



2010

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** adidas Group, Knights Apparel

**COUNTRY:** Honduras

**FACTORY CODE:** 7400291239I

**MONITOR:** GMIES

**AUDIT DATE:** November 1 – 2, 2010

**PRODUCTS:** T-Shirts, Sweaters, Kids  
Apparel

**PROCESSES:** Fabric Receiving and  
Downloading, Cutting, Sewing,  
Embroidery, Printing, Packing, Exporting

**NUMBER OF WORKERS:** 5,050



## CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____	3
Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions _____	5
Wages, Benefits and Overtime Compensation: Employer Provided Services* _____	6
Freedom of Association: Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting____	7
Freedom of Association: Grievance Procedure _____	9
Harassment or Abuse: Discipline/Progressive Discipline _____	11
Harassment or Abuse: Discipline/Written Disciplinary System _____	12
Harassment or Abuse: Discipline/Verbal Abuse _____	14
Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers _____	16
Non-Discrimination: General Compliance Non-Discrimination _____	18
Non-Discrimination: Pregnancy Testing _____	19
Code Awareness: _____	21
Code Awareness: _____	22
Code Awareness: _____	24
Health and Safety: Sanitation in Factory Facilities _____	25
Hours of Work: Time Recording System _____	26

\*Denotes a Notable Feature



## **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:** [This is a noncompliance for the following reasons:](#)

1. There is no documentary evidence that employees working for 3 years or more at factory receive all 15 days - or more - of vacation that Article 346 of the Code of Labor requires. Payrolls did not show that these employees are granted with all the legal period for vacations. 60% of interviewed workers confirm they have less than 10 vacation days per year, when they think they should have more. Management assured that employees receive all vacation days, but in different periods through the year, however, no documentary evidence supporting that was shown.
2. Factory does not take in account the average of the last 6 months' salaries, which must include overtime and bonuses, in order to calculate legal benefits as vacations, 13<sup>th</sup> month and 14<sup>th</sup> month salaries (Articles 352 and 361 of Code of Labor and Article 6 of Fourteenth Month Salary in Concept of Social Compensation Regulations). Factory only applies basic salary, excluding overtime and bonuses.
3. Factory does not have a childcare facility, when it is mandatory by law to have one 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:** 1. Factory management must ensure to provide full vacation leave to all workers based on their seniority.

1A. Tracking system should be created to track number of vacation days taken throughout the year to ensure that all workers take full vacation leave.

1B. Copy of vacation leave requests to be maintained in workers' files indicating when workers take their vacation leave throughout the year.

1C. Factory management to create a vacation policy indicating how many days workers are entitled for vacation/year based on their seniority, when vacation leave will be provided and how workers may request to take their vacation leave.

2. Factory management must ensure that vacation, 13th and 14th month bonuses are paid in accordance to law. PC is currently reviewing case with Ministry of Labor (MOL) to verify how all 3 benefits should be calculated and paid.

3. 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 (according to the law) we can request the factory to implement in the short term. This issue will be discussed with factory owners to identify a long term solution to this issue, as this legal requirement is not implemented by the industry nor enforced by governments.

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Vacation time is determined by Honduras Labor Code. It varies according to Seniority from 10 calendar days for employees with 1 year of seniority to 20 calendar days for employees with 4 or more years of seniority. All employees enjoy vacation time during the year. Wages paid during vacation time are calculated according to Honduras Ministry of Labor standards. The same applies to 13th and 14th bonus payments. Factory complies with local law regarding leave of absence for pregnant women, providing 42 days paid leave of absence before childbirth and 42 days after. Factory also provides 1 hour a day nursing time for an additional 6-month period as per Honduras Law. In addition to Social Security system, Factory provides a free Health care clinic on site that treats all employees' relatives and dependents, including infants and children.

**Supplier CAP Date:**

**Action** [adidas Group March 31, 2011 Comments:](#)

**Taken:**

1A.-C. Pending. No update received.

2. Completed. According to Honduran Code, 13th/14th month bonus should be based on workers' ordinary wages and does not require OT/production bonus to be included in the average of workers' wages.

