



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** adidas Group; Nike, Inc.; Liz Claiborne, Inc.

**COUNTRY:** Honduras

**FACTORY CODE:** 53002912021

**MONITOR:** GMIES

**AUDIT DATE:** October 26 – 27, 2010

**PRODUCTS:** T-Shirts

**PROCESSES:** Weaving, Dyeing, Cutting, Sewing, Printing, Embroidery, Quality Control, Packaging, Exporting

**NUMBER OF WORKERS:** 1079



**CONTENTS:**

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses \_\_\_\_\_ 3  
Freedom of Association: Employer Interference/Favoritism \_\_\_\_\_ 4  
Freedom of Association: Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting\_\_\_\_ 6  
Freedom of Association: Grievance Procedure \_\_\_\_\_ 8  
Non-Discrimination: General Compliance Non-Discrimination \_\_\_\_\_ 9  
Code Awareness:\_\_\_\_\_ 10  
Code Awareness:\_\_\_\_\_ 12  
Health and Safety: Evacuation Requirements and Procedure \_\_\_\_\_ 13  
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance\_\_\_\_\_ 14

### **Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

#### **Noncompliance**

**Explanation:** Factory does not have a childcare facility; it is mandatory by law to have such when workplace has more than 20 female workers who are mothers.

(Article 59 of Law for Equal Opportunities for Women and Article 140, Code of Labor)

**Plan Of Action:** The Honduran Law for Women and Adolescents states that childcare provision must be shared between government, employers, and workers. Currently, there are limited existing childcare facilities and few functioning models that meet the requirements of the law that we could request the factory to implement in the short term. However, factory management has agreed to evaluate the possibility of creating a childcare facility for the factory's workers. PCs and factory management to identify a location close to the factory for such a facility and work with local stakeholders to ensure possible daycare facility is in compliance with all local requirements. However, before such a project takes place, factory management should get workers' input on their interest in using a factory-owned childcare facility.

**Deadline Date:** 03/31/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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## **Freedom of Association: Employer Interference/Favoritism**

FOA.7 Employers shall not interfere with the right to freedom of association by favoring one workers' organization over another. (S)

### **Uncorroborated Evidence of Noncompliance**

**Explanation:** Based on off-site interviews conducted after the audit was carried out, factory is supporting the formation of a union which would be part of the Honduran Federation called FESITRANH, while factory is obstructing the formation of a union which would be part of the Workers General Confederation of Honduras (CGT, in Spanish). Workers interviewed off site said that, the day after the audit ended, management allowed some chiefs of departments and supervisors to collect employee signatures in order to form a union under the control of the factory, in alliance with FESITRANH.

Since October 27, 2010 [Employee name] (Human Resources Manager) and [Employee name] (General Manager) ordered some department chiefs to collect employees' signatures in order to form a union with the support of FESITRANH. The chiefs collecting signatures, identified by workers, are the Chief of Mechanics and a woman whose name is [Employee name], whose position in the factory is unknown by workers interviewed. On the other hand, the employees who are trying to form a union affiliated with the CGT began this effort in July 2010. Factory realized the union activities of these workers, and on August 20, Human Resources Manager fired an employee whose name is [Employee name]. Auditors interviewed this worker and he revealed that after his dismissal, 3 other workers who participated in union activities with CGT were fired the week after his dismissal. Honduran local groups confirmed such dismissal.



**Plan Of Action:** Nike, Inc. and the adidas Group commissioned a special investigation by Guatemalan-based accredited monitor COVERCO. The purpose of the investigation was to verify the findings made during this IEM. COVERCO's report will be published separately.

COVERCO's findings include the following:

A) Some managers facilitated the organizational attempt of [Union name] (the FESITRANH-affiliated union) in the factory, and gave preference to such union.

B) Some workers who had participated in the [Union name] (the union affiliated to the CGT) organizing attempt were terminated between August and September 2010.

