

GLOBAL COMPACT

COMMUNICATION ON PROGRESS

2004 - 2005





## Our Commitment

*“MAS believes in empowerment, not because the world demands it, but because MAS demands it from itself, and it’s the right thing to do.”*

Mahesh Amalean  
Chairman, MAS Holdings  
November 7, 2003

*When MAS commenced operations in 1986, we were well aware of the importance of striking a balance between the dual goals of profit creation and social responsibility. Although there was no specific written policy at its inception, the company recognized its obligations not just to its shareholders, but also to its workforce and the communities in which it operated.*

*Over the years, MAS has consistently invested in state-of-the-art technology, and instilled ethical business practices to create an environment that would attract talented people and encourage them to reach their optimum potential. We were frontrunners in establishing modern, employee-friendly manufacturing facilities that surpassed existing industry standards. We also developed a client base, consisting of the top clothing retailers in the world, by manufacturing high quality garments, and ensuring that they were delivered on schedule. As such we were able, in a short space of time, to transform client relationships into solid and enduring partnerships. Today our joint venture partners are a veritable who's who of the global apparel industry, and include Limited Brands, Sara Lee Courtaulds, Speedo, Brandot International, Triumph, Stretchline, Prym Newey, and Noyon. MAS which began with just over 30 employees, presently has a workforce of over 34,000 people, spread across Sri Lanka, India, Vietnam, Madagascar, China, Mexico, the UK and USA.*

*We have expanded rapidly over the last two decades and are recognized as a multinational company. Increases in size however, go hand in hand with greater obligations, and a few years ago we began to appreciate the importance of introducing a set of clear, comprehensive guidelines by which each MAS manufacturing facility could be measured.*

*As a first step, we took the initiative of signing the UN Global Compact in 2003. We recognized a synergy between our business ethics and practices and those espoused by the Global Compact. By becoming signatories to the Compact, we legitimized these practices. It also enabled us to be a part of a global forum through which we could share ideas and learn from the experiences of other like-minded organizations.*

*In June 2004, I attended the inaugural Global Compact Summit in New York. I have since realized the importance of strengthening regional networks, thereby enhancing the GC principles and ensuring their implementation in South Asia. Our commitment to the Global Compact has not waned over the resulting months. As we are a part of an overly-audited industry, there exists a certain degree of audit/reporting fatigue. As such we are in the process of identifying and creating an appropriate format for our social reporting.*

*In the absence of a holistic report, we submit the following Communication on Progress to outline the work undertaken by MAS, which is in line with the 10 Global Compact principles. While many initiatives have been introduced, I am aware that there is still much to be done. Over the coming years we will continue to strive at further developing and improving on our social responsibilities, and on our reporting processes.*

Mahesh Amalean  
Chairman  
MAS Holdings  
November 2005

## Communicating the Global Compact Principles to Internal Stakeholders:

In November 2003, MAS officially launched its Corporate Social Responsibility platform, which rests on the following pillars;

- a. **The Global Compact**  
Supports the Universal Declaration of Human Rights and creates an ethical framework applicable to all business entities who are signatory to it
- b. **The MAS Standard**  
Compliance guideline to position MAS as an employer, supplier, customer & corporate citizen
- c. **Go Beyond**  
A tool by which to champion women's empowerment as 80% of the 30,000 employees at MAS are women

The MAS Differentiation plaque was unveiled with the official launch taking place in three stages; . [\[See Attachment 1\]](#)



*(Official launch of Global Compact)*

November 7, 2003:

Front-line management of MAS Holdings was briefed on the relevance of these three strands to the company. All CEOs, General Managers and Human Resource Managers were included in this group. Our CEOs then proceeded to sign a letter promising allegiance to this CSR platform, and officially handed them over to the MAS Chairman.

November - June 2004:

Group HR and Group Branding Teams carried out communication through to the Middle Management & Executives of the Strategic Business Units on an individual basis shortly thereafter. This process was consultative, leaving space for debate and discussion, ensuring thereby that the participants not only understood what the Global Compact, MAS Standard and Go Beyond principles were, but also why embodying them were of value to MAS.

November - June 2004:

Simultaneously, the principles and thinking were shared with the shop-floor employees first through a presentation, followed by an official unveiling of the MAS Differentiation plaque at each plant. The Plaque, done in both English and in the vernacular languages better understood by the worker grades were then placed in the plants as public documents which could be read and internalized over a period of time.

