



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: adidas  
COUNTRY: Cambodia  
ASSESSMENT DATE: 08/07/17  
ASSESSOR: Insync Global  
PRODUCTS: Apparel  
NUMBER OF WORKERS:

## 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.

## Previous Report Findings and Verification Results

### PREVIOUS FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

There is no system to monitor compliance with legal requirements and FLA Workplace Code for contracted security guards at the factory. The factory has engaged a security company to provide 21 security guards at the facility. The factory only pays a monthly service fee to the security company, which in turn pays the security guards.

##### Local Law or Code Requirement

Labor Code of Cambodia, Article 39 and 40; FLA Workplace Code (Employment Relationship Benchmark ER.11; Compensation Benchmarks C.1 and C.19)

##### Recommendations for Immediate Action

<!--[endif]-->Establish a system to monitor compliance for the contracted security guards.

#### VERIFICATION RESULT

##### Finding Status

Remediated

##### Remediation Details

Explanation: The factory established the Business Partner Policy and procedure to manage the compliance condition of business partners. Audits had been conducted yearly to review the compliance status.

### PREVIOUS FINDING NO.2

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

#### Finding Explanation

During the assessment, an audit preparation sheet, which had been distributed to the staff/supervisors, was found. It contained reminders to the staff to ensure that production records do not include "sensitive dates" (e.g., Sunday) and excessive OT, to remove the chemicals from work floor, etc. while assessors found no other evidence of any improper practices regarding wages and working hours, the assessors were concerned about the potential risk of this kind of practice at the facility.

#### Local Law or Code Requirement

FLA workplace Code (Compensation Benchmark C.16)

#### Recommendations for Immediate Action

ase the practice of instructing staff/supervisors to manipulate production records, and ensure that records of wages and working hours are completely and accurately maintained.

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

Explanation: During the assessment, Sunday off-clock was detected at least three times in July based on the production records and from the workers' testimonials. The issue was shared with the factory management to ask, but the factory did not provide any additional document to show how they paid for those Sundays' work, or explanation on why Sunday work was not recorded in the time record system. As a result, it could not be verified if the workers were provided a seventh day of rest or if the factory paid workers for Sunday work. Workers seem to be coached to provide the standard answers to the assessors regarding overtime work, especially the Sunday work. Most of the interviewees said that they have never worked overtime after 18:00. Also, many interviewed workers reported that they never worked on Sunday even without being asked about it.

Root Causes: Clients strictly controlled the overtime limit and seventh day of rest in the factory, but when the factory received much more orders than their capacity allowed with short lead times, they resorted to hiding excessive overtime.

#### Local Law or Code Requirement

Cambodia Labor Law, Article 146, Art. 147; FLA Workplace Code (Compensation Benchmark C.16)

#### Recommendations for Immediate Action

1. Cease the practice of off-clock work and record all working hours in the time record system for adequate compensation.
2. Cease the coaching practice that prevents workers from providing authentic information to assessors.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

In July 2017, factory faced supply and materials issues to supply to sewing lines in time. Therefore, we had some QCs came to prepare in advance before in-line which factory had compensated. There were 5 QCs worked on Sunday, 2 July 2017, 4 QC worked on Sunday, 9 July 2017 & 8 QCs worked on Sunday, 23 July 2017.

The factory management has fully acknowledged that this was a threshold issue against the work place standard.

1. Factory management commits to follow internal compliance policy on working hours to request for approval from Ministry of Labor and adidas for country manager approval for work on Sunday.
2. The attendance of Sunday worked is going to be recorded in the New PAMS system.
3. The payment will be calculated and included in the payroll and will be shown in the pay slip. For back pay calculation, Factory calculated 2 years of OT back wages, and paid back to workers on 7-Mar-2018 back wages from Jan-Oct-2016 paid. Wages from Nov-2016 to Oct-2017 were paid on 7-Dec-2017.

4. Factory manager review the capacity planning by monthly with headquarter. The offered capacity shall be based on the regular 48 hours per week.

5. HR manager is assigned to join weekly production meeting to arrange for man power or request for overtime if needed.

6. Factory arranged the planning schedule with Taipei HQ based on 8 hours since November 2017

7. HR manager conducted training to expats, managers, supervisors and leaders about the overtime rule that it must not exceed more than 2 hour per-day. The training was conducted on 28-October-2017
8. Compliance supervisor has reviewed weekly the overtime tracking since January 2018. After HR review's, she sends tracking report to top management and related department to stress that the actual working hours must not exceed 10 hours per-day.
9. Factory runs night shift for workers working in finished goods warehouse so that their working hours does not exceed 60 hours per week, the working shift was included in the company internal rule and approved from Ministry of Labor by 15-December-2017.
10. Factory management had announced no exceed overtime and Sunday work last 28-Oct-2017

December 2019 adidas Comments: A. 1 & 2: Since 2018, there have not been any arrangements for Sunday work for workers in production. However, there was an arrangement for 10 workers in the canteen to work on Sunday under the approval of Ministry of Labor. The attendance record was kept, and these 10 workers were entitled with Sunday overtime compensation and provided with one compensation day off.

3. Since January 2018, all payment of work on Sunday and Public Holidays has been included in the payroll & Pay slip.

4. & 6. The capacity planning has been scheduled within the hours of work legal limit or as per maximum of 10 working hours per day.

5. The HR manager regularly joined weekly production meeting to learn on needed capacity and arranging the manpower or request to the ministry of labor for any needed of overtime within legal limit or Sunday work.

B. 2: Refreshment training on legal limit overtime has been providing to supervisors and leaders. The last training was conducted in January 2019.

3. Weekly overtime tracking have been reviewed by compliance management since January 2018 to monitor compliance of working hours.

4. Factory runs night shift for workers working in finished goods warehouse so that their working hours does not exceed 60 hours per week, the working shift was included in the company internal rule and approved from Ministry of Labor by 15-December-2017.

## PREVIOUS FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

The termination policy states that workers will be subject to termination if they solicit others to join a strike. Interviews with union members and workers found no evidence that workers and union representatives were restricted from joining or organizing strikes. ER.26, FOA.22

##### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Article 320; FLA Workplace Code (Employment Relation Benchmark ER.26; Freedom of Association Benchmark FOA.22)

##### Recommendations for Immediate Action

Remove the improper termination clause from the policy.

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

Explanation: The factory has revised factory regulations and replaced "strike" with "worker stoppage". However, explicit wording that workers who solicit others for work stoppage will lead to employment termination is still included in the disciplinary section under the

revised factory regulation. Since strike without work stoppage is not possible, the prohibition of the latter is tantamount to the prohibition of the former.

Root Causes: The factory thought that it was fine to have such wording as the local law defines strike “as concerted work stoppage by a group of workers that takes place within an enterprise or establishment for the purpose of obtaining the satisfaction for their demand from the employer as a condition of their return to work.”

#### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Article 320; FLA Workplace Code (Employment Relation Benchmark ER.26, Freedom of Association Benchmark FOA.22)

#### Recommendations for Immediate Action

Remove the improper termination clause from the policy.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1.Factory management called meeting with workers representative and union on 17-Oct-2017 about the revision of internal rule Art 9.1.
2. Both union and workers representative agreed to the revision.
3. Factory management already revised and updated current internal rule removing the clause "workers who solicit other for work stoppage will lead to employment termination" from disciplinary section.
4. The revised internal rule was already approved by Ministry of Labor and Vocational Training's Labor department last 15 December 2017.
5. Upon receiving of the approved internal rule from labor department, HR department posted the official internal rule at bulletin board for workers' information.

## PREVIOUS FINDING NO.4

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Recruitment, Hiring & Personnel Development

#### Finding Explanation

Based on worker and management interviews, workers are allowed to freely choose between Fixed Duration Contracts (FDCs) and Unfixed Duration Contracts, (UDCs) when renewing their contracts; however, all workers have chosen FDCs. The factory employs all regular workers under FDCs for 6 months, which are renewed every 6 months. Workers who reach two years of contracts are given 3 to 4 days off, and then re-employed as a new worker with a new starting date in the payroll ledgers and a new factory ID. Workers reported that they prefer the FDC contract because they preferred the 5% severance pay at the end of each 6-month FDC contract. This practice, however, is not in compliance with Cambodia Labor Law, according to which workers should not be employed under FDC longer than two years.

#### Local Law or Code Requirement

Labor Code of Cambodia, Chapter I, Section 1, Article 67; FLA Workplace Code (Employment Relationship Benchmarks ER.9 and ER.11; Compensation Benchmark C.6)

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

Explanation: The factory still follows the same practice. Based on review of sample contracts, the factory employs all regular workers under fixed duration Contracts (FDCs) for six months, which are renewed every six months. Workers who reach two years of seniority are given three to four days off, and then re-employed as a new worker with a new starting date in the payroll ledgers and a new factory ID. Root Causes: The factory respects workers' decisions to be hired under FDC once they complete their two years' contract with the factory.

#### Local Law or Code Requirement

Labor Code of Cambodia, Chapter I, Section 1, Article 67; FLA Workplace Code (Employment Relationship Benchmarks ER.9 and ER.11; Compensation Benchmark C.6)

#### Recommendations for Immediate Action

Sign open-ended (unfixed) labor contracts with workers who complete two years of service under FDCs.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Since May 2015, the factory has started to apply the Undetermined Duration Contract (UDC) to workers who have been employed under Fixed Duration Contract (FDC) with over two years of seniority. During that time, around 300 workers already transferred to UDC. However, on 16 January 2017, the factory union requested to the factory to use FDC with the support of 1500 workers (workers indicated agreement with thumb print). The Union filed a complaint to Ministry of Labor as the union did not accept the transfer of 300 workers from FDC to UDC after 2 years of seniority. The representative from the Ministry of Labor invited both sides (Factory management & Union) to resolve a collective dispute at the Ministry of Labor on 3-Apr-2017. But, the negotiation did not reach agreement as union still stand firm to use FDC. The Ministry of Labor referred the non-conciliation case to the Arbitration Council on 6-Apr-2017. The Arbitration Council issued award (decision) on 9-May-2017 requiring workers to accept employment contract of UDC when their seniority is over two years. Union rejected Arbitration council award since they prefer to use FDC to get 5% severance pay at the end of each contract. By law, after the process of Arbitration, workers have the right to strike in case that they disagree with the decision. To reduce the risk of unrest, factory decided to transfer 182 workers between May-July 2017 from UDC to FDC contracts. But, seniority and other benefit and allowance are still kept for those workers.

Factory management has tried to convince workers to use UDC, but workers still not accept and they sent their rejection to factory via SMS (this system is used by workers to complain or give comment to factory management). Factory management also approached labor officer to train workers to understand about benefit of UDC. Currently, there are 540 workers employed under UDC, workers still request factory via SMS that they prefer to be employed under FDC to get 5% severance pay at the end of each contract. Union repeatedly has asked factory to let workers use FDC instead of UDC. Therefore, factory has pending action to convert the workers contract from UDC to FDC from August 2017. The Arbitration Council's Award (Decision) required the factory to transfer workers who have worked more than 2 years to be UDC, but workers prefer to use FDC. Therefore, when their employment contract has passed the period more than 2 years, workers will resign and apply back to work to get FDC contract.

#### December 2019 adidas Comments:

1. Factory is converting contracts from FDC to UDC based on the new regulation (#50/19) issued in May-2019 which stated that all FDC can be signed one or more times as long as each duration of FDC not exceed 2 years. For the current practice the factory signs FDC for 6 months for 5 times and after that workers will be converted to UDC.

