



COMPANY: **adidas Group**  
COUNTRY: **Guatemala**  
ASSESSMENT DATE: **11/13/12**  
MONITOR: **FLA Assessor Team (Americas)**  
PRODUCTS: **Apparel**  
PROCESSES: **Cut, Sew, Screen Printing/Printing, Packing, Assembly**  
NUMBER OF WORKERS: **956**  
ASSESSMENT NUMBER: **AA000000030**

## **What's Included in this Report**

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# Understanding this Assessment Report

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

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

## Glossary

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

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

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

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

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

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

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

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

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

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

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

### Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

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

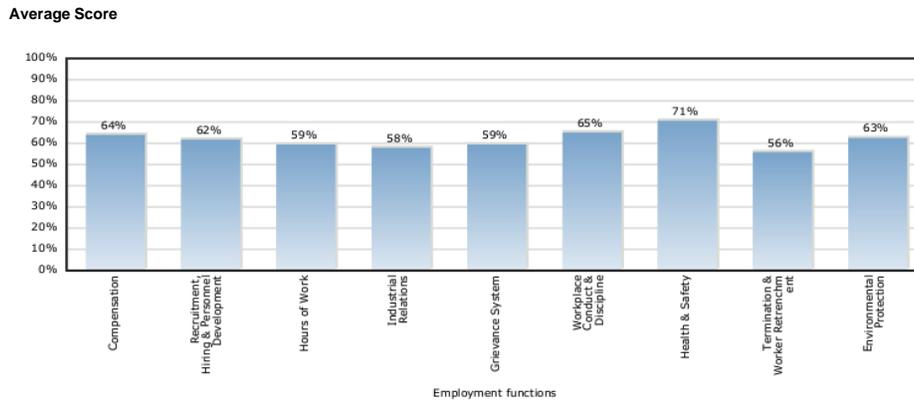
**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

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

**Uncorroborated Risk of Noncompliance**: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

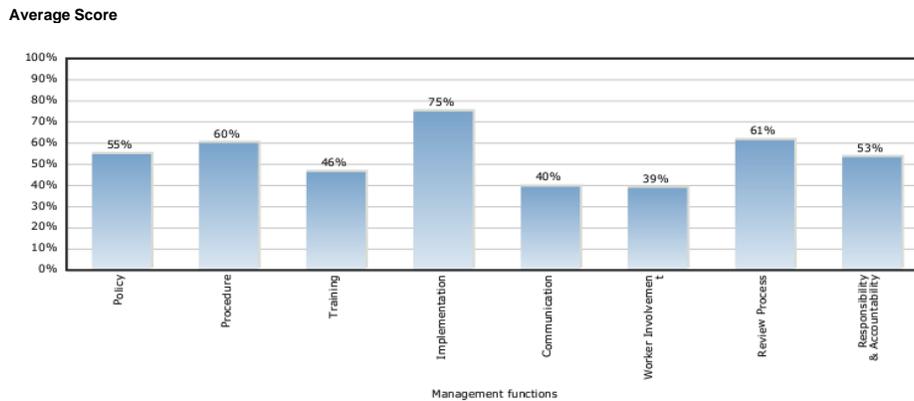
## Score by Employment Function

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



## Score by Management Function

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



## Score Summary

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

| Management Functions            | Recruitment, Hiring & Personnel Development | Compensation | Hours of Work | Industrial Relations | Grievance System | Workplace Conduct & Discipline | Termination & Worker Retrenchment | Health & Safety | Environmental Protection | Aggregate Score |
|---------------------------------|---|--------------|---------------|----------------------|------------------|--------------------------------|-----------------------------------|-----------------|--------------------------|-----------------|
| Policy                          | 50%   | 62.5%        | 50%           | 16.75%               | 0%               | 70%                            | 25%                               | 83.33%          | 83.33%                   | <b>48.99%</b>   |
| Procedure                       | 52.09%                                      | 16.67%       | 16.67%        | 11.54%               | 60%              | 58.33%                         | 34.51%                            | 77.84%          | 71.11%                   | <b>44.31%</b>   |
| Responsibility & Accountability | 81%   | 53.4%        | 66.71%        | 50%                  | 53.4%            | 53.4%                          | 53.4%                             | 61.17%          | 53.4%                    | <b>58.43%</b>   |
| Review Process                  | 86.36%                                      | 77.27%       | 59.09%        | 86.36%               | 63.64%           | 81.82%                         | 72.22%                            | 70%             | 71.43%                   | <b>74.24%</b>   |
| Training                        | 41.43%                                      | 40.91%       | 38.89%        | 36.84%               | 52.41%           | 38.89%                         | 36.84%                            | 69.3%           | 53.93%                   | <b>45.49%</b>   |
| Implementation                  | 82%   | 79.88%       | 66.19%        | 85.71%               | 61.11%           | 100%                           | 67.06%                            | 78.68%          | 57.23%                   | <b>75.32%</b>   |
| Communication                   | 0%  | 60%          | 0%            | 0%                   | 38.89%           | 87.5%                          | 0%                                | 0%              | 58.33%                   | <b>27.19%</b>   |
| Worker Involvement              | 33.33%                                      | N/A          | N/A           | 0%                   | 0%               | N/A                            | N/A                               | 75%             | 100%                     | <b>41.67%</b>   |
| Aggregate Score                 | <b>53.28%</b>                               | <b>55.8%</b> | <b>42.51%</b> | <b>35.9%</b>         | <b>41.18%</b>    | <b>69.99%</b>                  | <b>41.29%</b>                     | <b>64.41%</b>   | <b>68.59%</b>            |                 |

## Summary of Code Violations

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

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

| FLA Code Element               |
|--------------------------------|
| Compensation                   |
| Employment Relationship        |
| Hours of Work                  |
| Health, Safety and Environment |
| Non-Discrimination             |

## Findings and Action Plans

### FINDING NO.1

### RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

New employee request form includes age and marital status as selection criteria used by the chief department.