3. Pending. No update.

**Plan** No

**Complete:**

**Plan**

**Complete**

**Date:**

---

### **Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions**

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

#### **Noncompliance**

**Explanation:** [Delayed payment of Social Security payroll of December 2009 was corroborated.](#)  
[Payment should have been made January 20, 2010, but factory paid it February 2, 2010.](#)

**Plan Of** This was an isolated case. However, factory management to ensure all payments to ISSS  
**Action:** are made on their due date.

**Deadline** [04/08/2011](#)  
**Date:**



**Supplier CAP:** [\[Factory name\] March 2011 Update](#): Social Security Payroll payment for December 2009 was processed the same way it is always done. Check was cut and deposited in time, but our local bank mistakenly delayed payment to Social Security Institution. Problem was detected and corrected within 12 days and a fine was paid. We pointed out to Auditors that this is the only time a delay has occurred and that it was an error by the Bank. Benefits to our workers were never suspended or affected by this error.

**Supplier CAP  
Date:**

**Action  
Taken:**

**Plan Complete:** No

**Plan Complete  
Date:**

---

### **Wages, Benefits and Overtime Compensation: Employer Provided Services**

WBOT.16 All workers have a right to use or not to use employer provided services, such as housing or meals. Deductions for services to workers shall not exceed the cost of the service to the employer. Employers must be able to demonstrate the accuracy or reasonableness of these charges. (P)

#### **Notable Feature**

**Explanation:** [Factory pays 6 Lempiras \(USD \\$ 0.32\) daily for transportation to all employees who attend their work.](#)

---



## **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:** Gathered information showed that it is a practice at this factory to dismiss employees who are involved in union activities. Workers who want to be fired, in order to receive their relevant severance, act like they are willing to form a union, but their intention is to be dismissed and receive the relevant severance payment. 80% of workers and supervisors interviewed confirmed that. According to these interviews, it is a practice that, every December, workers who want to leave the factory (but without resigning) "look for a reason to be dismissed." As these workers know that trying to form a union implies dismissal, they talk with other employees, inviting them to form a union. But, they do this so management can know and fire them.

**Plan Of Action:**

1. Factory management to immediately discontinue this practice and any additional practices that may obstruct or violate workers' freedom of association such as (but not limited to) terminations and/or blacklisting.
2. Factory management to designate a responsible person within its management team to draft a clear and direct freedom of association and collective bargaining policy. Policy should indicate that workers will not be penalized for exercising their right to organize.
3. Once policy is completed, please submit to adidas Group SEA Team for review.
4. Once policy is finalized, it should be verbally communicated to all managers, supervisors and workers during induction trainings and annual refresher course.

**Deadline Date:** 04/08/2011



**Supplier CAP:** [\[Factory name\] March 2011 Update](#): Both factory's Code of Conduct (CoC) and WRAP's CoC already specifically address this issue and clearly state that our company respects the right of workers to join or not join, belong or not belong to any type of association. All employees that choose to leave our company or are terminated for any reason receive severance payments. We have zero complaints regarding this issue. We will schedule meetings with our workers and repeat the information they all get during the induction process about our Code of Conduct and WRAP principles. We will document these meetings and provide you with a report.

**Supplier CAP Date:**

**Action Taken:** [adidas Group March 31, 2011 Comments](#):

1. Pending. No update regarding December/June terminations received.
2. Pending. Please provide copy of Freedom of Association policy indicating factory management's commitment to respecting and allowing this right to workers.
3. Pending. Please indicate when all workers (including all Managers and Supervisors) have been provided a verbal communication of the FoA Policy.
4. Pending. Please provide copy of all trainings documents (training materials, photos, sign-up sheets).

**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:** By records review, there is no evidence of any written grievance procedure. Management explained that employees can raise their grievances verbally or through the suggestion boxes that are in place, and that HR and Production Managers are responsible for the follow up. 100% of interviewed workers said that they would talk with their supervisors and immediate chiefs in order to set a complaint; however, 45% of interviewed workers assured they have complaints with management, but their grievances are not solved. 65% assured that to complain to management is useless.