2. As of Jun-2019, 953 (62%) workers were converted to be UDC. The remaining 596 (38%) are still under FDC which will not be converted to UDC until their contract expires and exceed 2 years and 6 months.

3. Attached is the instruction #50/19 issued by Ministry of Labor and Vocational Training.

## PREVIOUS FINDING NO.5

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

Chinese migrant employees (most of whom are line managers) do not have a comprehensive understanding of the factory's Workplace Conduct and Discipline policies. Nonetheless, the majority of workers reported that they had no problem communicating with the Chinese line management. However, about 10% of the interviewed workers on several sewing lines reported that they had problems communicating with Chinese line managers due to the language barrier and cultural differences. There was one report that one Chinese line manager was speaking very loudly and acted impolitely toward local workers when they were having problems communicating. ER.17, ER.27, H/A.5

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.17 and ER.27; Harassment & Abuse Benchmark H/A.5)

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

Explanation: The factory provided cross-cultural training to all 21 foreigners in the factory (all Chinese except one Taiwanese supervisor), including the abovementioned line supervisor. However, they have not yet been trained on company policies and procedures including those pertaining to Workplace Conduct & Discipline (including Harassment & Abuse), the Grievance System, and non-Discrimination.

Root Causes: There is language barrier in training. The training materials are all in Khmer and some are bilingual, Khmer and English. The trainers are Khmer who do not speak Chinese, and the Chinese trainees do not speak either Khmer or English.

#### Local Law or Code Requirement

FLA Workplace (Employment Relationship Benchmark ER.17 and ER.27)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The Taiwanese supervisor has resigned and currently there is no Taiwanese worker/manager in place.
2. Training materials were translated also to Chinese Language.
3. The training on company policies including disciplinary, harassment & abuse, grievance system, non-discrimination policies and workplace standards has been scheduled in the Annual Training Plan for 2017.
4. Factory is going to provide refresher cross-cultural and compliance policies training to Chinese employees annually. The plan has been included in the 2018 training plan.
5. The revision of the new compliance policies will be translated and provided in Chinese by 2nd Quarter of 2018.

December 2019 adidas Comments:

1. All expats, including Taiwanese, Chinese and Pilipino already joined the refresh training in 2018 and 2019.
2. The training materials have been revised into English and Chinese language.
3. Workplace standards, HSE, Anti-Harassment, Disciplinary, Discrimination, Grievance, Migrant worker, and cross culture have been added in annual training plan 2018 and also provide to all expat.
4. All topics included in point 3 above have also been added in the 2019 annual training plan to refresh all expat.
5. The training material which was revised in Chinese language already provided to Chinese expat workers in August, September, and October 2018

## PREVIOUS FINDING NO.6

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. One of the exit routes in the embroidery section does not have signs indicating the evacuation route. HSE.52. There is no evacuation sign leading to the secondary exit in the migrant workers' dormitory. Some exit signs in the workshops are not illuminated. HSE.53. Several exit doors in the sewing workshop and warehouse are rolling gates instead of outward opening doors. Additionally, they were either half-closed or closed (not locked) during working time, and some of them were not easy to open and do not have stoppers to



prevent the gates from closing. HSE.54. The first aid kits do not have sufficient supplies; they are missing essential items such as forceps and bandages. Furthermore, there were supplies without names and instructions in the local language. HSE.6

#### Local Law or Code Requirement

Law of Administration of Factory and Handicraft Cambodia, Chapter III, Article 26; Labor Code of Cambodia, Section 8, Article 229; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

#### Recommendations for Immediate Action

1. <!--[endif]-->Ensure evacuation signs and indicators are installed along evacuation routes.
2. <!--[endif]-->Regularly check exit signs to ensure that they are functioning.
3. <!--[endif]-->Restock first aid kits, and translate the names of supplies and instructions into the local language.
4. <!--[endif]-->Install rolling gate at the exits with stoppers to prevent them from closing during emergencies.

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

1. Finding Status: Remediated

Explanation: Exit routes in the embroidery section have signs indicating the evacuation route.

2. Finding Status: Remediated

Explanation: There are illuminated evacuation signs leading to the secondary exit in the migrant workers' dormitory. The exit signs in the workshops are now illuminated.

3. Finding Status: Partially Remediated

Explanation: Some exit doors in the cutting section, accessory warehouse, and sewing section do not open outward as they are either sliding or rolling doors. HSE.5

Root Causes: Production buildings are old and the factory had the plan to change the doors to open outward but due to the budget constraints, only some were changed.

4. Finding Status: Not Remediated

Explanation: First aid supplies are missing (such as adhesive bandages, gauze bandages, forceps, Triangular Bandage and eye wash) in all three sampled first aid kits. HSE.6

Root Causes: The factory did not update the list of first aid supplies as per the OSHA Standards and did not monitor the first aid supplies in all first aid kits regularly.

#### Local Law or Code Requirement

Law of Administration of Factory and Handicraft Cambodia, Chapter III, Article 26; Labor Code of Cambodia, Section 8, Article 229; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

#### Recommendations for Immediate Action

1. Install the exit sign and emergency light above exit and exit path.
2. Make sure exits doors open outward.
3. Keep all first aid kits fully stocked at all times.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

6.3: Ongoing. 1. The roll up doors are kept open all the times during working hours for workers' evacuation at accessory and sewing section. Currently the Factory has 4 exits door in the sewing production area that open outward, the roll up door will not be used as emergency exit. Project department is going to install push outward door at accessory warehouse, the time line to install will be mid of May 2018.

2. Rolling door at cutting department were not in use, safety team had posted "Door not use".

3. Maintenance had setup stop lock to prevent the rolling door from dropping down.

4. Security guards who monitor the entrance are responsible to ensure the doors are kept open



5. Production manager and supervisors conduct roving to ensure the doors are always open.

6. Maintenance installed a lockable device as stoppers to prevent the gates from closing

6.4: Completed. 1. The factory has updated the first aid list and posted in the first aid box for easy reference.

2. The keys of first aid kits are kept with line leaders and with easy to access, whenever workers need it, they can approach to line leaders directly. If the line leaders are not around, workers can contact line leaders by provided phone number.

3. Factory nurses are assigned to restock first aid kits on a daily basis to ensure that necessary medical supplies are provided. When the nurses do the restock, they get the keys from line leaders, and return the keys to them once the restock is done

4. If the required medicine is not inside the first aid kit, workers can approach the nurse in factory clinic to get it.

5. Factory nurses are responsible to check inventory of each type of medicine monthly, all necessary medicine is going to have safety stock quantity in place

6. Safety officer is going to randomly check first aid kits according to check list to ensure that first aid kit have all necessary medical supplies available

7. Attached medical check list to each first aid kit for easier verification

December 2019 adidas Comments:

6.3: Completed

1. Rolling door in accessories warehouse was removed and replaced by push outward door in Nov-2018.

2. Rolling door in cutting department is not used as emergency exit, safety team had posted "Door not use" to avoid confusion in an emergency.

3. Maintenance team has setup stop lock to prevent the rolling door from dropping down.

4 & 5: Security guards are closely monitoring and informing supervisors, production management and compliance team in the event of a non-compliance case.

## PREVIOUS FINDING NO.7

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The operation procedures in the boiler room are not in the local language. HSE.142. Water leaks from the roof of the sewing section during rainy days. HSE.133. There are insufficient dining areas; however, the facility is in the midst of expanding the dining areas at the back of the facility. HSE.194. Health, Safety & Environment procedures do not include a list of equipment requiring lockout-tagout (LOTO). ER.315. Sharp tool controls are lax; there is no record kept of sharp tool issue/return. HSE.146. Electrical wires next to the high voltage panels in the cutting section are not properly encased. HSE.137. There is no proper room for breast-feeding at the facility. HSE.1

#### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Articles 186 and 229; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.13, HSE.14, and HSE.19)

#### Recommendations for Immediate Action

1. <!--[endif]-->Translate the boiler room instructions into the local language.

2. <!--[endif]-->Repair the roof of the production building to stop leakage, and conduct regular maintenance checks.
3. <!--[endif]-->Continue to build additional dining areas to ensure that there are a sufficient number of seats for workers.
4. <!--[endif]-->Enhance sharp tool control practices, and properly record issuing and returning sharp tools.
5. <!--[endif]-->Properly cover and encase the electrical wires in the cutting section.
6. <!--[endif]-->Provide a proper nursing room for breast-feeding at the facility.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Remediated;

Explanation: Boiler operation instruction in Khmer was posted.

2. Finding Status: Remediated

Explanation: The roof leakage at the sewing section has been fixed.

3. Finding Status: Not Remediated

Explanation: The dining areas are still not sufficient for workers. The factory arranges narrow dining areas along the walkway and loading area on the left-hand side of the production building for workers taking lunch and dinner breaks. HSE.19

Root Causes: Space is limited in the factory compound.

4. Finding Status: Partially Remediated

Explanation: The factory revised the lockout-tagout (LOTO) procedure with a list of equipment requiring lockout and tagout inclusive.

However, the logout-tagout procedure was set up for contractors; it has not actually been implemented in the factory by workers, electricians, or maintenance staff. ER.31

Root Causes: The factory misunderstood the requirements and the scope of LOTO procedure.

5. Finding Status: Partially Remediated

Explanation: The factory has implemented a procedure to distribute and return the sharp tools used in daily operations. However, the newly established sharp tool management procedure is mostly focusing on the product safety. As observed, workers do not properly tie their trimming scissors to their work station to prevent the sharp tool from dropping onto their feet or bodies. HSE.14

Root Causes: The factory has overlooked some of the safety risks and hazards of sharp tools.

6. Finding Status: Remediated

Explanation: The factory has covered the electric wires in the factory and in cutting section particularly.

7. Finding Status: Partially Remediated

Explanation: The factory has a lactation room on the second floor of the foreigners' dormitories next to the kitchen. However, the room is not properly equipped. There are no tools, a washing basin, tissues, or a fridge. HSE.1

Root Causes: The factory explained that they did not provide proper facilities because no one has used the room as it is not convenient to do so; it is located on the 2nd floor of the foreigners dormitories. Also, workers are not provided with proper breast-feeding time as mentioned in a finding below.

### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Articles 186 and 229; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.14, HSE.19 and ER.31)

### Recommendations for Immediate Action

1. Provide adequate dining area for all workers.
2. Train workers, electricians, and maintenance staff to implement the LOTO procedure during machine maintenance.
3. Eliminate the safety risk of sharp tools for workers.
4. Provide tools, washing basin, tissues, and fridge for the lactation room.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

7.3: In Progress

- 1.Factory has rented the land next to the factory for expansion of canteen on August, 2017
2. Land owner signed a contract with construction supplier for the expansion plan
3. The expansion layout included sufficient dining area for workers

4. Canteen is under construction now and is expected to be fully completed by 28 February, 2018
5. Construction tracking form is used for monitoring construction on weekly basis by project manager and compliance manager. The tracking form listed down the progress of highlighted construction, and then send it to factory manager weekly for closely monitor the completion status
6. The lunch break will be arranged into two shifts to accommodate all workers.

#### 7.4: In Progress

1. LOTO procedure was not implemented because the LOTO devices were not purchased and used by the electrician. Compliance team purchased 3 sets of LOTO device in Nov 2017. Currently, lockout tagout (LOTO) device is in place and kept with electrician.
2. Safety officer, qualified internal trainer is going to provide training about lockout-tagout (LOTO) procedure to workers, electrician and maintenance staff by the end of December 2017. Training manager is going to track the training plan on monthly basic.
3. Safety officer responsible for onsite monitoring to ensuring the lockout-tagout (LOTO) procedure actually has been implemented in the factory by electricians or maintenance staff and workers.
4. Lockout-tagout (LOTO) training is included in annual training Plan for 2018 for electrician, maintenance and workers.
5. Compliance team is going to include the implementation of LOTO procedure and training completion status in the monthly HSE audit.
6. The implementation of LOTO procedure is going to be included in the KPI and performance evaluation of electrician and maintenance.