#### Local Law or Code Requirement

FLA Workplace Code (Non-discrimination benchmark ND.2.1; Employment Relationship benchmarks ER.3.1, ER.3.2)

#### Root Causes

- i) Lack of monitoring mechanisms/internal procedures to review and update policies and procedures;
- ii) Lack of specific and in-depth training on non-discrimination for personnel in charge of developing and implementing Hiring and Recruitment policies and procedures;
- iii) Lack of awareness of the new FLA Employment Relationship Benchmarks.

### COMPANY ACTION PLANS

1. Management is to designate a responsible person to review the factory's recruitment and hiring procedures. 2. Once designated, the personnel responsible is to: a) review all recruitment and hiring procedures, including but not limited to job profiles, recruitment ads, personnel requests (Requisicion de Personal), job applications, interview formats, etc. and b) ensure they do not include any subjective questions/factors. Please note that if any information regarding a worker's marital status (legally required information on dependents, etc.) must be requested once a worker has been hired. 3. Management is to

receive verbal training on updated hiring procedures and non-discrimination policy at least annually. 4. Management is to provide a copy of newly updated hiring procedures and formats to adidas' SEA Team.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Completed. Factory has designated the factory's HR Manager to review recruitment and hiring procedures. 2. Completed. Factory's HR Manager has reviewed recruitment-related documentation to ensure it does not contain any subjective questions/requirements. 3. Completed. Management provided training on: a) recruitment and hiring procedures and b) non-discrimination policy on January 31, 2014. In addition, factory conducted a post-training quiz to verify workers' awareness level on non-discrimination policy. 23% of managerial staff obtained a score below 70%. Follow-up training will be given to these workers in order to improve their awareness on this subject.

## FINDING NO.2

### RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

Worker employment contracts have a clause stating that Incentive Bonus Decree 37-2001 will be paid daily and by piece rate. Bonus decree should be paid on a monthly basis and not on a daily or piece rate system.

#### Local Law or Code Requirement

Guatemalan Decree Law 37-2001; FLA Workplace Code (Employment Relationship benchmark ER.10.1.1)

#### Root Causes

- i) Inaccurate interpretation of current Guatemalan decree law by legal advisors, which is based on previous decree;
- ii) It is a common practice in the apparel industry to apply the old law decree; factories have not updated their system.

### COMPANY ACTION PLANS

1. Management is to immediately cease the practice of calculating payment of the Bonus Decree 37-2001 on a daily basis. Bonus decree should be paid on a monthly basis and not on a daily/piece rate system regardless of workers' leave, etc.
2. Management is to amend current contract and indicate that Bonus Decree 37-2001 will be paid on a monthly basis. All future workers are to sign an amended contract.
3. Workers who have already signed the previous version of the contract are to receive an amendment, to be signed by management and workers, indicating that Bonus Decree 37-2001 will be based on a monthly basis and deductions for absences, tardiness, etc., will not be made.
4. Factory is to review deductions made for the period between 2007 and the present to review deducted amounts during this time period and provide backpay to workers for amounts deducted.

**Action plan status:** In Progress

**Planned completion date:** 07/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Completed. Factory has discontinued the practice of calculating bonus on a daily basis and pays entire bonus regardless of workers' absences, leaves, etc. 2-4. Ongoing. Factory is yet to complete these points and asked been asked to review and complete them within the timeline.

## FINDING NO.3

### COMPENSATION

**FINDING TYPE:** Sustainable Improvement Required

## **Finding Explanation**

- i) Payroll review from April to October 2012 revealed an incorrect seventh day (rest day) calculation. When calculating the rest day, management does not take into account the wage average that is based on regular and overtime hours;
- ii) Payroll, pay slips, and personnel files review from April to October 2012, showed the non-payment or incorrect payment of Legal bonus decree 37-2001 of GTQ250.00. The factory deducts GTQ8.33 (approx. \$1.07) daily for workers who are on maternity leave, sick leave, accident leave, or have justified-unjustified absences;
- iii) 100% of workers interviewed are unaware of wage and rest day calculation, the existence of the Legal bonus decree 37-2001, and how production bonuses are applied to workers;
- iv) Payroll and pay slip have an "other income" column that lumps together all bonuses. It is not clear which type of bonuses are being calculated and paid.

## **Local Law or Code Requirement**

Guatemala Labor Code Article 129, 264; Decree 37-2001; FLA Workplace Code (Compensation benchmarks ER.18, ER.22.1, ER.22.2, C.1, C.5, C.17.1, C.17.1.1, C.17.1.2, C.17.1.3, and C.17.1.4)

## **Root Causes**

- i) Management's efforts to keep operational costs low, in detriment of worker benefits or other entitlements;
- ii) Inaccurate interpretation of labor law articles by management and legal advisors;
- iii) Management's lack of knowledge on wages and benefits established by local labor law;
- iv) Lack of effective worker induction process and proper training on wages, benefits, and other entitlements;
- v) Absence of proper training to administrative managers who are responsible of review, and approval of payroll;
- vi) Misinterpretation with respect to the implementation of the incentive Legal bonus decree 37-2001 is very common across the apparel industry;
- vii) Lack of management oversight in the implementation of the benefits policy established by factory;
- viii) Management is accustomed to consolidating all bonuses in one column and does not see the need to be more specific and transparent.