**Plan Of Action:** 1. Factory management must provide clear and concise grievance procedure for workers to use to report grievances directly to management. Policy should: (a) include who workers may report grievances to in a confidential and non-confidential manner, (b) include how grievances will be investigated and by whom, (c) include a timeline for investigations results and how they will be reported back to workers, (d) clearly indicate that workers who report grievances to management will not receive any retaliation and (e) have procedures for management to keep track of grievances in order to identify patterns and/or persistent problems, as well as to track remediation. Metrics may include: number of grievances, number of persistent grievances, seriousness of grievances, grievance investigation reports, meeting agenda and notes.

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

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

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Factory has a formal grievance procedure in place. The employee handbook, Index Labor-Ministry- Approved Code of Conduct, and specific SOP manuals, all provide documentation of said policy. Based on recommendation from auditors, factory has included a record keeping folder located at the HR office to document formal complaints from operators starting March 25, 2011.



**Supplier CAP**

**Date:**

**Action**            [adidas Group March 31, 2011 Comments:](#)

**Taken:**

1. Please note that a written procedure was not available during visit. Please submit to SEA Team to ensure that it includes points A-D of original remediation plan.
2. Pending. No update received.
3. Pending. No update received.

**Plan**                [No](#)

**Complete:**

**Plan**

**Complete**

**Date:**

---

### Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

#### Noncompliance

**Explanation:** Management revealed that there is no written system of progressive discipline in place.

**Plan Of Action:** 1. Factory management to name responsible person to draft progressive disciplinary procedure. Policy should clearly define: (a) how disciplinary system works, why workers may receive disciplinary action (which offenses receive which disciplinary actions), (b) how workers may appeal disciplinary procedure received and (c) how disciplinary actions will be documented.

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

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

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Comments: The employee handbook, Index Labor-Ministry-Approved Code of Conduct, and specific SOP manuals describe a progressive disciplinary procedure. Disciplinary actions start with a verbal admonishment, then with a formal written admonishment, then a suspension from work and finally, with dismissal. All disciplinary actions are in accordance with Honduran Law and WRAP standards. Disciplinary procedures are explained during induction process.

**Supplier CAP Date:**



**Action** [adidas Group March 31, 2011 Comments:](#)

**Taken:**

1. Pending. Please provide copy of progressive disciplinary procedure in order to verify that it includes points A-C of original remediation plan.

2. Pending. Communication on disciplinary procedures/appeal system should be verbally communicated not only during induction, but at least once annually to ensure entire workforce knows and understands procedure. Special attention should be given to managers/supervisors responsible for implementing disciplinary procedures to ensure they are implemented consistently and fairly.

**Plan** No

**Complete:**

**Plan**

**Complete**

**Date:**

---

### **Harassment or Abuse: Discipline/Written Disciplinary System**

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

#### **Noncompliance**

**Explanation:** Factory does not have a discipline system in place. According to management, it is not necessary to have a discipline system, because if factory sanctions employees, they could be fired without receiving severance; it is important for management to grant such right to all workers. When employees have bad behavior, management talks with them; if behavior does not improve, workers are dismissed. There is no other disciplinary procedure in place.

**Plan Of Action:** 1. Factory management to name a responsible person to draft a progressive disciplinary procedure. Policy should clearly spell out: (a) how disciplinary system works, why workers may receive a disciplinary action (which offenses receive which disciplinary actions), (b) how workers may appeal a disciplinary procedure received, and (c) how disciplinary actions will be documented.

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

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

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Comments: The employee handbook, Index Labor-Ministry-Approved Code of Conduct, and specific SOP manuals describe a progressive disciplinary procedure. Disciplinary actions start with a verbal admonishment, then lead to a formal written admonishment, to a suspension from work and then finally, to a dismissal. All disciplinary actions are in accordance with Honduran Law and WRAP standards. Disciplinary procedures are explained during induction process.

**Supplier CAP Date:**

**Action Taken:** adidas Group March 31, 2011 Comments:

1. Pending. Please provide copy of progressive disciplinary procedure in order to verify that it includes points A-C of original remediation plan.

2. Pending. Communication on disciplinary procedures/appeal system should be verbally communicated not only during induction, but at least once annually to ensure entire workforce knows and understands procedure. Special attention should be given to managers/supervisors responsible for implementing disciplinary procedures to ensure that they are implemented consistently and fairly.

