



INDEPENDENT EXTERNAL ASSESSMENT REPORT

Verification

AA0000000568V

COMPANY: Adidas, GTM Sportswear

COUNTRY: Guatemala

NUMBER OF WORKERS: 668

ORIGINAL ASSESSMENT DATE: 12/02/2014

VERIFICATION ASSESSMENT DATE: 6/26/2017

FLA Comment:

FLA Comment: This SCI is a verification assessment of assessment AA0000000568V. All corrective action plan updates for AA0000000568V will be published on this report.



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 such 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.

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.

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

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has policies and procedures for recruitment and hiring, but not for personnel development. **ER.28, ER.29, ER.30**
2. There are no written policies or procedures encouraging workers to participate in ongoing training that would broaden workers' skills and advance their careers in the factory. **ER.28,**
3. There are no written policies or procedures for conducting performance reviews that include steps and processes linked to job grading and promotion opportunities. **ER.29**
4. There are no written policies or procedures on promotion, demotion, or job reassignment. **ER.30**
5. Performance reviews for production positions are not documented in writing and are conducted inconsistently. **ER.29**
6. The factory does not have written job descriptions for any of the production positions. **ER.1**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER. 28.1, ER.29.1, and ER. 30.1)

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management to designate a responsible person to review and expand the Factory's recruitment, hiring and personnel development policies and procedures. 2. Once designated, the responsible person must ensure to draft: A. A procedure describing steps needed to manage promotions, demotions or job re-assignments. i. In
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	<p>the case of promotions, procedure should clearly state when workers may qualify for a promotion, how promotions will be determined and approved by factory management, in addition to how factory management will handle additional factors such as pay increments and ensuring workers are properly equipped to handle additional responsibilities such as adequate leadership and management skills. ii. A Demotion and job reassignments procedure. The procedure should highlight when demotions and job reassignments will be used and how such will affect workers' responsibilities and managerial levels. Under no circumstances should workers' pay be negatively affected because of a job reassignment or demotion. B. Factory management should create a job profile for all job positions within the factory. i. Job profiles should clearly state all requirements for each position including educational, labor and technical experiences required for each position. ii. Job profiles should not contain subjective requirements such as requirements pertaining to workers' sex, age, marital status, etc. C. Factory management to create and implement annual performance reviews to evaluate workers' performance. i. Annual performance should include target setting for all workers for the next 12 months as well as a review of workers' performance from the past 12 months. ii. Performance Reviews should all be verbally discussed and reviewed with workers and be documented. iii. Annual workers' performance should be used to help determine workers' classification (A, B, C) which help determine bonus incentives, as well to be used when making decisions related to workers' demotion, job reassignments and massive retrenchment. D. i. Factory management to create a workers' development program that identifies and provides training needs of workers and opportunities for workers to improve and expand their technical and job-related skills.</p> <p>3. A. Once all new policies and procedures have been created such should be verbally communicated to all workers as part of the induction and annual refresher course. Special attention should be given to managers and supervisors responsible for implementing various policies to ensure they know and understand when/how to implement each procedure.</p>
Action Plan Status:	In Progress
Planned Completion:	12/31/15

<p>Progress Update:</p>	<p>06/23/17: adidas Update after visit to the factory on December 2016: 2A. Ongoing. The Factory has amended Development Policy, now includes the time when and how workers (interview and practical test) will be evaluated, however, there are some components still missing, including information on how evaluations will be used for training opportunities or terminations. B. Ongoing. Management has drafted job descriptions for the following positions: cutter, cutting supervisor, however there is no indication among job descriptions shared of positions such as spot removal operators, neither from warehouse personnel. Also please review job description for Operator, should specify the type of machine to be operated in this description. C. Ongoing. Personnel Development Policy specifies that trainings will be conducted once a year and will be used for considering workers for promotions available during next year since evaluations are carried out from November to December. D. Completed. 3. Pending. To be completed once Personnel Development policy has been finalized and approved by management.</p> <p>08/23/16: adidas Update July 2016: 2A. Ongoing. The Factory has drafted a Development Policy, however, some components are missing, including information on when and how workers would receive evaluations, and how evaluations will be used in determining promotions, training opportunities, or even terminations. Adidas' SEA Team has provided some feedback to policy regarding missing components for factory to include in policy. B. Ongoing. Missing job descriptions to be reviewed by August 2016. C. Ongoing. The Factory conducted performance evaluations for cutting department workers in Dec. However, Personnel Development Policy does not indicate how often evaluations will be carried out, how workers will be evaluated and what evaluations will be used for. Factory to review adidas SEA feedback from July 2016. D. Completed. The Factory has included this portion in its Personnel Development policy. 3. Pending. To be completed once Personnel Development policy has been finalized.</p> <p>08/19/16: Update-November 2015 visit: 1. Completed. There is a responsible person in the company for Social Compliance. 2. A. Pending. The factory does not have written policies or procedures to manage worker promotion, demotion or reassignment of work. B. Ongoing. The factory has the following job descriptions: general manager, personnel manager, production supervisor, assistant manager, secretary of accessories, production secretary, sewing machine operator, sewing machine assistant, despitador, markers, maintenance, ironer, pilot, and warehouse head. However, warehouse assistant, cutter, cutting supervisor, among others are still pending. C. Ongoing. The management said that they are conducting performance evaluations first in order to develop the Personnel Policy Development. As a result, the Factory does not have written policies or procedures for conducting performance evaluations yet. The company has conducted performance evaluations for all operators and manual workers; evaluations for workers in the cutting area are still pending. These evaluations were made the week of November 2. The company plans to make them every 6 months. D. The Factory has not developed or written policies to encourage workers to participate in continuous training to broaden the skills of employees and advance their careers in the factory procedures yet. 3. Pending.</p>
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Verification Results:

1. Finding Status Partially Remediated

Explanation: During the records review, assessor found that the factory has developed a policy and a procedure on Personnel Development, and a policy and procedure on promotion and demotion. These policies and procedures were created in 2015 and updated in May 2017. Policies and procedures refer to skill development training, performance reviews, promotion and demotion; however, they are still missing some elements required under FLA Compliance Benchmarks as detailed in the items below.

Root Causes: Factory management is aware that the FLA Compliance Benchmarks require the establishment of Personnel Development procedures; however, management lacks knowledge on how to create said procedures and how to incorporate all elements required by FLA Compliance Benchmarks.

2. Finding Status Partially Remediated

Explanation: The factory has developed written policy and procedures to encourage workers to participate in ongoing training that would broaden workers' skills and advance their careers within the factory; however, policy and procedure are still missing for some elements required under FLA Compliance Benchmarks such as: i) eligibility requirements for participation in training opportunities, ii) if the training is compulsory or voluntary, iii) if it takes place during or after working hours, and, iv) if training time is compensated.

Root Causes: Factory management is aware that the FLA Compliance Benchmarks require the establishment of Personnel Development procedures; however, management lacks knowledge on how to create said procedures and how to incorporate all elements required by FLA Compliance Benchmarks.

3. Finding Status Partially Remediated

Explanation: The factory's current Personnel Development policy and procedures include rules on performance reviews, including a requirement for conducting worker performance reviews once a year; nevertheless, the following elements required under FLA Compliance Benchmarks are missing: i) how evaluations are used for job grading, training opportunities or terminations, ii) prohibition of discrimination, iii) requirement to provide written results of evaluations to workers, and, iv) requirement to seek workers' feedback and agreement and/or disagreement.

Root Causes: Factory management is aware that the FLA Compliance Benchmarks require the establishment of Personnel Development procedures; however, management lacks knowledge on how to create said procedures and how to incorporate all elements required by FLA Compliance Benchmarks.

4. Finding Status Partially Remediated

Explanation: Although the factory has developed a policy and procedures on promotion, specific rules, criteria, and principles for demotion and job reassignment are still missing. Also, policy and procedures on promotion are missing the following elements required under FLA Compliance Benchmarks: i) prohibition of discrimination and use of demotion and job reassignment as a form of penalty or punishment, ii) requirement to provide workers with a written outcome of promotion, demotion, and job reassignment, and iii) requirement to seek workers' feedback and agreement and/or disagreement.

Root Causes: Factory management is aware that the FLA Compliance Benchmarks require the establishment of Personnel Development procedures; however, management lacks knowledge on how to create said procedures and how to incorporate all elements required by FLA Compliance Benchmarks.

5. Finding Status Partially Remediated

Explanation: The factory showed documentation related to worker performance reviews for all production workers. However, it was assessed from worker and management interviews that performance reviews are conducted without worker involvement, as evaluation results are not provided to them, and they are not asked for feedback on evaluation results. All workers are unaware of the implementation of such performance reviews, as immediate supervisors fill out the evaluation format without worker participation.

Root Causes: Management lacks knowledge of the requirement to ensure worker involvement during performance reviews.

6. Finding Status Partially Remediated

Explanation: in August 2015, the factory drafted 39 job descriptions, including most of the production positions and supervisory and managerial positions. However, job descriptions for workers in stain removal, fabric spreading ("tendedores") and raw material warehouse are still missing. Also, there is only one job description for "Machine Operators", but the factory has not created specific job descriptions for the different types of machines that are used at the factory.

Root Causes: Management did not consider it necessary to differentiate the machine operators based on the

different types of machines in use at the factory. Workers in stain removal and fabric spreading (“tendedores”) are considered “manual operation”; hence, the factory did not consider it necessary to develop specific job description for each position.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER. 28.1.1, ER.29.1, and ER.30.1.1)

<p>Company Action Plan:</p>	<ol style="list-style-type: none"> 1. Factory should review existing Personnel Development policies and Policy and procedure for Promotion and Demotion, to ensure includes: A. Ongoing training to all workers categories with the goal to increase their skills and potential opportunities inside or outside the factory. 2. Policy and Procedure for Promotion and Demotion should include a training needs assessment aspect to ensure workers receive training according to their needs. A. Management to include in existing policy and procedure to encourage workers to participate in training specifications of: i. Eligibility requirements for participation in training opportunities, ii. If the training is compulsory or voluntary, iii. If trainings take place during or after working hours, iv. If training time is compensated, is recommended training is provided during regular working hours also is documented and reviewed by HR management. 3. Factory to amend its Personnel Development policy and procedures to include: A. How training evaluations will be used for job grading, other training opportunities or terminations, B. Strict prohibition of discrimination, ensure is stated that all workers will be provided training opportunities according to skills and evaluations, C. Policy and procedures should include written results of evaluations to workers, D. Requirement to look for workers feedback and/or disagreement with evaluation and workers are provided with response back to their disagreement or comment by management. 4. Management to review and amend current Policy and Procedure for Promotion to include: A. Rules that specify when workers reach determinate level on their evaluation performance are entitled to promotion or job assignment, time expected to advance on their careers, ensure any demotion or job reassignment as a result of evaluations is not used as punitive action. B. Policy and Procedure for Promotion should include clear prohibition of discrimination on job reassignment or promotion, only objective and clear results from on the job training and performance evaluation should be used to determinate a workers promotions or job reassignment .C. Policy and Procedure for Promotion must include reference that workers are provided with written results of promotion, demotion, and job reassignment, and workers should have the opportunity to require information about the reasons for outcome decided by management. D. Policy and Procedure should include workers input and agreement and/or disagreement with management decision of promotion, demotion and/or job reassignment. 5. [Factory] management should include workers input on their performance reviews and following aspects: A. Workers are informed on advance of performance reviews. B. Written results from reviews are provided to workers and workers can comment on how to improve next round of performance evaluations. 6. Factory should create job profiles for the following positions at production: workers in stain removal, fabric spreading (“tendedores”) and raw material warehouse. Job profiles should clearly state all requirements for each position including educational, labor and technical experiences required for each position. A. Management should develop specific job profiles for different Machine Operators, job profiles should differentiate the skills needed for determinate machine, according to the complexity, types of machine functions i.e. single needle sewing machine operator, overlock sewing machine operator, etc. this is relevant since can help to determinate accurate levels of expected performance on evaluations to be used for promotions, demotions or/and job reassignments.
<p>Action Plan Status:</p>	<p>In Progress</p>

Planned Completion:

03/31/2018

Progress Update:

11/07/2019: adidas Update: 1A. Ongoing, factory management revised the Personnel Development Policy and includes ongoing training aspect, also policy includes that training is a mechanism to improve workers performance at work. Workers will be evaluated every year during the months of November and December, according to evaluations results workers will be informed of their score from the evaluation and aspects to improve. 2A. Ongoing, per policies verification: i. Eligibility requirements for participation in trainings, is still missing on Personnel Development policy ii. Specifications if trainings are mandatory or voluntary, iii. The time when training will take place, if during or after working hours, are now included on Personnel Development Policies. iv. Factory management includes specifications that training time is compensated, factory reviewed the Personnel Development Policy, however the policy is still missing indication if HR will review and document trainings provided, currently according to the policy training and performance evaluations are reviewed by supervisors. Factory management reviewed most compliance policies now that administration is managed by Primary Supplier and in fact factory changed official name by April 2019, all workers at factory were transitioned thru an employer substitution process according to local law. 3A. Pending, factory has not yet amended Personnel Development Policy to ensure it includes how trainings evaluations will be used for job grading or training opportunities. 3B. Pending, factory has not included specification of prohibition of discrimination on training opportunities, neither that training opportunities are provided according to workers' skills. 3C. Complete, Factory management included that Policy and procedures include written results of evaluations to workers, evaluation results are kept by management. 3D. Pending, factory needs to ensure that Personnel Development Policies and Procedures for Promotion and Demotion includes requirement to look for workers feedback to their evaluations results, also if workers agree or not with evaluation results and how factory management will reply to workers disagreement or comments to training evaluation outcome. 4A. Pending, Policy and Procedure for Promotion does not include rules for workers' promotion. 4B. Pending, Prohibition of discrimination on job reassignment as result of evaluations are not included on the Policy. 4C. Pending, the policy still does not include reference if workers were provided with written results of promotions or demotions and reasons of outcome decided by management. 4D. Pending, policy and procedure do not include workers input and agreement or disagreement with management decisions on promotion, demotion or job reassignment. 5A. Completed and Ongoing, from factory management input, workers are informed on advance of their work performance reviews. 5B. Ongoing, from management interview, workers are shown written reviews of performance evaluations, however is yet pending the part to allow workers to comment on how to improve on next round of evaluations. 6. Completed, factory management created a job profile for the person in charge of warehouse, also for stain removal and fabric spreading (tendedor). 6A. Completed, for machine operator factory has added 7 job descriptions for different types of machines used at the factory, for example: over, single needle, transfer machines.