After the COVERCO investigation took place, a remediation plan was put in place between the PCs and factory management, which includes the following:

1 A. Factory management has created and verbally communicated a Freedom of Association and Collective Bargaining Policy to each worker, manager, and supervisor in the factory. This communication was completed in December 2010 by the General Manager and President-Owner of the factory.

1B. Factory management to create a Freedom of Association (FoA) policy highlighting the factory's commitment to ensuring such a right is respected. The policy should also clearly indicate that any worker (including managers and supervisors) will be subjected to the factory's disciplinary procedures.

2. The reinstatement of the 6 workers and members of [Union name]-affiliated union who were wrongly terminated due to their union participation. These workers were reinstated in January 2011.

3. A training program will be created and completed in 2011 for all factory managers and supervisors in regards to workers' FoA rights, in order to ensure all within the factory understand and respect this right. PCs will provide further details on such training program, such as its contents, trainers and dates once such details are finalized between PCs and factory management.

Finally, [Union name] and factory management will begin negotiations for a Collective Bargaining Agreement (CBA) on the week of January 18. Updates on this issue will follow, as PCs will continue monitoring the remediation of all findings made by GMIES and COVERCO, in addition to any developments in regards to the CBA negotiations.

**Deadline** 03/31/2011

**Date:**

**Action Taken:**



Plan            No  
Complete:

Plan  
Complete  
Date:

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**Freedom of Association: Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting**

FOA.12 Employer shall not engage in any act of anti-union discrimination, i.e. shall not make any employment decisions which negatively affect a worker, based wholly or in part on a workers' union membership or participation in union activity, including the formation of a union, previous employment in a unionized facility, participation in CB efforts or in a legal strike. Employment decisions include: hiring; termination; job security; job assignment; wages; bonuses; allowances; compensation and benefits; promotion; downgrading; transfer; (vocational) training; discipline; and assignment of work and conditions of work. The use of blacklists used to contravene the exercise of the right to FOA also constitutes anti-union discrimination. (S)

**Uncorroborated Evidence of Noncompliance**

**Explanation:** Some workers interviewed (both on site and off site) revealed that factory has dismissed workers who have gotten involved in union activities. The employees who are trying to form a union with the Workers General Confederation of Honduras (CGT, in Spanish) began this effort in July 2010. Factory realized the union activities of these workers and on August 20, Human Resources Manager fired [Employee name]. Auditors interviewed this worker and he revealed that after his dismissal, 3 other workers who participated in CGT union activities were fired the week after his dismissal. Local Honduran groups confirmed such dismissal. In regard to management harassment, [Employee name] assured that, a month before his dismissal, he was taken to the Human Resources Manager to be questioned about his participation and intentions to form a union. Besides, information from local groups, corroborates that factory has intimidated some employees who have supported the formation of a union with the CGT, by taking them to the Human Resources Manager and questioning them. The CSO "Centro de Derechos de las Mujeres de Honduras" (CDM) provided auditors a copy of a complaint sent to the Secretary of Labor regarding the dismissal of [Employee name] based on his participation in union activities; this complaint is still in process.



**Plan Of  
Action:**

Nike, Inc. and the adidas Group commissioned a special investigation by Guatemalan-based accredited monitor COVERCO. The purpose of the investigation was to verify the findings made during this IEM. COVERCO's report will be published separately.

COVERCO's findings include the following:

- A) Some managers facilitated the organization attempt of SITRAINCOSI (the FESITRANH-affiliated union) in the factory and gave preference to such union.
- B) Some workers who had participated in [Union name] (the union affiliated to the CGT) organizing attempts were terminated between August and September 2010.