**Plan Complete:** No

**Plan Complete Date:**



## Harassment or Abuse: Discipline/Verbal Abuse

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

### Noncompliance

**Explanation:** 60% of interviewed workers revealed that verbal abuse is displayed at the factory. Supervisors pointed as the ones responsible for verbal abuse are: 1) [Employee name], who is in charge of Modules 4 and 5 of [Municipality name] Department, 2) [Employee name], who is in charge of Module 15 of [Municipality name] Department, 3) [Employee name] who is in charge of Tackle Area, and 4) A chief whose name is [Employee name]. The verbal abuses consist of screaming and talking in a rude way. These workers said that the insults happen very often.

**Plan Of Action:**

1. Factory management to draft and adopt an harassment and abuse (H&A) policy prohibiting all types of H&A (verbal, sexual, psychological, etc.). Policy should include: (a) how workers may report instances of H&A to management and (b) steps to address instances of H&A committed by anyone within workforce (workers, managers and supervisors).
2. Factory management should provide verbal training to all new employees in "induction" training as well as in annual policy training to current employees.
3. Documentation to be maintained by factory management for review (training materials and sign-up sheets).

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Factory has had in place since 1991 a policy that deals with instances or cases of abuse, both verbal and/or physical. Our internal code of conduct and WRAP principles describe and detail similar policies. Company's Employee Handbook, published in 2005 and updated in 2007, also describes policy in detail. Currently, factory has SOP to report abuse that goes from verbal reports to formal complaints to anonymous complaints. Training materials and periodic training is provided to all Managers and Supervisors. At least 2 Seminars have taken place in the last 5 months. Operations Director has addressed issue with all employees in a public forum at end of 2010 and will address it once more with all employees before Easter break. Disciplinary action has been taken towards 2 supervisors found at fault regarding this issue in the past 5 months.

**Supplier CAP Date:**



**Action** [adidas Group March 31, 2011 Comments:](#)

**Taken:**

1. Pending. Please provide copy of harassment and abuse policy.
2. Pending. Please provide copy of grievance system to verify such contains points B-F of original remediation plan.
3. Ongoing. Factory indicates that training has taken place; however, the following documentation was not submitted: training materials, photos, sign-up sheets. Please confirm if trainings have also included managers and supervisors.

**Plan** No

**Complete:**

**Plan  
Complete  
Date:**

---



### **Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers**

H&A.16 Management shall discipline anyone (including managers, supervisors or fellow workers) who engages in any physical, sexual, psychological or verbal violence, harassment or abuse, regardless of whether such action was intended as a means to maintain labor discipline. Such discipline could include (combinations of) compulsory counseling, warnings, demotions and termination. (P)

#### **Noncompliance**

**Explanation:** Workers who have reported verbal abuse displayed by supervisors assured factory has never disciplined such supervisors for this behavior.

**Plan Of Action:**

1A. Factory management must provide workers' procedures to report instances of harassment and abuse in a confidential manner. This can be included in the grievance procedures required in this action plan.

1B. Factory management to include disciplinary procedures for anyone found guilty of committing any form of harassment and abuse.

1C. Disciplinary procedures should include "zero tolerance" issues in regards of H&A that may merit immediate termination as well as remediation requirements for workers who are found guilty of H&A (training on how to manage and/or lead workers, proper disciplinary procedures, etc.).

2. Once grievance procedures, harassment and abuse, and disciplinary procedures are created, please forward to Participating Companies for their review.

3. Once policies are finalized, factory management should provide verbal training to all new employees in "induction" training, and annual policy training to current employees. Special attention should be given to managers and supervisors on H&A and disciplinary procedures to ensure they know and understand their level of power.