## **COMPANY ACTION PLANS**

1. 1. Management is to designate a responsible personnel member to manage/review remediation on issues regarding wages and benefit. 2. Once the designated personnel has been named, they are to do the following: a) ensure Sunday payment is calculated on an average of workers' wages (regular + OT) from the previous 6 days (if the factory is in disagreement, responsible personnel is to review the legal obligation with the Ministry of Labor and request from MOL a specific formula for calculating Sunday pay; please note that MOL should be explicitly asked for a formula for Sunday pay) and b) management is to review deductions made to workers' Bonus Decree 37-2001 since 2007 and to review calculations for Sunday Pay since 2007 (how factory calculated and paid Sunday pay vs. how such would have been calculated if Sunday had been based on average of previous 6 days) and provide retroactive payment to workers (if possible, the factory is to do a review by year in order to know the financial implication and to come up with a payment plan that would ensure full compliance. 3. a) Management is to provide verbal training to ALL workers (managers, supervisors, and workers) on all wages and benefits, including how regular and OT wages are calculated, in addition to other bonuses and benefits, such as: vacation leave, Aguinaldo, Bonus Decree 37-2001, etc., and b) management is to provide documentation including training modules, sign-up sheets, and photos illustrating how management is providing training to workers on an annual basis on all wages and benefits and during induction training to new workers upon their hiring. 4. Management is to review the payroll system and is to ensure to distinguish within payroll and pay stubs all incentives and deductions in a clear format.

**Action plan status:** In Progress

**Planned completion date:** 07/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: The adidas-Group's SEA Team shares and agrees with FLA's interpretation of Article 129 of the Guatemalan Labor Code. It is our understanding that workers' rest day and holiday pay must be calculated based on the regular and overtime wages earned during the week prior to the rest day/holiday. Since 2009, the adidas-Group has consulted with the Ministry of Labor on 2 occasions and on both occasions the SEA Team has been verbally communicated that this interpretation is correct. However, in February 2014, the Guatemalan Ministry of Labor issued an opinion to the SEA Team that alluded to the fact that OT is not to be considered. However, the reasoning behind this opinion was vague and unclear. In addition, on 2 occasions, the factory has received this same opinion, which the factory has used as the reasoning behind its current practice of not including OT in the calculation of Sunday/rest day. The SEA Team is currently working with FLA and some of its member companies on obtaining a clear interpretation and opinion on how this benefit should be calculated and paid.

## COMPENSATION

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

There are inconsistencies between the timekeeping reports (punch in/out) and the payment of overtime hours in the payroll for at least 10 workers in August and September 2012. Records show workers to have worked more hours than they were compensated for.

#### Local Law or Code Requirement

Guatemala Labor Code, Article 121; FLA Workplace Code (Compensation benchmark ER.23.5)

#### Root Causes

This is due to management's effort to report working hours consistent with the 60 hours per week limit defined in FLA's and the main buyer's Code of Conduct.

## COMPANY ACTION PLANS

1. The PC has verified with FLA monitor to ensure that workers were being compensated for all hours of worked. Monitor confirmed that double books or non-payment of wages were not found; however, the payroll system and hours of work records did not match and the factory must ensure that no inconsistencies between hours of work and payroll records exist. 1. Management is to designate a responsible person to manage remediation of this issue. 2. Once a designated person is in place, they are to review the time recording system and ensure that it is linked directly to the payroll system. 3. Workers must provide proper training and ensure that ALL workers clock in/out consistently and that all of their working hours are properly recorded.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Completed. Management has designated the HR Assistant to ensure that OT records match the payroll system. 2. Ongoing. It is unclear if a payroll system and time recording system are properly linked in order to ensure that payroll is based on the time recording system. To be verified during next factory visit. 3. Ongoing. Factory has created Q&A sheet to workers explaining how workers' IDs should be used in order to ensure they consistently clock in/out in order to keep control of their hours of work. In addition, training on time recording system is being provided during induction trainings and an annual refresher course.

## FINDING NO.5

## COMPENSATION

### FINDING TYPE: Uncorroborated Risk of Non Compliance

#### Finding Explanation

Based on worker interviews, their wages are not enough to cover basic needs, as most of their wage is used for food, rent, childcare, and transportation.

#### Local Law or Code Requirement

FLA Workplace Code (Compensation benchmark C.1.3)

#### Root Causes

- i) The Guatemalan apparel industry currently does not provide wages that allow the fulfillment of basic needs plus a discretionary income. In 2012, the apparel minimum wage was GTQ1,906.25 (\$244.00), while the basic food basket is GTQ2,449.80 (\$ 314.00) and the living basket is GTQ4,470.44 (\$ 573.00);
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) This issue has never been brought to management's attention before;
- iv) There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.

## COMPANY ACTION PLANS

1. In 2013, FLA suspended its sponsorship of the Fair Wage Network that was to be tasked to identify steps for factories to

address issues regarding Fair Wage. As a result, the SEA Team is currently working on a long-term collaboration and sponsorship model to the Fair Wage Network in order to help factories identify solutions to this issue.

|                                 |   |
|---------------------------------|---|
| <b>Action plan status:</b>      | In Progress   |
| <b>Planned completion date:</b> | 06/30/14  |
| <b>Progress update:</b>         | 05/13/14 : The adidas-Group is currently exploring ways to assess workers' basic needs and long-term solutions to meeting these needs through its participation in the Fair Wage Project and FLA. Please stay tuned for more information. |

## FINDING NO.6

### HOURS OF WORK

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

- i) Based on records review of payroll from April to October (2012), it was noted that supervisors and workers in the screen-printing, sewing, and cutting departments worked more than 60 hours per week. In the case of the sewing department, records from August and September showed 44 cases surpassing the weekly limit by 3 to 11 hours;
- ii) Timekeeping from August–September (2012) revealed 5 cases in the sewing department that surpassed 12 daily working hours permitted by local law.

