



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

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

COUNTRY: Honduras

FACTORY CODE: 5300291202I

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



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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 (according to the law) we can 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

Supplier CAP: 1. Have reviewed with president of company and there is a difficulty in creating a childcare facility in short term. We will review plans for 2014-2015. Also, would like to state that having a childcare facility is not a common practice in Honduras, resulting in that most existing factories do not have one. As per Article 138 of The Child Code, this responsibility relies on the state, cited as follows:

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.16.2011 comments](#): As indicated by factory management, although this is a legal requirement of the Honduran Labor Code, it is often not implemented or required by the local authorities. However, factory management has been requested to review the possibility of providing this legally required benefit in the long term. PCs to update CAP should any improvements are made.

Plan Complete: No

Plan
Complete
Date:

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, but under the control of the factory, in alliance with FESITRANH. Since October 27, 2010, [Employee name] (HR Manager) and [Employee name] (General Manager) ordered some chiefs to collect employees' signatures in order to form a union with the support of FESITRANH. These chiefs collecting signatures, identified by workers, are the Chief of Mechanics and a woman whose name is [Employee name], but whose position in the factory is unknown by workers interviewed. On the other hand, the employees who are trying to form a union with the CGT began this effort in July 2010. Factory realized the union activities of these workers, and on August 20, HR Manager fired a 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 following week after his dismissal. Honduran local groups confirmed such dismissal.



**Plan Of
Action:**

Nike, Inc. and the adidas Group commissioned a special investigation to Guatemalan-based accredited monitor COVERCO. The purpose of the investigation was to verify the findings made during this IEM. COVERCO's findings include the following findings (Please stay tuned to this report for information on the publication of COVERCO's report):

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:

1A. 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.

1B. Factory management to create a Freedom of Association (FoA) policy highlighting the factory's commitment to ensuring such 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, as per January 2011, [Union name] and factory management will begin negotiations for a Collective Bargaining Agreement (CBA) the week of January 18. Please stay tuned for future updates on this issue, 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



Supplier CAP: 1B. factory has created a FoA policy that ensures employees right to form a union and to negotiate on collective bargaining. Policy has been already presented to the Brands Social Affair representatives in May 2011.

3. Due to the sensitive of the subject and in order to make sure that the training material is very objective, we have been waiting for the material that has been recently updated by a commission where the private enterprise, government and all the unions' federations, participated. This material is soon to be released. Once it becomes available, we will provide an example of its content. Estimated ready date is September 12, 2011. Training most likely to take place no later than October 2011.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

1B. Completed. Factory has created a Freedom of Association and Collective Bargaining policy indicating factory's commitment to respect this right.

3. Training program on FoA has not been provided. Factory to provide training on FoA once materials are finalized by the Honduran Association of Maquilas (AHM), trainings will be conducted for all managers and supervisors. Training materials have been approved by the industry, government and trade union federations.

Plan Complete: No

Plan Complete Date:

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 got 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, HR Manager fired [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 following week after his dismissal. Local Honduran groups confirmed such dismissal. In regard to management harassing, [Employee name] assured that, a month before his dismissal he was taken to the HR 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 HR Manager and questioning them. The CSO "Centro de Derechos de las Mujeres de Honduras" (CDM) provided auditors a copy of a complaint set in the Secretary of Labor for the dismissal of [Employee name] based on his participation on union activities, this complaint is still in process.



Plan Of Action: Nike, Inc. and the adidas Group commissioned a special investigation to Guatemalan-based accredited monitor COVERCO. The purpose of the investigation was to verify the findings made during this IEM. COVERCO's findings include the following findings (Please stay tuned to this report for information on the publication of COVERCO's report):

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. 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, as per January 2011, [Union name] and factory management will begin negotiations for a Collective Bargaining Agreement the week of January 18. Please stay tuned for future updates on this issue 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

Supplier CAP: 1. FoA trainings to managers and supervisor have been scheduled for September through October 2011. Factory has already contacted AHM-Procinco organization, [AHM-Procinco employee name], who coordinates the Social Compliance and Legislation department, in order to provide us with training. The training material has been examined, updated and approved by a special commission of the AHM, government and unions' federation.



Supplier CAP 09/05/2011

Date:

Action [adidas 9.16.2011 comments:](#)

Taken:

1. Factory management to provide the following: a) Name of trainer, b) Training materials highlighting information provided during training, c) Ensure that all managers and supervisors receive training to ensure they know and understand legal requirements associated with Freedom of Association.

Plan No

Complete:

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: There is not a grievance procedure in writing that includes the follow-up steps after a complaint has been set. HR Manager explained that, after a complaint is received they conduct research, taking accounts of parties involved in the situation and then a decision/resolution is taken. Most workers were not aware of factory grievance procedure. Finally, it is important to mention that no FLA-affiliated Company has encouraged the development of an internal grievance system.