4. Documentation to be maintained by factory management for review (training materials and sign-up sheets).

**Deadline Date:** 04/08/2011





**Supplier CAP:** [\[Factory name\] March 2011 Update](#): Since 1991, factory has had in place a policy that deals with instances or cases of abuse, both verbal and/or physical. Our internal code of conduct and WRAP principles describe and detail similar policies. Company's Employee Handbook, published in 2005 and updated in 2007, also describes policy in detail. Currently, factory has SOP to report abuse that goes from verbal reports to formal complaints to anonymous complaints. Training materials and periodic training provided to all Managers and Supervisors. At least 2 seminars have taken place in the last 5 months. Operations Director has addressed issue with all employees in a public forum at end of 2010 and will address it once more with all employees before Easter break. Disciplinary action has been taken towards 2 supervisors found at fault regarding this issue in past 5 months. Factory has formal grievance procedure in place. Employee Handbook, Index Labor-Ministry-Approved CoC and specific SOP manuals, all provide documentation of said policy. Based on auditors' recommendation, factory has included a record keeping folder located in HR office to document formal complaints from operators starting March 25, 2011.

**Supplier CAP  
Date:**

**Action Taken:** [adidas Group March 2011 Comments](#):

1A. Pending. Please provide written procedures for how workers may report any instances of harassment/abuse (and/or other grievances) to [Factory name's] Senior Management in a confidential manner.

1B-C. Please provide copy of disciplinary procedures that include steps to take for anyone found verbally harassing another employee, including instances of verbal harassment committed by managers and supervisors. Disciplinary procedure should also clearly indicate zero tolerance behaviors that may merit an immediate termination. Finally, please provide examples of remediation steps taken for when managers/supervisors have been found improperly managing workers.

2. Pending. Copy of 3 Procedures not submitted.

3-4. Ongoing. Factory indicates that training has taken place; however, the following documentation was not submitted: training materials, photos, sign-up sheets. Please confirm if trainings have also included managers and supervisors.

**Plan Complete:** No

**Plan Complete  
Date:**

## **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 required legal number of workers with disability: 4 workers with disability for each 100 employees (Art. 2 of Law of Employment Promotion for People with Disability). The presence of just 6 workers with disabilities was corroborated at facilities when there must be, at least, 204 employees with disability.

**Plan Of Action:** Factory to develop 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 communicated to about job openings.
2. Factory management should also indicate in all of its job postings (newspaper, online, signs, etc.) their commitment to non-discrimination.

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Factory does not ask potential employees or existing employees if they consider themselves disabled. We give all people equal opportunity to apply for a job and do not discriminate against people with disabilities. Please keep in mind that the spirit of the law is to force companies to provide equal opportunity to the disabled, which as per the local Labor Authorities Index, factory is currently doing. Factory policy is to allow all applicants to undergo the hiring process. Applicants are given an employment opportunity based on merit alone.

**Supplier CAP Date:**

**Action Taken:** adidas Group March 2011 Comments: Please note that remediation update does not address fact that currently [Factory name] does not meet legal requirements as per Art. 2 of Law of Employment Promotion for People with Disability. As a result, factory management should review points 1-2, in addition to any steps they see fit, to promote more disabled workers to apply to [Factory name] in order to increase the number of disabled workers at the factory.

Plan No  
Complete:

Plan  
Complete  
Date:

---

### Non-Discrimination: Pregnancy Testing

D.6 Employers shall not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment. Employers shall not require pregnancy testing of female workers, except as required by national law. In such cases, employers shall not use (the results of) such tests as a condition of hiring or continued employment. (S)

#### Uncorroborated Evidence of Noncompliance

**Explanation:** Factory has its own clinic where new workers have medical checkups to determine if their health status is compatible with the tasks they would perform. Besides, factory conducts urine drugs tests on all workers, regardless of whether they are female or male. However, some interviewed workers said that factory also conducts pregnancy tests. One clinic nurse revealed that factory conducts pregnancy tests, but she could not provide any documentary evidence because lab sends test results directly to management; the lab is not in the facilities. Clinic staff is just responsible for taking samples. These tests are practiced both during recruitment process with new workers and through workers' regular employment. No information about what happens when someone is found to be pregnant could be collected.

**Plan Of Action:**

1. Factory management must not conduct medical checkups during application process. All health related tests/questions may be conducted after worker has been hired. Under no circumstances should pregnancy and AIDS/HIV tests be conducted during application process.
2. Results of health tests should not be used for termination.
3. Test results should be kept in a confidential manner.