## Implementing the Global Compact Principles:

### Human Rights

**PRINCIPLE 1 : SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONAL HUMAN RIGHTS WITHIN OUR SPHERE OF INFLUENCE**

**PRINCIPLE 2 : MAKE SURE OUR OWN CORPORATIONS ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES**

- Ensuring that employees realize their rights as well as responsibilities through various ingrained human resource based practices across our business units - Indicators such as the following maybe used to highlight this;
  - ❖ Letter of Appointment -- All employees receive employment letters upon recruitment, ensuring that they enter into a written contract with the company, clarifying their job role, terms and conditions, rights & responsibilities
  - ❖ Fair Pay - While recognizing & rewarding performance through an internationally recognized system known as Hay, MAS constantly strives to be in the upper quartile of the Pay structure and enjoys the status of a preferred employer in Sri Lanka
  - ❖ Employees have a development discussion, (Supervisors) receive technical skill evaluations and (Executives and above) receive a performance appraisal using "360 degree feedback" performance evaluations from team members, senior managers, and peers are carried out on an annual basis
  - ❖ 70% of the employees receive 5 or more training days
  - ❖ Vacancies advertised, giving priority for internal recruitment and promotions
  - ❖ Gender representation among graduate recruits, professional employees, & senior management;

	<i>Manager</i>	<i>Executive</i>	<i>Supervisor</i>	<i>Worker</i>
<i>Males</i>	81.49%	65.11%	43.00%	13.09%
<i>Females</i>	18.51%	34.89%	57.00%	86.91%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

- Prominence given to securing the principles established under the UN Charter of International Human Rights in the MAS Standard [\[See Attachment 1\]](#).
- MAS Holdings has made public our "Building Blocks", which pledge allegiance to giving priority to people and fairplay.

<b>Values</b>	<b>Culture</b>	<b>Strengths</b>
Honesty & Integrity Passion for Excellence People Matter Humility Responsibility	Teamwork Entrepreneurial & Innovative Cautiously aggressive Participative Management Boundaryless	People Partnerships Product focus Profitability

- Adherence to humane working conditions -
  1. While globally the apparel sector is criticized for excessive overtime, at MAS “ our average working week including voluntary overtime does not exceed 60 hours ( MAS Standard)
  2. Air conditioned plants & state-of-the art machinery ensures that employees can work in comfort



*(Linea Intimo)*

3. Access to professional medical facilities, food (first meal free, others subsidized) and sanitation on the work premises

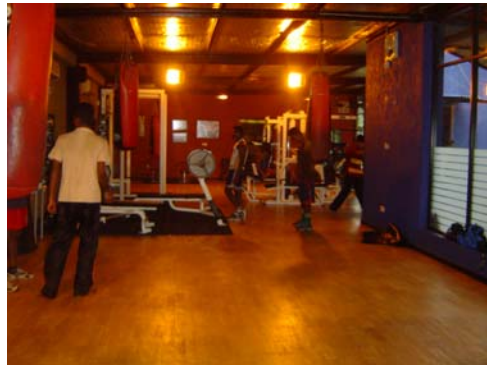


*(Bodyline)*



*(Unichela)*

4. Access to free recreational facilities (e.g. sports grounds, company sponsored sports & arts teams, sports instructors, gymnasiums etc.)



*(Slimline)*

5. Commitment to a safe and hygienic work environment - necessary training and safety equipment provided



*(Leisureline)*

Significant Achievement - MAS Slimline Sara Lee Corporation's Millionaires Club Award for 30 million Standard Hours without a single workplace related accident in 2005

6. Employment without migration but in the event of the latter, good hostel facilities are provided for our female workers



*(Linea Clothing)*



## Labor Standards

### PRINCIPLE 3 : FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING

All MAS employees are free to enter into Unions for collective bargaining.

Additionally, MAS has adopted a medium called the “Joint Consultative Committees” (JCC’s) through which the workers can effectively discuss any grievances and / concerns, firstly amongst themselves, and then with the management in order to ensure that a healthy dialogue is maintained between the internal stakeholders. JCC’s, similar to Employee’s Councils, have also been granted Union status by the ILO. [See Attachment 2] JCC’s also have an election process, overseen by external officials, monthly meetings and a system of Minutes, which are made public.