#### 7.5: In Progress

1. The record of daily sharp tool is kept at mechanic room
2. Workers are required to tie their trimming scissors to their workstation to prevent the sharp tool from dropping to their feet or body.
3. Line leaders reminds on daily basis to their sewing operators about basic HSE topics including how to properly tie scissors to their workstation to prevent work-related accident.
4. Line leaders and supervisors are responsible for checking if the scissors are tied to workers' workstation when they do the roving. Any untied scissors is going to be tied immediately.
5. Safety officer conduct daily review to check if all scissors and sharp tools are tied to their machines, if not tied, safety officer have to remind them to tie their scissors.
6. Compliance team conducted monthly HSE internal audit to make sure all working place are safe.
7. Risk assessment is going to be conducted to identify the hazard and provide control measure. Risk assessment conducted by the qualify safety officer and review every 6 months.

#### 7.7: In Progress

1. Factory rented the land next to factory for factory expansion in August 2017
2. Land owner signed a contract with construction supplier for the expansion plan
3. The expansion layout included lactation room for workers. The lactation room is going to be transferred and fully be equipped with tools, a washing basin, tissues, and a refrigerator for workers to use. It will be located on the ground floor.
4. Lactation room is under construction now. And is expected to be fully constructed by early February 2018
5. Construction tracking form is used for monitoring construction on a weekly basis by project manager and compliance manager. The tracking form listed down the progress of highlighted construction, and it is updated by compliance manager and then send it to factory manager weekly for closely monitor the completion status"
6. After the lactation room is completed, HR department will set meeting with shop steward & union about the lactation room usage and be announced to the workers by posting on the bulletin board and SMS to workers.

December 2019 adidas Comments:

#### 7.3: Completed

The canteen construction was completed in mid of May 2019. Chairs, tables and lockers were provided to accommodate all workers. To improve the ventilation, factory also provided big wall fans around the canteen.

#### 7.4: Completed

1. LOTO procedure was reviewed and updated on 1-Aug-2018. Compliance team purchased 3 sets of LOTO device on Nov, 2017. Currently, lockout tagout (LOTO) device is in place and kept with electrician, mechanic, cooker and maintenance staff. LOTO list provided in place.
- 2 & 4. Safety officer, qualified internal trainer provided training about lockout-tagout (LOTO) procedure to workers, electrician, mechanic and maintenance staff on 3-Aug-2018 and 18-Aug-2018.
- 3 & 5. Safety officer responsible for onsite monitoring to ensuring the lockout-tagout (LOTO) procedure has been implemented in the factory by electricians, mechanic and maintenance staff.
6. The implementation of LOTO procedure is included in the KPI and performance evaluation of electrician and maintenance.

#### 7.5: Completed

1. The record of daily sharp tool is kept and documented in the mechanic's room.
2. Workers are required to follow the SOP to tie their trimming scissors to their workstation to prevent the sharp tool from dropping to their feet or body.
3. Line leaders reminds on daily basis to their sewing operators about basic HSE topics including how to properly tie scissors to their workstation to prevent work-related accident.
4. Line leaders and supervisors are responsible for checking if the scissors are tied to workers' workstation when they do the roving. Any untied scissors is going to be tied immediately.
5. Safety officer conduct daily roving to check if all scissors and sharp tools are tied to their machines, if not tied, safety officer have to remind them to tie their scissors.
6. Compliance team conduct monthly HSE internal audit to make sure all working place are safe.
7. Risk assessment has been conducted on an annual basis and the last risk assessment was conducted on 11 February 2019 to identify the risk and develop an improvement plan.

#### 7.7: Completed

- 1-5. The nursing room was relocated to the new building on the ground floor of dormitory in April 2019. It's completely with bed, linen, first aid box, fans and refrigerator. It is near toilet. Risk assessment was conducted, and action has been taken to improve the health and safety condition.
6. On April 1, 2019 HR department called for a meeting with 2 unions and shop stewards to announce that daycare center is now opened to all workers' kids age from 18 months to 3years. After the meeting with workers representatives, the information was also disseminated to all workers via information boards.

## PREVIOUS FINDING NO.8

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

The factory does not provide workers with adjustable workstation or chairs with adjustable backrests. However, there is a partially developed ergonomics program at the facility, which includes floor mats for standing workers and an ergonomic resting area.

#### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Article 230; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.17)

### VERIFICATION RESULT

#### Finding Status

Partially Remediated

#### Remediation Details

Explanation: While some of the workers (e.g., QC, trimming) have chairs with backrests, 50% of chairs for sewing workers still do not have backrest and individual workstations are not adjustable to fit individual workers.

Root Causes: Action plans have not been implemented due to budget constraint and space limitation.

#### Local Law or Code Requirement

Labor Code of Cambodia, Section 8, Article 230; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.17)

#### Recommendations for Immediate Action

Provide chairs with backrests to sewing workers and adjustable workstations to fit individual workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Maintenance provided chairs with backrest to all workers on 13 Nov,2017
2. Total 83 chairs with back support had been replaced.
3. Safety officer is responsible to check and ensure the chair with back support are 100% completed.
4. Line leader and supervisor are responsible to check and report the chairs without back support to general affair department for repairing
5. General Affairs Department is going to have spare chairs with back support so if chair without backrest is going to be damaged, it is going to be immediately replaced with back support. .
6. Internal HSE audits will ensure to review that all workers are provided with proper seating. Additionally, HSE trainings will also include ergonomics related topics, including proper seating.

December 2019 adidas Comments:

1. Back support chair has been provided to all worker since 13 November 2017.
2. A replacement has been provided to the broken chairs.
4. Line leaders and supervisors conduct daily checks of chairs in their respective departments and report to General affair department who is responsible for repairing.
- 3, 5 & 6: Internal checks/audits have not found any new issues related to chairs.

## PREVIOUS FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

Hazardous and non-hazardous waste are not properly separated and stored at the waste storage area. The waste storage areas were under renovation at the time of the assessment.

#### Local Law or Code Requirement

Law on Administration of Factory and Handicraft of Cambodia, Chapter III, Article 31; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1)

#### Recommendations for Immediate Action

Adopt measures to ensure that hazardous waste and non-hazardous waste are properly separated and stored.

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

Explanation: Hazardous and non-hazardous waste are stored separately in the waste storage area.

## PREVIOUS FINDING NO.10

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Policies & Procedures (Macro)

### Finding Explanation

1. The factory does not have proper policies and procedures for Retrenchment. There is no separate policy for retrenchment, and procedures are missing elements such as plans and measures to deal with retrenchment caused by various reasons. ER.32
2. Despite the existence of policies for Recruitment, Hiring & Personal Development, there are no detailed procedures for personal development and demotion (e.g., how employees can discuss personal development paths, attend any specific training, or appeal a demotion decision.) ER.29, ER.30
3. Workplace Conduct and Discipline procedures do not spell out the appeal processes/channels. ER.27

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27, ER.29, ER.30, and ER.32)

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Partially Remediated  
Explanation: Retrenchment policy has been established, but the procedure on how to handle different types of retrenchment has not yet been established. ER.32  
Root Causes: Person responsible for policies and procedures does not fully understand how the retrenchment procedure needs to address different retrenchment situations.
2. Finding Status : Not Remediated  
Explanation: The factory has not established the personnel development procedure; nor has it executed any personnel development activities. The factory only provides the trainings for workers on company policies and procedures and Health & Safety. ER.29, ER.30  
Root Causes: The factory conflates on-the job- training with personnel development.
3. Finding Status: Not Remediated  
Explanation: The factory's Workplace Conduct & Disciplinary procedures do not spell out the processes and channels for employee to appeal against disciplinary actions against them. Only one article mentions that workers have the right to seek legal advice or his/her representation at the disciplinary meeting. ER.27  
Root Causes: The factory does not understand clearly how the appeal process should be.

### Local Law or Code Requirement

Cambodia Labor Code, Art. 88, Art. 94, Art. 95; FLA Workplace Code (Employment Relationship Benchmarks ER.27, ER.29, ER.30, and ER.32)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

10.1: In Progress

The HR department has added the procedure to handle retrenchment into criteria as per local law article 95(Mass layoff) and article 71 (Suspension of the labor contract): This procedure covers layoff and termination due to the following situation:

1. Downsizing because of lower profit
2. Structural change involving the loss of positions.
3. Factory management will try to reduce overtime to minimize the expense
4. If the expense is still high, the company will lay off the workers who have the least professional ability, least seniority, the seniority increase one year for married workers and additional one year for each dependent child. The refresher training of retrenchment procedure will be conducted on May-2018, the target 500 employees.

#### 10.2: In Progress

1. Factory has career development and promotion policy in place. The content of this policy is equivalent to personnel development procedure.

Factory has both in-house technical training and provides employees on-job training with 3rd party service providers such as ILO, CAMFEB so employees have more access to training and education to promote technical skills, supervisory skills /managerial skills and communication skills as ways to benefit their personal development. Performance evaluation: After 2 or 3 months probationary (depends on the position), new employee or promoted employee need to be evaluated by direct superior. This evaluation will determine if this employee is qualified for this position. If employee pass the probation, worker will sign the labour contract with new position. If the employee is not qualified we will consider transferring back or to another department/position.

2. For technical skills, the factory had provided via on the job training for workers who can potentially be promoted to line leaders' supervisors. For communication and leadership skills, in 2017 HR department has assigned about 70% of supervisors to join supervisory skills training with external training institution, ILO (better factory Cambodia)

3. In 2018, factory management will continue to provide on the job technical skills training. For supervisory skill training (SST), the HR department is going to escalate the training to all line leaders. The SST is provided by training manager who have been successfully completed the TOT (Training of the Trainer) on SST with ILO. All training SST will be included in 2018 training plan.

#### 10.3: In progress

HR department has added the appeal system in the disciplinary procedure. Workers can appeal against the disciplinary action by engaging their shop steward & unions during the process. The contact of member of shop steward & unions have posted at the information board.

-If workers are not satisfying with disciplinary procedure they can appeal to their internal shop steward & union for help and workers are allowed to have a third-party witness present during the imposition or appeal process to factory management within 7 days to find solution. Shop steward & union will submit the appeal to factory management, there is 7 days for management review, investigation and feedback.

-Procedure posted in the information board. Training department had included this Workplace Conduct and Disciplinary process in the training plan, orientation and refresh training on Jun-2018 target 500 workers.

\* Shop steward & unions was elected by workers

#### December 2019 adidas Comments:

##### 10.1: Completed

1-3. The HR department has added the procedure (III. 3.4) to handle retrenchment into criteria as per local law article 95(Mass layoff) and article 71 (Suspension of the labor contract). The policy already approved by Factory Manager and last update was made on September 7, 2018. The policy already has been posted on the information board by safety officer.

4. Training on retrenchment procedures have been conducted via 9 training sessions for 550 workers in 2018.

##### 10.2: Completed

1. Factory has a career development and promotion policy in place. The content of this policy is equivalent to personnel development procedure and conducted update on last version on May 22, 2018.

2. For technical skills, factory has provided via on the job skill training to potential workers who can be promoted to line leaders/supervisors. For communication and leadership skills, in 2017 and 2018 HR department has assigned 21 supervisors to join supervisory skills training with external training institution, ILO.