**Deadline Date:** 04/08/2011



**Supplier CAP:** [\[Factory name\] March 2011 Comments:](#) Medical checkups are mandatory for all employees because our on-site medical staff requires one to open a file for every person working at factory. The reason for this is to have enough information about everyone in case of an accident or an event that requires medical staff to prescribe a treatment. Random drug testing is required by our customers because it is a C-TPAT requirement. Employees subjected to drug testing sign an authorization that is kept on file. Factory does not conduct pregnancy testing during or after the hiring process. Factory has a very aggressive campaign to educate our workforce that pregnancy testing is not a requirement for employment. All health-related questions asked by the doctor are within the latitude allowed by Honduran law. AIDS testing is not performed or requested by factory as a requisite for employment. All medical records kept at clinic or Social Security Hospital are kept confidential.

**Supplier CAP  
Date:**

**Action Taken:** [adidas Group March 2011 Comments:](#) 1. Ongoing. Should medical checkups be mandatory by factory policy, they should not be conducted until after hiring in order to diminish the risk of any discriminatory practices. Additionally, please disclose what medical tests are currently being conducted (aside from drug testing).

**Plan Complete:** No

**Plan Complete  
Date:**

---

**Code Awareness:**

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

**Noncompliance**

**Explanation:** By observation tour, it was corroborated that there was not an adidas Group Code of Conduct at place.

**Plan Of Action:** Note from adidas Group: As of 2007, the adidas Group stopped requiring factories to post our Workplace Standards, as often factories would not properly train workers on CoC content. It is therefore that factory management has been requested to:

A. Provide verbal trainings on adidas Group Workplace Standards to all managers, supervisors, and workers during induction and annual refresher courses. A copy of adidas Group Workplace standards was given to 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 content of the training; including CoC portion.

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: SLD-Reebok CoC displayed on production floor, as are WRAP and INDEX CoCs. These codes all share the same principles and standards as adidas CoC. Training is provided to all employees during induction period. Factory will conduct retraining seminars and use posters to educate all employees during the course of the year 2011 and make sure everyone understands these principles. HR and Compliance Office have documented the training.

**Supplier CAP Date:**

**Action Taken:** adidas Group March 31, 2011 Comments: Please note that as of 2007 the Reebok CoC was replaced with adidas Group CoC; it was sent to factory in 2007.

A. Ongoing. According to factory's update, CoC training is provided during induction. Please ensure that training on the adidas Group is provided once annually to all managers, supervisors and workers as indicated in original remediation plan.

B. Pending. No update received.

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

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

---

**Code Awareness:**

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

**Noncompliance**

**Explanation:** There is no documentary evidence showing employees are informed and educated in FLA-affiliated Companies standards. Corroborated from 100% of worker interviews.

**Plan Of** Factory management to:  
**Action:**

A. Provide verbal trainings on 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 content of the training; including CoC portion.

**Deadline** 04/08/2011  
**Date:**

**Supplier** [Factory name] March 2011 Update: FLA and adidas Group standards are similar to  
**CAP:** WRAP and Factory's CoCs. Training is already implemented at Induction process. Since factory provides training for operators that will be working on products from several different clients, it has been designed to contain general rules that apply to all of them.



**Supplier CAP**

**Date:**

**Action Taken:** [adidas Group March 31, 2011 Comments:](#) Please note that as of 2007 the Reebok CoC was replaced with the adidas Group Code of Conduct, it was sent to factory in 2007.

A. Ongoing. According to factory's update, CoC training is provided during induction. Please ensure that training on the adidas Group is provided once annually to all managers, supervisors and workers as indicated in original remediation plan.

B. Pending. No update received.

C. Pending. No update received.

**Plan Complete:** No

**Plan Complete Date:**

---

**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Noncompliance**

**Explanation:** There is not a confidential noncompliance reporting mechanism for workers to contact the FLA-affiliated companies directly.

**Plan Of Action:** Note from the adidas Group: In 2010, factory management was provided with adidas Group SEA Hotline poster containing our SEA Hotline contact info, 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, adidas Group SEA Team provides factory with business cards during interviews containing Regional Monitor's contact information.