After the COVERCO investigation took place, a remediation plan was put in place between the PCs and factory management which includes the following:

1. Factory management has created and verbally communicated a Freedom of Association and Collective Bargain Policy to each worker, manager, and supervisor in the factory. This communication was completed in December 2010 by the General Manager and President-Owner of the factory.
2. Reinstatement of 6 workers and members of [Union name]-affiliated union wrongly terminated due to union participation. These workers were reinstated in January 2011.
3. Training program will be created and completed in 2011 for all factory managers and supervisors in regards to workers' FoA rights, in order to ensure all within factory understand and respect this right. PCs will provide further details on such training program, such as its contents, trainers and dates once such details are finalized between PCs and factory management.

Finally, as per January 2011, [Union name] and factory management will begin negotiations for a Collective Bargaining Agreement on the week of January 18th. Updates on this issue will follow as PCs will continue monitoring the remediation of all findings made by GMIES and COVERCO in addition to any developments in regards to the CBA negotiations.

**Deadline  
Date:** 03/31/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
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:** No written grievance procedure including follow-up steps after a complaint has been set. HR manager explained that, after a complaint is received they conduct research, taking accounts from parties involved, and then a decision/resolution is taken. Most workers were not aware of factory grievance procedure. Finally, it is important to mention no FLA-affiliated Company has encouraged development of internal grievance system.

**Plan Of Action:** In January 2010, adidas Group conducted internal audit at [Factory name]. After visit, management asked to create HR management system training program that partly includes grievance system (among other HR policies, e.g., voluntary OT, appeal system, disciplinary procedures, FoA, non-discrimination). To date such policy and training program has not been created.

1A. Factory management to create a step-by-step grievance system for factory employees to use to report any grievances to factory management.

1B. Such policy should indicate information on who will be responsible for investigation all grievances.

1C. How all types of grievances (from minor to serious and confidential) will be investigated.

1D. How factory management will respond back to workers regarding their grievances and a timeline for such responses.

1E. Policy should also indicate that workers who report any grievance in good faith will not receive any retaliation for reporting such grievance.

1F. Factory management should also designate a responsible person to review the number of grievances received monthly to identify any possible patterns and address any possible instances of re-occurring grievances.

2. Once policy is created, it should be verbally communicated to all managers, supervisors, and workers during induction training and annual refresher course.

3. Factory management to provide copy of all trainings (training modules, photos, sign-up sheets).

4. Copy of policy should also be posted on bulletin boards or in public areas for workers to review.

**Deadline Date:** 03/31/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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### **Non-Discrimination: General Compliance Non-Discrimination**

D.1 Employers shall comply with all local laws, regulations and procedures concerning non-discrimination. (S)

#### **Noncompliance**

**Explanation:** Management has not hired the required legal number of workers with disabilities: 4 workers with disabilities for every 100 employees (Article 2 of Law of Employment Promotion for People with Disability). The presence of just 1 worker with a disability was corroborated at [Factory name] facilities when there must be, at least, 44 employees with disability.

**Plan Of Action:** Factory to develop a system for posting announcements and recruiting disabled workers.

1. Factory to communicate on a regular basis with organizations working with disabled workers and local stakeholders, such as the Honduran Institute of Social Security, whenever openings become available, in order to ensure disabled workers are informed of job openings.
2. Factory management should also indicate their commitment to non-discrimination in all job postings (newspaper, online, signs, etc.).



**Deadline**     03/31/2011  
**Date:**

**Action**  
**Taken:**

**Plan**            No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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**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:** Factory does not have adidas-Group nor LCI Codes of Conduct posted in place. Nike's Code was seen posted in place. However, despite management assuring us that brands' standards are explained to workers during the recruitment process and sometimes during the regular trainings provided, 75% of workers interviewed assured that they do not know the Codes of Conduct of any of the affiliated companies present at [Factory name] Manufacturing. Besides, there was no documentary evidence showing that workers are trained and educated on these brands' standards.



**Plan Of Action:** Note from the adidas-Group:  
As of 2007, the adidas Group stopped requiring factories to post our Workplace Standard, as oftentimes factories would not properly train workers on the CoC content.