*(Badge worn by Lesiureline JCC employees)*

### PRINCIPLE 4 : THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR

### PRINCIPLE 5 : THE EFFECTIVE ABOLITION OF CHILD LABOUR

In Sri Lanka and many parts of the world in which MAS operates, the legal requirement / law of the land is less stringent than what MAS has adopted as a global standard for employment, which is encapsulated as “No persons below the age of 18 are employed, and no forms of forced labor are used”

### PRINCIPLE 6 : THE ELIMINATION OF DISCRIMINATION IN RESPECT TO EMPLOYMENT AND OCCUPATION

As stated in the MAS Standard, “[w]e do not accept any forms of harassment or discrimination and work in a culture of equal opportunity, whilst recognizing the contribution that people with disabilities can make to society and work.”

Our company hiring practices encourages each MAS plant to employ differently-abled workers. Since 2003, we have worked in collaboration with the Employees Federation of Ceylon and a Non Governmental Organization called “Motivation” to ensure that the process of hiring such disabled persons can be done systematically. An Employee Fair is held annually where differently-abled persons, trained by Motivation are presented to Sri Lanka’s leading companies. At MAS’ differently abled cadre of employees group-wide currently stands at 20.



Additionally, MAS has taken particular pains to eliminate gender-based discrimination, using a positive, proactive Women's Empowerment Programme titled "Go Beyond" to enhance fair representation of women at all levels in the management structure. MAS has focused on successfully launching, implementing and internalizing the principles of the Go Beyond programme under the broader auspices of the Global Compact since November 2003.

### Go Beyond Project Outline & Implementation

MAS Holdings is sensitive to the need to empower women, as 80% of our current 30,000 strong workforce is female. MAS is supportive of women who commit to developing themselves, and rewards those who achieve excellence. The Women Go Beyond programme empowers women at our plants and communities by recognizing their contributions to society and rewards excellence in academics, sports, commerce and arts



Within MAS through;

- Career Advancement for employees by providing skill and knowledge building training programmes within the company
- Rewarding excellence of employees who are high-achievers in academics, sports, science, commerce, arts & culture
- Launching Initiatives to strengthen work-life balance
- In the Communities We Operate in through;
- Rewarding Excellence of students who are high-achievers in academics, sports, science, commerce, arts & culture

### Project Financing & Reach:

The project is being implemented in seventeen MAS apparel manufacturing units with a financial commitment of over US \$ 150,000 per annum. It has thus directly touched the lives of 20,000 employees at MAS plants and indirectly thereby their families and communities.

### **Monitoring & Evaluation:**

Go Beyond initiatives have been built in to the company's balance scorecard. The implementation & monitoring of the programme is done on a quarterly basis, and each unit is required to provide a monthly activation plan, which details the events, budget and number of people each activity would impact. Each Strategic Business Unit (SBU) has appointed a core group for Go Beyond, as well as a Go Beyond champion. These point persons meet on a monthly basis and provide the Corporate office with detailed feedback on the progress of the programme.

This programme also recognizes one "Empowered woman of the year" for each plant through a competition and related awards ceremony held in December each year where they are given a cash reward and a trophy. More importantly, however, they gain great recognition as local heroes and role models for their peers, becoming then ambassadors of the programme within their plants.





### **Women in Apparel Manufacturing:**

A large majority of these women are from a predominantly rural background, especially those from Sri Lanka and India, and while they have high levels of literacy, many would have limited access to enhance their education and skillbase. Additionally, while a large number of these women are the main or at times, sole bread winner for their families, often they have very little to show of their own earnings primarily due to the lack of financial management and savings. Many due to their lack of exposure and traditional upbringing, have limited knowledge about their own reproductive systems including important issues such as sexually transmitted diseases. Overall, a large number of these women do not know how important they are to the sustenance and upliftment of their family, the company and their country. The "Go Beyond" programme, will above all, give them this knowledge through various means, and thereby, empower them to succeed.

### **The Programs:**

While there are a plethora of programmes conducted under the Go Beyond banner, listed below are some of the more common and valued ones;

#### Training for Career Advancement:

-  Training in English language
-  Training in Information Technology
-  Training in Financial Management - personal & professional
-  Soft skills - Presentation, Time management, Leadership Skills



## Rewarding Excellence

- ✿ Quarterly awards given out based on performance at plant, regional, national and international level in areas of arts.
- ✿ Each plant to choose & reward a woman who reflects the Go Beyond definition of an “ Empowered Woman” annually - thereby creating Role Models of women who have gone beyond



## Work-Life Balance initiatives

- ✿ Assisting in the creation of crèche facilities
- ✿ Encouraging team sports at MAS
- ✿ Beauty culture training/dress sense/grooming & patchwork
- ✿ Special programmes for pregnant employees
- ✿ Health & Hygiene - Reproductive health, 5S, HIV & STD Awareness, Nutrition, Domestic Violence