##### Local Law or Code Requirement

Guatemalan Labor Law, Article 122; FLA Workplace Code (Hours of Work benchmarks HOW.1.3, HOW.8.2, and HOW.8.3)

##### Root Causes

- i) Based on gathered information, this was the result of a last minute/rush order from one of the major clients, during which it was agreed upon with the brand in question to work in excess of the code limit of 60 weekly hours from March-July 2012 to meet the deadline;
- ii) Inadequate preparation for dealing with rush production orders, which means that staffing levels may be out of sync with production volumes and capacity; iii) Production and capacity planning is deficient and does not include safeguards to prevent employees from working more than 60 weekly hours.

### COMPANY ACTION PLANS

1. Management is to create an internal tracking system that verifies workers' daily and weekly OT to ensure that workers do not surpass legal OT limits.
2. Under no circumstances should workers be allowed or asked to work OT once they have met legal limits.
3. Factory's HR department is to work with planning and production departments to ensure that orders are scheduled on the factory's capacity without the need of surpassing the legal OT limits.

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|---------------------------------|--|
| <b>Action plan status:</b>      | In Progress  |
| <b>Planned completion date:</b> | 01/31/14   |
| <b>Progress update:</b>         | 05/13/14 : adidas-Group May 2014 Update: 1. Completed. Factory has created and implemented a OT tracking system to ensure workers do not surpass the legal limits of hours of work. Implementation of such to be verified during next visit. 2-3. Pending. No update received. Please update these points in your next update. |

## FINDING NO.7

### TERMINATION AND WORKER RETRENCHMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

- i) Factory has no written policy or procedure on termination and retrenchment;
- ii) The settlement form (liquidación) does not specify the reasons for the contract termination.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship benchmarks ER.32.1 ER.32.2, ER.32.3, ER.32.4, ER.32.5, and ER.32.6)

**Root Causes**

- i) Management is unaware of FLA Benchmarks and minimum requirements related to employment contract termination;
- ii) Management does not see the need to consult with workers about layoff/retrenchment decisions;
- iii) This issue has never been brought to management’s attention during previous external audits;
- iv) Industry’s culture of not involving workers in decision-making processes.
- v) Management’s top-down style whereby decisions are made at the ownership/managerial level, without input of those affected;

**COMPANY ACTION PLANS**

1. 1. Factory's HR Department is to create a termination and retrenchment procedure that provides steps for all retrenchment and redundancies. Retrenchment procedures should include steps for individual termination, as well as large scale retrenchment (massive layoffs) and include the following: a) reasons a worker may be terminated with or without cause, b) how terminations will be communicated to worker(s), c) all legal entitlements workers will receive upon termination, based on the type of termination, d) how entitlements will be calculated, e) in the case of massive layoffs, how management will determine which workers will be terminated first, and f) communication protocols for all terminations (i.e., who will be responsible for handling any questions/concerns workers may have). 2. Management is to review the settlement form and provide space to indicate the reasons for contract termination. 3. Management is to include the retrenchment procedure as part of its annual training program.

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|---------------------------------|---|
| <b>Action plan status:</b>      | In Progress   |
| <b>Planned completion date:</b> | 01/31/14  |
| <b>Progress update:</b>         | 05/13/14 : 1. Ongoing. Management has created the first draft of its retrenchment procedures. However, the SEA Team has submitted additional comments in order to improve the existing procedures. 2. Pending. Current settlement form does not contain reasons for contract termination. |

**FINDING NO.8**

**INDUSTRIAL RELATIONS**

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

- i) Factory has no industrial relations policy and procedures;
- ii) Factory provides no training on freedom of association;
- iii) Workers lack understanding and knowledge of freedom of association rights.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship benchmarks ER.1.1, ER.25, and ER.26)

**Root Causes**

- i) Freedom of association training is typically not provided in Guatemalan apparel sector due to fear of unionization;
- ii) Management’s lack of awareness of FLA Industrial Relations code and benchmarks; iii) Management has not seen the need to develop/implement Industrial Relations policy and procedure.

**COMPANY ACTION PLANS**

1. 1. Management is to draft and implement an industrial relations program that includes freedom of association (FOA) policy communicating management’s commitment to respecting workers' rights to freedom of association and collective bargaining, and a grievance system/Communications Committee program that allows workers to provide feedback and report grievances to management. 2. Once the industrial relations program has been drafted and approved, it such should be verbally communicated to all managers, supervisors, and workers during induction trainings and annual refresher course. 3. Management is to ensure all workers, managers, and supervisors understand the content of trainings and conduct post-training assessment to verify how well training contents were understood.

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|---------------------------------|---|
| <b>Action plan status:</b>      | In Progress   |
| <b>Planned completion date:</b> | 01/31/14  |
| <b>Progress update:</b>         | 05/13/14 : adidas-Group May 2014 Update: 1. Ongoing. Factory has created a freedom of association policy. In addition, in order to improve industrial relations and worker-management communication, management has created a Communications Committee policy and procedure, as well as a labor climate survey procedure in order to assess workers' opinions vis a vis factory conditions. 2. Ongoing. Management includes FOA policy in its monthly induction trainings. FOA policy and communications policy will be included in the second portion of the annual refresher course to be given in second half of the year. 3. Ongoing. To be completed once training is completed. |

## FINDING NO.9

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

- i) Workers are unaware of the progressive disciplinary procedure;
- ii) Workers are unaware of the appeal process and a third-party witness when a disciplinary action is imposed;
- iii) The disciplinary policy and internal regulations do not include a protection provision for special categories of workers.