3. As of Jun-2019 there are 30 supervisors who attended SST training, the remaining 9 supervisors who have not attended will be registered in the month of Aug, Oct and Dec 2019.

4. After sending all supervisors to join the Supervisory Skill Training in 2019, HR Department will plan to send all leaders to join in 2020, 2021, and 2022.

##### 10.3: Completed



1. Disciplinary Procedures, revised on 08 Jan 2018, has stated that the worker can appeal against the disciplinary or can ask their representative and union to be the witness (Section 5.D: 2.1 to 2.6).
2. The policy/procedure also posted on the information board and update every year and when it needed by safety officer.
3. All warning letters have to be acknowledged by workers representative/union to be the witness starting from January 2018. The training was provided to 192 Workers in through 11 training sessions conducted between June and August 2018; and to 587 workers from May to July 2019:
  - 252 workers in May 2019
  - 161 workers in June 2019
  - 174 workers in July 2019The refreshment training in 2020 is also going to include this topic to workers who did not receive it in 2019.

## PREVIOUS FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

1. Due to the lack of proper policies regarding Retrenchment, these policies have not been properly communicated to workers. ER.16, ER.32
2. Due to the lack of proper policies and procedures regarding Retrenchment and Personnel Development, there has been no review and update to these policies and procedures. ER.1, ER.28, ER.29, ER.30.1

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.28, ER.29, ER.30, and ER.32)

### VERIFICATION RESULT

##### Finding Status

Partially Remediated

##### Remediation Details

1. Finding Status: Partially Remediated.

Explanation: The factory has established the Retrenchment policy, but it is not adequate; as a result, the communication to the workers is also inadequate. As the Personnel Development policy has not been established, it has not been communicated to workers yet. ER.16, ER.32

Root Causes: The factory is not fully aware of FLA benchmarks.

2. Finding Status :Partially Remediated

Explanation: The latest management review of most of policies and procedures were conducted in June and July 2017; however, the detailed procedure for Retrenchment and Personnel Development are missing. ER.1, ER.28, ER.29, ER.30

Root Causes: The factory does not fully understand the FLA benchmarks.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.28, ER.29, ER.30, and ER.32)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

11.1: In Progress

The retrenchment policy is under revision and will be finalized by end of January 2018, after revision, the HR department will communicate the policy via annual training posting at the information board.

11.2: In Progress

The Policy and Procedure review are done twice a year and/ or if there is a need like new updates from gov't. For the two

procedures for Retrenchment and Personnel Development where already revised January 19, 2018.

December 2019 adidas Comments:

#### 11.1: Completed

1. The HR department added the procedure (III. 3.4) to handle retrenchment into criteria as per local law article 95(Mass layoff) and article 71 (Suspension of the labor contract).
2. The policy was approved by Factory Manager and last updated on September 7, 2018. The policy was posted on the information board by safety officer.
3. The qualified trainers provided the training to 550 workers in 9 training classes from July to November 2018 and 603 workers from April to June 2019.

The refreshment training in 2020 is also going to include this topic to workers who have did not receive it in 2019.

#### 11.2: Completed

1. HR Department established the career development procedure to provide detail on how to develop the ability of workers career. This procedure was established on January 8, 2018 and has been updated annually. For 2019, the review was conducted in June 4, 2019.
2. The HR department has added the procedure (III. 3.4) to handle retrenchment into criteria as per local law article 95(Mass layoff) and article 71 (Suspension of the labor contract).
3. That policy was approved by Factory Manager and was last updated on September 7, 2018. The policy was posted on the information board by safety officer.

All HR and compliance policies were reviewed annually. In 2018 and 2019, 50 policies were reviewed and updated in Quarters 1, 2 and 3 by HR and compliance team.

## PREVIOUS FINDING NO.12

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

##### Local Law or Code Requirement

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

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

Explanation: The worker integration component is still missing across all Employment Functions, meaning the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. The information exchange is

unilateral, from management to workers.

Root Causes: Factory does not fully understand the FLA Benchmarks.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.25)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The HR department is going to revise all compliance policies by March 2018, after the revision, the HR department is going to host meeting and invite all shop steward, unions and line leaders and supervisors to review the draft compliance policies and seek their comment and feedback for any area of improvement or change needed.

December 2019 adidas Comments:

1. HR manager conducted meeting with shop steward and union on March 2nd, 2019 to discuss the following policies/procedures: Termination policy & procedure, women's rights policy, body search procedure, career development procedure.
2. A second meeting took place on 9-Mar-2019 between HR and workers representative to discuss following policy/procedures: Women's rights policy, workers and management communication, performance management policy, training and development policy, compliance policy and social media policy.
3. There were 22 policies that were discussed in March, July and Aug 2019 and 11 policies already discussed in Sep and Oct 2019.

## PREVIOUS FINDING NO.13

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Grievance System

#### Finding Explanation

1. The newly hired workers and Chinese expatriates were not sufficiently communicated to or trained on the Grievance System. ER.1; ER.25.3
2. The Chinese expatriates were not sufficiently trained on Workplace Conduct and Discipline. ER.27

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25.3, and ER.27)

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

1. Finding Status: Not Remediated

Explanation: The factory has provided cross-cultural training to all foreign employees, but not training on Grievance System. ER.1, ER.25  
Root Causes: Training budget is limited and other training needs have taken priority.

2. Finding Status: Not Remediated

Explanation: The factory has provided cross-cultural training to all foreign employees, but not a training on Workplace Conduct & Discipline System. ER.27

Root Causes: Training budget is limited and other training needs have taken priority

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25, and ER.27)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### 13.1: In Progress

Grievance system had been provided to all foreign employees on 24 October 2017, the refreshment training plan is to provide it in 2018.

##### 13.2: In Progress

Workplace Conduct & Discipline System had been provided to all foreigner employees on 24 October 2017, the refreshment training will be provided in 2018.

December 2019 adidas Comments:

##### 13.1: Completed

1. All expat received refresh training in 2018; Factory has continued providing refresh training in 2019.
2. The training material has been revised into English and Chinese language.
3. Grievance, Workplace Conduct & Discipline System already provide to all expat (18 expat) in September 2018.
4. Grievance, Workplace Conduct & Discipline System also added in 2019 annual training plan in August to refresh all expat.

##### 13.2: Completed

1. All expat received refresh training in 2018; factory has continued providing refresh training in 2019.
2. The training material has been revised into English and Chinese language.
3. Workplace Standard and Disciplinary policy already provide to all expat (18 expat) in April and May 2018.
4. Workplace Standard and Disciplinary policy also added in 2019 annual training plan in April and May to refresh all expat.

## New Findings and Action Plans

### NEW FINDING NO.1

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

1. Time records and payrolls from August to October 2016 were not provided to auditors for review. The factory management explained that all of the payrolls and time records are kept in another factory under the same owner. ER.2, ER.23, C.152. Annual leave records were not provided to auditors for review so it could not be verified if additional annual leave is provided to senior workers after their three years of service as per local law. HOW.11, ER.23. It could not be verified if the doctors are actually employed and working in the factory. Doctors have no time records in the biometric system, but there is record of their attendance in the notebooks. However, based on worker interviews, they have never seen any doctor in the factory. During the assessment, the assessors did not see doctors coming to the clinic room, which was arranged for worker interviews. Also, the auditors were able to talk to one of two doctors only four hours after requesting to see the doctors. Also, the factory was able to provide proof of payment for two doctors only towards the very end of the assessment on the grounds that their payment records were kept at another factory under the same owner. The bank transfer record

of July 2017 provided by the HR Manager had a list of workers on the first 44 pages printed from the computer, while the doctors' payment were on separate pages at the end with management's signatures and the payment authorization. ER.2, C.15, C.16, HSE.18

#### Local Law or Code Requirement

Cambodia Labor Law, Article 39, Article 146, and Article 147, Cambodia Law, Prakas 330/00 Article 3, Prakas 80/1999. Art. 5; Prakas 90/1999 and Prakas 10/1999, Art. 4; FLA Workplace Code (Employment Relationship Benchmarks ER.2, and ER.23; Hours of Work Benchmark HOW.11; Compensation Benchmarks C.15 and C.16; Health, Safety & Environment Benchmark HSE.18)

#### Recommendations for Immediate Action

1. <!--[endif]-->Ensure 12 months of time and payroll records are available and provided for review.
2. <!--[endif]-->Provide annual leave records for review.
3. <!--[endif]-->Record all actual working time and compensation with the biometric (finger) time recording system.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### 1.1: Completed

On the audit day, 12 months of payroll record (August 2016 to July 2017) was prepared and ready for document review. There were four auditors assessed the payroll record. On second day of the audit, first auditor already assessed the 12-month payroll record in the morning and the same document was requested by another auditor in the afternoon. The payroll record was mixed with other documents and HR is not able to find out the record. After closing meeting, HR and HSE team found the 12month payroll record in the bundle of other documents in the meeting room.

In order to remediate this accident, HR and safety team prepared as per subject:

- Prepare proper areas to categorize documents to avoid duplication and misplace of documents.
- Verified with auditors about the requested documents

##### 1.2: Completed

1. The factory is complete transparent in documentation accession.
2. Both payroll and annual leave records for one year were prepared and ready for auditor's verification. However, the same record was required by 2 different auditors during the audit, 1 auditor checked the record first and then the records were placed in the bundle of documents, and the factory couldn't find the record when another auditor required for it.
3. The factory will enhance the implementation of audit procedure to ensure the documents are well-arranged for the onsite checking.

##### 1.3: Completed

1. Factory has 2 doctors in place and the attendance had been recorded in a manual notebook, they did not use the time recording system.
2. Doctor is required to work 6 hours per day as required by local law. The working hours is based on the total workforce in the factory, 1700 workers.
3. Currently factory had 2 doctors working a rotating schedule:
  - First doctor works from Monday-Wednesday from 09:00am-16:00pm
  - Second doctor works from Thursday-Saturday from 09:00am-16:00pm
4. Doctors are also required to use the biometric system from Sep-17 onward.
5. The Doctors' attendance records are attached to payroll record and kept for reference document.