Factory management has been therefore requested to:

A) Provide verbal trainings on the adidas Group Workplace Standards to all managers, supervisors, and workers during induction and annual refresher courses. A copy of the adidas Group Workplace Standards was given to the factory in 2008 and 2010.

B) Factory management to provide copy of verbal trainings provided (training modules, sign-up sheets, photos).

C) Factory management to conduct post-training surveys to ensure entire workforce understood the content of the training, including CoC portion.

Note from Nike:

1. As of January 1, 2011 new Nike Code of Conduct (CoC) needs to be posted in the local language.

2. New Code Leadership Standards (CLS) need to be shared with employees.

3. All employees need to be trained in both Nike's CoC and CLS, and factory management needs to insure that employees understand the content of the training.

4. Nike's CoC and CLS should also be included in the induction training for new hires.

Liz Claiborne will ensure that its standards, similar to other FLA brands, are posted and will provide direct contact information on this poster.

**Deadline Date:** 03/31/2011

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

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**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:** None of the FLA-affiliated companies at place have provided any communication channel for workers to report any noncompliance directly to the brand.

**Plan Of Action:** Note from the adidas Group:  
In 2010, factory management was provided with the adidas-Group SEA Hotline poster containing our SEA Hotline contact info and indicating that any information received will be treated confidentially.

1. Such poster should be posted in various public areas of the factory, in addition to private ones, such as restrooms. Location of posters to be verified by PC.
2. Additionally, during factory visits, the adidas Group SEA Team provides factory with business cards during interviews containing Regional Monitor's contact information.

Note from Nike:  
During factory visits it has been requested that HR Management develop an effective Communication and Grievance Policy and Procedure (GP); other factory's practices have been shared as an example of different grievance procedure methods. Also, it was recommended to train all employees based on the new GP, so they all understand the different ways of communicating with management; who is responsible for them; the ways they can be communicated and to whom the grievance has been addressed. L

Liz Claiborne will ensure that its standards, similar to those of other FLA brands, are posted along with direct contact information.

**Deadline Date:** 03/31/2011

**Action Taken:**

**Plan Complete:** No

**Plan  
Complete  
Date:**

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### **Health and Safety: Evacuation Requirements and Procedure**

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

#### **Noncompliance**

**Explanation:** There is an emergency door in the Printing Department that does not open easily. In fact, auditors and management representatives tried at two times to open it and it took several seconds to finally open. This door had to be pushed in different ways until it finally opened.

**Plan Of Action:**

1. Factory management to review emergency door in printing department to ensure such can be opened without any difficulties.
2. Factory management to ensure responsible person for reviewing emergency equipment (emergency lights, extinguishers, etc.) also does a monthly review of all emergency exits to ensure they are properly working.
3. Documentation of monthly reviews and any remediation taken to be kept by factory management for verification.

**Deadline  
Date:** 03/31/2011

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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### **Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance**

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

#### **Noncompliance**

**Explanation:** There is a problem with ventilation in Printing Department:  
Temperature in this area is excessively high due to the industrial ovens. Temperature was 95.72 F° (35.4 C°). There were only five fans, but during the audit, it was corroborated that not all of them were turned on all the time. Besides, there is no air extractor at this area.

**Plan Of  
Action:**

1. Factory management to conduct a heat exhaust test throughout the factory; in particular, in its hottest areas, to verify the locations within the factory where heat exposure is the highest.
2. Based on results, factory management to take actions to reduce heat exposure and stress by installing additional fans, extractors, etc., to improve the temperature of the affected areas. For more detailed information, please review Section 19 and 22 of the adidas Group HSE Guidelines.
3. Factory management to designate a responsible person to maintain extractors and ventilation systems on a daily basis in order to ensure they are properly working and kept on during production hours.

**Deadline  
Date:** 03/31/2011

**Action  
Taken:**



**Plan**      **No**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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