- ✿ Developing youth (female) leaders in the community
- ✿ Providing IT related training for youth
- ✿ Special care for maternity wards & hospitals
- ✿ Identifying & rewarding female small & medium entrepreneurs in the community





### Key Milestones/Evolution

November 2003	Launch to Group Board of Directors, CEOs & Front-line management
December 2003 - January 2005	Launched at 17 differing SBU's
July 2004	Recording and Measuring the Impact of Go Beyond using the <u>Reporting Format</u>
July 2004	Initiating the monthly articles on 'Women who have Gone Beyond' in a weekly tabloid titled 'Women at Work' supplement (through the Daily Mirror, national English newspaper)
August 2004	Co-sponsoring the Zonta Woman of Achievement Awards
October 2004	Launching the Go Beyond Web Site [ <a href="http://www.masholdings.com/co_soc.asp">http://www.masholdings.com/co_soc.asp</a> ]
December 2004	Inaugural Go Beyond "Empowered Women of the Year Awards" in December where 14-women were identified, recognized and rewarded
Jan-March 2005	Featuring four winners on "Jeewitayata Ida Denna", morning television talk show anchored by popular female icon
May 2005	Launch of "Profiles of Courage" in May 2005; booklet on the life-stories of the 14 winners, distributed among key customers, stakeholders, opinion leaders etc.
Winning the AAfA Excellence in Social Responsibility award for 2005 in the Women's Issues category ( <a href="http://www.americanapparel.org">www.americanapparel.org</a> )	
Launching the Quarterly "Certificates of Excellence" Programme Q1, 2005	
Strategic partnerships with Key Vendors, Victoria's Secret and Gap	

## Environment

**PRINCIPLE 7 : SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**

**PRINCIPLE 8 : UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY**

**PRINCIPLE 9: ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES**

The MAS Standard gives prominence to this principle by stating that “ we are committed to protect the environment in which we operate in”

MAS facilities maintain a signature look - they are always surrounded in greenery and subscribe to the 5S principles (Sort, Set in order, Shine, Standardise and Sustain), which encourages a clean, orderly work environment, both inside and outside the plants. 5S teams are appointed at each plant to monitor its implementation, and the group has also taken part in 5S related competitions and won several awards [Taiki Akimoto 5S Award] at international and national levels.

Several companies have also extended this learning beyond MAS plants into their communities, either through training children in community schools or through adopting villages and concentrating on teaching women.

Adoption of an internal methodology termed the Global Environmental Management System (GEMS) has created the framework by which our plants operate. Dedication in supporting this has resulted in our Intimates Cluster now being in possession of a Certificate issued by the Central Authority together with the Pradeshiya Sabha Licence, which officially endorses that significant measures are being adopted to protect & sustain the environment at MAS. A Health, Safety & Environment Team is appointed at each plant and it would be their responsibility to meet quarterly to discuss new initiatives and promote working in a hazard free environment.

Highlighted below are some of the methods adopted and practiced across the MAS units, which seeks to reaffirm this commitment.

## 1. Water Purification

Several MAS facilities treat their wastewater, including wastewater from toilets and the kitchen, ensuring that it is reused wherever possible, and disposed in an environmentally sound manner. No chemicals or fossil fuels are used in the biochemical purification process and no exhaust gases are produced as by-products. The operation at our water affluent treatment plants is noiseless, and odorless, ensuring that the environment is protected from pollution. Since this technique accompanies the lowest power consumption of all technical wastewater treatment processes, it saves a considerable amount of money for the company. Should water be released then it is tested for potability and ensured that it shall not enter the main groundwater streams in the area.

30% of the discharge from MAS Linea Aqua is used for gardening purposes and the rest is pumped to a location where inland surface water is collected, which is used for cultivation and agricultural purposes. So the wastewater from MAS Linea Aqua is in fact, not wasted.



*(Linea Aqua)*

## 2. Water Tank Project

An exercise which greatly enhanced the lives of the villagers of Mahiyanganaya was carried out by the Shadeline Team when an initiative was taken to set up 2 water tanks in the area. While one was catered to the local school ( Gemunupura Maha Vidyalaya) the other was primarily for the use of the temple bringing it users then to over a 1000 persons. To date it serves the community and as demonstrated at the yearly refilling operations has sought to build a valued network with the plant.