##### Local Law or Code Requirement

Guatemalan Labor Code, Article 151; FLA Workplace Code (Employment Relationship benchmark ER.27.3)

##### Root Causes

- i) Lack of effective worker training on the factory's disciplinary procedures and appeal process;
- ii) Management's lack of awareness of local labor law and FLA Employment Relationship benchmarks;
- iii) Management does not see the need to systematize a comprehensive training program that would include all employment aspects, including workplace conduct or discipline;
- iv) This issue has never been brought to the factory's attention during previous external audits.

### COMPANY ACTION PLANS

1. 1. Management is to create: a) an induction training and b) an annual refresher course. Both trainings should provide information on the following topics: a) factory schedule, b) all wages and benefits (regular, OT, vacation, Aguinaldo, 14th month bonus, social security, Bono Decreto 37-2001, and any additional wages and benefits provided by the factory), c) factory policies and procedures (hiring, non-discrimination, voluntary OT, forced labor, disciplinary procedures/appeal process, grievance procedures, freedom of association, "permisos," HSE policies and requirements), d) workers' responsibilities, etc. Please note that induction training should be provided to ALL workers upon hire and annual refresher course should be provided once annually. 2. Management is to provide information on how management will schedule and conduct the induction and refresher course throughout the year, so both are provided consistently. 3. Please provide documentation (training presentations) for induction AND annual refresher course. 4. Management is to assess workers' level of understanding after each training to ensure all attendants' understand the content of the trainings.

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|---------------------------------|---|
| <b>Action plan status:</b>      | In Progress   |
| <b>Planned completion date:</b> | 01/31/14  |
| <b>Progress update:</b>         | 05/13/14 : adidas-Group May 2014 Update: 1-2. Management has created: a) an induction program including all factory policies and procedures, as well as workers' rights and responsibilities and b) annual refresher course of induction training. Both trainings include information on wages and benefits; HSE policies and requirements; HR policies, including voluntary OT, hiring procedures, forced labor, FOA, communications channels, nondiscrimination, harassment and abuse, etc. Implementation of the training program is to be verified during the next visit, as training is divided into sections, one given during the first semester and a second one during the second half of the year. Induction training is provided on the last week of each month. 3-4. Pending. |

## FINDING NO.10

### ENVIRONMENTAL PROTECTION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

- i) Factory does not have any environmental protection procedures;
- ii) Environmental Committee has not received any relevant training.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.31.1, and ER.31.2)

##### Root Causes

- i) Guatemalan environmental regulations have not been developed for the apparel industry;
- ii) Management's lack of awareness of FLA Environmental Protection code requirements and benchmarks;
- iii) Due to low environmental impact of their operations, management has not seen the need for creating a more comprehensive policy or procedures; iv) Management does not recognize the need or the benefits of having trained environmental committee members.

### COMPANY ACTION PLANS

1. Management is to assign a responsible person to create, implement, and manage an environmental program to monitor the factory's water/energy consumption and waste in order to diminish the factory's environmental impact. 2. Once a monitoring program is in place, management is to create a program to reduce the waste and consumption of energy/water. For example, in order to reduce waste, management should take active steps to expand its recycling program, implement a campaign drive to increase worker awareness of the factory's waste storage and disposal in order to improve workers' understanding on how to handle waste. Campaign should include the following: a) risks for improperly handling waste (spread of diseases, health related work accidents, environmental impact) and b) identification of proper waste disposal available at the factory for each type of waste material (non-hazardous garbage cans, recycling bins, toxic or hazardous materials bins, etc.). 3. In order to encourage water and energy conservation, factory should monitor use of both and provide incentives that can be beneficial for factory and workers to decrease waste of such. As a best practice, the factory could adopt financial incentives or incentives that can have a positive impact on workers and their job satisfaction (parties, raffles, etc.) as a way to motivate workers to conserve water and energy.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Ongoing. Factory has signed a contract with a local group to recycle waste (paper, carton, plastic, metals, glass, and electronics). In addition, the factory's Environmental Committee conducted an assessment to review the various types of waste and quantity in each department. However, the factory does not have an established monitoring program to monitor consumption of water and energy in order to reduce such. 2. a-b) Pending. 3. Pending. No update received.

## FINDING NO.11

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

- i) There is no evidence that the Health and Safety Policy is included during the induction process. 100% of worker interviewees indicated not recalling this topic in the training;
- ii) H&S and Environmental committees and a fire brigade are the only ones trained on Health and Safety issues. Information and knowledge of this training have not been imparted systematically to the entire workforce;
- iii) Committees and the fire brigade do not implement or follow up on their own recommendations.

##### Local Law or Code Requirement

General Regulation on Health and Safety, Article 112; FLA Workplace Code (Employment Relationship benchmark ER.31.1; Health, Safety & Environmental Protection benchmarks HSE.2, HSE.3.1, and HSE.3.2)

## **Root Causes**

- i) Management has not seen the need to include its Health and Safety policy during worker orientation;
- ii) By providing training to the factory's committee and brigade, management hopes to create a cascade effect, which has not been efficient in increasing workers' awareness;
- iii) Lack of understanding and knowledge of the Health and Safety Committee about its responsibilities and purpose.