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Policies & Procedures (Macro)

#### Finding Explanation

1. The scope of management review procedure only covers the Health & Safety procedures and policies, not any of the factory's other policies and procedures. ER.1 2. There is no procedure to calibrate the biometric time record system to ensure its accuracy. The factory is utilizing a manual time system with the biometric system to record and cross-check the working time of workers. However, there is no written procedure to instruct how to fill out the working hours on the manual time sheets. Different supervisors and line leaders are using the different symbols and ways to record the working time of the workers; therefore, it is hard to cross-check the working time on the manual time sheets against the biometrics system. ER.23 3. Hours of work and compensation policies are available. However, there are no procedures established and implemented for working hours recorded, overtime management, and benefit calculations. Also, there is no standard procedure established for overtime hour's calculation. It was observed that overtime hours recorded for payment do not follow any rule. For example, some workers leaving the factory at 17:59 after 1 hour and 59 minutes of overtime are considered to have worked for 1.5 hours of overtime while others working until 17:58 are considered to have worked for two full hours of overtime. ER.23 4. There is no procedure established for weekly bonus allocation to workers to ensure non-discrimination in the bonus allocation. It solely depends on the supervisors' judgment. C.15. The factory's rules & regulations (approved in July 21, 2017) is not updated with the shift working schedule. ER.1 6. The Industrial Relations policy and procedures have not been established. ER.25 7. There is no written procedure for training. Currently, the factory creates a training plan yearly, which is based on the training needs raised by individual workers. However, the training needs for each worker, or each section/department are not assessed by a competent and qualified trainer, but by workers themselves. ER.28 8. The factory has not established a performance assessment procedure. ER.29 9. The factory has not established a procedure for calculating termination payouts. ER.19 10. The Termination procedure has not been properly established and it is only focus on the security side, instead of the labor side. While the termination policy only focuses on the dismissal or employer terminate the employment with workers, there is no guide or steps for how workers can terminate their employment contract with the factory. Also there is a term in the termination policy that dismissal would be applied if workers have conflict with their Managers. ER.27, ER.32 11. There is no procedure to inspect the fire equipment in the factory. ER.31 12. There is no procedure defining blood borne pathogens or an exposure control plan established in the factory. ER.31 13. The scope of emergency response procedure does not include the special category workers, visitors, subcontractors, and suppliers. ER.31, HSE.5 14. The internal audit procedure, which monitors implementation of policies and procedures, only focuses on Health & Safety policies and procedures. ER.1

#### Local Law or Code Requirement

Cambodia Labor Law, Article 23, Article 141; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, ER.23, ER.25, ER.27, ER.28, ER. 29, ER.31, and ER.32; Compensation Benchmark C.1; Health, Safety & Environment Benchmark HSE.5)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

December 2019 adidas

#### 2.1: Completed

1. Five Management review meetings were conducted in March to May 2018 to review Factory policies and procedures. These meetings took place before we provided the CAP. I'd recommend that you show here

1.1 1st reviewed was on 17 Mar 2018, with reviewing 6 policies (Compliance, Non-discrimination, working hours and overtime, Compensation and benefit, Freedom of association and HSE policies)

1.2 2nd reviewed was on 6 Apr 2018, with reviewing 5 policies (Non-retaliation, Anti-harassment, Child labor, Juvenile labor and Recruitment and hiring policies)

1.3 3rd reviewed was on 4 May 2018, with reviewing 5 policies (open door, non-discrimination, grievance, working hours/overtime and day care center policies)

1.4 4th reviewed was on 19 May 2018, with reviewing 5 policies (body search, personal with disability, annual leave, women's right, and pregnant policies)

1.5 5th reviewed was on 23 May 2018, with reviewing 4 policies (career development, freedom of association, migrant worker and industrial relation)

2.18 policies (including HR, Labor related policies) have been reviewed by management review meeting between March to May 2018.

3. HR Managers, Compliance Officers, Production Staff and Factory Managers attended the meeting. All the reviewed policies and procedure signed by key management members.

#### 2.2: Completed

1. The written procedure on attendance marking is drafted and communicated to related staff and supervisor in November 2018.
2. The management communicated the procedure to workers and supervisors on how their attendance are manually recorded via training on 27 October 2018.
3. The procedure was applied since 27 October 2018.

#### 2.3: Completed

1. The system was fixed and is based on minutes since Sep-2017.
2. The HR dept. had meeting with workers representative and union in Sept-17 regarding the compensation of working hours and overtime. Both agreed to implement compensation calculation based the actual time records; Payment calculations will be based on the actual time.
3. The working hours and overtime policy was been revised in Jan-2018.(point 9).
4. Newly hired employees have been provided orientation training related to working hours and overtime payment and also provide employees handbook.
5. HR dept. conducted refresh training on wage calculation of working hours and overtime
  - 585 workers in Feb , Apr , Jun , Sep-2018.
  - 1080 workers Jan to Apr and Oct , Nov -2019.

#### 2.4: Completed:

1. The weekly Bonus procedure was developed on 20-Jan-18.
2. The weekly bonus procedure was also reviewed in April 2019 by the HR department to ensure the compliance. The production planning department issues a written table as per target set by Industry Engineer for weekly production targets and the amount of the corresponding bonus to all line leaders and supervisors for each group. This weekly bonus is a group bonus. After receiving the amount of the group bonus, line leaders and supervisors calculate the amount of each individual (member of each group) based on the absenteeism, skill , and on how many operations each worker can do. All the payment on weekly bonus are included in the payroll.
2. The Refresh trainings were conducted in 2019.
  - 12-Jan-19: L6, 36people
  - 12-Jan-19: L18, 18people
  - 23-Jan-19: L1, 33people
  - 09-Feb-19: L19, 37people
  - 09-Feb-19: L15, 36people
  - 23-Feb-19: L5, 34people
  - 01-Mar-19: L9, 35people
  - 01-Mar-19: L7, 30people
  - 02-Mar-19: L8, 32people
  - 02-Mar-19: L10, 36people



04-Mar-19: L3, 35people

04-May-19: L22, 34people

04-May-19: L11, 32people

05-May-19: L21, 38people

05-May-19: L12, 31people

08-May-19: Leaders, 33 people

3. HR trainer conducted the weekly bonus training to all supervisors and line leader (42employees) in April 2019. after that, those supervisors and leaders conducted the meeting with their operators.

4. The procedure will be handled by finance dept end of 2019. As such, the Finance Dept is to do the calculation and review the correctives of the weekly bonus.

#### 2.5: Completed:

1. The factory submitted the updated internal regulation to the Ministry of Labor for approval (Article 3) related to working shifts. The new internal regulations include conditions of all work shift and it was approved on 20 Feb 2018.

2. The updated version of internal regulation is available for review in the factory during the review in December 2018.

#### 2.6: Completed:

1 & 2. The industrial relation policy was developed by the management (available in Khmer and English) and revised in September 7, 2018. The industrial relation policy covered the labor dispute resolution process: Negotiation, Conciliation, Arbitration Council.

2. Training on the industrial relation was conducted on 22 February 2018 to 17 worker representatives and union. The refresher training was conducted in July and August 2019.

3 & 4. HR manager assigned the Industrial Relations officer to handle and track grievances in the factory.

#### 2.7 Completed:

1. Training and Development Procedure was developed effective from 04 January 2018. The procedure addresses training plan development and encourages worker capacity development.

2. TNA, Risk Assessment, Internal audit reports, Worker Survey were used as input during training plan development for workers in 2018.

3. Qualified training Manager and Coordinator worked together to collect input and draft the training plan for each department.

#### 2.8: Completed:

1. Performance Management procedure was updated on 7-Mar-19

2. Performance Appraisal is conducted by head department 10 days before the expiration of FDC or conducted in November for UDC workers.

3. The result of performance appraisal is submitted back to HR department for review feedback and documentation.

4. Performance management procedure had been communicated to shop steward and union on 2-Feb-19 and to supervisors on 6-Mar-19. 4. Performance management procedure had been communicated to shop steward and unions on 2-Feb-19 and to supervisors on 6-Mar-19. Individual workers were briefed about the process and contents before the performance appraisal is being conducted and the result after its completion.

#### 2.9 Completed:

Payment and termination procedure was reviewed and effective from 14 August 2018. How to calculate termination payouts (timing and benefits) are explained in Section 6.2. The written procedure on payment and termination procedures is posted in information board.

#### 2.10: Completed:

The management revised the Termination Procedure on 14 August 2018 to include (section 6.3, 6.4, 6.5) on steps how workers can terminate their contract.

HR department provided training to 424 workers in Mar, Jul, Oct and Nov 2018, and 587 workers from May-Jun 2019,

- 81 workers have been trained in Mar 2018
- 122 workers have been trained in Jul 2018
- 120 workers have been trained in Oct 2018
- 101 workers have been trained in Nov 2018
- 252 workers have been trained in May 2019
- 161 workers have been trained in Jun 2019
- 174 workers have been trained in Jul 2019

The training focuses on the legal requirement of contract termination.

#### 2.11: Completed:

1. Fire equipment checking procedure was developed on Jan 16, 2018 and revised on August 1, 2018. The procedure includes timeframe, procedure, criteria for internal checks, and responsible persons.

2. Firefighting equipment inspection procedure posted on information board; and

3. The training is included training plan 2019

4. The training on equipment inspection was conducted for safety 4 officers on 08 Jan 2019.

#### 2.12. Completed:

1. The factory developed born procedure on Jan 12, 2018 and revised on Sept 01, 2018.

2. In 2018, a total of 18 trainings were organized for workers, staff, and non-production staff on the procedure between January and December.

3. The blood borne procedure was included in the annual training need survey; it was integrated in the 2019 training plan and delivered in May and Jun 2019.

- 676 workers in June 2019.

#### 2.13: Completed:

1. The emergency response procedure was on revised twice in 2018 on 11 January to cover all employees and interested parties. Safety, compliance team and HR team attended meeting.

2. The last revision of the procedure was on 1st August 2018.

3. The emergency response training was conducted to 1017 workers from April to June 2019.

- 152 workers in April 2019

- 224 workers in May 2019

- 641 workers in June 2019

4. The procedure is available on information board in front of the factory

## 2.14: Completed:

1. Internal audit procedure was revised to include labor audit on 13 January 2018 to add labor parts, C-TPAT, Security, 6S and environment
2. The procedure was regularly reviewed by management review and the internal audit team plan their work based on the procedure.

## Company Action Plan Update

### 2.1: In Progress

1. The management review meeting on factory's policies and procedures is scheduled to be conducted twice/year (every January and June). The management reviewed all policies and procedures (Labor and HSE).
2. The first round of review meetings for 2017 was conducted in July 2017 with the support from the Factory's headquarters' team. The second meeting is planned to be conducted by the end of January 2018
3. Relevant people will be invited to the meeting to let them know about those policies and procedure contents which is related to factory's implementation including Compliance Manager, HR manager, Health & Safety manager and Supervisor, Production manager, Mechanic manager, Maintenance manager.

### 2.2: In Progress

1. HR and IT department is working on a procedure to instruct line leaders and supervisors to record workers' attendance in manual record system.  
In the procedure it was mentioned as below:  
+ A= Absent  
+ P= Absent with permission  
+ v= Present  
OT= Put exact number of actual overtime  
Cross on mane= Resign or abundant. HR manager set meeting with leaders and supervisors about the attendance record. Factory staff will check attendance records daily as a secondary form to verify hours of work.

### 2.3: In Progress

1. adidas SEA Team has reviewed this issue and identified that the OT records inconsistency affected the night shift which has 15 workers employed. The issue was caused by a system error from the IT department. As per current status, HR department has already worked with IT to settle the issue. HR dept. has cross checked data and no similar cases were been found for day shift.
2. HR dept. had meeting with workers representative and union in Sept-17 regarding the compensation of working hours and overtime. Both agreed to implement compensation calculation based the actual time records; Payment calculations will be based on the actual time.
3. HR dept. has updated policy of Compensation and Benefit on 13-Nov-17  
-Regular and OT compensation will be based on the actual time records.  
-Working hours will be based on the time record calculation.
4. Newly hired employees have been provided orientation training and employees handbook.
5. HR dept. conducted training on wage calculation of working hours and overtime  
-2-Oct-17, trained to 42 people of sewing line 18.  
-4-Oct-17, trained to 38 people of sewing line 1.

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### 2.4: In Progress

1. HR dept., Production Manager, PPIC dept. and factory manager are setting up procedure for weekly bonus.
2. As per current practice, the production planning department issues a written table as per target set by Industry Engineer for

weekly production targets and the amount of the corresponding bonus to all line leaders and supervisors for each group. This weekly bonus is a group bonus. After receiving the amount of the group bonus, line leaders and supervisors calculate the amount of each individual (member of each group) based on the absenteeism, skill, and on how many operations each worker can do. All the payment on weekly bonus are included in the payroll.