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Factory has included in WRAP posters a contact name and email address of local Compliance Manager to provide workers with an additional way to report noncompliance issues. SLD-Reebok Code of Conduct with the name, phone number and email address of adidas Group Contact person is currently on display at the factory.

**Supplier CAP Date:**

**Action Taken:** adidas Group March 31, 2011 Comments: 1. Pending. Please note that in 2007 Reebok requested that its former Code of Conduct to be removed. In 2009, the adidas Group and Reebok's Licensed Division provided all of our active factories to post the SEA Hotline. Two separate emails were sent to [Factory name] with such information. Additionally, copy of SEA Hotline was left behind with HR Team during last visit. If it was not received, please alert SEA Team to resend SEA Hotline poster.

**Plan Complete:** No



**Plan  
Complete  
Date:**

---

### **Health and Safety: Sanitation in Factory Facilities**

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

#### **Uncorroborated Evidence of Noncompliance**

**Explanation:** During the 2 days of audit toilets were clean. However, 75% of interviewed workers revealed that usually bathrooms are dirty and that before an audit, management orders them cleaned. Management admitted that they cut water service for 2 hours every morning; interviewed workers think this is the main reason why bathrooms keep dirty.

**Plan Of Action:**

1. Factory management should not turn off water in mornings in order to keep restrooms properly functioning and clean at all times.
2. Factory management to designate a responsible person within maintenance to ensure all restrooms are properly maintained and equipped at all times.

**Deadline Date:** 04/08/2011

**Supplier CAP:** [Factory name] March 2011 Update: Bathroom maintenance is an ongoing process. It happens throughout the day and includes (a) washing and disinfecting both toilets and floors and (b) resupplying soap and toilet paper. There is a formal cleaning schedule. Only during cleaning and maintenance are toilets unavailable to users. However, there are always other restrooms for all personnel to use. At no time is water supply cut off, with the exception of a request from maintenance personnel.

**Supplier CAP Date:**



**Action** [adidas March 31, 2011 Comments:](#)

**Taken:**

1. Per factory update, water supply is not turned off. To be verified during next visit.
2. Pending. Please indicate who is responsible for ensuring restrooms are kept clean and properly working at all times.

**Plan** No

**Complete:**

**Plan**

**Complete**

**Date:**

---

### **Hours of Work: Time Recording System**

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

#### **Noncompliance**

**Explanation:** Factory does not have a reliable and accurate time tracking system for employees, due to several corrections and mistakes found in original time tracking records. In some cases, the time workers get into or leave the factory could not be clearly read due to corrections made by hand by administrative personnel in charge of keeping time tracking records. The sample reviewed was comprised of time records from 20 employees over the last 4 months. Despite that employees interviewed did not complain that payments are not calculated based on all time accredited at the workplace, they recognized this problem with the time tracking machine.

**Plan Of**  
**Action:**

1. Factory management to install a proper time recording system to ensure hours of work/wages are properly recorded and verified.
2. Factory management to ensure workers clock in/clock out at the beginning/end of the workday to ensure all hours of work (HoW) are properly calculated.

**Deadline** 04/08/2011  
**Date:**

**Supplier CAP:** [\[Factory name\] March 2011 Comments:](#) Our timekeeping record is one that requires the use of “Gum Sheets,” where employees clock in and out via a clock with a printer. To these sheets, they can attach “coupons” that help accounting determine what the employee’s efficiency and how much incentive they should be paid. The system requires managers and supervisors to sign off on those “Gum Sheets.” Factory management has reviewed time recording system in cases when manual input was required and has been working to eliminate the need for manual input of data onto Gum Sheets. There are daily reviews of all deviations to this procedure; individual comments and observations from operators are addressed via HR Departments. System is reliable and works. A new more modern timekeeping system is being considered for 2012.

**Supplier CAP  
Date:**

**Action Taken:** [adidas Group March 31, 2011 Comments:](#) 1. Although current time recording system works, it was found to have some mistakes per FLA audit. For example: clock in/clock out were not legible due to handwritten changes made by factory management. Factory management to review original remediation plan and to ensure that any handwritten changes do not affect clock in/clock out records.

**Plan Complete:** No

**Plan Complete  
Date:**

---