*(Shadeline)*

### 3. Solid Waste Management

In order to deal with solid waste 2 methods have been identified; Firstly obtaining composite through carbonic matter. Separate bins have been demarcated for paper, plastic and other material waste at our plants. Secondly a method of sanitary land filling is also in the pipeline for our plant in Horana. However since it involves a cost of 6 million rupees it awaits approval by the Ministry of Small & Medium Industries.



*(Bodyline)*

### 4. Tree Planting

Various programmes to promote this 'habit' are carried out at our SBU's. Road Side Tree Planting campaigns are carried out on a regular basis and have been widely recognized as being beneficial to the community immediately around the factory as well as the employee base within. Home gardening competitions have also been conducted to promote this project specifically among the workforce. Winners are generally given a stock of seeds and fertilizers by the company to encourage them to carry such projects through.



*(Bodyline & Shadeline)*



## 5. Off cuts & packaging

Material off - cuts and packaging material that cannot be used any further at the factories are usually sold by weight to the community so that they may be sourced for small-scale industries. Whilst being environmentally conscious it also helps to build the economic and social infrastructure of the community. There are items however that as per customer specification may not be sold and such items are generally burnt in an incinerator at a Central Environmental Authority approved industrial site.

## 6. Recycling

All containers, cans, phials and bottles subsequent to initial use are sent back to their suppliers for recycling. In a similar vein waste paper is sourced for various purposes such as reprinting, making paper pouches for local hospitals, janitorial services etc. It would be interesting to note further that during the waste-water purification process particles in the wastewater and sludge are recycled and used as fertilizer. Dealing with waste food is also handled systematically at our business units. A separation is done with waste food being classed into non bio degradable and bio degradable items. The former is sent an incinerator and latter to a piggery.

## 7. Energy saving measures

MAS is aware of the need to conserve energy and to this end varied means are looked at. Electricity is generated via the National Grid and supplemented by generators which are reverted to in the event of power disruptions or fluctuations. Solar panels are used in some of our canteens so that large amounts of water maybe heated when preparing tea for the workforce. Costs at such business units have dropped almost by 80% by this measure. Also as a means of conservation of energy most factories place air curtains on the production floor to ensure cool air is not wasted.

## 8. Emission reduction

Vehicle maintenance checks, heavy machinery checks, thermo graphical surveys, dust level testing being carried out on a regular basis keeps emission from the plants at a minimum. Reduction of the decibel levels of generators even to the extent of sound proofing of certain units bring in that sense that MAS does stand apart from other units by maintaining an attitude which balances the community and the environment; this is an imperative need otherwise neglected by other conglomerates in a busy industry.

Within this ambit we may bring in how MAS deals with its hazard waste products. All preventive measures are taken to not allow pollutants to leave the site or alternatively keep this at a minimum. 3<sup>rd</sup> parties with whom the plants deal with such as caterers and janitors are also roped in to keep in line with this trend of thought. CFC free air conditioning is another noteworthy feature in our plants. Linking back to a previously mentioned note on dust agents it must be noted that plants strive to keep this at a minimum and should there be such areas they are identified as so and employees given protective gear accordingly.

## Anti Corruption

**PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING  
EXTORTION & BRIBERY**

Measurement of Outcomes / Expected Outcomes:

MAS Holdings has not yet developed a Social Reporting format using the GRI indicators. We do, however, hope to do so for the year 2006.

## Attachments - Attachment 1 - MAS PLAQUE



**THE GLOBAL  
COMPACT**  
*We are Committed to the Implementation of  
the United Nations Global Compact Principles*



**STANDARD**  
*Concern for People and Fairplay*



*Committed to the Empowerment of Women*

### HUMAN RIGHTS

#### Principle 1

Support and respect the protection of international human rights within their sphere of influence; and

#### Principle 2

Make sure their own corporations are not complicit in human rights abuses

### LABOUR STANDARDS

#### Principle 3

Freedom of association and the effective recognition of the right to collective bargaining;

#### Principle 4

The elimination of all forms of forced and compulsory labour;

#### Principle 5

The effective abolition of child labour; and

#### Principle 6

The elimination of discrimination in respect to employment and occupation

### ENVIRONMENT

#### Principle 7

Support a precautionary approach to environmental challenges;

#### Principle 8

Undertake initiatives to promote greater environmental responsibility;