3. To remediate the finding from FLA regarding the procedure to calculate the weekly group bonus:

- HR department is going to consolidate the input of how to calculate the weekly bonus in a written sop/procedure. Procedure for calculation weekly bonus had been develop in 23-Feb-18
- The HR department is going to train to all supervisors and lines leaders on this new procedure HR dept. trained to supervisors and line leaders about weekly bonus, after that supervisors and line leaders had meeting with their workers to know the procedure of weekly bonus.
- The updated weekly bonus calculation is posted in each line for workers verification
- HR department is going to use the SMS system to announce to workers if they are curious about the given weekly bonus, they can text in or feedback to HR department for investigation
- All workers are required to sign on the weekly bonus pay slip before they can get the payment.

-

#### 2.5: In Progress

1. Factory had applied the update of internal regulation with the two shifts working hours to Ministry of Labor since 31-Aug-2015 and Ministry of Labor officer took time to review and feedback. There were many time revision and factory management appointed the meeting with workers representative and union for discussing and waiting feedback from Ministry of Labor before approval, finally Ministry of Labor approved by 21-Jul-2017.
2. During the audit day, factory had shown the updated internal regulation to auditor for review.
3. Factory is going to revise and update internal regulation based on local labor law requirement.

-

#### 2.6: In Progress

1. Factory established Industrial Relations policy in two languages (English and Khmer). The procedure was approved by factory manager and became effective as of 01 Nov-2017.
2. Industrial Relation Policy covered the labor dispute resolution process:
  - Negotiation
  - Conciliation
  - Arbitration Council
2. The Industrial Relation procedure will be included to 2018 training plan for factory management, workers' representatives and workers.
3. The Industrial Relation Policy is designed for better communication between all levels of workers in the factory.
4. Factory had assigned one IR officer from HR department on 01 September 2017 to record any grievance and report to HR manager.

-

#### 2.7: In Progress

1. Factory established written training procedure to encourage workers of all categories to attend the training provided by factory to increase their skill and in order to advance their career within the factory.
2. Procedure also mentioned that workers have opportunity to attend training which will be provided by factory trainer.
3. Workers are compensated for the time they attend the training and the compensation calculation is done as their normal working hours.
3. Training team propose subject survey of training to workers select the subject they need to have training.
4. After survey of workers, TNA will be reviewed by qualified trainer before training program is implemented.
5. Training Need Assessment will be conducted in Dec-2017 by training team for 2018 training plan.

-

#### 2.8: In Progress

1. HR manager and factory management to create performance management procedure.
2. All relevant people will be trained about the procedure by internal trainer as part of the 2018 training plans.

-

### 2.9: In Progress

HR department is going to update termination procedure detail for calculation termination payouts to workers, the procedure will finish by 30 January 2018. All the policies and procedures posted on the information board, orientation conducted and refresh training by March 2018 (113people) and July-2018 total the target 500people.

-

### 2.10: In Progress

HR department is going to update termination procedure detail with the step of workers can terminate their employment contact with the factory, the procedure will finish by 30 January 2018. All the policies and procedures will be posted on the information board, orientation conducted and refresh training will be conducted by March 2018 (113people) and July-2018 total the target 500 people.

-

### 2.11: In Progress

Corrective Actions:

1. Fire safety program & guideline was developed and approved on 20 November 2017. Factory has separate fire safety program & guideline and Fire equipment checking procedure, this procedure detail how to inspect fire facilities and the format.
2. Post fire safety program & guideline in the bulletin board by January 2018.
3. Fire safety program will be included in the training plan for 2018
4. Training to the fire safety team on how to inspect fire extinguisher and fire hose has been completed. Qualify safety officer trained fire safety team how to inspect fire extinguisher and fire hose.
5. Safety officer team and maintenance team are going to implement the fire equipment inspection monthly.

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### 2.12: In Progress

1. HR and compliance team established blood borne procedure and blood borne exposure control plan on 01 Nov 2017. The procedure became effective in Nov 2017. HR and compliance team discussed with in house doctors to establish blood borne procedure.
  2. Factory doctor is going to conduct training on blood borne procedure to all workers by the end of 2018 to allow them to get awareness about infectious diseases blood and know how to prevent the disease from being infected.
  3. The training for the first batch of 30 workers is going to be conducted by 30 Dec 2017
- Blood borne procedure will be included in training survey for 2018 Annual Training Plan.

### 2.13: In Progress

1. HR and compliance team reviewed the emergency response procedure on 19 October 2017. Special category workers, visitors, sub-contractor and supplier were already included in the procedure. The revision of the procedure was done by 30 Oct, 2017
2. The next review and update of the emergency response procedure will be completed on 20 January 2018. Factory management review policies and procedures 2 times per-year (Q1 and Q4)
3. The Factory provided training about the procedure to managements on all needed training topics as per trainer. Training topic: Cultural Awareness, Compliance policy, Grievance Policy, Non-Discrimination Policy, Disciplinary Policy, Anti-Harassment Policy, Health, Safety & Environment Policy and Cambodian Labor Law.
4. Safety officer posted procedure at bulletin boards for workers and management information.

### 2.14: In Progress

1. HR and compliance team reviewed the existing procedure On 20 Sept 2017. The procedure also focuses on other important parts such as labor, HSE & 6S, security management, C-TPAT. The review was fully completed on 25 Oct, 2017
2. The latest update of procedure is now in the hand of document controller.
3. The next review and update of the procedure is planned for January 2018 to make the procedure aligned with current implementation.

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not conduct ongoing training on Compensation, Hours of Work, machinery safety, fire safety including fire drills, first aid, etc. Workers either were trained on those subjects during the orientation training when hired, or recently before the assessment, but on an ongoing basis with regular intervals. Also, workers do not understand how their compensation is calculated and how the production bonus is allocated to each worker in the production line. ER.15, HSE.5, HSE.6, HSE.142. Training to supervisors on company policies and procedures are not conducted regularly. ER.173. There is no proof of Health and Safety (H&S) training provided to the management team, including supervisors. The factory only provides the cross-cultural training to 21 foreign managers. The supervisory skill training (external training conducted by Better Work) is provided to seven out of 30 supervisors and managers in the factory. ER.174. The factory does not have Train-the-Trainer for internal trainers. Neither of the two internal trainers are trained or certified. ER.25. There are two H&S officers working in the factory. However, one of them is not trained or certified. HSE.46. The factory has not conducted PPE training for workers. HSE.8

Local Law or Code Requirement

Law of Administration of Factory and Handicraft Cambodia, Chapter III, Article 24; Cambodia Labor Law, Article 54;

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.15, ER.17; Health, Safety and Environmental Benchmarks HSE.4, HSE.5, HSE.6, HSE.8, and HSE.14)

## COMPANY ACTION PLANS

## Action Plan no 1.

Description

3.1: In Progress

1. On-site trainer provided training about compensation and benefit on

- 18 Feb 2017
- 20 Feb 2017
- 22 Feb 2017
- 06 Mar 2017
- 10 Mar 2017
- 11 Mar 2017
- 17 Mar 2017
- 20 Mar 2017
- 21 Mar 2017

Totally, 393 attended this refresher training

2. First aid training was provided by onsite trainer from Ministry of Health on 6 May 2017 attended by 26 workers

- Revise TNA and make sure that the trainings were conducted that meet with workers' needs.
- All information related to benefits, wage, and safety for workers is going to announce and post on the information board.
- Provide the refreshment trainings especially training on company's policies/procedures (Labor and HSE policies) and other benefits on regular basis to workers at least 30%-40% of total workers. . Training dept. is going to conduct additional refresher training and rotate the workers who did not join the training for next schedule.

3. As per current practice, the production planning department issues a written table as per target set by Industry Engineer for weekly production targets and the amount of the corresponding bonus to all line leaders and supervisors for each group. This weekly bonus is a group bonus. After receiving the amount of the group bonus, line leaders and supervisors calculate the amount of each individual (member of each group) based on the absenteeism, skill, and on how many operations each worker can do. All the payment on weekly bonus are included in the payroll.

To remediate the finding from FLA regarding the procedure to calculate the weekly group bonus:

- HR department is going to consolidate the input of how to calculate the weekly bonus in written sop/procedure
- The HR department is going to train to all supervisors and lines leaders on this new procedure
- The updated on weekly bonus calculation is posted in each line for workers verification
- HR department is going to use the SMS system to announce to workers if they are curious about the given weekly bonus, they can text in or feedback to HR department for investigation
- All workers are required to sign on the weekly bonus pay slip before they can get the payment

### 3.2: In Progress

1. The Training Need Assessment has been conducted and the result is used to develop the training plan for 2017. The result will be used to develop training plan for 2018
2. Workers and supervisors has been invited to participate in the training as per annual training plan. In addition, the management has also assigned a number of line leaders/supervisor to join external training on supervisory skill with ILO there were 18 leaders and supervisors from June-December 2017.
3. All updated compliance policies has been posted at bulletin board and a copy of employee book has been provided to all workers including line leaders in July 2017.
4. All supervisors/line leaders can select training topic for training. All the written compliance policies is going to be updated and provided to all workers and supervisor/line leaders.
5. The training about Anti-harassment policy and non-discrimination policy was conducted to 24 supervisors on 28 October 2017 by qualified on-site trainer.
6. The training about disciplinary policy and grievance policy was conducted to 24 supervisors on 21 October 2017 by qualified on-site trainer.
7. The training about disciplinary policy and grievance policy was conducted to 25-line leaders on 21 October 2017 by qualified on-site trainer.
8. The training about Anti-harassment policy and non-discrimination policy was conducted to 20-line leaders on 28 October 2017 by qualified on-site trainer.
9. Supervisor training will be included in 2018 training plan.

### 3.3: In Progress

1. Safety officer worked with on-site trainer to provide training on health, safety and environment, disciplinary policy, grievance policy, anti-harassment policy, non-discrimination policy to 19 expat management team on 24 October 2017
2. Training on health and safety for management team is going to be included in training topic in 2018 training plan.
3. Safety officer is going to closely work with trainer to ensure that the training about health and safety is provided to management team, supervisors and foreign managers as planned.
4. Management team is also invited to join HSE committee's monthly meeting, to let them know about Health and safety issue in factory.

### 3.4: In Progress

1. Factory sent three on-site trainers to attend Train of Trainer ( ToT) organized by ILO on 27-28 October 2017, Those trainers are:
  - 1 Training manager
  - 1 Training coordinator
  - 1 Safety officer
2. Factory sent two on-site trainers to attend Train of Trainer (ToT) organized by CAMFEBA on 30-31 October 2017, those trainers are:
  - 1 Training manager
  - 1 Training coordinator
3. Upon attending the training, the three already received certificate from ILO to make them qualified ToT.

### 3.5: In Progress

1. Newly recruited qualified safety officer to work for factory.
2. The safety officer already attended the 3rd Module of OHSO organized by adidas. The certificate is available for checking.
3. There are two safety officers qualified now.

### 3.6: In Progress

1. Factory had conducted PPE training as below:
  - 05-Apr-17, trained to 37 workers of sewing line 8
  - 08-Apr-17, trained to 42 workers of sewing line 3
  - 22-Apr-17, trained to 43 workers of sewing line 15



- 25-Apr-17, trained to 42 workers of sewing line 21
- 28-Apr-17, trained to 2 electricians
- 27-Jul-17, trained to 2 electricians
- 03-Aug-17, trained to 10 workers of embroidery
- 04-Aug-17, trained to 27 workers for cutting department
- 26-Sep-17, trained to 43 workers of sewing line 15

During the audit day factory had shown this training report to auditor for review also.

2. Safety officer conducted PPE training to 24 workers from the fabric warehouse and 17 workers from accessory warehouse on 1 December 2017.
3. PPE training is also included in orientation for new workers
4. Refreshing training is going to be provided to the workers at least 30% of workers All workers are using PPE will be trained for 2018

December 2019 adidas Comments:

### 3.1: Completed

1. The management provided 9 trainings on compensation and benefits in 2017.
2. First aid training once per year. The last two trainings were conducted on 06 May 2017 (26 workers) and 07 May 2018 (25 workers).