## **COMPANY ACTION PLANS**

1. Management is to designate a responsible person to create and implement an HSE training program on a consistent basis. Please note that information on HSE requirements and policies should be provided during induction training and annual refresher course; however, HSE related topics must be conducted throughout the year to the entire workforce by management and/or external consultant. The following and additional training topics must be covered throughout the year: fire drills (twice annually to the entire workforce); extinguishing training (to fire safety/HSE Committee and additional workers, at least once/year); first aid (first aid/HSE Committee + additional workers/once annually); chemical management/PPE requirements (at least 2 annually to all workers responsible for using and/or handling chemicals); machine safety/PPE (to all workers responsible for using any type of machine in the factory or anyone who is required to use PPE; at least once/annually); ergonomics (to all workers, throughout the year, an industrial medicine doctor should be consulted); also, the clinic should sponsor trainings throughout the year, topics should be based on risk (based on most common accidents) as well as current health issues affecting the industry/region (i.e., dengue). 2. Management, via its designated person, should ensure that all trainings are properly conducted and that all workers receive required training throughout the year. 3. Management is to ensure that recommendations made by the HSE Committee are implemented within an appropriate timeline and that communication of implementation is made to the entire workforce.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1-2. Ongoing. Management has designated the factory's HR Manager and Compliance Engineer to manage the HSE training program. HSE training is provided during an induction and annual refresher course. However, its effectiveness is to be reviewed during the next visit. As of April 2014, management has provided fire extinguisher training and first aid training in January and February 2014. 3. No update on this issue is available at this time.

## **FINDING NO.12**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

- i) It was observed that aisles were obstructed in buildings 3, 4, 5, and 20;
- ii) Most of the emergency exit doors open inward;
- iii) Exit doors in buildings 19 and 20 (cutting and storage departments) are located in the front of the buildings; there are no emergency doors on the back or side of each of the buildings;
- iv) Factory walkthrough and interviews confirm that during the night shift, all doors are closed, and open inward.

#### **Local Law or Code Requirement**

Guatemalan General Regulation on Health and Safety, Articles 17 and 86; FLA Workplace Code (Health, Safety & Environmental Protection benchmark HSE.5.1)

#### **Root Causes**

- i) Absence of effective risk assessments by the committees and brigade;
- ii) Lack of management oversight that would ensure aisles and pass ways are kept free of obstruction;
- iii) Management/workers do not take in consideration the potential fire hazards of having obstructed aisles; iv) No effective communication and training between Health and Safety Committee, management and workers.

#### **Recommendations for Immediate Action**

- i) Create alternate emergency exits either at the back or sides of the buildings 19 and 20; ii) All emergency exit doors must be retrofitted to open outwards;
- iii) Maintain aisles free of obstruction in all production areas.

## COMPANY ACTION PLANS

1. Management is to review all emergency doors and ensure they open outward. 2. Management is to review the current layout and ensure that all evacuation routes, emergency exits, fire safety equipment, and workstations are obstruction free at all times. 3. Designated staff should conduct periodic checks throughout the day to ensure that all workstations, evacuation routes, aisles, and emergency exits are obstruction free at all times. 4. Management must ensure that all designated emergency exits are unlocked from the inside at all times. 5. Regarding buildings 19 and 20, management must ensure that they are all equipped with 2 emergency exits.

**Action plan status:** In Progress

**Planned completion date:** 11/30/13

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Pending. 2. Pending. It is unclear if management has reviewed the layout to ensure that all workstations, emergency exits, evacuation routes, and aisles are obstruction free at all times and that works in progress, boxes, etc. are maintained in their designated area. 3. Ongoing. The HSE Engineer is currently conducting inspections to ensure workstations, aisles, evacuation routes, etc., are obstruction free. The checklist used is very general though, as it indicates what areas need to be monitored, but does not indicate how such should be maintained or what the inspection should verify. 4. Pending. 5. Completed. All factory buildings have 2 emergency doors. However, secondary doors for buildings 19 and 20 are through the side, as the back of the buildings are adjacent to a building owned by a different company.

## FINDING NO.13

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

In the cutting and warehouse departments, some workers were observed conducting their activities without using their personal protective equipment (PPE), mainly those who were on the shelves (at approximately 10 feet of height) downloading materials.

##### Local Law or Code Requirement

Guatemalan General Regulation on Health and Safety, Article 94; FLA Workplace Code (Health, Safety & Environmental benchmark HSE.8)

##### Root Causes

- i) Lack of management oversight that would ensure workers working at height use the appropriate fall protection equipment;
- ii) Management/workers do not take in consideration the potential hazards of falls/injuries; iii) Lack of the proper PPE use and training, including occupational hazards.

## COMPANY ACTION PLANS

1. Management is to assess PPE requirements by department and create an internal list indicating what PPE is required by area. 2. Management is to provide PPE to all workers' free of charge. 3. Workers should receive verbal training on PPE use (how to use PPE, reasons for using PPE) twice/year. 4. Management is to designate a responsible person to conduct periodic checks throughout the day to ensure that all required PPE is being used consistently. 5. As a best practice, the factory should implement positive reinforcement to ensure that all workers use their required PPE at all times (i.e., concursos).

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Pending. 2. Completed and ongoing. The factory created a PPE policy indicating how workers will receive PPE upon hire and as needed. 3. Ongoing, the factory is currently using its internal bulletin/newspaper to increase awareness of PPE use. In addition, training was provided on PPE to workers using chemical in August 2013. It is unclear if training on non-chemical-related PPE has been provided to workers. 4. Immediate managers are responsible for ensuring that all workers who require PPE use such consistently. 5. Pending.

