher Purchase Loans” and “Festival Loans” (ranging from LKR 2000 to LKR 5000 in the case of Festival Loans and higher in the case of Higher Purchase Loans.) However, there are no detailed and clear procedures, terms, and conditions for these loans. The absence of clear procedures and proper communication to workers regarding these loans increases the risk of forced labor in the factory. Once a worker takes a loan, the repayment is automatically deducted from her/his monthly salary over a period of two years for a “Festival Loan,” and a longer term for a “Higher Purchase Loan.” If an indebted worker wishes to leave employment, he/she is restricted until the complete repayment of these loans. Moreover, two fellow workers are required to be “guarantors” for the loan, which further adds to the risk of forced labor as there is no clear, written, agreement between the company, the indebted worker, and the guarantors. There is potential for a guarantor to force the worker to continue working until the loan is repaid.

Local Law or Code Requirement

FLA Workplace Code (Forced Labor Benchmarks F.2 and F.7)

COMPANY ACTION PLANS

1. Immediate Action-

A clear policy and procedure will be developed by HR and communicate to all the workers. It will include the "Higher Purchase" policy and the procedure on guarantors. Those policies will ensure no worker is bound for their loans at the stage of resigning. They will be established in a manner that workers may pay back the loan even they have resigned.

Sustainable Action-

All the workers will be notified on the new policies at the induction and before they submit an application for a loan.

The practical application of the procedure and the complaints by the workers will be monitored by the Compliance and HR teams. Policy and procedure will be reviewed annually.

After discussing within the Joint Council Committee (composed of workers and management), loans will no longer be provided to the employees, but instead workers may request advances from their salaries. The respective policy has been drafted and posted.

Action plan status: In Progress

Planned completion date: 06/30/15

Progress update: 09/28/15 : 9/23/15: After discussing within the Joint Council Committee (composed of workers and management), the factory has decided that the loans will not be provided to the employees. Instead they can requests advances from their salary. Policy for the same has been drafted and posted. Minutes of the Joint Council Committee have been posted. Records of salary advances provided to workers are being maintained according to the company policy.

FINDING NO.8

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no written procedures for the following cash benefits provided by the factory:
 - a. Production incentives, although there are calculation formulas, there are no written procedures.
 - b. Merit incentive
 - c. Attendance incentive and deductions on late arrival
 - d. Festival Advances
 - e. Death donation (including repayment procedures)
 - f. Scholarship for grade 5 student employees
 - g. Welfare contributions
2. There are no procedures for outstanding/due/unclaimed wages, and the payout process to resigned/terminated workers.
3. According to management, for workers who are paid in cash and have left the company without prior notice or claiming their wage balance; the wages are transferred into a separate bank account and the worker is notified in writing. However, this is not included in the written procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.1; Compensation Benchmark C.17)

COMPANY ACTION PLANS

1. Immediate action -

Factory will create a procedure for the mentioned activities and will communicate to the employees and HR staff . The workers will have the opportunity to inquire about any of the benefits at the employees council.

Sustainable Action-

Established procedure will be include in the induction program and communicated to new employees. Worker suggestions will be accepted and initiated to make for better worker well-being.

Action plan status: Planned

Planned completion date: 07/31/15

2. Immediate action -

Factory management will create a procedure for outstanding and unclaimed wages, which will specify how accumulated balances will be handled.

Sustainable Action-

Developed procedure will be communicated to HR and the Finance teams for future accounting of wages. Auditing the balance of this fund will also be included to annual labor/finance assessments.

Action plan status: In Progress

Planned completion date: 07/31/15

Progress update: 09/28/15 : 9/23/15: Policy and procedures are drafted being implemented. Employees are trained regularly on the benefits of these policies & procedures. Training has been provided to all the employees on the updated policy & procedures.

FINDING NO.9

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- 1. There is a voluntary welfare system for workers with a monthly deduction of LKR 15. However, worker interviews revealed that this scheme is mandatory for workers, and that many workers were unaware of purpose and usage of this deduction. There were no workers who were not part of this system. Although interviewed workers consider this system beneficial, none of them were aware that this deduction was voluntary. Management keeps signed documents from all workers authorizing this deduction; however, the document is signed prior to orientation about the welfare system.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.12)

COMPANY ACTION PLANS

1. Immediate action -

Factory will conduct training first at induction of workers, explaining the welfare system to the employees and only take signatures of those who want to participate after understanding the process and benefits.

Sustainable action –

Factory will include discussion of the welfare system in the monthly employees council and display the meeting minutes in the common notices board, which will allow all workers to understand the amount of funds collected, how the system has been used, and what type of benefits they have received. Anyone who wants to withdraw from the system will be permitted, and processes for such withdrawal will be communicated through minutes posted on the notice board.

Action plan status: In Progress

Planned completion date: 05/30/15

Progress update: 09/28/15 : 9/23/15: Awareness training has been provided to all workers on the purpose and need for deducting 15 LKR monthly. Records on the awareness training have been maintained.

FINDING NO.10

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The Worker Integration component is missing from all Employment Functions. The factory does not have policies and procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Although there is an Employee Council, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

COMPANY ACTION PLANS

1. Immediate Action –
Factory will develop a policy and a procedure on worker engagement on the operation of the Employee Council. HR manager will be present in all respective meetings. The president of the committee will be made responsible to communicate and work together with management on worker-related decisions.

Sustainability Action –

HR Manager will monitor all the worker council meetings and work with the workers on worker well-being. Minutes of the meetings will be communicated to all the workers by posting on the notice board. Policies will be updated annually to ensure that they are followed accordingly.

Action plan status: In Progress

Planned completion date: 07/31/15

Progress update: 09/28/15 : Follow-up visit is required at the factory to verify the progress in corrective action as planned by the factory management. 9/23/15: Factory has a functional Joint Council Committee (composed of workers and management), which meets once per month and also as otherwise required. The minutes are posted. Changes in policies and procedures are discussed by the Joint Council Committee and such information is passed to the rest of the workers by the members individually and also the posting of minutes in local language.