Documents confirmed that refresher trainings were organized for workers following their orientation training.

- As first aid training is part of legal requirement, TNA was not included to survey on the need for first aid training but was added in training plan as the mandatory topic. First aid training schedule in 2019

- I. 60 workers in April 2019
- ii. 147 workers in May 2019
- iii. 208 workers in June 2019
- iv. 228 workers in July 2019

- All updated policies & procedure were posted in the information board.

3. There are approximately 500 workers (about 35% of the total workers) attended refresher training on labor and HSE.

- The weekly bonus calculation method was developed in a written procedure on 07-Mar-2019

- The training was provided to all 30 supervisors on 08 April 2019.

- The updated on weekly bonus calculation was posted in each line for workers' verification

- All workers are required to sign the weekly bonus pay slip before they can get the payment started since Jan 2017. The pay slip was provided one day in advance before the salary day.

4. The HR Manager developed written bonus calculating procedure which describes the criteria and how bonuses are being determined and divided within the group. The approved procedure was available from 20 January 2018.

5. The management already conducted training on bonus procedure to supervisors and workers in March and April 2019.

### 3.2: Completed

1. TNA is conducted annually and the last TNA was conducted in December 2018 and used to develop training plan for 2019. In 2017, 4 Trainings have been organized for supervisors and 93 participant-supervisors attended the training. The training topics include non-discrimination policy, anti-harassment policy, disciplinary policy, and bonus calculation.

2. In 2018: 5 trainings were organized for supervisor in February and March 2018 on Industrial Relation, Supervisory Skill, Career Development, and Bonus Procedure;

3. In 2019: 5 more trainings on factory policies provided in February to April 2019 to all supervisor on Performance Management, Career Development, Industrial Relation, Bonus Procedure, Recruitment Policy and Retrenchment Procedure.

### 3.3: Completed

1. Safety officer worked with on-site trainer to provide training about health, safety and environment, disciplinary policy, grievance policy, anti-harassment policy, non-discrimination policy to 19 expat management team on 24 October 2017.
2. Health and safety officers training was provided to a total of 21 foreigner production managers in 2018. The topic includes workplace standard, HSE, and Environment Policy.
3. Trainings were jointly organized by training manager and safety officers.
4. Management team has always been invited to join HSE committee's monthly meeting to understand the condition of Health and safety issue in factory. The last meeting took place on 30 October 2019.

### 3.6: Completed

1. Training Records confirmed that:

-In 2018, there were 16 trainings on PPE conducted for 439 workers from sewing, mechanic, cutting, and warehouse section.

-In 2017, there were 10 trainings on PPE conducted for 287 workers from all production sections.

2. PPE topics are included orientation (Metal gloves, guards, scissors usage, helmets, clothes, safety shoes, masks). Safety officer and safety supervisor are responsible for the session and the session took up around 30 minutes of whole session.

3. In 2019, 15 training on PPE usage will be conducted for 600 workers from all section.

## NEW FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Responsibility & Accountability (Macro)

##### Finding Explanation

The factory has established job descriptions (JD) for most of positions in the factory. However, there are no JD established for cutter and cutting operators, cutting assistant, and sewing workers. ER.1

##### Local Law or Code Requirement

Cambodia Labor Law, Article 69; FLA Workplace Code (Employment Relationship Benchmark ER.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Headquarter had arranged HR project manager to establish job description for workers/employees of all departments such as warehouse, cutting, sewing, QC, IE, CI, ME, Maintenance, Mechanic....
2. The JD will be completed in Jan-2018
3. Each job holder will be provided with JD which clearly mentioned job's responsibility, and job holders are also required to sign their JD for acknowledgement.

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Recruitment, Hiring &amp; Personnel Development

Finding Explanation

1. There is an excessive probation period of two months for unskilled workers like loaders, helpers. The factory said that they need these workers to be literate and literate workers are classified as the skilled or specialized workers. The practice is in breach of the local law which categorizes such workers as unskilled with a maximum probation period of 1 month. ER.10
2. The probation period is not specifically mentioned in the probationary contract. ER.2

Local Law or Code Requirement

Cambodia Labor Law, Article 67 and Article 68; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.10)

Recommendations for Immediate Action

1. <!--[endif]-->Reduce probation period to one month for unskilled/no specialized workers
2. <!--[endif]-->Indicate the probation period on the probationary contract.

## COMPANY ACTION PLANS

## Action Plan no 1.

Description

## 5.1: In Progress

1. Factory managements set out clear duration and period of probationary contract for unskilled workers on 01 Sept 2017 based on local labor law. The period of probationary contract for unskilled workers is one month.
2. HR department has implemented the probation contract for one month period for unskilled workers and two month period for skilled workers from September 2017 onward.
3. Internal auditor will conduct internal labor audit twice per year and the audit will also focus on workers' employment contract.
4. Each contract is clear mention the contract period and duration.
5. Workers will be told about their contract period and provided one copy on the first day of their working day.

## 5.2: Completed

1. Each probationary contract includes the duration (starting date and final date) under Art 01 of contract.
2. Factory to review and monitor all contracts, including probationary contracts to ensure they are in compliance with legal requirements and up to date.
3. HR Manager will work closely with staff who handle worker contract to make sure that workers/employee contract is full compliance with local labor law.

## December 2019 adidas Comments

## 5.2: Completed

1. HR department had reviewed contracting procedure on August 2017 and practices as below:

-Unstill workers 1month probation

-Skill workers 2months probation

-Office staff 3 months probation

2. From September 2017, HR department started implementing 1-month probation contract for unskilled workers including Cutting assemblers, accessories workers, loading workers, cleaners, and assistant cook.

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The minimum wage (MW) is not posted on the work floor or in the recruitment area. ER.2 2. The factory does not conduct a recruitment health check. Also, when workers do it themselves, the factory only reimburses them upon completion of the probation period, instead of upon hire. ER.6.2 3. At least one worker had his accident leave (for a workplace accident) count towards his annual leave. HOW.11, HOW.18 4. Line supervisors make a cash payment to lactating workers in lieu of break without payment records kept. Cash payment with no records is also practiced for Sunday off-clock work. Since there is no documentation of these payments, it could not be confirmed if the payments are sufficient. C.5, C.15, C.16 5. The lunch break is set up for one hour from 11:30 to 12:30. However, from the provided time records, most of workers have only 30 minutes of lunch break (from 11:30 to 12:00) and swipe back in around noon. The factory does not pay for any work performed during the break from 12:00 to 12:30. The factory management explained that workers just swipe in after taking lunch and do not work until 12:30. However, during the assessment, some workers were observed to perform work during the lunch break. Also, based on worker interviews, they return to their work stations as there is no resting area outside the production building or at the dining area and continue to work on trimming or defective products. C.5, C.7 6. As shown on the provided time records and payrolls, the factory rounds down OT hours such that workers leaving the factory one minute earlier than the set OT hour are not paid for the additional 29 minutes of OT worked. For example, if they leave the factory at 17:59 after working overtime from 16:00 to 17:59, they are only compensated for 1.5 hours. C.5, C.7 7. Allowances are not included in wages for calculation of annual leave payment. The factory only pays for the annual leaves at the minimum wage rate. C.5 8. The factory does not pay annual to the worker before they take their leave, as required by law. HOW.14 9. Labor Union (LU) dues are deducted from workers wages without written agreement from the workers. FOA.24 10. Workers do not know if they received additional annual leave days to which they are entitled for every three years of service at the factory. This information is not documented as workers are assigned a new employee ID every two years of service with the factory to keep them under FDC. C.6, HOW.11

##### Local Law or Code Requirement

Cambodia Labor Law, Articles 109, 139, 168, 166, 247, and 254; Cambodia AC Award 27/04, AC AWARDS 62/04, 155/09 (1), 112/10 (4), 46/12 (5); Prakas 09/94, AC awards 02/03, 21/03, 19/04, 53/04, 60/04, 63/04, 64/04, 78/04, 19/12 (12), 34/12 (13); FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.6.2, ER.16, and ER.25; Freedom of Association Benchmark FOA.24; Hours of Work Benchmarks HOW.11, HOW.14, HOW.18; Compensation benchmarks C.1, C.5, C.6, C.7, C.11, C.15 and C.16)

##### Recommendations for Immediate Action

1. <!--[endif]-->Post minimum wages in the workplace and in the recruitment offices.
2. <!--[endif]-->Pay for workers' health check-ups upon hire.
3. <!--[endif]-->Ensure all payments are reported in payroll records.
4. <!--[endif]-->Compensate workers for overtime worked during break time.
5. <!--[endif]-->Overtime should be calculated properly and paid at the correct overtime premium.
6. <!--[endif]-->Include allowances in calculations for annual leave payments.
7. <!--[endif]-->Pay annual leaves to workers before they take their leave.
8. <!--[endif]-->Obtain workers' written consent for any deduction from his/her wage.
9. <!--[endif]-->Provide workers with an additional day of annual leave for every three years of service at the factory.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

December 2019 adidas Comments

#### 6.2: Completed

1. All workers are required to have health checks before being employed;
2. Document review confirmed that the cost of pre-employment health check was paid to workers immediately (Records of December 2018).

#### 6.4: Completed

1. HR manager conducted meeting to inform supervisors about the right to breast-feeding.
2. Cash payment in lieu of break is not allowed since August 2017. Attendance records in November and December 2018 showed that all entitled workers are issued Breast-feeding Cards and given information, and verbal communication.
3. The Sunday work and OT more than 2 hours are recorded in the system. The change was made on 28 October 2017. Payroll and attendance records in August, September and October, December 2018 showed that all Sunday records of non-production records.
4. The time in and out during breast feeding has been recorded since Apr-2018.

#### 6.5: Completed

1. Management and work representatives (17 people) met on 17 October 2017 to change the lunch break policy;
2. The factory is closed for lunch break from (11:30) until 12:15pm. Electricity is shut off during the break which will not allow workers to operate the machine, Per workers' interviews randomly selected for interviews,
  - Morning time start at 6: 46 am
  - After lunch time start at: 12: 16 pm
  - Evening time start at: 16:00 or 18:00 pm

#### 6.7: Completed

The management change annual leave payment policy, calculating the payment based on average earnings of the last 12 months. Started calculated since in November and made the payment in December 2017.

#### 6.8: In Progress

Since June 2019 average is used to compensate for used annual leave. However, the factory is consulting with Ministry of Labor on condition to paid annual leave before workers taking leave.

#### 6.10: Completed

1. The information of additional annual leave is displayed on pay slips and workers' ID.
2. The system started to display extra annual leave from October 2017;
3. Annual leave training is included in training plan and orientation training. Total 21 compensation& benefits training were conducted for 585 workers.
4. The management appointed HR attendance officer as focus persons for HR related information.
6. Information Cards on annual leave entitlements are provided to workers.

#### Company Action Plan Update

#### 6.1: Completed

1. HR supervisor posted minimum 2018 wage announcement in notice boards and in recruitment area on 10 August 2017.
2. The minimum wage announcement will be updated based on the announcement released by the government.

#### 6.2: In progress

1. The factory has historically required workers to do their own medical check-ups as required by law. However, the factory reimburses workers for cost of check-ups in their first payment. However, there are few cases of workers who joined during the payroll cut-off period. Therefore, the reimbursement is provided in their following paycheck. To remediate this finding, the factory had decision to take action plan as point 2.
2. Factory is going to pay workers health check immediately on the first join date with submitted the receipt to HR department, the payment will start from January 2018 onward.