#### Principle 9

Encourage the development and diffusion of environmentally friendly technologies

### MAS - THE EMPLOYER

#### Human Rights

\* We embrace the UN Charter of International Human Rights & the Global Compact Principles.  
We do not accept any forms of harassment or discrimination and work in a culture of equal opportunity, whilst recognizing the contribution that people with disabilities can make to society and work

#### Working at MAS

\* No persons below the age of 18 are employed, and no forms of forced labour are used  
\* Our working week, including overtime, does not exceed 60 Hours in our apparel manufacturing units  
\* We recognize the need to work in partnerships with employees, encouraging them to learn, develop, contribute and achieve a work-life balance  
\* We provide where appropriate, a range of benefits including transport, meals, air-conditioned facilities, health, life, and work place medical care, banking facilities and counselling

#### Health & Safety

\* We provide a hygienic and safe working environment by training employees, and ensuring all plants, processes and equipment are designed taking into consideration best practices in Health & Safety  
\* We believe in the systematic assessment, measurement, and monitoring of risks associated with the business

#### Environment

\* We are committed to protecting the environment in which we operate

### MAS - THE CUSTOMER

\* We actively seek and work with organizations who share our values

### MAS - THE SUPPLIER

\* We provide an excellent service to our customers, respecting and complying with the laws of the land that we operate in

### MAS - THE CORPORATE CITIZEN

#### Women

\* Women are the majority - a driving force in our organizations - and care and attention is given to reward and empower them both within the plant and the community, through "The MAS Women - Go Beyond" programme  
\* We take care of our pregnant employees, recognizing the many roles of women and the need to have a work-life balance

#### Community

\* MAS actively supports development initiatives in the communities we operate in  
\* We build confidence in the families of our employees by having an open-door policy

An empowered woman is one who is secure in the knowledge of herself, her abilities, and is able to

tread the balance of fulfilling her career aspirations with the demands of her personal life.

As a responsible employer and Corporate Citizen,

MAS is supportive of women who commit to developing themselves, and rewards those who achieve excellence

Within MAS through;

\* Career advancement for employees by providing skill and knowledge building training programmes within the company

\* Rewarding excellence of employees who are high-achievers in academics, sports, science, commerce, arts & culture

\* Launching initiatives to strengthen work-life balance

In the communities we operate in, through;

\* Rewarding excellence of students who are high-achievers in academics, sports, science, commerce, arts & culture

*"MAS believes in empowerment, not because the world demands it, but because MAS demands it from itself, and it's the right thing to do."*



Maresh Amalean  
Chairman  
MAS Holdings (Pvt) Ltd.  
7th November 2003

## Attachment 2 - ILO DOCUMENT

### P R E S S   R E L E A S E

#### ILO Confirms the Validity of Employees Councils and their Right to Bargain Collectively With Employers

In a recent case heard by the Freedom of Association Committee of the International Labour Organisation (ILO) concerning a complaint filed by the International Textile Garments and Leather Workers Federation (ITGLWF) on behalf of the Ceylon Mercantile Industrial and General Workers Union (CMU), the committee has ruled that the Employees Councils created under the Employees Councils Guidelines introduced by the Board of Investment Sri Lanka (BOI) are valid and that employees councils have the right to bargain collectively and conclude collective agreements with employers in BOI enterprises, including enterprises in Free Trade Zones.

In March 2003, the ITGLWF, on behalf of CMU, complained to the Freedom of Association Committee of the ILO that the Guidelines for the Formation and Operation of Employees' Councils issued by the BOI hamper the creation of free and independent trade unions and prevent them from exercising the right to bargain collectively. Among others, the ITGLWF also alleged that the BOI set up a special regime for the resolution of industrial disputes under the authority of the BOI instead of the Commissioner General of Labour.

The ILO sought the responses of the Government of Sri Lanka on the various allegations made in the complaint and placed the case before the Freedom of Association Committee - a Nine Member Tripartite Committee consisting of Governing Body members and an independent Chairman - for examination and Report to the Governing Body.

The Committee examined the various allegations made in the complaint and the responses of the Government and submitted its Report containing its Conclusions and Recommendations for consideration of the Governing Body at its meeting held between 17 - 21 November 2003.

While confirming the validity of Employees Councils, the Freedom of Association Committee has recommended certain procedural changes to the Guidelines to ensure strict conformity with the relevant ILO Convention concerning Workers Representatives in Undertakings, namely, Convention No. 135.

It has also confirmed that the Labour Administration functions, including disputes settlement in Free Trade Zones are performed by the Commissioner General of Labour and his officials and not by the BOI, as alleged by ITGLWF.