

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**07 Jun 2023**



## Factory Information

FLA Affiliates	adidas,Under Armour, Inc.
Country	Philippines
Number of Workers	3402

## Understanding this Report

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.

## FLA Code Element

## Number of Violations

Compensation (C)	1
Employment Relationship (ER)	6
Forced Labor (F)	1
Freedom Of Association And Collective Bargaining (FOA)	1
Health, Safety And Environment (HSE)	9
Hours Of Work (HOW)	2

## Assessment Information

Assessor	Donny Triwandhani
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Assessment Date	07 Jun 2023
Assessment Purpose	Factory Assessment (In-Person)

## ASSESSMENT RESULTS

### Compensation (C)

Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.
Finding Details	1. Workers employed by one of the two canteen operators are currently unable to file for SSS (Social Security) loans and PI (Pag-Ibig) loans. According to management of the operator, the person responsible for this process (HR Officer) recently departed and the company has not been able to process requests with the relevant government offices. Furthermore, workers indicated that they are unable to file for maternity leave, since the canteen operator is also unable to process this type of request. 2. Employees of the security agency were provided with one uniform set on June 4, 2023. In addition, security personnel receive PHP 100 per month as a uniform allowance. These allowances are not sufficient for the workers, who must wear uniforms every day during a 6-day workweek.
Recommendation for Immediate Action	1. Ensure that the canteen concessionaire is properly equipped to process SSS loans, PI loans, and maternity leave. 2. Ensure that security agency workers are provided with adequate uniforms and paraphernalia for work.
Compliance Classifications	Immediate Action Required
Local Law	SSS Short-term Loan: SSS Circular: 2022-015 Addendum to the Guidelines on Short-Term Member Loans; Republic Act 9679, Home Development Mutual Fund Law of 2009, Sec. 11; Republic Act No. 11210 Section 5.

### Employment Relationship (ER)

Benchmark ID	ER.11.2
Benchmark Details	Employers must ensure the following minimum terms and conditions are met in the employment of contract/contingent/migrant/temporary workers: Contract/contingent/migrant/temporary workers shall be provided an employment agreement in their native language setting out the employment terms and conditions. for migrant workers, a copy of their employment contract in their native language shall be provided prior to departure from their country of origin;
Finding Details	1. Employees of the canteen operators and the security agency are not provided copies of their contracts. 2. For both canteen operators, worker contracts are not signed by the employer. They are only signed by the worker.
Recommendation for Immediate Action	1. Ensure that all workers are provided copies of their contracts. 2. Ensure that all contracts are fully executed by all parties necessary, including the employer.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.17.1
Benchmark Details	Employers shall have a clear and transparent system of worker and management communication that enables workers to consult with and provide input to management. This might include suggestion boxes, worker committees, designated spaces for worker meetings, union representatives, and meetings between management and workers' representatives.

Finding Details	The facility's procedures and implementation are inadequate: (a) The grievance procedures state that they suggestion boxes are opened every Friday. However, there is no record such as a logbook to show that suggestion boxes are checked on weekly basis. (b) The mobile phone used for grievance through text messages/hotline number is personal mobile phone of an industrial relations employee, who also uses it for personal matters. As a result, the interested parties such as internal and external auditors may not be fully comfortable checking the text messages as impairing his privacy, or may not have full access.
Recommendation for Immediate Action	1. Ensure that suggestion boxes are opened and checked every Friday, and maintain the record. 2. Provide a company-owned device for grievance channel through hotline number.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.17.6
Benchmark Details	Employers shall have a system in place to prevent retaliation against or discrimination towards workers who are filing grievances, including grievances regarding harassment, abuse, violations of factory procedures, compensation, or unsafe working conditions
Finding Details	The factory has a system in place to prevent retaliation against workers who are filing grievances regarding harassment and abuse. However, there are no procedures in place to prevent retaliation against or discrimination towards workers who are filing grievances regarding violations of factory procedures, compensation, unsafe working conditions, and raise health, safety or environmental concerns.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

Benchmark ID	ER.1.1
Benchmark Details	Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
Finding Details	The factory does not have adequate procedures governing all aspects of termination and retrenchment. As result: (a) There are no guidelines to follow when a worker is terminated due to unexplained absence. (b) Record-keeping regarding termination is inconsistent, with the date of last work reflected incorrectly. The formal notice of terminations are not consistent with actual last date of work. For example, the time records of one terminated worker from the sewing section showed her last day of work as January 28, 2023, but the formal termination letter listed February 20, 2023. Other records confirmed that this worker was only paid for work through January 28, 2023.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.7.1
Benchmark Details	Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.

Finding Details	The performance evaluation policy and procedures do not clearly include nondiscrimination, the right for workers to access to their evaluations, or seeking feedback and agreement/disagreement from employees in writing. For example, at least 6 performance evaluations reviewed by the assessment did not have workers' signatures, written feedback, or other evidence for worker inclusion in the feedback process.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.18.3.4
Benchmark Details	Records of disciplinary action must be maintained in the worker's personnel file.
Finding Details	The records of disciplinary actions are not maintained in workers' personnel files properly. At least 13 records of demerits from the HR department's list did not have any corresponding entry in the worker's file.
Recommendation for Immediate Action	Maintain all disciplinary action records in workers' personnel files.
Compliance Classifications	Immediate Action Required
Local Law	
<b>Forced Labor (F)</b>	
Benchmark ID	F.9



Benchmark Details	Workers shall retain possession or and control of their passports, identity papers, travel documents, work permits, and other personal legal documents.
Finding Details	Not all workers have retained possession of their personal legal documents. At least two personnel files from the security agency held original personal documents (birth certificate, National Bureau of Investigation clearance, and Cedula tax certificates).
Recommendation for Immediate Action	Ensure that the security agency returns original personal documents to its employees, retains only copies, and discontinues holding original personal documents.
Compliance Classifications	Immediate Action Required
Local Law	

## Freedom Of Association And Collective Bargaining (FOA)

Benchmark ID	FOA.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning freedom of association and collective bargaining. national laws, rules, and procedures protecting the rights of workers to organize and bargain collectively. Where local laws and FLA standards differ, the employer is expected to follow the highest applicable standard.
Finding Details	The procedures on Freedom of Association do not include guidelines to provide the facilities necessary for union representatives to exercise their functions, including access to workplaces and office spaces for legally-recognized unions.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

## Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.1
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.
Finding Details	<ol style="list-style-type: none"> <li>1. Factory management explained that smoking is prohibited in all areas. However, the factory does not have procedures or post signs prohibiting smoking within 15 meters (~50 ft.) of all closed areas.</li> <li>2. The landing outside the exit doors located at the 2/F and 3/F bridge (connecting building 2 and building 3) have inadequate space. They are only about 60cm deep.</li> <li>3. Exit doors located at the 2/F and 3/F bridge have inadequate width. They are only about 70cm wide.</li> <li>4. One posted evacuation route map at the 2/F of building two is hung incorrectly, showing the layout from the viewer's perspective backwards (180 degrees) compared to reality.</li> </ol>
Recommendation for Immediate Action	<ol style="list-style-type: none"> <li>1. Establish formal policy and post signs prohibiting smoking within 15 meters (~50 ft.) of all closed areas.</li> <li>2. Ensure landings outside doorways leading to stairs have adequate space.</li> <li>3. Ensure exit doors have adequate width.</li> <li>4. Ensure the wall mounted maps are oriented to correspond to the actual floor layout as perceived by the viewer.</li> </ol>
Compliance Classifications	Immediate Action Required
Local Law	Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.5.3; Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.5.2 F; Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.5.13 E
Benchmark ID	HSE.5.1.2

Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	The assessment observed that when a burglar alarm was activated, the security guard turned off both the fire alarm and the burglar alarm when silencing it. The fire alarm was not re-activated until the assessment walk-through arrive at the security office, which holds the fire alarm panel.
Recommendation for Immediate Action	Ensure that proper procedures for deactivating burglar and fire alarms are in place and provide training to the security guards.
Compliance Classifications	Immediate Action Required
Local Law	Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.6.6 B.
Benchmark ID	HSE.5.1.4
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following: ensuring aisles/exits are not blocked and that workers are not blocked within their workstations
Finding Details	At least four workstations in lines 23 and 34 were surrounded by production materials and crates, which would impede the operators' immediate access to the evacuation aisle behind them.
Recommendation for Immediate Action	Ensure that all workstations have immediate access to evacuation aisles at all times.
Compliance Classifications	Immediate Action Required
Local Law	Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.5.2 H.
Benchmark ID	HSE.19

Benchmark Details	All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.
Finding Details	The factory's lactation access is within the clinic room at building 2, which exposes those using the lactation room to cross-contamination from airborne diseases.
Recommendation for Immediate Action	Ensure that the lactation room is not within the clinic room.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	The factory's implementation of Lockout/Tagout (LOTO) is inadequate: (a) There is no record of having used LOTO to prevent hazards during service/maintenance. (b) The available LOTO warning signs and locking devices look new and unused. (c) An accident resulting in injury, which would have been prevented by proper LOTO, was identified. A worker clearing cobwebs from the ceiling area was struck by a running ceiling fan, resulting in a head laceration.
Recommendation for Immediate Action	Implement Lockout/Tagout (LOTO) consistently and maintain documentation.
Compliance Classifications	Immediate Action Required
Local Law	Occupational Safety and Health Standards, Rule 1040 - Health and Safety Committee (1990), Sec. 1045
Benchmark ID	HSE.6.1

Benchmark Details	All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.
Finding Details	1. The assessment observed one fire extinguisher blocked by a portable industrial fan at the G/F of building 2, loading area. 2. The provided equipment for firefighting team to fight fires does not include self-contained breathing apparatus (SCBA).
Recommendation for Immediate Action	1. Ensure that all fire extinguishers are clear of obstructions. 2. Provide Self-Contained Breathing Apparatus (SCBA) available for firefighting team to fight fires.
Compliance Classifications	Immediate Action Required
Local Law	Revised Implementing Rules and Regulations (RIRR) of the Fire Code of the Philippines (2019), Sec. 10.2.6.9 E.
Benchmark ID	HSE.29
Benchmark Details	Employers shall provide all necessary protection for workers when working at heights, confined spaces, and other high-risk areas.
Finding Details	The factory does not provide one worker in the material warehouse with necessary protection and equipment when working at heights. This worker stood on two plastic storage crates to reach upwards, instead of using a proper ladder.
Recommendation for Immediate Action	Ensure that a proper ladder is used for all high work areas.
Compliance Classifications	Immediate Action Required
Local Law	Occupational Health and Safety Standards, Rule 1060 -Premises of Establishments (1990), Sec. 1067 (3b-c)
Benchmark ID	HSE.18.2

Benchmark Details	Medical staff shall be fully licensed and recognized under applicable national rules and regulations.
Finding Details	The factory's staffing of the medical facility is not aligned with legal requirements. There are currently 1 nurse and 1 nursing aide on staff, whereas local law requires 7 nurses based on the factory's workforce size and risk rating. There are 6 part-time physicians, whereas local law requires for 1 full-time and 14 part-time. There is 1 part-time dentist, whereas local law requires 4 full-time.
Recommendation for Immediate Action	Ensure that adequate medical personnel are available.
Compliance Classifications	Immediate Action Required
Local Law	Nurse, Physician, and Dentist: DO-198 (medium risk) Section 15.
Benchmark ID	HSE.30.2.6
Benchmark Details	The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system including a HS&E risk assessment within which the following are clear and regularly tested and reviewed:protections to workers who allege health, safety, and environmental violations;
Finding Details	Please review ER.17.6 for details. The factory's anti-retaliation policies and procedures do not address workers raising HSE concerns.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

## Hours Of Work (HOW)

Benchmark ID	HOW.11.1
Benchmark Details	Employers shall provide workers with paid annual leave as required under national laws, regulations and procedures.
Finding Details	The factory requires workers to provide a specific reason when taking Solo Parent Leave. This is not in accordance with local law, which entitles workers to take Solo Parent Leave as long as they have provided certain documents and reached a certain tenure.
Recommendation for Immediate Action	Provide Solo Parent Leave in accordance with law, without requiring specific reasons/justifications.
Compliance Classifications	Immediate Action Required
Local Law	Solo Parent Leave: RA 11165, Section 23.
Benchmark ID	HOW.9.2
Benchmark Details	Employers shall take reasonable steps to inform workers about the nature and expected duration of the circumstances sufficiently in advance to allow workers to make alternative plans.
Finding Details	In cases of exceptional circumstances impacting hours of work, there is no evidence that the factory has taken reasonable steps such as meeting with worker representatives or posting memos at notice boards to inform workers of the nature and potential duration of the circumstances. For example, the factory has instituted a day off without pay, due to low orders from buyers, for an average 4-5 days per month since July 2022, without taking these steps.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