04/24/2019: adidas Update per November 2018 visit: 1A. Pending, factory management has not yet included the ongoing training aspect to the Personnel Development Policies and Procedure for Promotion and Demotion. In 2018 the factory management provided regular trainings on H&S and Compliance policies, however trainings are not specific for increasing workers skills. The reason for lack of specific training for increasing workers skills is in part due to the following reason: factory management is under the process of being acquired by primary factory. Primary factory foresees to complete an employer substitution process by March 2019 and take the administration of factory management including all labor aspects. This process will include factory's official name change. 2A. Pending, per management interviews and policies and procedures verification: i. Eligibility requirements for participation in trainings, ii. Specifications if trainings are mandatory or voluntary, iii. The time when training will take place, if during or after working hours, are not included on Personnel Development Policies. iv. Factory management did not included specifications if training time is compensated, factory reviewed policies and not the Personnel Development Policies and Procedures, policy is also missing indication if HR will review and document trainings provided. 3A. Pending, factory has not yet amended Personnel Development Policy to ensure it includes how trainings evaluations will be used for job grading or training opportunities. 3B. Ongoing, factory included specification of prohibition of discrimination on training opportunities and will include that

training opportunities are provided according to workers' skills during next review of Compliance policies and procedures. 3C. Pending, Factory management needs to include that Policy and procedures include written results of evaluations to workers. 3D. Pending, factory needs to ensure that Personnel Development Policies and Procedures for Promotion and Demotion includes requirement to look for workers feedback to their evaluations results, also if workers agree or not with evaluation results and how factory management will reply to workers disagreement or comments to training evaluation outcome. 4A. Pending, Policy and Procedure for Promotion does not include rules for workers' promotion. 4B. Pending, Prohibition of discrimination on job reassignment as result of evaluations are not included on the Policy. 4C. Pending, the policy still does not include reference if workers were provided with written results of promotions or demotions and reasons of outcome decided by management. 4D. Pending, policy and procedure do not include workers input and agreement or disagreement with management decisions on promotion, demotion or job reassignment. Factory will review and add this aspect of workers input during next review of policies. 5A. Completed and Ongoing, from factory management input, workers are informed on advance of their work performance reviews. 5B. Ongoing, from management interview, workers are shown written reviews of performance evaluations, however is yet pending the part to allow workers to comment on how to improve on next round of evaluations. 6. Completed, factory management created a job profile for the person in charge of warehouse, also for stain removal and fabric spreading (tendedor). 6A. Completed, for machine operator factory has added 7 job descriptions for different types of machines used at the factory, for example: over, single needle, transfer machines.

05/18/18: adidas Update per December 2017 visit: 1A. Pending, factory management has not included the ongoing training aspect to the Personnel Development Policies and Procedure for Promotion and Demotion. 2A. Pending, per management interviews: i. Eligibility requirements for participation in trainings, ii. Specifications if trainings are mandatory or voluntary, iii. The time when training will take place, if during or after working hours, iv. If training time is compensated will be added during next review of policies. 3A. Pending, factory has not yet amended Personnel Development Policy to ensure it includes how trainings evaluations will be used for job grading or training opportunities. 3B. Pending, Factory needs to include prohibition of discrimination and that training opportunities are provided according to workers' skills. 3C. Pending, Factory management needs to include that Policy and procedures include written results of evaluations to workers. 3D. Pending. Factory needs to ensure that Personnel Development Policies and Procedures for Promotion and Demotion includes requirement to look for workers feedback to their evaluations results, also if workers agree or not with evaluation results, and how factory management will reply to workers disagreement or comments to training evaluation outcome. 4. Pending. According to management interview: 4A. Pending. Policy and Procedure for Promotion does not include rules for workers' promotion. 4B. Pending. Prohibition of discrimination on job reassignment as result of evaluations. 4C. Pending. The policy still does not include reference if workers were provided with written results of promotions or demotions and reasons of outcome decided by management. 4D. Pending, policy and procedure do not include workers input and agreement or disagreement with management decisions on promotion, demotion or job reassignment. 5A. Ongoing. According to management workers are informed on advance of their work performance reviews. 5B. Ongoing. From management interviews, workers are shown written reviews of performance evaluations, however is yet pending that workers can comment on how to improve on next round of evaluation. 6. Ongoing, factory management created a job profile for the person in charge of warehouse, however job profiles are still missing from stain removal and fabric spreading (tendedores) positions. 6A. Completed. For machine operator factory has added 7 job descriptions for different types of machines used at the factory, for example: over, single needle, transfer machines.

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. It is the factory's practice to divide the 15-day annual vacation into more than two shorter resting segments, which is not allowed under local law. In many cases, workers took short vacations in seven different resting segments in a year, whereas the Labor Code requires that the vacation period be provided with no segmentation (one single period).

Local Law or Code Requirement

Labor Code, Article 136; FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Hours of Work Benchmark HOW.11)

Recommendations for Immediate Action

Ensure that workers enjoy annual vacations in two vacation segments at most, as is legally required.

Company Action Plan:	A. Factory management must ensure to provide workers with 15 days of paid leave after every year of service as per Art. 130 of the Guatemalan Labor Code. B. In order to ensure workers receive full vacation leave, factory management must create and implement a tracking system that indicates numbers of vacations days accrued by each worker, days taken, and days left. Under no circumstances should workers be asked or allowed to work during their vacation leave. C. Workers vacation leave should be scheduled ahead of time and dates of such should be communicated to workers by no less than 60 days after workers' annual anniversary as per Art. 132 of the Labor Code.
Action Plan Status:	In Progress
Planned Completion Date:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1A. Ongoing. Per visit to factory on December 2016 and review of vacation schedule and vacation tracking system, it was noted that all workers have been taking vacations in no more than 2 periods as required by local Labor Code, at the date of the visit only 3 workers were still missing to take vacations in order to ensure all workers are taking vacation benefit according to local law during year 2016. B. Ongoing. The factory has created a tracking system for vacation provided to workers, however the system does not include the number of remaining vacation days for each worker. C. Ongoing, per documentation verification and management interview, factory is working diligently in order to communicate vacation period to workers in advance.</p> <p>08/23/16: adidas Update July 2016: 1A. Ongoing. Per factory update, factory management is diligently working in ensuring that all workers receive full vacation benefits (leave and pay), and that workers do not divide their vacation leave in more than 2 periods as it's required by law. Factory submitted calendar of vacation, however, verification of vacation benefits to be made during 2016 scheduled audit. B. Ongoing. The factory has created a tracking system, however, copy of such has not been received. To be reviewed and verified during 2016 annual audit. C. Pending. No documentation illustrating this item received. Factory to provide new version of vacation pay voucher.</p> <p>08/19/16: Remediation Update-November 2015 visit: Documentation verified that 2 of 5 workers of the sample have fractional vacation in 3 and 4 periods: Code # 3937: 4.5 days in October 2014, 6 days in December 2015 and 4.5 days in May 2015. Code # 2849: 6 days in December 2014 and 9 days in February 2015. Code # 3081: 6 days in December 2014 and 9 days in September 2015. Code #3731: 6 days in December 2014 and 9 days in September 2015. Code # 3712: 3 days in September, 3.5 days in October, 6 days in December 2014 and 2.5 days in April 2015. The company management said they made a decision that the vacations will be rested in two periods, so, when the schedule is regularized; they still have some cases that have fractional vacation in over 2 periods. It was also verified that the vacation payment is made in the same period of wages payment. However, the proof of payment does not detail the amount paid as days worked and the amount paid as vacations. It is recommended that the payment voucher explain this difference.</p>

Verification Results:

1. Finding Status Remediated

Explanation: Based on a review of records and worker and management interviews, assessor corroborated that workers are being provided with rest vacation days as legally required. In total, 15 vacation days are provided to the workers in two resting segments at a maximum, which is allowed by law. This vacation period is provided annually.

FINDING NO.3

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. One female worker has not been given the daily (paid) one hour for breastfeeding, as required by law. This worker was hired six weeks ago, and factory management was unaware that she was lactating.

Local Law or Code Requirement

Labor Code, Article 153; FLA Workplace Code (Nondiscrimination Benchmark ND.8.1)

Recommendations for Immediate Action

1. Ensure that all lactating women are given (paid) one hour daily for breastfeeding.

Company Action Plan:	Factory management to verbally communicate lactation policy to all female workers upon hire through annual induction training and during annual refresher course to ensure they are aware of the policy and are given this benefit from the moment they are hired. Factory management should highlight that this benefit is applicable to all female workers during their lactation period as per the local Lactation Period Regulation (Reglamento para el goce del periodo de lactancia).
Action Plan Status:	Completed
Planned Completion Date:	09/30/15
Progress Update:	08/19/16: Remediation Update-November 2015 visit: 1. Completed. During the audit it was verified that the company is complying with the period of lactation. Training was provided to workers in August. 2015.
Completion Date:	11/24/15

Verification Results:

1. Finding Status Remediated

Explanation: Based on worker interviews, a review of records, and the factory walkthrough, assessor noted that all current lactating women are provided with one daily paid hour off so they can breastfeed their newborns. Assessor also corroborated that the isolated case found to be out of compliance during the last 2014 SCI assessment was addressed, as the worker was provided with the corresponding lactating break immediately after the assessment. This was corroborated through a review of a sample of time records corresponding to April-May 2015.

FINDING NO.4

HOURS OF WORK

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Despite the fact that factory has a written policy for overtime, there is no written policy for managing all working hours, including all normal and exceptional circumstances.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.23.1)

Company Action Plan:	<ol style="list-style-type: none">1. Factory to designate a response person to expand its current overtime policy.2. Factor management to expand overtime policy to include overtime under normal and exceptional circumstances such as natural disasters, fires, social upheaval, or disease outbreak. Please note that extraordinary circumstances do not include supply chain problems, non-delivery/late delivery of materials or delays caused by production or quality problems. i. During Extraordinary Circumstances factory management must ensure to notify the adidas SEA Team and sourcing team in order to ensure all parties are kept up-to-date and can offer supplier support. li. Factory management should also ensure to specify hours of work limits as well as compensation requirements for all OT completed during OT under normal circumstances and extraordinary circumstances.3. Once policy has been completed, such should be posted in public areas.4. Factory management to include updated overtime policy during annual factory refresher course trainings.
Action Plan Status:	Completed
Planned Completion Date:	09/30/15
Progress Update:	08/19/16: Remediation Update-November 2015 visit: 1. Completed. Factory's Compliance Manager is responsible for reviewing and managing factory policies and procedures. 2. Completed. The overtime policy and daily working time has included an overtime section, ordinary workday and exceptional work. 3-4. Completed and ongoing. Documentation, interviews with workers and management verified that from November 16 to 21, 2015, the company gave training to all employees (according to attendance records, a total of 596) on the Company policies and codes of conduct. The topics were: Hiring Policy, child labor policy, forced labor policy, discrimination Policy, incentives policy, wage policy, harassment policy, not retaliation and abuse policy, overtime Policy, permits policy, free political association, complaints and suggestions policy, disciplinary procedures, industrial safety Policy, protective equipment policy, staff development policy, what to do in case of fire, environmental policy. During the interviews, workers demonstrated a high level of knowledge in the policies of the company, with the exception of freedom of association issue.
Completion Date:	11/24/15

Verification Results:

1. Finding Status Remediated

Explanation: The factory's policy on Hours of Work (updated in May 2017) includes rules for regular working hours and overtime. This policy also includes clear provisions on normal and exceptional circumstances.

FINDING NO.5

TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no written policies and procedures on worker retrenchment. **ER.32**
2. There is no procedure for determining termination payouts. This procedure should include methods for the correct assessment of payouts for all modes of Termination & Retrenchment, and should account for all legal requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER 32.1, and ER 32.3)

Company Action Plan:	<ol style="list-style-type: none">1. Factory management to designate a responsibility to create a worker retrenchment policy and procedure.2. Responsible person to create a retrenchment procedure that includes how factory management will manage individual retrenchments as well as massive layoffs. i. Retrenchment procedure should include reasons behind terminations (at fault and without fault). ii. In the case of massive layoffs, what criteria will be used to determine workers' retrenchment. iii. How workers' severance payments will be calculated under terminations without cause and with cause, in addition to when workers will receive severance payments.3. Factory management must ensure to provide verbal training on retrenchment procedures to ALL workers upon hire through induction training and once annually during annual refresher course.
Action Plan Status:	In Progress
Planned Completion Date:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 2i-ii, Ongoing, factory's compliance team included how severance payment will be calculated in case of massive retrenchment. iii. Ongoing. Management has included recommendations provided by adidas Group SEA Team to Retrenchment Policy and Lay off and Resignation Policy, i.e. that worker could return to the factory when production volumes increase, and benefits entitled to workers in case of voluntary resignation and if a worker is laid off after initial proof period. 3. Pending. To be completed once Termination and Massive Layoff policy is completed and reviewed, it will be included as part of induction and compliance refreshment training.</p> <p>08/23/16: adidas Update July 2016: 2 i-ii. Ongoing. The Factory has included massive layoffs procedures. However, it is missing some components, including how severance calculations will be made in the case of a massive layoff. iii. Ongoing. The factory included applicable payments required to be made to workers in the event of a resignation as well as terminations. However, the adidas- Group SEA Team has provided additional comments for the Factory's consideration to include in its policy. 3. Pending. To be completed once Termination/Resignation and Massive Layoff policy is completed.</p> <p>08/19/16: Update-November 2015 visit: 1. Completed. Factory's Compliance Manager is responsible for this policy. 2 i-ii. Ongoing. The company developed a policy of resignation or dismissal, however, there is no procedure for situations of personnel downsizing. iii. Pending. The Company does not have procedures for determining payments of all termination types only for dismissal and resignation.</p>

Verification Results:

1. Finding Status Partially Remediated

Explanation: in 2015, the factory created a Retrenchment policy and procedure; however, they are missing channels for workers to confidentially express any concern or problem they might experience around legally owed payments during a retrenchment, as required under FLA Compliance Benchmarks. Also, assessor found some gaps in the implementation of the Retrenchment policy and procedure. Starting in mid-May 2017, the factory has been implementing a worker retrenchment due to a significant decrease in production orders. As of the assessment, the factory had retrenched 185 workers. There was no evidence of discriminatory or arbitrary

retrenchment practices; nonetheless, the factory did not consult with workers alternatives to avoid or mitigate the effects of the layoffs, nor did it arrange consultation meetings with workers before reaching final decisions on retrenchment, as required under FLA Compliance Benchmarks.

Root Causes:

1. Factory management is aware that the FLA Compliance Benchmarks require the establishment of Retrenchment procedures; however, management lacks knowledge on how to create said procedures and how to incorporate all elements required by FLA Compliance Benchmarks.
2. Consulting alternatives with workers before reaching a final decision on retrenchment is not a common practice in the Guatemalan garment industry; hence, the management followed the prevailing practice, and considered that informing workers about the retrenchment decision was the only action they needed to do.

2. Finding Status Remediated

Explanation: Both the Termination and Retrenchment procedures now include methods for calculating termination payouts for all forms of termination, which also include legal requirements.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmarks ER.19.2, ER.25.3, ER 32.3, and ER 32.5)

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management should review its current Retrenchment Policy and Procedure to ensure includes: A. Workers are provided with channels or means to express any concern or problem they may have on severance payment, management should reinforce available options, i.e. adidas Workers Hotline Poster, B. Consultation of management with workers on alternative measures to avoid or mitigate the effects of layoffs before workers termination is decided. i. If workers could stay longer in their job performing other functions, ii. Inform workers of similar jobs positions hiring opportunities at other factories part of same industry. C. Management should consult thru meetings with workers before final decisions on retrenchment to explore alternative measures and/or how to better organize work after retrenchment. i. Factory to maintain records in relation of retrenchment discussions and decisions with workers. Also please see adidas Quick Guide on Redundancy & Retrenchment.
Action Plan Status:	In Progress
Planned Completion:	01/31/2018
Progress Update:	<p>11/07/2019: adidas Update: 1A. Complete, Retrenchment Policy and Procedure was revised by factory management to include channels for workers to express concerns they may have about severance payments. Workers can contact HR Management, the members of Communication Committee and/or directly to the Minister of Labor about their concerns. 1B. Pending, consultation of management with workers on alternative measures to mitigate the effects of layoffs have not been added to the policy. Also, factory management reports during 2019 there has been no workers termination due to low volumes of production or other reasons. i. Pending, factory has not included on Retrenchment Policy and Procedure that workers are informed if they could stay longer in their job performing other functions. ii. Completed, Retrenchment Policy and Procedure includes that workers would be informed about job opportunities at other factories of the same industry. C. Ongoing, factory management agrees to consult with workers during termination process to hold meetings with workforce before final decisions on retrenchment. i. Pending, there are no records of retrenchment discussions between workers and management before management reaches a final decision on workers to be terminated, i.e. if other options besides termination were discussed. Please consider there has been no workers retrenchments due to low volumes or other reasons in 2019.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A. Pending, Retrenchment Policy and Procedure do not include channels for workers to express concerns they may have about severance payments, such as contact HR and/or Factory's Senior Management or other option such as adidas Workers Hotline Poster. 1B. Pending, consultation of management with workers on alternative measures to mitigate the effects of layoffs have not</p>

	<p>been added to the policy. Also, factory management reports during 2018 there has been no workers termination due to low volumes of production or other reasons. i. Pending, factory has not included on Retrenchment Policy and Procedure that workers are informed if they could stay longer in their job performing other functions. ii. Completed, Retrenchment Policy and Procedure includes that workers would be informed about job opportunities at other factories of the same industry. C. Ongoing, factory management agrees to consult with workers during termination process to hold meetings with workforce before final decisions on retrenchment. i. Pending, there are no records of retrenchment discussions between workers and management before management reaches a final decision on workers to be terminated, i.e. if other options besides termination were discussed.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Pending, Retrenchment Policy and Procedure do not include channels for workers to express concerns they may have on severance payment. 1B. Pending, this has not been added to the policy, during 2017 factory terminated a total of 332 workers about 45 % of total workforce and from workers interview, workers were not consulted on alternative measures to avoid or mitigate the effects of layoffs. i. Workers were not informed about if they could stay longer in their job performing other functions. ii. Ongoing, workers were informed about job opportunities at other 3 factories of the same industry. C. Pending, during workers termination process there were no meetings with workers before final decisions on retrenchment. i. Pending, there are no records of retrenchment discussions between workers and management before management reaches a final decision on workers to be terminated, i.e. if other options besides termination were discussed.</p>
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FINDING NO.6

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Management has not formally assigned anyone responsibility for managing Industrial Relations within the factory. **ER.1**
2. The factory does not have a written policy on Industrial Relations. **ER.25**
3. There is no formal dialogue mechanism with workers, e.g., worker committees, or designated space for worker meetings. **ER.25.2**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.2, and ER.25.2)

<p>Company Action Plan:</p>	<ol style="list-style-type: none"> 1. Factory management to designate a responsible person to manage all aspects of the Factory's industrial relations including but not limiting, the factory's grievance systems, communication channels, disciplinary procedures/appeal system, etc. 2. i. Once designated person is assigned, they must ensure to create an industrial relations policy highlighting the various mechanisms in place to address workplace issues between management and workers. 3. As part of the expansion of the factory's industrial relations mechanisms and to promote workers' ability to provide feedback to management on workplace issues, the Factory should create a worker-management committee. i. Worker-management committee should be comprised of representatives from workers and management. Workers' representatives should be elected solely by workers themselves. ii. Roles and responsibilities of the Committee should be drafted in consultation with workers, but should include the ability to provide and encourage workers to discuss suggestions, grievances, etc. with management. In addition, the communications committee may also be used to allow management to communicate workers changes or decisions that may affect workers in the future. For additional information regarding how to set up a worker-management
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	committee, please see section 5.3 of the adidas-Group Workplace Standards. 4. Once industrial relations policy has been completed, factory management should include training on all aspects of its industrial relations policy in its induction and annual refresher courses trainings.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Completed, factory has designated Internal Compliance Manager to manage all aspects of Industrial Relations. 2. Ongoing. Management has included the feedback provided by adidas Group SEA Team to the Industrial Relations Policy, such as grievance and suggestions process, procedure to address open grievance from workers, suggestion box how suggestions will be addressed, however overall are missing the component of how management will respond workers about their grievance or suggestion. 3. Pending, from interview with factory management is still pending to decide if will integrate a Communication Committee and hold election in order to select Committee members.</p> <p>08/23/16: adidas Update July 2016: 1. Pending. No update received. 2. Ongoing. The Factory has completed first draft of Industrial Relations Policy. However, the adidas-Group SEA Team has provided feedback to factory to review and include in policy. 3. Ongoing. There is no information regarding how communications committee will be constituted nor what will be included amongst its roles and responsibilities. SEA Team to review election process and roles/responsibilities of communications channel with factory prior to its implementation.</p> <p>08/19/16: Update-November 2015 visit: 1. Completed. The Factory's Compliance Manager is responsible for managing all aspects of the Factory's industrial relations. 2. Pending. The factory does not have written policy on industrial relations. 3. Pending. There is still no formal mechanism for dialogue with employees, for example, workers' committees or designated space for workers meetings.</p>

Verification Results:

1. Finding Status Remediated

Explanation: The factory has assigned a Compliance Manager to be responsible for managing Industrial Relations. Assessor reviewed the Compliance Manager's job description and corroborated that this responsibility has been formally and clearly assigned. Industrial Relations (Labor Relations) policy also mentions the Compliance Manager as the person responsible for Industrial Relations within the factory.

2. Finding Status Remediated

Explanation: In 2015, the factory developed a policy on Industrial Relation. The last policy update was done in May 2017. The policy includes the different channels and mechanisms for resolving labor disputes.

3. Finding Status Partially Remediated

Explanation: In addition to the regular grievance and communication channels available to workers (open door policy, hotline and suggestion boxes), the factory has created a Worker Committee formed by three production workers appointed by the management, to be responsible for receiving workers' complaints and suggestions. This Committee was created in Oct 2015 with the voluntary participation of the Committee members. Evidence gathered from interviews and a review of records showed that no worker has ever used this grievance or communication channel. All workers are unaware of the Worker Committee, and they tend to consider it as a fire or evacuation brigade. As this committee is still unknown by most workers, it is not working as an effective communication system with the management.

Root Causes: Factory management has not sufficiently informed the workforce regarding the existence of the Worker Committee. Also, the committee members wear the same vest that members of the fire and evacuation

brigades members use; hence, workers tend to think that the Worker Committee functions are related to health and safety, and not to grievance.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmark ER.25.2)

<p>Company Action Plan:</p>	<ol style="list-style-type: none"> 1. Related to grievance and communication channels available for workers please implement the following actions; A. Ensure workers are constantly reminded about available communication channels at the factory, such as hotline and suggestion boxes. 2. Ensure Workers Committee members are elected by workers; please refer to point no. 3 of original remediation on this item. 3. Factory should post the names and pictures of Workers Committee members, brief workers during meetings and regular compliance trainings about the existence of Workers Committee, explain workers its functions and how can they contact Committee members. 4. Ensure Workers Committee members wear a different distinction than H&S brigades members for easier identification, it could be a vest of different color. A. Maintain records of all minutes of meetings between management and Workers Committee. Please see adidas Employment Guidelines point 4.7.5 on Freedom of Association for additional information.
<p>Action Plan Status:</p>	<p>In Progress</p>
<p>Planned Completion:</p>	<p>01/31/2018</p>
<p>Progress Update:</p>	<p>11/07/2019: adidas Update: 1A, Completed, per management interview it was verified that workers are reminded about available communication channels at the factory during annual compliance policies refreshment trainings: Communication channels are suggestion boxes, and existing Workers Committee. Additionally, workers can contact directly Senior Management and workers, these meetings include participation of Factory's Executive Manager. 2. Completed, according to management Workers Committee members were selected by workers, however management has not yet drafted a procedure for Workers voting and selection process. 3. Completed, Pictures of Workers Committee members are posted in the cafeteria and easily available for workers. 4. Pending, from interview with management members of workers committee do not wear a different distinction from other workers for easy identification. 4A. Completed, management is keeping records of meetings between management and Workers Committee. Workers Committee meeting with management once a month.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A, Completed, during factory visit and per worker interview it was verified that workers are reminded about available communication channels at the factory during annual compliance policies refreshment trainings: Communication channels are suggestion boxes, and existing Workers Committee. 2. Completed, according to management and per documentation review: Workers Committee members were selected by workers. On August 22, 2018 Workers selected thru voting process 2 or 3 members of their line or area to be part of Workers Committee. According to voting results, the members of the line or area with more votes was selected for a second round of voting. On second round of voting on August 24 and 25, 2018 workers had to select only one person from each area or production line thru secret ballot vote. During visit to the factory it was verified documentation of Workers Committee selection and voting process, however management did not draft a procedure for Workers voting and selection process. 3. Completed, Pictures of Workers Committee members are posted in the cafeteria and easily available for workers. 4. Pending, members of workers committee do not wear a different distinction from other workers for easy identification. 4A. Completed, management is keeping records of meetings between management and Workers Committee, there was a Workers Committee meeting with factory management on September 10, 2018 and October 8, 2018. During these meetings it was</p>

	<p>explained the goal of Workers Committee and to ensure any concern from workers is communicated to management. Workers Committee is meeting once a month during second week of given month.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Ongoing, during visit to the factory and per interview with workers it was verified that workers are reminded about available communication channels at the factory during annual compliance policies refreshment trainings. 2. Ongoing, according to management, Workers Committee members were selected by workers, however is not clear how workers were elected. 3. Completed, Pictures of Workers Committee members are posted in the cafeteria and easily available for workers. 4. Pending, members of workers committee do not wear a different distinction from other workers for easy identification. 4A. Pending, management does not keep records of meetings between management and Workers Committee.</p>
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FINDING NO.7

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not keep records of all grievances that workers submit. There are only records of the grievances submitted through the suggestion box; verbal grievances are not documented.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2.1)

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management to designate a responsible person to create a documentation process for all grievances received, including grievances reported to the HR Department through its "open door" policy. 2. Grievance documentation process should include grievance information, remediation steps taken by management and timeline of such. ii. Documentation process should take into consideration confidentiality criteria for highly sensitive grievances reported directly to management. 3. Responsible person to provide training to all managers, supervisors and workers on how grievances will be documented when reported directly to managers/supervisors.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1-2 Completed per previous remediation verification. 3. Pending, management has not yet provided training to all managers, supervisors and workers about the procedure for managing and recording grievances. Please specify the schedule of trainings on this topic as part of remediation.</p> <p>08/23/16: adidas Update July 2016: 1-2. Completed per documentation submitted. To be verified during next visit. 3. Pending. No update received.</p> <p>08/19/16: Update-November 2015 visit: 2. Ongoing. The management showed two documented verbal complaints. It is noted that the format does not indicate that the complaint is verbal. 3. Completed and ongoing. Documentation, interviews with workers and management verified that from November 16 to 21, 2015, the company gave training to all employees (according to attendance records, a total of 596) on the Company policies and codes of conduct. The</p>

	<p>topics were: Hiring Policy, child labor policy, forced labor policy, discrimination Policy, incentives policy, wage policy, harassment policy, not retaliation and abuse policy, overtime Policy, permits policy, free political association, complaints and suggestions policy, disciplinary procedures, industrial safety Policy, protective equipment policy, staff development policy, what to do in case of fire, environmental policy. During the interviews, workers demonstrated a high level of knowledge in the policies of the company, with the exception of freedom of association issue.</p>
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Verification Results:

1. Finding Status Remediated

Explanation: Through records review, assessor found that the factory is keeping records of all grievances submitted by workers. The factory developed a format that is used to record all grievances submitted through the different grievance channels, including those submitted verbally by workers.

FINDING NO.8

HEALTH, SAFETY & ENVIRONMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's environmental protection policy does not include a general statement of the factory management's support for energy and water efficiency, and a commitment to minimize air emissions, waste, hazardous materials, and other applicable environmental risks. **ER.31.3**
2. The factory does not have several necessary environmental procedures: Procedures that enable workers to raise environmental concerns, procedures for reporting environmental emergencies, and protection for workers who allege environmental violations. **ER.31.2.4, ER.31.2.5, ER.31.2.6**
3. The factory's solid waste storage area is not completely secured and protected. It was open and some waste was found off site. **HSE.1**
4. Most trashcans throughout the factory, including bathrooms and the canteen, do not have lids. **HSE.1**
5. Waste metal structures and scrap metal is piled up in far back of the canteen. **HSE.1**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.31.2.4, ER.31.2.5, ER.31.2.6, and ER.31.3; Code Provision VII: Health, Safety and Environment Benchmark HSE.1)

Recommendations for Immediate Action

1. Equip all trashcans with lids.
2. Store all solid waste inside the solid waste collection room, and ensure that the waste collection room is secure.
3. Designate a secure and isolated area to store waste metallic structures.

<p>Company Action Plan:</p>	<ol style="list-style-type: none"> 1. Factory to designate a responsible person to review and expand its current environmental policy to include the Factory's commitment to diminishing its energy, water and waste consumption and continuously work towards reducing its environmental footprint. 2. Designated person to create a mechanism for workers to report any environmental hazards and/or accidents. 3. Factory management to include updated environmental policy and environmental reporting mechanism in its induction and annual refresher course training program. 4. Factory management to separate and secure or solid or non-solid storage areas. In the case of the scrap metal storage area, such should be properly organized and maintained. 5. Factory management should designate a responsible person to maintain and control storage areas throughout the factory. 6. Factory management to review all trashcans and equip them with waste metal lids.
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Action Plan Status:	Completed
Planned Completion:	09/30/15
Progress Update:	<p>08/23/16: adidas Update July 2016: 1. Completed. The Factory has enhanced its Environmental Policy to include the management of hazardous materials. Implementation to be verified during 2016 annual audit. 2. Completed. Environmental Policy has been included a section indicating how workers may report concerns.</p> <p>08/19/16: Update-November 2015 visit: 1. Ongoing. Protecting the Environment Policy includes a general statement of support from the factory management for energy and water efficiency and a commitment to reduce air emissions, waste and other environmental risks applicable to the minimum. However, it does not include hazardous materials. 2. Ongoing. The company showed a document called an Environmental Emergency Response, however, this does not include that workers can raise environmental concerns. 3. Completed and ongoing. Documentation, interviews with workers and management verified that from November 16 to 21, 2015, the company gave training to all employees (according to attendance records, a total of 596) on the Company policies and codes of conduct. The topics were: Hiring Policy, child labor policy, forced labor policy, discrimination Policy, incentives policy, wage policy, harassment policy, not retaliation and abuse policy, overtime Policy, permits policy, free political association, complaints and suggestions policy, disciplinary procedures, industrial safety Policy, protective equipment policy, staff development policy, what to do in case of fire, environmental policy. During the interviews, workers demonstrated a high level of knowledge in the policies of the company, with the exception of freedom of association issue. 4. Completed. It was noted that the area of solid waste storage is fully secured and protected. No metallic waste and scrap metal piled on the back of the chair structures were noted. 5. Ongoing To be verified during next visit. 6. Complete. It was noted that all trash cans throughout the factory, including bathrooms and dining room, had lids.</p>
Completion Date:	07/21/16

Verification Results:

1. Finding Status Remediated

Explanation: The revised Environmental Protection policy (updated in Oct 2016) now includes statements of the factory's support for efficient use of water and energy, and a commitment to reduce its environmental impact through minimizing effects of its activity on the environment.

2. Finding Status Partially Remediated

Explanation: The revised Environmental Protection procedures (updated in Oct 2016) now include steps that enable workers to report environmental concerns and procedure to report environmental emergencies. However, protections to protect workers who allege environmental violations are still missing.

Root Causes: The factory management is not clear on how to incorporate the protections for workers who allege environmental violations in the environmental procedures.

3. Finding Status Remediated

Explanation: The solid waste storage area is now secured and protected.

4. Finding Status Remediated

Explanation: All trashcans are now equipped with lids.

5. Finding Status Not Remediated

Explanation: During the observation, assessor noted that metal structures and scrap metal were still piled up in the back of the canteen.

Root Causes: As the cutting and packing departments were relocated out of the mezzanine, the factory generated new solid waste, and the area designated for storing solid waste was not big enough for depositing all the scrap metal.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmark ER.31.2.6; Health, Safety and Environment Benchmark HSE.1)

Recommendations for Immediate Action (if applicable)

1. Store the waste metal structures and scrap metal in the designated area for storing solid waste. If the size of the solid waste storage room is not enough for deposit all metal scrap, management should request of the authorized agencies to pick up and remove the waste from the factory.

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory to revise and update the existing Environmental Protection procedures and ensure these include that there will be no retaliation or negative consequences for workers who report environmental problems to management. Environmental Protection procedures should include the disciplinary action for employees who violate non-retaliation policy. 2. Ensure to eliminate or reduce the amount of metal structures and scrap metal piled in the back of the canteen. A. As proof or remediation management should copies if manifest of metal waste disposal. B. Ensure waste is disposed thru authorized companies to transport and dispose this type of waste.
Action Plan Status:	In Progress
Planned Completion:	11/30/2017
Progress Update:	<p>11/07/2019: adidas Update: 1. Completed, Environmental Procedures verified during adidas November 2108 visit to the factory it was noted that management included the following aspect: there will be no retaliation or negative consequences for workers who report any environmental problem at the factory. 2A. Ongoing, from interview with factory management the metal structures and scrap metal piled in the back of the canteen has been removed, however management could not share proof of proper disposal. 2B. Pending, per interview with factory management metal scrap has been removed from the factory, however factory management could not share copies of manifest of disposal for review if disposal was handled by an authorized company for the type of waste.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1. Completed, Environmental Procedures verified during adidas November 2108 visit to the factory it was noted that management included the following aspect: there will be no retaliation or negative consequences for workers who report any environmental problem at the factory. 2A. Pending, from visit to the factory on November 2018 it was noted there are still metal structures and scrap metal piled in the back of the canteen. 2B. Ongoing, management showed SEA copies of one manifest of metal scrap disposal that has been removed from the factory, however it was not possible to verify if company handling waste is authorized for disposal and transportation of waste by local authority.</p> <p>05/18/18: adidas Update per December 2017 visit: 1. Pending, per Environmental Procedures review, the procedures do not include there will be no retaliation or negative consequences for workers that report any environmental problem at the factory, or disciplinary actions for workers who violate the non-retaliation policies. According to management the non-retaliation language will be included by mid-year 2018. 2A. Pending, from visit to the factory on December 2017 it was noted there are still metal structures and scrap metal piled in the back of the canteen. 2B. Pending, management to share copies of the manifests of metal scrap disposal once is removed from the factory to verify that companies handling waste are authorized for solid waste disposal and transportation.</p>

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory's Health & Safety procedures do not include procedures for workers to raise health and safety concerns, and protection for workers who raise such concerns. [ER.31.2.4](#), [ER.31.2.6](#)
2. The fire safety procedures do not have a list of the employees (names and/or titles) responsible for managing fire equipment, and the factory's response plans in the event of a fire. [HSE.5](#), [HSE.31.2.3](#)
3. First aid and medical procedures do not have information concerning what employees should do in case of injury.
4. Health & Safety procedures do not include steps for reporting death, other health & safety issues, injury, and illness. [ER.31.2.5](#)

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks [ER.31.2.3](#), [ER.31.2.4](#), [ER.31.2.5](#), and [ER.31.2.6](#); Health, Safety & Environment Benchmark [HSE.5.1](#))

Company Action Plan:	<ol style="list-style-type: none">1. Designated person to create a mechanism for workers to report any health and safety concerns, such as accidents, risks, PPE requests, etc. Procedure should clearly indicate that workers will not receive retaliation for reporting health and safety concerns.2. Health and Safety manager to review and expand the Factory's current fire safety procedures in order to include workers responsible for managing fire equipment and written procedures to be followed in the case of a fire.3. Health and Safety manager to review and expand current first aid procedures to include steps to be taken in the case of an injury, from a minor injury to a serious one, including falls, b burns, cuts, etc.4. Factory management to include information on updated policies during induction and annual refresher courses to entire workforce.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Ongoing, management has included the recommendations provided by adidas Group-SEA to the accident reporting policy. 2. Pending, due to time restrictions this issue was not verified during recent SEA visit at the factory. 3. Complete. 4. Complete, management review its H&S policies that are included as part of induction and annual refreshment training to workers.</p> <p>08/23/16: adidas Update July 2016: 1. Ongoing. Factory drafted an accident reporting policy. However, SEA has provided additional comments to factory to take into consideration. 3. Completed. Policy does include procedures in case of injury and death.</p> <p>08/19/16: Update-November 2015 visit: 1. Pending. The procedure for health and safety of the plant still does not include a procedure for workers to raise health and safety concerns. 2. Completed. The company showed Brigades Manual, which includes: the name of the Brigade and Committee, description and name of its members (Committee on Health and Safety, Traffic Brigade, Interior/Exterior Traffic Brigade, Communication brigade, maintenance Brigade and Extinguishers Brigade) 3. Ongoing. The company introduced a security protocol from injury, which includes the participation of the supervisor and nurse, however, it still does not include information about what employees should do in case of injury. Health and safety procedures include steps in case of injury but does not include in case of death and disease. 4. To be updated after next visit.</p>

Verification Results:

1. Finding Status Not Remediated

Explanation: The factory has not developed procedures for workers to raise health and safety concerns. Protections for workers who raise health and safety concerns are still missing.

Root Causes: Factory management is not clear on how to create procedures for workers to raise health and safety concerns and the corresponding protections against retaliation.

2. Finding Status Remediated

Explanation: The factory's current fire safety procedures (created in 2015 and updated in May 2017) describe specific response plans in the event of a fire. Also, the procedures describe the specific responsibilities of the fire brigade members, which are the responsible of managing the fire fighting equipment. Fire fighting brigade members are also clearly identified in the workshop through the use of a high-visibility vest, and they have been properly trained.

3. Finding Status Remediated

Explanation: The current accident procedures (created in 2015 and updated in May 2017) describe the specific steps to follow in case of incidents, including injuries, and the responsible staff members for each step.

4. Finding Status Remediated

Explanation: The factory's current Health & Safety procedures (created in 2015 and updated in May 2017) describe the steps to follow in cases of death, injury, illnesses and other health and safety issues.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmark ER.31.2.6)

Company Action Plan:	<ol style="list-style-type: none">1. Factory management should develop procedures that allow workers to report health and safety concerns, this could be by inviting workers to report concerns during H&S Committee walk rounds or any internal H&S inspections. A. Factory to communicate workers they have the opportunity to report H&S Concerns, B. Factory to designate a person responsible for receiving and record concerns on H&S reported by workers. C. As part of procedures factory could offer the option to report H&S Concerns by using the suggestion box or workers to report directly to management, all concerns reported by workers on H&S should be properly filed and reviewed by management.2. Management should include as part of procedures that allow workers to report H&S Concerns that there will be no retaliation against workers for reporting H&S concerns. A. No retaliation aspects should include disciplinary actions for those employees engaged in retaliatory behavior. During H&S Policies training provided to workers, management should include reference that workers would not be retaliated if they report concerns on H&S.
Action Plan Status:	In progress
Planned Completion:	11/30/2017
Progress Update:	11/07/2019: adidas Update: 1A. Ongoing, Factory management included reference that workers can report H&S concerns on their work station or area to Compliance Manager, however is still missing that workers can report any concern from other areas of the factory. 1B. Complete, management designated Compliance Manager as the responsible person for receiving and record concerns reported by workers on H&S. 1C. Completed, management informed workers they could report H&S concerns on suggestion box or directly to

<p>management. 2A. Pending, per interview with management factory management has not included no retaliation aspects to its procedures, neither disciplinary actions for those workers engaged in retaliatory behavior. Also, factory management has not mentioned to workers during H&S policies trainings that no worker would be retaliated if they report concerns on H&S.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A. Ongoing, Factory management included reference that workers can report H&S concerns on their work station or area to Compliance Manager, however is still missing that workers can report any concern from other areas of the factory. 1B. Pending, management has not yet designated a person responsible for receiving and record concerns reported by workers on H&S. 1C. Completed, management informed workers they could report H&S concerns on suggestion box or directly to management, however workers have not yet reported any concern related to H&S on existing communication channels. 2A. Pending, factory management has not included no retaliation aspects to its procedures, neither disciplinary actions for those workers engaged in retaliatory behavior. Also, factory management has not mentioned to workers during H&S policies trainings that no worker would be retaliated if they report concerns on H&S.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Pending, management has not yet developed procedures to allow workers to report health and safety concerns. According to management, these procedures should be developed by mid-year 2018. 1B. Pending, management has not yet designated a person responsible for receiving and record concerns reported by workers on H&S. 1C. Pending, management has comment workers they could report H&S concerns on suggestion box or directly to management, however workers have not yet reported any concern related to H&S. 2A. Pending, factory management has not included no retaliation aspects to its procedures, neither disciplinary actions for those workers engaged in retaliatory behavior. Also, factory management has not mentioned to workers during H&S policies trainings that no one would be retaliated if they report concerns on H&S.</p>
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FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The majority of the fire extinguishers at the sewing production lines are not marked with sequential numbers on the units and the walls where they are mounted. **HSE.6**
2. There is no a centralized alarm system, and there is no alarm system in the cutting and packing departments (no siren and alarm buttons available). **HSE.5**
3. Some fire extinguisher hoses are missing nozzles, (fire extinguishers #7, 9, and 55). Also, the fire hose of fire extinguisher #55 was substantially worn out. **HSE.6**
4. One main aisle in the cutting department is too narrow (55 cm). Additionally, there are some columns placed in this aisle, which reduces the space for workers to evacuate. **HSE.5**
5. There is only one fire extinguisher at sewing production line #9. **HSE.6**
6. There are no emergency lights in the administrative building. **HSE.5**
7. There is only one available emergency exit for workers in the packing, cutting and sewing departments. **HSE.5**
8. The factory management has not clearly defined responsibilities for members of the fire brigade, and they have not even participated in all evacuation drills conducted during past year. **ER.31.2.3**

Local Law or Code Requirement

General Regulations on Risks Prevention in the Workplace, Article 86 (Section 2) and Article 92, (Sections B, C, D, and E); FLA Workplace Code (Employment Relationship Benchmark ER.31.2.3; Health, Safety & Environment Benchmarks HSE.1, HSE.5.1, and HSE.6.1)

Recommendations for Immediate Action

1. Ensure that all fire extinguishers at the sewing production lines are marked and identified with sequential numbers, and update the evacuation map accordingly.
2. Install a centralized alarm system, and ensure that alarm is loud enough so workers in the cutting and packing departments can hear it. Install fire alarm buttons in the cutting and packing departments.
3. Ensure that all fire extinguisher hoses are in good conditions, and that they are fitted with nozzles.
4. Modify the current layout in the cutting department so that all aisles are least one meter wide, and ensure that the aisles are unblocked and free from obstacles.
5. Install at least one additional fire extinguisher at sewing production line #9.
6. Install emergency lights in the administrative building.
7. Install at least one additional emergency exit in the packing, cutting and sewing departments, in different locations than the current emergency exits.

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management to designate a responsible person to manage the following fire safety improvements. 2. Designated person to review and ensure the following improvements are made on the Factory's fire extinguishers: A. Ensure that ALL fire extinguishers are marked with sequential numbers along with the walls they are mounted. B. Ensure all fire extinguishers are equipped with all necessary parts (missing nozzles in exits # 7, 9, and 55. C. Ensure all factory areas are equipped with an adequate number of fire extinguishers. Per adidas health and safety standards, there should be at least one extinguisher per 100 sq. meters. Distance from any worker to a fire extinguisher should be less than 22.5 M (less than 75 ft). 3. A. Factory management to ensure that all factory areas (production, storage, office areas) are equipped with a centralized fire alarm (sound and light) that is different from other alarms and notification systems. 4. Designated person to review ALL production, storage and office areas and verify that emergency lighting is installed along egress routes, exits, stairwells and other appropriate locations. 5. Factory management should conduct full testing alarms every 3 months and tests on em. lights every month. 6. Factory management to reconfigure cutting department and ensure that all aisles are 1.1.M. 7. Factory management to ensure that all areas have at least 1 emergency exit. Pls note that in the case of sewing, such has two different em. exits. However, cutting is only equipped with one. 8. A. Factory management to draft roles and responsibilities of members of fire brigade as per local requirements. B. Conduct a training needs assessment and C. Schedule and complete all necessary trainings.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Ongoing, factory management has designated a person, responsible for Internal Compliance as the person to follow up on fire safety improvements and to ensure improvements related to fire extinguishers. 2A. Complete, per visit by SEA Team at the factory it was noted that fire extinguishers at production floor are marked with sequential numbers. 2B. Ongoing, from verification during SEA Team visit on December 2016 it was found that fire extinguishers are equipped with nozzles. 3. Completed, per visit to the factory by SEA Team it was noted there are fire extinguishers located in all production areas and storage. 4. Completed, person in charge to review emergency lighting is installed in egress routes, exits, production and storage areas is Liliana Pinto who is responsible for Compliance at the factory. 5. Ongoing, per documentation verified factory conduct internal testing of alarms on a daily basis and emergency lights every month. 6-7. Pending, currently cutting department is still located in same place, management is planning to relocated cutting department in an empty storage area located besides sewing facility. 8A. Ongoing, per documentation verification it was noted that factory performed an</p>

evacuation drill by October 29, 2016, in this document is noted that members of fire safety brigade were training on evacuation techniques. 8B. Pending, it was not possible to determinate if factory performs a training needs assessment for workers on H&S. 8C. Ongoing, during the year management has scheduled trainings for workers on H&S such as fire safety and first aid.

08/23/16: adidas Update July 2016: 1-7. Pending. Please review original remediation plan and update accordingly. 8A. Ongoing. The Factory submitted documentation illustrating their Feb. 27 2016 evacuation. As part of the evacuation, based on documentation submitted by the factory, the fire brigade received training regarding how to conduct an evacuation. However, it is clear if the responsibilities of the members have been established and communicated to the brigade. B-C. Pending. No update received.

08/19/16: Update-November 2015 visit: 1. Ongoing. To be verified during next visit. .2. A Complete. It was noted that all fire extinguishers are marked with sequential numbers. B. Completed. It was noted that all hoses and extinguishers had nozzle and were in good condition. C. Completed. It was observed that the sewing line 9 has 2 extinguishers. This area measures 126 square meters and 47 employees are working in it. 3. A. Complete. The company has 7 alarm trigger points (3 lines of stitching, 1 in packing and 3 in cutting), including cutting and packing. During the tour a test was performed and the alarm is heard in all areas. 4. Completed. The administrative building has 3 emergency lights, two in each emergency exits and the other on the stairs. 5. To be verified during next visit. 6. Pending. It was found that three evacuation routes of the cutting area are cramped, one measuring 0.45 cm and two measuring 0.60 centimeters. The columns in this corridor remain in place. Completed. The company has 7 emergency exits: 4 in sewing and packing building and 3 in the cutting building, finished product warehouse and fabric warehouse. 8. A. Management has defined the responsibilities of the members of the fire brigade. There is no evidence that management participate in evacuation drills. B-C. Pending. To be updated during next visit.

Verification Results:

1. Finding Status Remediated

Explanation: All fire extinguishers in sewing production lines and other departments are marked with sequential numbers posted on the walls where the units are mounted.

2. Finding Status Remediated

Explanation: Assessor tested the alarm system and verified that the factory now has a centralized alarm system. The cutting and packing departments have been relocated to a different plant, which is equipped with a siren and alarm buttons linked to the centralized alarm system.

3. Finding Status Remediated

Explanation: All fire extinguishers hoses are equipped with nozzles. Also, all fire extinguishers, including their hoses, are in good condition.

4. Finding Status Remediated

Explanation: The cutting department has been relocated to a different building. Aisles in the new building meet the legally required width and are free of obstacles.

5. Finding Status Remediated

Explanation: All sewing production lines are equipped with the sufficient number of fire extinguishers.

6. Finding Status Remediated

Explanation: The administrative building is now equipped with three emergency lights placed in their proper locations.

7. Finding Status Remediated

Explanation: Workers in the packing, cutting and sewing departments now have two emergency exits available.

8. Finding Status Remediated

Explanation: Assessor reviewed the factory’s emergency plan and it describes in detail what the specific responsibilities of each brigade members are, including the fire brigade. Also, from interviews with brigade members and a review of records, assessor corroborated that the fire brigade members have participated in at least two evacuation drills in the last 12 months.

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no nearby drinking water stations for workers in the cutting and packing departments. **HSE.23.1**
2. There is no soap and water available for workers to wash their hands, no means for workers to dry their hands, and there is a broken toilet lever in men’s restroom in the packing department. **HSE.19**
3. The hand drier in the men’s restroom in the sewing department is broken. **HSE.19**
4. There is no sign indicating that restroom in the “outside area” is only for women. **HSE.20**
5. There is no soap available in the restroom at the “outside area”, and some toilets were dirty. **HSE.19**
6. The majority of chairs and tables in the canteen are dirty and covered with excess dust. **HSE.22**

Local Law or Code Requirement

General Regulations on Health and Safety in the Workplace, Article 97 (Sections 1 and 6), Article 98, Article 100, and Article 105 (Section 3); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.19, HSE.20, HSE.22, and HSE.23.1)

Recommendations for Immediate Action

1. Install drinking water stations in the cutting and packing departments.
2. Ensure that the men’s restroom in the packing department has soap and water for workers to wash their hands, and a means for workers to dry their hands.
3. Repair the broken toilet lever in the men’s restroom in the packing department.
4. Repair the broken hand drier in men’s restroom at the sewing department.
5. Clean the chairs and tables in the canteen on a regular basis.
6. Post a sign to indicate that restroom in the “outside area” is only for women.
7. Ensure that restroom in the “outside area” is clean, and that soap is available.

Company Action Plans:	<ol style="list-style-type: none"> 1. Factory management to provide drinking water in cutting and packing departments. 2. Factory management to designate a responsible person to manage its housekeeping and maintenance program, including restroom maintenance. 3. As part of the maintenance program, designated person to ensure that all restrooms are continuously monitored throughout the day to ensure ALL bathrooms properly maintained (clean and functioning properly) and equipped with soap, water and hand dryer device. 4. Restrooms designated by gender should be properly labeled. 5. Designated person to ensure all canteen chairs and tables are properly kept and cleaned before/after each meal and break. Factory should designate staff responsible for cleaning canteen area and schedule periodic cleanings as needed.
Action Plan Status:	In Progress
Planned	09/30/15

Completion:	
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Completed, factory management installed drinking water dispensers at cutting and packing departments, there is one water dispenser for each area. 2-3. – Completed. 4. Completed, during SEA Visit to the factory on December 2016 it was noted that restrooms are properly label indicating the gender for each restroom. 5. Ongoing, factory management shared proof of daily inspections made to restrooms, however the format does not specify clearly the aspects verified in these inspections.</p> <p>08/23/16: adidas Update July 2016: 1. Pending. No update received 2-3. Completed per factory update as factory has designated a person to conduct checks of restrooms and canteen. 4. Pending. No update received. 5. Ongoing. Factory has indicated that a person is assigned to monitor canteen area. No documentation submitted.</p> <p>08/19/16: Remediation Update-November 2015 visit: 1. Complete. It was noted that the company has a water station in the cutting area and a water station for the fabric warehouse. The staff of the finished product warehouse can access to the water filters located at the main entrance (24 meters away). 2. Pending. To be verified during next visit. 3. Ongoing. Water, soap and hand drying available in all bathrooms were noted. The Bathroom Implements were observed in good condition: All bathroom dryers were in good condition. Monitoring to be reviewed during next visit. 4. Complete. All bathrooms have indication of man and woman as applicable. 5. Ongoing. The dining area, chairs included were clean. Monitoring and cleaning schedule to be reviewed during next visit.</p>

Verification Results:

1. Finding Status Remediated

Explanation: The cutting and packing departments have been relocated to a different building; now workers in both departments have drinking water stations nearby. Interviewed workers confirmed the drinking water is available at all times.

2. Finding Status Remediated

Explanation: All restrooms are functioning properly and are equipped with soap and water for workers to wash their hands and hand driers. During the worker interviews, employees corroborated that restrooms are properly kept at all times, and supplies such as soap, paper and driers are available.

3. Finding Status Remediated

Explanation: All hand driers in the sewing department properly work and are in good condition.

4. Finding Status Remediated

Explanation: All restrooms have clear indications of gender-segregation.

5. Finding Status Remediated

Explanation: The restrooms in the “outside area” are clean and equipped with soap.

6. Finding Status Partially Remediated

Explanation: Around a third of the chairs and tables are still covered with dust.

Root Causes: 1. Factory management has not formally required the external provider in charge of the canteen to regular clean the tables and chairs. 2) The management lacks a monitoring system to ensure that hygienic conditions are met at the canteen.

Local Law or Code Requirement: FLA Workplace Code (Health, Safety and Environment Benchmark HSE.19)

Recommendations for Immediate Action (if applicable)

1. Ensure that chairs and tables used by workers in the canteen are clean at all times.

Company Action Plan:	1. Factory management to coordinate with cafeteria external service provider to ensure chairs and tables used in this area are cleaned on a daily basis. A. Please maintain records where is verified that chairs and tables are cleaned every day. B. [Factory] to designate a person responsible to manage canteen housekeeping and maintain records of internal verifications. Please see the Occupational Health and Safety Regulations Governmental Agreement 229-2014, article no. 280 on cleanliness at workplace.
Action Plan Status:	In progress
Planned Completion:	11/30/2017
Progress Update:	<p>11/07/2019: adidas Update: 1A. Ongoing, from interview with factory management, H&S Team continues to verify chairs and tables at the cafeteria are cleaned, daily internal inspections are performed by management and recording of inspections is made on a weekly basis. As part of improvements under new factory administration, management closed with walls the cafeteria area, SEA could verify this with pictures shared by factory. 1B. Completed, management designated Compliance Manager as the person responsible for managing canteen housekeeping and keep records of internal verifications.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A. Completed and ongoing, factory management continues to verify chairs and tables at the cafeteria are cleaned, daily internal inspections are performed by management and recording of inspections is made on a weekly basis. During SEA visit to the factory on November 2018 internal records of inspections to tables and chairs were provided for review. 1B. Completed, management designated Compliance Manager as the person responsible for managing canteen housekeeping and keep records of internal verifications.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Ongoing, per documentation shared by management by the month of March 2018 factory started to include the verification that chairs and tables at the cafeteria are cleaned. 1B. Pending, management has not yet designated a person responsible to manage canteen housekeeping and keep records of internal verifications.</p>

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory management has not defined a maximum weight allowed to be lifted by workers in the cutting and packing departments. **HSE.17**
2. One lifting device (stacker) is missing safety instructions, "No Human Transport" signs, and a sign with the maximum load (weight) to be lifted. Furthermore, there are no maintenance records for this lifting device. **HSE.14.3**
3. The eyewash station in the chemical storage room is broken. **HSE.9**
4. There was no shovel, to be used in case of a spill, in the chemical storage room. **HSE.9**
5. Some MSDS are printed in black and white; consequently, the different colors of the hazard codes ("fire diamond") cannot be identified. **HSE.10**
6. A sign requiring the use of Personal Protective Equipment (hearing protection) at the boiler room is missing.
7. One ladder does not have an anti-slip safety device. **HSE.14.1**
8. Two electrical panels in the packing department do not have protective cases. **HSE.13**
9. Boxes containing finished goods in the packing department are piled so high that they are almost touching the

ceiling lamps.

Local Law or Code Requirement

General Regulations on Health and Safety in the Workplace, Article 5 (Sections A and E), Article 6 (Section A), Article 37 (Section 1), Article 67, Article 68 (Section 1), Article 69 (Sections 1 and 2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE 9.1, HSE.10, HSE.13, HSE.14.1, HSE.14.3, HSE.17.1)

Recommendations for Immediate Action

1. Define the maximum weight to be lifted by workers in the cutting and packing departments. Regularly communicate with, and train, all workers lifting weight.
2. Post safety instructions, a “No Human Transport” sign, and a sign indicating the maximum weight to be lifted on every lifting device.
3. Repair the eyewash station in the chemical storage room. Also, ensure that a shovel is available at all times.
4. Print MSDS in color, so that workers can easily identify the different colors of the “fire diamond.”
5. Post a sign requiring the use of Personal Protective Equipment (PPE) in the boiler room area.
6. Install anti-slip safety devices on all ladders.
7. Install protective cases for all electrical panels in the packing department.
8. Ensure that secure loading/shipment practices are carried out in the packing area.

<p>Company Action Plan</p>	<ol style="list-style-type: none"> 1. Factory management to designate a person to create a weight safety program and policy which provide information on proper ergonomic safety measures including biomechanical risk factors, awkward body positions forceful exertions, etc. 2. Once policy and procedure on ergonomics have been completed, such should be provided to all workers working in areas where ergonomic risks are found, including workers in cutting/packing dept. 3. Factory to post safety instructions and in the stacker. 4. A. Factory to fix eye-wash station. B. Pls ensure to conduct periodic checks on eye wash station to verify it's properly functioning and maintained (clean). C. Factory to equip chemical storage area with shovel. D. MSDS to be posted in color to identify color coded hazards. 5. Pls insert anti slip strip in ladder. 6. Factory to review all areas that require PPE and post signs of all required PPE. 7. Factory management to review all electrical panels and connections to ensure they are properly installed and maintained. Pls ensure that electrical panels in packing dept. are equipped with protective case. 8. Factory management must ensure that stored goods do not surpass 6 feet in height. In addition, there should be sufficient clearance between sprinklers head/lamps and stored materials.
<p>Action Plan Status:</p>	<p>In Progress</p>
<p>Planned Completion:</p>	<p>09/30/15</p>
<p>Progress Update:</p>	<p>06/23/17: adidas Update after December 2016 visit: 1-2. Ongoing, management has designated Internal Compliance manager to create ergonomic policy and procedure, however ergonomic policy is still yet to be drafted. 3. Ongoing, management has posted instructions on how to carry loads and for use of the stacker at storage area. 4A. Completed, during SEA visit it was noted that eyewash at chemical storage room is properly working, it was tested during factory tour. 4B. Ongoing, management showed proof of monthly inspections to eyewash facility. 4C. Completed, during factory visit it was verified there is a shovel available at chemical storage room. 4D. Completed, per verification during SEA visit to the factory on December 2016, MSDS and color coded hazards are identified. 5. Completed, portable ladder used in fabric storage area has anti-slip strips. 6. Ongoing, management has posted signs required use of PPE at cutting area and spot removal stations. 7. Ongoing, management is performing weekly inspections to electrical panels, documentation verified during SEA visit at the factory. 8. Pending, during SEA Team visit on December 2016 it was noted high storage of finished goods are shipment area and high storage of boxes at storage area in mezzanine located besides spot removal area.</p>

08/23/16: adidas Update July 2016: 1-2. Ongoing. Factory management has designated compliance manager to create ergonomics policy and procedure. Please ensure that person responsible for drafting, implementing and overseeing the policy and plan is knowledgeable of ergonomic related risks and their prevention. 3. Pending. No update received. 4. A. Completed per factory update. The eye- wash has been fixed. B. Ongoing. The Factory has assigned a person responsible of overseeing eye- wash. It is unclear how often eye-wash stations are reviewed. It is important to note that photo of eye-wash provided by the factory in its update does not show that eye-wash are protected from dirt or dust. Pls cover eye-wash stations. C. Ongoing. To be verified. The Factory indicated that shovel has been installed in chemical storage. D. Ongoing. To be verified. The Factory has indicated that MSDS are not available in color. No documentation illustration submitted. 5. Ongoing. To be verified. The Factory has indicated that this has been completed but no documentation illustration remediation has been submitted. 6. Pending. No update received. 7. Ongoing. Factory indicated that it has improved electrical checklist. Copy of such was not provided. It is also unclear how often electrical connections are checked by a knowledgeable person, and what is included in those checks. 8. Ongoing. The factory has not provided any evidence indicating improvements in this area.

08/19/16: Remediation Update-November 2015 visit: 1-2. Ongoing. The cutting area and fabric warehouse had published the maximum weight to be lifted by workers (121 pounds). It is unclear if other safety/ergonomic information has been properly provided to workers responsible for lifting product. 3. Pending. To be verified during next visit. 4. A. Complete. The two eye wash stations (stain removal and chemical warehouse) worked well when were tested. They were well maintained. B. Pending. To be reviewed during next visit. C. Complete. The anti-spill material of the chemical warehouse had shovel. D. Complete. MSDSs available to employees were in color. 5. Ongoing. It was observed that the ladder has a slip safety device. Unclear if ALL ladders are equipped with anti-slip material. To be verified during next visit. 6. Complete. Signs of danger and personal protective equipment were noted in the boiler area (leather gloves, gabacha and lenses). In this area no noise was heard. Currently the company uses bio-mass boiler and in the past they used diesel boiler. 7. Complete. Electrical panels in the finished product department have protective door. 8. Ongoing. The boxes of the finished products warehouse had a height of 2.08 centimeters and stowage did not reach the ceiling, however, several evacuation routes with a width of up to 0.40 centimeters were observed.

Verification Results:

1. Finding Status Remediated

Explanation: The factory has now defined the maximum weight allowed to be lifted by workers at cutting and packing departments. Assessor reviewed documentary evidence of training sessions provided to workers in these departments, which included information on maximum weight required by law. During the interviews, workers confirmed the training activities conducted. Also, during the observation tour assessor noted that the maximum weight limits have been posted at prominent areas at cutting and packing.

2. Finding Status Remediated

Explanation: At the time of the verification assessment, the factory was no longer using lifting devices.

3. Finding Status Remediated

Explanation: Eyewash station is in good conditions and properly working.

4. Finding Status Remediated

Explanation: The chemical storage room is equipped with a shovel readily available to be used in case of spillage.

5. Finding Status Remediated

Explanation: All MSDS are printed in color.

6. Finding Status Remediated

Explanation: A sign requiring the use of the relevant PPE has been posted at the boiler room.

7. Finding Status Partially remediated

Explanation: One of three ladders used in the factory was missing non-slip base, which increases the risk of falling for maintenance workers.

Root Causes: Due to the restructuring works (transferring departments to other locations), the factory contracted an external company to commission some of the reorganizational work. This company was using one ladder without non-slip base. The factory failed to ensure that this external provider was equipped with all required safety equipment.

8. Finding Status Remediated

Explanation: All electrical panels are now equipped with protective cases.

9. Finding Status Remediated

Explanation: Boxes in the packing department are safely piled, with a reasonable distance from the ceiling lamps.

Local Law or Code Requirement: Occupational Health and Safety Regulations Governmental Agreement 229-2014, Article 50 section b); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.14.1)

Recommendations for Immediate Action

1. Ensure that all ladders in use are equipped with non-slip base.

Company Action Plan:	<ol style="list-style-type: none"> 1. [Factory] management to ensure all ladders used at the factory are provided with non-slip base. 2. Designate a person to verify that contractor's personnel are qualified to perform the intended work and have the adequate tools and safety procedures in order to perform any work at the factory on a safe and professional matter, while complying with all applicable local laws. Please see adidas Health & Safety Guidelines, Section 15 for additional information.
Action Plan Status:	Completed
Planned Completion:	11/30/2017
Progress Update:	<p>04/24/2019: adidas Update per November 2018 visit: 1. Completed, during visit to the factory ladders were not used as there are no external contractors working at the factory, however management is aware that if ladders are used these should be provided with non-slip base. 2. Completed, factory designated Compliance Manager as the person to verify that contractor's personnel are qualified to perform the work at the factory and have the adequate tools and safety procedures on a safe manner, while complying with all applicable laws. Also, management developed a Procedure for High Risk works made at the factory by external subcontractors that includes the Personal Protective Equipment and safety measures to perform work at the Factory.</p> <p>05/18/18: adidas Update per December 2017 visit: 1. Ongoing, during visit to the factory ladders were not used as there are no external contractors working at the factory, however management is aware that if ladders are used these should be provided with non-slip base.</p>

	2. Pending, factory has not yet designated a person to verify that contractor's personnel are qualified to perform the work at the factory and have the adequate tools and safety procedures on a safe manner, while complying with all applicable laws.
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FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The Cutting Department is located in a Mezzanine that was built more than six years ago. The factory management did not provide any legal permits related to this construction. During the physical inspection, the assessor found potentially unsafe flooring material in the mezzanine floor. Furthermore, factory management has not commissioned a structural risk analysis by a qualified expert on structural risk engineering, to ensure its structural integrity.

Local Law or Code Requirement

General Regulations on Health and Safety in the Workplace, Article 4 (Section C); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, and HSE.19)

Recommendations for Immediate Action

1. Factory management is to provide relevant proof that the mezzanine construction is in compliance with all requirements on structural engineering, as per Guatemalan regulations.

Company Action Plan:	1. Factory management to designate a responsible person to review the current status of the factory's legal permits related to its structure and use and fire safety. 2. Should any permits be missing or outdated, factory management to complete steps to update any missing or outdated permits.
Action Plan Status:	Completed
Planned Completion:	09/30/15
Progress Update:	08/19/16 : Remediation Update-November 2015 visit: 1. Complete. On February 18, 2015, the company Arquinmetales S.A. conducted an analysis of live and dead loads of work environments for [the Factory] (roof, mezzanine 2 left side preparing lines, right side mezzanine 2 line 1, second level administrative offices, cutting area), his conclusion was that the company complies with the structural design and construction standards of Guatemala.
Completion Date:	11/24/15

Verification Results:

1. Finding Status Remediated

Explanation: The factory is not using the mezzanine anymore. The cutting department has been relocated to a different building which is a safe structure. This was corroborated during the observation tour. Also, through documentation review, assessor found that the factory commissioned a structural engineering study, in Oct 2016, which was conducted by an external expert with Civil Engineering degree. The study concluded that the mezzanine met safety conditions required by local law.

FINDING NO.14

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers are not provided with ongoing training for Recruitment, Hiring & Personnel Development, Termination and Retrenchment, Industrial Relations, and Environmental Protection. **ER.1.2**
2. The factory does not train supervisors on policies, procedures, and applicable legal provisions for Termination and Retrenchment, Industrial Relations, and Environmental Protection. **ER.17.1**
3. The factory does not provide training on Workplace Conduct & Discipline for the relevant human resources personnel and administrative staff. **ER.27.2**
4. New worker orientation training does not include Industrial Relations. **ER.15.1**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.17.1, ER.17.3, and ER 27.2)

Company Action Plans:	<ol style="list-style-type: none">1. Factory management to designate a responsible person to manage its training program.2. Designated person must ensure to create and implement a) Induction Program that provides verbal training to all new workers on policies and procedures upon hire.3. b) Annual refresher course to all current workers. Both training program should include information on all of the factory's HR and HSE related policies, buyers' codes of conducts and the adidas' SEA Hotline, workers' responsibilities, schedule, wages and benefit, etc.4. Factory management should verify workers' level of understanding of training content through post training quizzes to ensure workers properly understand training contents.5. Factory management must also ensure to designate a responsible person that ensures that all policies and procedures are properly and consistently implemented.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Completed. 2 a&b, Per documentation review and interview with factory's responsible for compliance workers are provided with induction and refresher training twice a year, training material includes Code of Conducts from clients sourcing from the factory, factory's Internal Rules and all own Compliance Policies. 3. Ongoing, per documentation verification during SEA visit to the factory on December 2016 it was noted that management performs evaluation quiz after refresher training, however there is no evaluation after induction training. 4. Complete, Person responsible of Compliance is verifying all policies and procedures are implemented.</p> <p>08/23/16: adidas Update July 2016: 1. Completed. The factory has designated the Compliance Manager to create, implement, and manage its training program. 2 a&b. Ongoing. Per factory update, the Factory is conducting an induction training for new workers and a refresher course twice a year for current workers. Both trainings include information on factory HR policies and procedures, as well as HSE policy, benefits, etc. Please provide the following in your next update: Copy of training modules used for induction and refresher course. Dates of all refresher course schedule. 3. Ongoing. The Factory indicated that they are verifying workers understand policy. In your next update pls provide examples of how factory is verifying workers' awareness after trainings are conducted. 4. Pending. No update received.</p> <p>08/19/16: Remediation Update-November 2015 visit: 1-3. Ongoing. Documentation, interviews with workers and management verified that from November 16 to 21, 2015, the company gave training to all employees (according to attendance records, a total of 596) on the Company policies and codes of conduct. The topics were: Hiring Policy, child labor policy, forced labor policy, discrimination Policy, incentives policy, wage policy, harassment policy, not retaliation and abuse policy, overtime Policy, permits policy, free political association, complaints and suggestions policy, disciplinary procedures, industrial safety Policy, protective equipment policy, staff development policy, what to do in case of fire,</p>

	<p>environmental policy. During the interviews, workers demonstrated a high level of knowledge in the policies of the company, with the exception of freedom of association issue. Factory must ensure to consistently provide induction AND annual refresher course to entire workforce and to improve content of FOA/Industrial Relations portions of the training to ensure entire workforce knows and understands workers' rights related to FoA.</p> <p>4. Ongoing. To be verified during next visit.</p>
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Verification Results:

1. Finding Status Partially Remediated

Explanation: Through worker interviews and records review, assessor corroborated that the factory is now providing worker training for all FLA Employment Functions. However, worker training on Retrenchment, Industrial Relations and Grievance System is not effective: workers are unaware of the procedure and criteria use by factory to make retrenchment decisions and the different grievance and communication channels available to reach out to management. This is particularly the case for the Worker Committee which was created to act as a dialogue mechanism between workers and management.

Root Causes: The factory is missing a mechanism to evaluate the effectiveness of training, by measuring the knowledge gained by workers after each training session.

2. Finding Status Remediated

Explanation: Through documentation review (training records, e.g., pictures, list of attendees, training material) the assessor corroborated that supervisors are receiving ongoing training on all FLA Employment Functions, including, policies, procedures, and applicable legal provisions.

3. Finding Status Partially Remediated

Explanation: Based on records review and management interviews, assessor found that human resources and administrative staff received training on the disciplinary system August and November 2015; however, no more ongoing training on this topic has been delivered to the human resources staff since.

Root Causes: The factory was unaware that the training to HR and administrative staff should be regularly conducted.

4. Finding Status Remediated

Explanation: Based on records review (training material and material delivered to new workers during the orientation training) assessor corroborated that the orientation training now includes all FLA Employment Functions.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, and ER 27.2)

Company Action Plan:	<ol style="list-style-type: none"> 1. Management to ensure during next training on compliance policies, workers are informed of the procedures and criteria used to make retrenchment decisions. A. Factory to include workers input on existing Retrenchment Policy and procedures so decisions on retrenchment are discussed with workers. B. Ensure Workers Committee members are informed well on advance of possibilities of retrenchment so it could represent workers on dialogue with management about retrenchment. 2. Please designate a person that verifies that HR and administrative personnel is trained on disciplinary system at least once a year. Maintain records of training provided that includes: name and title of training provider, material used for training, post training evaluations to verify effectiveness of trainings.
Action Plan Status:	In Progress

Planned Completion:	01/31/2018
Progress Update:	<p>11/07/2019: adidas Update: 1A. Pending, management has not yet provided workers with training on compliance policies that include clear explanation of procedures and criteria used for retrenchment decisions. Retrenchment Policy and procedures do not include workers input so decisions on retrenchment are discussed with workers. 1B. Completed and ongoing, according to factory management in case of retrenchments, Workers Committee members will be informed in advance. 2. Ongoing, factory designated Compliance Manager to verify that HR and administrative personnel is trained on disciplinary system once a year. Factory management keeps records of training provided to workers that include topic of training and material used. According to management post training evaluations are completed, however proof of evaluations were not provided in this set of remediation.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A. Pending, management has not yet provided workers with training on compliance policies that include clear explanation of procedures and criteria used for retrenchment decisions. Retrenchment Policy and procedures do not include workers input so decisions on retrenchment are discussed with workers. 1B. Completed and ongoing, according to factory management in case of retrenchments, Workers Committee members will be informed in advance. 2. Ongoing, factory designated Compliance Manager to verify that HR and administrative personnel is trained on disciplinary system once a year. Factory management keeps records of training provided to workers that include topic of training and material used, however post evaluations have not been included as part of training evaluation.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Pending, management has not yet provided workers with training on compliance policies to include workers input on existing Retrenchment Policy and procedures so discussions on retrenchment are discussed with workers. 1B. Ongoing, according to management in case of retrenchment, Workers Committee members will be informed in advance. 2. Ongoing, factory designated Compliance Manager to verify that HR and administrative personnel is trained on disciplinary system once a year. Factory management keeps records of training provided to workers that include topic of training and material used, however post evaluations have not been included as part of training evaluation.</p>

FINDING NO.15

COMMUNICATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not communicate its policies and procedures to the general workforce on an ongoing basis for several Employment Functions: Recruitment, Hiring & Personnel Development, Termination & Retrenchment, Industrial Relations, and Environmental Protection. There is an induction process during which all new hires are informed about some factory rules and practices, but there is no follow-up planned to communicate updates and legal changes, except for those related to salary increases, through postings and refresher sessions. Normally, communication is unidirectional, from management to workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.25.2, ER.29, and ER.30)

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management to designate a responsible person to manage its training program. 2. Designated person must ensure to create and implement a) Induction Program that provides verbal training to all new workers on policies and procedures upon hire. b) Annual refresher course to all current workers. Both training program should include information on all of the factory's HR and HSE related policies, buyers' codes of conducts and the adidas' SEA Hotline, workers' responsibilities, schedule, wages and benefit, etc. 3. Factory management should verify workers' level of understanding of training content
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	<p>through post training quizzes to ensure workers properly understand training contents.</p> <p>4. Factory management must also ensure to designate a responsible person that ensures that all policies and procedures are properly and consistently implemented.</p>
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Completed. 2 a&b, Per documentation review and interview with factory's responsible for compliance workers are provided with induction and refresher training twice a year, training material includes Code of Conducts from clients sourcing from the factory, factory's Internal Rules and all own Compliance Policies. 3. Ongoing, per documentation verification during SEA visit to the factory on December 2016 it was noted that management performs evaluation quiz after refresher training, however there is no evaluation after induction training. For the case of refresher training management is asking workers to complete a 5 questions quiz. 4. Ongoing, Person responsible of Compliance is verifying all policies and procedures are implemented.</p> <p>08/23/16: adidas Update July 2016: 1. Completed. The factory has designated the Compliance Manager to create, implement, and manage its training program. 2 a&b. Ongoing. Per factory update, the Factory is conducting an induction training for new workers and a refresher course twice a year for current workers. Both trainings include information on factory HR policies and procedures, as well as HSE policy, benefits, etc. Please provide the following in your next update: Copy of training modules used for induction and refresher course. Dates of all refresher course schedule. 3. Ongoing. The Factory indicated that they are verifying workers understand policy. In your next update pls provide examples of how factory is verifying workers' awareness after trainings are conducted. 4. Pending. No update received.</p> <p>08/19/16: Remediation Update-November 2015 visit: 1-3. Ongoing. Documentation, interviews with workers and management verified that from November 16 to 21, 2015, the company gave training to all employees (according to attendance records, a total of 596) on the Company policies and codes of conduct. The topics were: Hiring Policy, child labor policy, forced labor policy, discrimination Policy, incentives policy, wage policy, harassment policy, not retaliation and abuse policy, overtime Policy, permits policy, free political association, complaints and suggestions policy, disciplinary procedures, industrial safety Policy, protective equipment policy, staff development policy, what to do in case of fire, environmental policy. During the interviews, workers demonstrated a high level of knowledge in the policies of the company, with the exception of freedom of association issue. Factory must ensure to consistently provide induction AND annual refresher course to entire workforce and to improve content of FOA/Industrial Relations portions of the training to ensure entire workforce knows and understands workers' rights related to FoA. 4. Ongoing. To be verified during next visit.</p>

Verification Results:

1. Finding Status Partially Remediated

Explanation: Assessor corroborated through records reviews and interviews with workers and management that all new workers receive training on the factory's policies and procedures for the different Employment Functions during orientation. Also, refresher training is provided on the factory's policies and procedures, at least annually. Finally, the factory has posted all internal policies and procedures and internal regulations in prominent places, within view of the workers, and workers also receive written material that substantiates the content of orientation training and ongoing training. However, worker communication on Retrenchment, Industrial Relations and Grievance System has not been effective: workers remain unaware of: i) procedure and criteria used by factory to make retrenchment decisions; ii) the different grievance and communication channels available to reach out to the management. This is particularly the case for the Worker Committee which was created to act as a dialogue mechanism between workers and management.

Root Causes: The factory is missing a mechanism to evaluate the effectiveness of communication and training efforts.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1 and ER.25.1)

Company Action Plan:	<ol style="list-style-type: none"> 1. Management to ensure all workers and Worker Committee are aware of the procedures and criteria proposed by management to handle retrenchment before actual retrenchment take place so workers feedback on how to manage retrenchments is included on final decisions. 2. [Factory] management should provide detailed information to workers of grievance and communication channels available for workers at the factory, i.e. suggestion boxes, Worker Committee, adidas Hotline poster, etc. Please refer to point no. 3 of original remediation on this finding.
Action Plan Status:	In Progress
Planned Completion:	01/31/2018
Progress Update:	<p>11/07/2019: adidas Update: 1. Pending, per management interview, Workers Committee members are not aware of the procedures and criteria used by management to handle retrenchment before terminations take place, workers input on how to manage retrenchment is not included in final decisions on retrenchment, nor on Retrenchment Policies. 2. Completed, according to management input, during annual compliance policies and procedure trainings provided to workers management provided workers with information about communication channels available for workers. Channels available are: suggestion boxes, Workers Committee, adidas Hotline poster, other brands Code of Conduct posted at factory.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1. Pending, per workers interview during factory visit and confirmed by factory management during interview, it was noted that Workers Committee are not aware of the procedures and criteria used by management to handle retrenchment before terminations take place, workers input on how to manage retrenchment is not included in final decisions on retrenchment, nor on Retrenchment Policies. 2. Completed, during annual compliance policies and procedure training provided to workers management provided workers with information about communication channels available for workers. This was verified per review of records of trainings provided to workers on compliance policies and clients code of conducts as well interview with workers. Workers are aware they can use the suggestion boxes located in production areas, contact Workers Committee and factory management directly; also contact adidas SEA emailing the address included on the adidas Hotline poster to report any concern or question related to work conditions.</p> <p>05/18/18: adidas Update per December 2017 visit: 1. Pending, per workers interview during factory visit it was noted that not all workers are aware of the procedures and criteria used by management to handle retrenchment before terminations take place, workers input on how to manage retrenchment is not included in final decisions on retrenchment. During 2017, about 45 % of total workforce was terminated and it was not clear for workers how workers retrenched were selected. 2. Ongoing, during annual compliance policies and procedure training provided to workers management provide workers with information about communication channels available for workers. This was verified during revision of records of trainings provided to workers on compliance policies and clients code of conducts as well interview with workers.</p>

FINDING NO.16

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing for all employment functions. 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 on the decision-making process on policy and procedure creation.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

Company Action Plan:	Factory management to include consultation with workers during periodic reviews of the Factories' policies and procedures. Possible mechanisms used to promote and encourage workers' input include but are not limited to i. Worker-Management committees. li. Company Wide surveys. lii. Suggestion boxes.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	06/23/17: adidas Update after December 2016 visit: 1. Pending, according to factory management workers input will be considered for factories' policies and procedures review taking workers input from suggestion boxes, and once Worker-Management Committee is integrated. Please indicate the steps management will take regarding workers input on factory's policies and procedures. 08/23/16: adidas Update July 2016: 1. Pending. It is unclear how factory management via its compliance manager will consult with workers on factory policies and procedures. Please indicate steps taken by factory management from workers regarding its factory policies and procedures. 08/19/16: Remediation Update-November 2015 visit: 1. No progress made on this issue.

Verification Results:

1. Finding Status Not Remediated

Explanation: As previously mentioned, the factory has created a Worker Committee with the purpose of establishing communication channels with workers; however, this committee is not functional as workers are not aware of its existence and hence, have never used this grievance and communication channel. Additionally, during the creation and revision of policy and procedures, workers are not asked for feedback on policy and procedure content. Also, workers are not systematically integrated or consulted in the decision-making process of aspects concerning labor conditions.

Root Causes: 1. The factory has not conducted sufficient communication efforts to ensure that workers are aware of the Worker Committee existence; as a result, this committee is not working as an effective dialogue and/or communication system between workers and management. 2. The factory has not integrated the Worker Committee in the decision-making process.

Local Law or Code Requirement: FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

Company Action Plan:	<ol style="list-style-type: none"> 1. Management should inform workers as part of ongoing communication of compliance policies the existence of Worker Committee, i.e. during Compliance Policies refreshment trainings, induction trainings. A. Provide workers with detailed information of how workers could use this Committee to voice their concerns and grievances. 2. Factory to include workers feedback when creating and revising policies and procedures. A. Ensure Worker Committee is informed well on advance of policy creation or revision process so it could gather and provide workers feedback about labor conditions.
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Action Plan Status:	Pending
Planned Completion:	01/31/2018
Progress Update:	<p>11/07/2019: adidas Update: 1A. Completed, per interview with factory management, management inform workers about the option of Workers Committee to voice their concerns and grievances during annual Compliance Policies refreshment trainings provided to workers. 2A. Pending, management has not yet taken the steps to ensure Workers Committee members are informed in advance of new policies creation or revision of existing processes. According to management, it is not defined when existing policies will be revised.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1A. Completed, during workers interview per visit to factory on November 2018 it was noted that management inform workers about the option of Workers Committee to voice their concerns and grievances during annual Compliance Policies refreshment trainings provided in March 2018. 2A. Pending, management has not yet taken the steps to ensure Workers Committee members are informed in advance of new policies creation or revision of existing processes. According to management, it is not defined when existing policies will be revised.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Pending. Per management input, workers will be provided detailed information on how workers could use the Workers Committee to voice their concerns and grievances during annual Compliance Policies refreshment trainings scheduled for 2018. 2A. Pending, management has not yet taken the steps to ensure Workers Committee members are informed in advance of policy creation or revision process. According to management, it is not defined when existing policies will be revised.</p>

FINDING NO.17

REVIEW PROCESS (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not conduct periodic reviews for any 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)

Company Action Plan:	1. Factory management to designate a responsible person to conduct periodic reviews of all factory policies and procedures. Once designated person is assigned, factory should ensure to conduct a review of its policies as needed or at least once annually to ensure they include any recent changes in legislation, workers' feedback, and improvements identified by annual review.
Action Plan Status:	In Progress
Planned Completion:	09/30/15
Progress Update:	<p>06/23/17: adidas Update after December 2016 visit: 1. Completed. 2. Ongoing, according to factory management policies and procedures will be reviewed on an annual basis, however is not clear if a policy of procedure has been updated, when was updated and records from this update.</p> <p>08/23/16: adidas Update July 2016: 1. Completed. The Factory has designated its Compliance Manager to conduct periodic review of all of its factory policies and procedures. 2. Ongoing. It is unclear when and how policies will be reviewed.</p>

08/19/16: Remediation Update-November 2015 visit: 1. The company is including the date of preparation and review of policies and procedures and the legal base as well. The Update of policies and recommendations will be evaluated in future audits.

Verification Results:

1. Finding Status Remediated

Explanation: During records review, assessor corroborated that the factory is regularly reviewing existing policies and procedures for the different Employment Functions. Reviews take place at least annually.

(NEW) FINDING NO.18

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory is missing the legally required permit to operate the boiler that should be issued by the Ministry of Energy and Mining. The boiler started to operate in mid-2016, and the factory has initiated the process for obtaining the permit, but said process has not been completed yet. **HSE.4**
2. The factory has not updated the environmental impact assessment required by law, to include the boiler operation. Consequently, the Ministry of Environmental Affairs has not assessed and authorized the boiler operation. **HSE.4**
3. The factory uses pieces of fabric as fuel for the boiler. A technical study was commissioned by the factory April 2016, which explicitly recommended the factory avoid using fabric for the boiler as this practice increases the amount of polluting emissions released to the environment. **HSE.1**

Local Law or Code Requirement: Regulations of the Commercialization of Hydrocarbons Law, Governmental Agreement 522-99, Articles 8 and 14; Law of Protection and Improvement of the Environment, Decree 68-86, Article 8; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Cease the practice of using pieces of fabric to fuel the boiler.

Company Action Plan:	<ol style="list-style-type: none"> 1. Factory management should obtain the permit to operate the boiler used at the factory. This permit should be issued by the correspondent authority. A. Please provide copy of Permit or documented current status. 2. Update the environmental impact assessment to include boiler operation impact. 3. Management should stop using pieces of fabric to fuel the boiler. A. Ensure to post information that only authorized personnel is allowed at boiler area. Also post clear indication to not use pieces of fabric to fuel the boiler.
Action Plan Status:	In Process
Planned Completion:	01/31/2018
Progress Update:	<p>11/07/2019 adidas Update: 1A. Pending, factory management decided to eliminate the use of boiler for energy generation, therefore has not continued the process to obtain the environmental permit for the boiler. 2. Pending, environmental impact assessment will be updated once boiler operation is canceled. 3.Ongoing, according to management boiler operation will conclude on February 2020. 3A. Completed, per interview with management, clear indication that pieces of fabric should not be used to fuel the boiler are posted in boiler room.</p> <p>04/24/2019 adidas Update per November 2018 visit: 1A. Ongoing, factory management started the process to obtain the environmental permit for the boiler in August 2017. However, management is still pending to provide full environmental impact document to the Guatemala</p>

	<p>Ministry of Environment and Natural Resources to obtain final permit. 2. Pending, environmental impact assessment has not been updated to include boiler operation impact. This will be completed once employer substitution process is completed, primary factory will take on the administration of this factory. 3. Completed, during factory visit it was not observed fabric pieces at boiler room. 3A. Completed, management posted clear indication that pieces of fabric should not be used to fuel the boiler.</p> <p>05/18/18: adidas Update per December 2017 visit: 1A. Ongoing, management started the process to obtain the environmental permit for the boiler in August 2017. However, it is still yet to provide full environmental impact document to the Guatemala Ministry of Environment and Natural Resources to obtain final permit. 2. Pending, environmental impact assessment has not been updated in order to include boiler operation impact. 3. Pending, during visit to the factory on December 2017 it was observed that boiler operator had fabric remains inside the boiler room. Factory to clearly inform workers on boiler area not to burn fabric on the boiler and share proof of how information was provided to workers. 3A. Pending, management has not posted indication to not use pieces of fabric to fuel the boiler.</p>
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(NEW) FINDING NO.19

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not provide hearing protection to the maintenance worker in charge of the boiler maintenance although the worker is exposed to high levels of noise in the boiler area, where he spends most of his time. **HSE.7**
2. There is no eyewash station or any other nearby water source available for the boiler area; the maintenance worker responsible of the boiler handles three different types of chemicals whose MSDS require washing of eyes and face in the event of contact. **HSE.9.1**
3. One pair of goggles used by the mechanics in charge of repairing the sewing machines are full of dust, which renders the protective equipment ineffective. The goggles are not stored in a safe and hygienic place. **HSE.7**
4. The factory has not conducted an ergonomic assessment to identify all ergonomic risks workers are exposed to; consequently, no protection measures have been taken either. **HSE.17.1**
5. Workers at sewing production lines do not have ergonomic chairs, as legally required. **HSE.17.1**

Local Law or Code Requirement: Occupational Health and Safety Regulations Governmental Agreement 229-2014, Articles 79, 231, 244, 267, and 304; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.7, HSE.9.1, and HSE.17.1)

Recommendations for Immediate Action:

1. Provide the relevant PPE (hearing protection) to the worker in charge of the boiler's maintenance.
2. Equip the boiler area with an eyewash station, as required by the MSDS of the chemicals used for boiler's maintenance.
3. Ensure that PPE (goggles) used in the mechanic workshop are kept clean and are safely stored at all times.

Company Action Plan:	<ol style="list-style-type: none"> 1. [Factory] should provide hearing protection to worker in charge of boiler's maintenance. Please share records this PPE was provided to worker. 2. Provide boiler area with an eyewash station. Please see adidas H&S Guidelines, point 5.5 on Chemical Storage for additional information. 3. Ensure goggles used in the mechanic workshop are kept clean and safely stored. A. Include revision of goggles proper storage during internal H&S inspections. 4. [Factory] to conduct an overall ergonomic risk assessment and according to results of assessment provide workers with training on ergonomic function, improve working postures. Please see adidas H&S Guidelines, Section 21 on Ergonomics. 5. Provide workers with ergonomic chairs to minimize bodily strains.
Action Plan Status:	In Process
Planned Completion:	03/31/2018

Progress Update:	<p>11/07/2019: adidas Update: 1. Ongoing, per interview with management hearing protection is provided to worker in charge of boiler's maintenance. 2. Completed, per H&S verification at the factory during November 2018 visit it was noted that management installed eye wash station on second floor where boiler is located 3. Completed, per interview with management googles are kept in a closed cabin on boiler room. 3A. Completed, Management includes verification that googles are properly stored as part of internal inspections. 4. Pending, management has not yet conducted an overall ergonomic risk assessment at the factory. 5. Completed, factory management changed the chairs used at the factory for ergonomic chairs, (with cushion foam) in May 2018, all chairs on production areas were changed.</p> <p>04/24/2019: adidas Update per November 2018 visit: 1. Completed, during visit to the factory it was noted that hearing protection is provided to worker in charge of boiler's maintenance. Hearing protection are regular earplugs to reduce noise effects. 2. Completed, per H&S verification at the factory during November 2018 visit it was noted that management installed eye wash station on second floor where boiler is located 3. Completed, per factory visit it was observed that googles are kept in a closed cabin on boiler room. 3A. Completed, Management included on internal inspections verification that googles are properly stored. 4. Pending, management has not yet conducted an overall ergonomic risk assessment at the factory. 5. Completed, factory management changed the chairs used at the factory for ergonomic chairs, (with cushion foam) in May 2018, all chairs on production areas were changed.</p> <p>05/18/18: adidas Update per December 2017 visit: 1. Ongoing, during visit to the factory it was noted that hearing protection is provided to worker in charge of boiler's maintenance. Hearing protection provided are earplugs and not hearing shells that provide more noise reduction on high noise area such as boiler room. 2. Ongoing, per H&S verification at the factory during visit it was noted that management has purchased a device for eye wash, however the eyewash has not yet been installed. 3. Pending, during visit to the factory it was noted that googles used in the mechanic workshop are not properly stored, googles are not protected from dust. 3A. Pending. Management has not yet included on internal inspections to verify that googles are properly stored. 4. Pending, management has not yet conducted an overall ergonomic risk assessment. 5. Pending, management is still analyzing on the type of the ergonomic chairs to be provided to workers.</p>
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