Plan Of Action: In January 2010, adidas Group conducted an internal audit at [Factory name]. After this visit, factory management was asked to create an HR management system training program that included in part a grievance system (among other HR policies such as Voluntary OT, Disciplinary Procedures/Appeal system, FoA, Non-Discrimination, etc.). To date such policy and training program has not been created.

1A. Factory management created 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 re their grievances and a timeline for such responses.

1E. Policy should also indicate that workers who report in good faith any grievance 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 reoccurring grievances.

2. Once policy is created, such 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 public areas for workers to review.

Deadline Date: 03/31/2011

Supplier CAP: [Factory name] already created missing policies for Voluntary OT, FOA, Non-Discrimination, Disciplinary Procedures/Appeal system and Grievance system. Such policies were presented to adidas/Nike auditors for their review in May 2011; we received their feedback in July 2011. Right now we are in the process of putting them together in order to make a refresher training of updated policies from September through December 2011. Will provide support documents once refreshment training takes place. Factory has assigned the following commission to review the grievances integrated by Compliance Manager, HR Manager and Operational Manager. On a monthly basis, the commission is presented a report showing the grievance occurrences.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

1A-E. Factory management has created a grievance policy and system that provides workers various channels to report grievances to factory management such as suggestion box, round tables, Grievance Form and periodic factory questionnaires. Current grievance procedures indicate point people to report grievances to and also a timeline how grievances will be investigated and how results will be reported back to employees.

F. No update available.

2. To be completed between September and December 2011.

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 the required legal number of workers with disabilities: 4 workers with disabilities for each 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 in all job postings (newspaper, online, signs, etc.) their commitment to non-discrimination.

Deadline Date: 03/31/2011

Supplier CAP: Factory has contacted [Ministry of Labor employee name] from the Ministry of Labor, in charge of employment department, in order to instruct us on what we need to do in order to hire a person with disabilities. Per their advice, we must submit our company to a physical evaluation first, job offer-availability and workstation study, to determine if we are OK or not.

2. As of today, and due to not enough work, we do not have job openings as of 2011.
3. This request will be addressed on 2012 as per our SCP.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

1-2. Factory management consulted with local authorities; however, no additional hirings have been made to remediate this issue. PCs to review recruitment/hiring for 2011 to ensure that workers with disabilities are recruited and hired whenever possible.

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: Factory does not have adidas Group nor LCI Codes of Conduct (CoC) posted in place. Nike and PVH codes were 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 Standards 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 ensure 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

Supplier CAP: A. Factory has provided adidas and Nike Workplace Standards and hotline poster during induction for new employees and has provided a refresher course on March 2011. Will again upload a sample of the sign-up sheets for your reference.

B. For this refreshment course, we use the brands' CoCs, hotline information, and new standards. Please see attached separate file.

C. For future refreshment course, we will implement a survey format in order to make sure of employees' perception of the information given.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

A-B. Completed and ongoing. Factory provided training on brands' (Nike, adidas Group, Pvh, Liz Claiborne) CoCs February through March 2011. Factory to ensure all workers continue to receive verbal training on CoC contents upon hire and at least once annually.

C. No update available.

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

Deadline 03/31/2011

Date:

Supplier 1. Hotline poster has been posted in all locations of the factory. Please see pictures.

CAP:

2. GP policy and procedures created in May, and received feedback on June 29 and July 19. A refreshment training is to be scheduled September through November 2011. As soon as it takes place, we will provide support document. For this, we will use the policy and procedures we created.

Supplier CAP 09/05/2011

Date:

Action Taken: [adidas 9.19.2011 comments:](#)
1. SEA Hotline poster has been posted in public areas by the factory. Poster provides contact information for workers to use should they need to contact the adidas Group's Social and Environmental Affairs department directly.

Plan Complete: No

Plan Complete Date:

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 was an emergency door in the printing department that does not open easily. In fact, auditors, besides management, tried at least 2 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 it can be opened without any difficulties.
2. Factory management to ensure is a responsible person for reviewing emergency equipment such as emergency lights, extinguishers, etc.; also include 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

Supplier CAP: 1. Factory solved this issue back in October 2010.
2. Compliance department along with maintenance department is reviewing emergency lights, extinguishers, emergency doors.
3. Documentation is available.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

1-3. Completed. Factory has fixed emergency door.

[Nike 9.19.2011 comments:](#) Emergency exit door is fixed; monthly checks are performed on all the emergency response equipment available.

Plan Complete: Yes

Plan Complete Date: 09/19/2011

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 5 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 Sections 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

Supplier CAP: 1. Factory has already installed additional fans and extractors in this area. Also, factory is budgeting what other options we can implement in order to improve ventilation in 2012.

Supplier CAP Date: 09/05/2011

Action Taken: [adidas 9.19.2011 comments:](#)

1. Pending. No heat exhaust testing conducted after additional fans were installed to ensure that temperature in all factory areas is within allowable limits.
2. Additional extractors have been installed. Factory management is currently reviewing additional alternatives to improve temperature, especially during hottest times of the year.



Plan **No**
Complete:

Plan
Complete
Date:
