



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: adidas
COUNTRY: Thailand
ASSESSMENT DATE: 12/27/16
ASSESSOR: FLA China
PRODUCTS: Apparel
NUMBER OF WORKERS: 558

Summary of Code Violations

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

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

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

- 1.Although the responsibilities seem clear, the factory has not defined, in writing the person(s) responsible for any of the Employment Functions except Health & Safety.
- 2.The factory has not formally defined the person with ultimate responsibility in the factory.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory has a clearly written job description and a copy of such has been given to the responsible person for managing each employment function. On the date of audit, the organizational chart had already included the responsible person for managing each employment function. However, the FLA assessor had concerns/comments that the HR department should have an official letter/document on the appointment of each person in charge of each position in the employment functions. Therefore, The factory's management has made a letter of appointment of each person responsible for each position in all employment functions. The letters of appointments have been approved and posted on the information board to share this information with all workers.

Planned completion date

09/10/18

Company Action Plan Update

The factory has completed the proposed action plan.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

- 1.The factory does not provide specific training to supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination & Retrenchment, and Industrial Relations.
- 2.The factory has not provided specific training to supervisors on the non-harassment policy or non-discrimination.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The HR department provided training to all 34 supervisors on the topic of Recruitment, Hiring & Personnel Development, Termination & Retrenchment, Industrial Relations and non-harassment policy/non-discrimination on June 5 and 6, 2017. The HR department is going to provide the refreshment trainings in December 2017. Training program to supervisors will also be included in the Factory's 2018 training plan.

Planned completion date

09/10/18

Company Action Plan Update

The action is completely done.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

- 1.Migrant workers from Myanmar must undergo a legally required health examination to obtain a work permit for Thailand. This examination requires a pregnancy test and tests for lymphatic filariasis, leprosy, tuberculosis, syphilis, and drugs and alcohol. The results of the pregnancy tests are recorded in workers' health examination reports upon hiring.
- 2.The factory receives workers through a labor agency in Myanmar; however, because the factory does not have a contract with the labor agencies it does not have a system in place to check if these migrant workers (particularly under the Memorandum of Understanding [MOU] between Thailand and Myanmar) and have paid recruitment fees.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.3; Nondiscrimination Benchmarks ND.5, ND.7, and ND.9)

Recommendations for Immediate Action

Cease the recording the results of pregnancy test in the health examination report upon hiring and the extension of the Burmese migrant workers' contracts. Ensure that pregnancy test results cannot be used as a discriminatory practice.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. In practice, the HR department/factory has never considered the pregnancy test and tests for lymphatic filariasis, leprosy, tuberculosis, syphilis, and drugs and alcohol for recruitment. However, there is a legal requirement in the country requiring that migrant workers obtain these tests in order to apply for the legal work permit. The factory updated its migrant policy to show the factory's commitment to not require the above medical test.
2. In the practice the factory has always paid the recruitment fee for workers. The factory HR's department had made a written migrant worker policy. This policy indicates that the recruitment fee is to be paid by the factory. Additionally, the factory has signed a written contract with the recruitment agency in Myanmar indicating that the recruitment fee is to be paid by the factory, not by workers. The agency can not request any cost of recruitment fee from workers. The factory's HR department has also developed a questionnaire to interview Burmese workers on their first working day, and during the annual labor internal audit to ensure they are not required to pay a recruitment fee. As a last step and based on the FLA Assessor's recommendation, the factory has revised the employment contract with all migrant workers to mention that all recruitment fee is to be paid by the factory, not

by workers.

On 11 July 2017, the FLA's Stakeholder Engagement Director visited this factory with SEA representatives and a member of the Policy Analyst Migration Policy Institute (<http://www.migrationinformation.org>) in order to review the discrimination and gap-analysis for this practice. Upon the review, FLA staff and the Researcher interviewed various Burmese workers both under pregnancy as well as other Burmese workers to understand the details and any discrimination in the workplace. On pregnancy test requirement, the factory provided a document from Thailand Ministry of Public Health issued on 30 March 2015. This announcement explains and describes the reason for conducting the pregnancy testing for female Burmese workers in relation to the Lymphatic Filariasis. Under this notification, as part of medical procedure, Female workers have to undergo the X-Ray and take one medication call " Diethylcarbamazine (DEC)". This medical is used in a treatment of Filariasis and could cause harm to the baby if taken during pregnancy. This is why pregnancy testing is required prior to testing this disease.

Planned completion date

09/10/18

Company Action Plan Update

1. In practice, the HR department/factory has never considered the pregnancy test and tests for lymphatic filariasis, leprosy, tuberculosis, syphilis, and drugs and alcohol for recruitment. However, there is a legal requirement in the country requiring that migrant workers obtain these tests in order to apply for the legal work permit. The factory updated its migrant policy to show the factory's commitment to not require the above medical test.
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FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

- 1.The factory has established a disciplinary procedure; however, worker representatives on the welfare committee are not involved in the development of procedures or decision making regarding disciplinary actions.
- 2.Disciplinary actions are not witnessed by a third party during imposition.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.25.2, and ER.27.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The HR department amended the disciplinary policy by including workers' representatives on the welfare committee to join the development/decision making related to disciplinary actions to workers.

HR department is continuously verifying proper implementation of its disciplinary procedures through the labor internal audit via workers' interviews and documentation review.

Planned completion date

09/10/18

Company Action Plan Update

The HR department amended the disciplinary policy by including workers' representatives on the welfare committee to join the development/decision making related to disciplinary actions to workers.

HR department is continuously verifying proper implementation of its disciplinary procedures through the labor internal audit via workers' interviews and documentation review.

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

- 1.The factory's Health & Safety policies and procedures do not include the following:
an emergency plan, including a list of responsible staff for coordinating the evacuation process, and steps to ensure that pregnant and disabled workers are evacuated safely in the event of an emergency;
hazard identification;
procedures for the prevention of occupational disease, including measures to protect the reproductive health of workers through minimizing exposure to workplace hazards;
procedures on hygiene and sanitation to prevent food poisoning;
procedures for the safe evacuation of disabled workers.
- 2.Pregnant and disabled workers do not attend training on workplace safety or the emergency preparedness training program, as they are asked to leave the work area before training started to prevent them from being injured during training.
- 3.The factory does not provide specific workplace safety training to workers who are designated with special responsibilities in production.

Local Law or Code Requirement

The Ministerial Regulation Re: Prescribing A Safety, Occupational Sanitation and Working Environment Management Standard B.E.2549, Clause 5; The Ministerial Regulation on the Prescribing of Standard for Administration and Management of Occupational Safety, Health and Environment Relating to Protection and Prevention of Fire B.E. 2012, Clause 30; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5.2, and HSE.12)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The safety department has revised the health and safety policies and procedures on 3 Jan 2017 by adding
 - an emergency plan, including a list of responsible staff to coordinate the evacuation process, and steps to ensure that pregnant and disabled workers are evacuated safely.
 - Safety in the event of an emergency;
 - Hazard identification;
 - Procedures for the prevention of occupational disease, including measures to protect the reproductive health of workers through minimizing exposure to workplace hazards;
 - Procedures on hygiene and sanitation to prevent food poisoning.
2. The training on workplace safety/emergency preparedness was provided to pregnant and disabled workers on 10 Jan 2017.
3. The training on workplace safety was provided to workers who are designated with special responsibilities in production on February 6 2017.

The above trainings will be included in the 2018 refreshment trainings plan.

Planned completion date

09/10/18

Company Action Plan Update

1. The safety department has revised the health and safety policies and procedures on 3 Jan 2017 by adding
 - an emergency plan, including a list of responsible staff to coordinate the evacuation process, and steps to ensure that pregnant and disabled workers are evacuated safely.
 - Safety in the event of an emergency;
 - Hazard identification;

- Procedures for the prevention of occupational disease, including measures to protect the reproductive health of workers through minimizing exposure to workplace hazards;
 - Procedures on hygiene and sanitation to prevent food poisoning.
2. The training on workplace safety/emergency preparedness was provided to pregnant and disabled workers on 10 Jan 2017.
 3. The training on workplace safety was provided to workers who are designated with special responsibilities in production on February 6 2017.

The above trainings will be included in the 2018 refreshment trainings plan.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

- 1.The factory has not posted signs indicating the weight limits of the hand carriage machine or on the shelves in the fabric warehouse, which are bending.
- 2.The safety instructions for a number of machines, including the single needle, double needle, and bartack sewing machines on the production floor, were posted in English and Japanese but not in Thai or Burmese.
- 3.The majority of sewing workers do not use the available machine guards (eye shields and needle guards) while working because they are uncomfortable to use.
- 4.There are no signs posted near manual fork lifts indicating that it is not intended for human transport.
- 5.The factory does not conduct lung function tests on new sewing workers within 30 days of hiring, as required by law. New workers in other hazardous jobs are provided special health examinations according to their risk of work.
- 6.The factory has established an Occupational Health & Safety (OHS) Committee, as required by law; however, there are no Burmese members of the Committee.
- 7.The factory has not fully implemented its ergonomics program. Most workers have not been provided adjustable chairs with back rests. Not all standing workers have been provided with anti-fatigue mats.

Local Law or Code Requirement

The Occupational Safety, Health and Environment ACT B.E. 2554 (A.D. 2011), Section 17; The Ministerial Regulation Re: Criteria on Administration and Management of Occupational Health & Safety and Working Environment Condition Related to Machinery, Crane and Boiler B.E. 2552, Section 11; The Ministerial Regulation Re: Rules and Procedures for Medical Examination B.E. 2547, Chapter 1, Clause 3; The Notification of Ministry of Labor and Social Welfare Re: Occupational Safety and Workplace Environmental Management Methodology B.E. 2549, Chapter 2: Occupational Safety, Health and Environment Committee, Clause 23; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE 14.1, HSE.14.3, and HSE 17.1)

Recommendations for Immediate Action

- 1.Define weight limits and post warning signs indicating limits for hand carriage operations and shelves in the fabric warehouse.
- 2.Post warning signs near all hazardous machinery in workers' languages (Thai and Burmese).
- 3.Train workers on the proper use and importance of machine guards. 4.Regularly monitor workers to ensure compliance.
- 5.Post signs near the lifting equipment to indicate that it is not intended for human transport.
- 6.Provide specialized health exams (lung function tests) to new sewing workers within 30 days of hiring.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The safety officer has already posted the sign to indicating the weight limits of the hand carriage machine and on the shelves in the fabric warehouse, which are bending.
2. The safety Officer has already posted the safety instructions for a number of machines, including the single needle, double needle, and bartack sewing machines on the production floor, were posted in but not in Thai and Burmese.
3. The Safety officer has provided the training to sewing workers and workers on the benefits of using the machine guard on 10 Jan 2017. The safety officer will also provide training to all line leaders/supervisors to monitor and encourage workers to use the needle guard.
4. The Safety officer has already posted the signs next to the manual forklifts to indicate that this forklift it is not intended for human transport.
5. The HR department has updated the recruitment policy to require the medical test on lung function to new sewing workers within 30 days of hiring as required by law.

6 . The Safety officer has updated the HSE committee by adding one Burmese worker to be the member of the committee as per required by law. Burmese worker was trained by Safety organization (authorized by government office) on 7-8 Mar 17.

7 . The risk assessment has been conducted in the factory. By June 2017, 40% of the sitting workers have been provided the chair with backrest. The management has planned to provide the chair with backrest to all sewer (100%) by the end of November 2017. For standing workers, the factory provided 100% of the anti-fatigue mats.

Safety department is going to monitor the above action plan and feedback to management during the monthly internal audit to ensure they are implemented consistently.

Planned completion date

09/10/18

Company Action Plan Update

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