## FINDING NO.14

### HEALTH AND SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

- i) Toilets in buildings 3 and 5 are not sufficient for the number of workers;
- ii) Security cameras in building 4 are installed directly in front of the men and women's toilets.

##### Local Law or Code Requirement

Guatemalan General Regulation on Health and Safety, Art. 97 and FLA Workplace Code (Health, Safety & Environmental Protection: HSE.20)

##### Root Causes

- i) It is not management's priority to increase the number of toilets (buildings 3 and 5) and workers are asked to use the toilets in other buildings within the same compound;
- ii) Potential worker theft is a management concern, so having security cameras near bathrooms serves as a deterrent.

##### Recommendations for Immediate Action

Remove security cameras (in building 4) near men and women toilets.

### COMPANY ACTION PLANS

1. To assess number of toilets vs. number of workers in each building.
2. Additional toilets are to be constructed in buildings 3 and 5; any additional areas where the number of toilets for men and women do not meet legal requirements. Please review Section 13 of the adidas-Group's HSE Guidelines regarding toilet and sink requirements.
3. Management is to change location of the camera in building 3. Under no circumstances should cameras point towards the entrance of restrooms.

**Action plan status:**

In Progress

**Planned completion date:**

01/31/14

**Progress update:**

05/13/14 : adidas-Group May 2014 Update: 1. Ongoing. It is unclear if the factory meets legal obligations for restrooms. Article 97 of the Guatemalan HSE Law indicates that for a workplace under 100 workers, there must be 1 restroom for every 15 female workers and 1 restroom for every 25 male workers. Then, an additional toilet must be provided for every 30 workers. Bodega 3 is noncompliant, as it has 2 restrooms for women, for 34 women workers (it should have 3). Additionally, for building 5, it is unclear how many restrooms designated for workers are found in this building, as the factory combined the number of restrooms found in buildings 4 and 5 as the total number of restrooms available. Yet, it is unclear if workers from building 4 can use restrooms located in building 5 and vice versa. 3. Completed. Camera has been removed. To be verified during next visit.

## FINDING NO.15

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Water is not potable in some buildings according to 2012 water analysis conducted by a third party and commissioned by management. No evidence of water quality improvement up to now.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environmental Protection: HSE.23.1)

##### Root Causes

- i) Lack of local regulations with regards to water potability;
- ii) Lack of commitment on the part of management and Compliance Officer to improve water potability; hence, the lack of follow-up based on the water testing results;
- iii) Lack of awareness regarding FLA benchmark water access and potability.

## COMPANY ACTION PLANS

1. 1. Management is to review water test results and implement recommendations made by laboratory. 2. Once recommendations have been made, follow-up water tests should be conducted to ensure that all water designated as drinking water is potable. 3. Results of all water quality tests should be posted in areas where workers can read them and should be conducted on a periodic basis (multiple times throughout the year). 4. If results of water quality tests do not meet legal requirements, the factory should hire a laboratory to help assess the source of the problem and help identify proper remediation.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Pending. No update received. 2. Completed per factory update. Latest water quality tests conducted in February 2014 meet the legal requirements for drinkable and potable water. 3. Completed per factory update.

## FINDING NO.16

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Based on reports and onsite interviews with the factory's Doctor and Nurse, there is no follow up investigations on cases based on repetitive visits to the clinic.

##### Local Law or Code Requirement

MOL -Ministerial Agreement 191-2010 and FLA Workplace Code (Heath, Safety and Environment benchmark HSE.1).

##### Root Causes

- i) Management and clinic personnel lack knowledge about occupational health and identification of professional risks;
- ii) Lack of specialization in occupational health by current physicians.

## COMPANY ACTION PLANS

1. 1. The factory's doctor/nurse is to review cases of repeated visits to clinic to help investigate the root cause for repeated accidents (when applicable) or health-related problems. 2. The HR Department, in conjunction with the clinic, is to review cases handled by the clinic and is to create health campaigns to address any work-related injuries and/or health-related problems that were identified during the previous month in order to bring awareness to the workforce and decrease risks of them happening again.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1-2. Ongoing. Management has provided accident report and clinic's recommendations on how to avoid accidents. However, it is unclear of the steps taken by HR to review and implement recommendations.

## FINDING NO.17

### TRAINING

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Based on a review of factory training documents and in-depth worker interviews, with the exception of some safety and hygiene training, none of the employment functions are being addressed in trainings. Workers do not get any information through formal training (e.g., compensation, hours of work, disciplinary procedures, grievance, termination, etc.).

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.28.1, and ER.28.2)

### **Root Causes**

- i) Lack of systematic information on training needs across employment/management functions (e.g., job description; safety and hygiene risk analysis; environmental protection);
- ii) Lack of comprehensive training program to address all training needs;
- iii) Lack of awareness about the benefits of effective training;
- iv) Absence of a mechanism to balance production needs with training needs.

## **COMPANY ACTION PLANS**

1. 1.

**Action plan status:** Planned

**Planned completion date:** 01/31/14

2. 1. Management is to create: a) an induction training and b) an annual refresher course. Both trainings should provide information on the following topics: a) the factory schedule, b) all wages and benefits (regular, OT, vacation, Aguinaldo, 14th month bonus, social security, Bono Decreto 37-2001, and any additional wages and benefits provided by the factory), c) the factory's policies and procedures (hiring, non-discrimination, voluntary OT, forced labor, disciplinary procedures/appeal process, grievance procedures, freedom of association, "permisos," HSE policies and requirements); d) workers' responsibilities, etc. Please note that induction training should be provided to ALL workers upon hire and annual refresher course should be provided once annually. 2. Management is to provide information how they will schedule and conduct induction and refresher course throughout the year, so both are provided consistently. 3. Please provide documentation (training presentations) for induction AND annual refresher course. 4. Management is to assess workers' level of understanding after each training in order to ensure all attendants understand the content of the trainings.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1-2. Management has created: a) an induction program including all factory policies and procedures, as well as workers' rights and responsibilities, b) annual refresher course of induction training. Both trainings include information on wages and benefits; HSE policies and requirements; HR Policies including voluntary OT; hiring procedures; forced labor; FOA; communications channels; nondiscrimination; harassment and abuse; etc. Implementation of training program is to be verified during the next visit as training is divided into sections, one given during first semester, and a second one during the second half of the year. Induction training is provided on the last week of each month. 3-4. Pending.

## **FINDING NO.18**

### **COMMUNICATION & WORKER INVOLVEMENT**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

Despite the existence of some communication efforts, it was found that there is not sufficient information available for employees in some specific areas. Communication needs to be reinforced on some Employment Functions, which is critical for the factory, e.g., Hours of Work and Grievance System. In addition, there is no planned follow-up to communicate updates and legal changes on salary increases and, normally, communication is unidirectional, meaning that it is from management to workers and not vice versa.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.16.1, and ER.25.2)

### **Root Causes**

- i) There is no management appreciation of the benefits of having informed staff and workers;

- ii) Top-down communication without workers' feedback is culturally acceptable for management;
- iii) The FLA's Sustainable Compliance Initiative (SCI) methodology includes "Communication" as a Management Function, which is a new requirement for Companies and their supplier base;
- iv) Management has not seen the need for ongoing and periodic communication with the workforce other than orientation/induction and some sporadic training activities.

## COMPANY ACTION PLANS

1. 1. Management should conduct periodic surveys to assess the workforce's level of satisfaction with their employer and provide feedback on how to improve the work environment, factory policies, etc. 2. a) management should create a worker-management communications committee to review workplace issues and provide workers the opportunity to give feedback to management, b) once created, worker-management committee should schedule and hold meetings on a periodic basis during working hours to discuss workplace issue, encourage feedback from workers, etc., c) minutes of meetings should be posted for all workers to review outcome of such meetings. For additional information, please review Section 5.3.1 of the adidas-Group Employment Guidelines.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Completed. The factory has created a labor climate procedure that would allow management to conduct periodic surveys to identify gaps or gather workers' opinions on the factory's working conditions. Implementation is to be verified during next visit. 2. Completed. The factory has created a communications committee procedure. b-c) Ongoing. The factory will start implementing program in the upcoming months. To be verified during next visit.

## FINDING NO.19

### COMMUNICATION & WORKER INVOLVEMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

The worker integration component is missing throughout all employment functions. This implies that the factory has not established procedures to receive workers' input/feedback on the creation and updating of its policies and procedures. Workers are not systematically integrated or consulted in the decision-making process on policy and procedure creation.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.25.2)

#### Root Causes

- i) Lack of management understanding of what integration entails and how to implement this management function;
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) Management has not seen the need to formalize a worker integration process.

## COMPANY ACTION PLANS

1. 1. Management should conduct periodic surveys to assess the workforce's level of satisfaction with their employer and provide feedback on how to improve the work environment, factory policies, etc. 2. a) management should create a worker-management communications committee to review workplace issues and provide workers the opportunity to give feedback to management regarding workplace issues and factory policies and procedures, b) once created, worker-management committee should schedule and hold meetings on a periodic basis during working hours to discuss workplace issue, encourage feedback from workers, etc., c) minutes of meetings should be posted for all workers to review outcome of such meetings. For additional information, please review Section 5.3.1 of the adidas-Group Employment Guidelines.

**Action plan status:** In Progress

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: 1. Completed. The factory has created a labor climate procedure that would allow management to conduct periodic surveys to identify gaps or gather workers' opinions on the factory's working conditions. Implementation is to be verified during next visit. 2. Completed. The factory has created a communications committee procedure. b-c) Ongoing.

The factory will start implementing its program in the upcoming months. To be verified during next visit.

## FINDING NO.20

### REVIEW PROCESS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

Factory does not conduct periodic reviews of its policies and procedures.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.3, ER.30.2, and ER.31.2)

##### Root Causes

- i) Lack of review/update of policies and procedures;
- ii) Management has not seen the need to update policies and procedures except for legal changes;
- iii) Lack of staff with the specific responsibility of reviewing and updating policies and procedures;
- iv) This issue has never been brought to management's attention during previous external audits before;
- v) Management's lack of awareness of FLA Workplace Code and Benchmarks.

### COMPANY ACTION PLANS

1. Management is to designate a responsible person for scheduling and conducting periodic reviews of its HR Management Systems. 2. Once management designates a responsible person, this person should review all HR management systems on a periodic basis to verify that they are up to date with any recent legal changes, meet factory needs, and properly implements the factory's policies and the spirit of such policies.

**Action plan status:** Completed

**Planned completion date:** 01/31/14

**Progress update:** 05/13/14 : adidas-Group May 2014 Update: ' 1. Completed and ongoing. Since 2013, the factory, through its HR Manager, has been reviewing some of its existing policies and procedures and has created addition policies in order to close gaps and ensure systems are used and implemented correctly. Although this issue is completed, it will be continuously implemented.

**Completion date:** 05/05/14