#### 6.3: Completed

1. During holiday of Khmer New Year, all employees are entitled to day off from 12-17 April, however 12-13 April was deducted annual leave automatically from the system. The worker had accident on 12 April 2017 and his leader contacted to HR staff for medical service. After back from holiday 18-April 2017, he did not bring any evidence of medical service to HR department and HR payroll missed to cross check the annual leave deducted by the system.
2. HR payroll requested to finance department pay back to the affected worker after audit day in August 2017
3. The payback was done for the affected worker by transfer salary to his bank account in August 2017

#### 6.4: In progress

1. Cash payment without payment record is not allowed. All workers are required to be paid based on the time record. HR dept. provided lactation card to lactating workers to leave one hour per-day .
  - a). Factory arranged the planning schedule with Taipei HQ based on 8 hours since Nov, 2017
  - b). The HR manager conducted training to expats, managers, supervisors and leaders about the overtime rule that it must not exceed more than 2 hour per-day. The training was conducted on 28-October-2017
  - c). Compliance supervisor has been reviewing the overtime tracking weekly since January 2018 onward, after her review sends the tracking report to top management and related department about the actual working hours must not exceed 10 hours per-day.
  - d). Factory runs night shift for workers working in finished goods warehouse so that their working hours do not exceed 60 hours per week, the working shift was included in the company internal rule and approved from MoL by 15-December-2017.
  - e). Factory management announced to no exceed overtime and Sunday work on 28-Oct-2017
  - f). Sunday work will be requested to Ministry of Labor for approval and workers will be sign the voluntary overtime and HR dept. arrange compensation day off for those workers.
  - g). All workers who voluntary agree to work overtime must scan time in/out and the payment will be in one payroll system.
2. In order to prevent Sunday OT, factory management already announced that no one can access to factory without permission of factory manager.
3. Security guard will not allow any workers to enter the factory on Sunday without HR Manager's acknowledgement. Sunday work will be requested to Ministry of Labor for approval and workers will sign the voluntary overtime and HR dept. arrange compensation day off for those workers. All workers who work voluntary overtime must scan time in/out and the payment will be in one payroll system.
4. Factory is going to revise the system to scan their time in-out during breast feeding and the system need time update it will completed in Apr-2018. The factory will request from TPe Headquarters to add in the attendance system that lactating mothers should Scan out and in.

#### 6.5: In progress

1. Factory manager is going to close and lock all exit doors during lunch break and will also make sure that all machines are turned off during break time.
2. The doors will be open on 12: 15pm, workers are allowed to enter the factory at that time, but they do not work since all machines were turned off. They just take rest.
3. All workers/employees are required to fingerprint in and out as below:
  - Morning time in at 6: 46 am
  - After lunch time in at: 12: 16 pm
  - Evening time out at: 16:00 or 18:00 pm

4. The security guards are patrol around the production to observe any workers work or not during break time while they entered into production building and report to HR department for action. If the security found out that there is worker work during the break time, they immediately inform to HR manager about this case.

#### 6.6: Completed

1. The Factory has paid back the affected 13 workers. The payment was included in the salary of August 2017
2. HR Manager has checked the implementation and that payback was made for those affected workers.
3. The system is set in Taiwan. The system is calculated based on the actual time records
4. The deduction of time in-out calculated based on the actual time in-out and deducted by the minutes late.

#### 6.7: Completed

1. It is important to note that per Labor law, article 167, the annual is not allowed to be compensated in cash unless workers resign or are terminated and has not yet been able to use their remaining leave. However, factory management has provided the unused annual leave pay balance in cash. From November 2017 onward, factory management has started to calculate leave pay based on average wages from past 12 months.
3. All benefit payments are shown in the pay slip and provided in every payment from December 2017.

#### 6.8: In progress

Company has agreed to pay in advance the annual leave.

#### 6.9: Completed

1. As per law requirement (Prakas 305), factory management is required to help deduct the union fee for registered union with workers consent.
2. Cambodia Worker Relief Union had agreement with workers who thumbprint to be the union member and deduction their fee during first join of union member.
3. Union leader passed the consent letter list of deduction union fee to HR depart. HR payroll proceed the system to deduct follow the consent list, the deducted automatically unless workers submit the resign member letter from union to HR department, then will not deduct their fee from payroll.
4. There is also the existing grievance system in place. In case, workers disagree or curious, they can contact HR department for support.

#### 6.10: In progress

1. The number annual leave day shown in pay slip is only 18 days. For those workers who have worked more than three years receive an extra vacation day, i.e. annual leave day totally 19 days per-year. The annual leave shown in the pay slip. The workers get full 18 days, the length of paid leave as stated above is increased according to the seniority of workers at the rate of one day per three years of service.
3. On-site trainer provided workers with orientation and refreshment training with clear information about additional annual leave days as required by local labor law.
4. Employment Handbook provided to workers during the first joining date. The handbook states very clear about annual leave extra day.
5. Workers could approach worker representative about the number of their annual leave days.
6. HR department is going to make annual leave information card for workers, so they will know the extra day required by local law.

## NEW FINDING NO.7

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Hours of Work



### Finding Explanation

1. Sunday off-clock work was detected at least three times in July from the production records and from the workers' testimonials, but it was not recorded in time records or payroll journal. Therefore, it could not be verified if the seventh day rest is guaranteed and if the factory properly compensated workers for Sunday work. ER.23, HOW.2, C.5, C.7 2. Sewing workers work during the lunch break as observed during the assessment and based on the provided time records. This overtime worked during the lunch break, however, is not considered as working time as shown on the time records for payment. ER.23 3. The factory's doctors have no time records in the biometric time records; their time-in and -out are manually recorded in the notebooks. ER.23, HOW. 4. Buffer time more than 15 minutes and up to 30 minutes is recorded on the working time records. Workers are not compensated for any work performed during this time. ER.23 5. It was observed that workers do not swipe out for the lunch break, but the time records show the 11:30 as the time-out for lunch for all workers. ER.23 6. The factory arranges two hours of overtime daily, even during the low season. Workers are not allowed to refuse overtime. HOW.1, HOW.8 7. There is no evidence that the factory provides breast-feeding time to lactating workers. As reported by lactating workers, they continue to work without a breast-feeding break and are paid a small allowance in cash by the line supervisors. HOW.3

### Local Law or Code Requirement

Cambodia Labor Law, Article 147, Article 185; Prakas 330/00, Article 3; FLA Workplace Code (Employment Relationship Benchmark ER.23; Hours of Work Benchmarks HOW.1, HOW.2, HOW.3 and HOW.8; Compensation Benchmarks C.5 and C.7)

### Recommendations for Immediate Action

1. <!--[endif]-->Ensure buffer time of working time hours to be no more than 15 minutes.
2. <!--[endif]-->Provide workers with a rest day (24 hours) in every seven day-period.
3. <!--[endif]-->Ensure workers themselves swipe in and out for the lunch break.
4. <!--[endif]-->Provide a breast-feeding time to lactating workers.
5. <!--[endif]-->Cease the practice of off-clock work during lunch break and on weekends.
6. <!--[endif]-->Doctors should record their working time themselves using the biometric system.
7. <!--[endif]-->Ensure production planning does not include regular overtime.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

7.1: In Progress

In July 2017, factory faced supply and materials issues to supply to sewing lines in time. Therefore, the factory had some QCs come to prepare garment for inspection (prepare what?) 4/27 To prepare garment for inspection. in advance before in-line which factory compensated. There were 5 QCs who worked on Sunday, 2 July 2017, 4 QC worked on Sunday, 9 July 2017 & 8 QCs worked on Sunday, 23 July 2017.

The factory management has fully acknowledged that this was a threshold issue against the work place standard.

-Corrective Action:

1. Factory management commits to follow internal compliance policy on working hours to request for approval from Ministry of Labor and adidas for country manager approval for work on Sunday.
2. Workers must get at least one full day off per week.
3. The attendance of Sunday worked is going to be recorded in the New PAMS system.
4. The payment will be calculated and included in the payroll and will be shown in the pay slip.
5. Factory manager review the capacity planning by monthly with headquarter. The offered capacity shall be based on the regular 48 hours per week.
6. HR manager is assigned to join weekly production meeting to arrange for man power or request for overtime if needed.

## 7.2: In Progress

1. Factory manager is going to close and lock all exit doors during lunch break and will also make sure that all machines are turned off during break time.
2. The doors will be open on 12: 15pm, workers are allowed to enter the factory at that time, but they do not work since all machines were turned off. They just take rest.
3. All workers/employees are required to fingerprint in and out as below:
  - Morning time in at 6: 46 am
  - After lunch time in at: 12: 16 pm
  - Evening time out at: 16:00 or 18:00 pm
4. The security guards are patrol around the production to observe any workers work or not during break time while they entered into production building and report to HR department for action. If the security found out that there is worker work during the break time, they immediately inform to HR manager about this case.

## 7.3: In Progress

1. Doctor is required to work 6 hours per day as required by local law. That working hours is required based on the total workforce in the factory 1700 workers.
2. Currently factory had 2 doctors rotated schedule:
  - First doctor worked from Monday-Wednesday from 09:00am-16:00pm
  - Second doctor worked from Thursday-Saturday from 09:00am-16:00pm
3. Doctor is also required to have time record by biometric system start from Sep-17 onward.

## 7.4: In Progress

Due to the limited of space, the factory management has allowed workers to enter the production building before 15 minutes of buffer time. Beside the production building, there is no space for workers to settle. It was quite hot for workers to stay outside the production building or some cases they might getting wet during rainy season.

Remediation action on the buffer time:

1. Factory manager is going to close and lock all exit doors during lunch break and will also make sure that all machines are turned off during break time.
2. The doors will be open on 12: 15pm, workers are allowed to enter the factory at that time, but they do not work since all machines were turned off. They just take rest.
3. All workers/employees are required to fingerprint in and out as below:
  - Morning time in at 6: 46 am
  - After lunch time in at: 12: 16 pm
  - Evening time out at: 16:00 or 18:00 pm
4. The security guards are patrol around the production to observe any workers work or not during break time while they entered into production building and report to HR department for action. If the security found out that there is worker work during the break time, they immediately inform to HR manager about this case.

## 7.5: In Progress

Before 2004, workers are required to record the attendance by scanning the fingerprint for 4 time (before working hours in the morning, before leaving for lunch break, after lunch break and before end of working hours.) However, there is a strong demanded from registered unions inside the factory to request for skip scanning the fingerprint for lunch break. Workers would like to leave the workplace before lunch as earlier as they can to buy food from outside the factory gate in order to have lunch earlier and have more time to take a rest/nap. After the negotiation meeting between management and workers, the factory has changed the policy to skip the fingerprint before lunch break, 11:30 am set by the system automatically. The agreement has been made in writing in 2004 between management and unions.

The factory has discussed this again last October 17, 2017 to Union and / worker representative. Management explained why they need to scan fingerprint to follow FLA ER. 23. Union did not agree to scan time out during lunch time. Management respect this Union decision to avoid labor unrest. What the factory do is to close all production doors so nobody will be left inside during break time.

## 7.6: In Progress

1. Workers have the rights to refuse 2 hour OT. The voluntary overtime policy is reiterated to all workers during their annual refresher training.
2. During the low season, all workers are allowed to leave at 16:00 pm in December 2017. Factory can provide payroll with attendant and CCTV record for support document.
3. 2 hour OT is done on voluntary basis. The factory provided voluntary overtime form signed by workers.
4. Workers are required to sign OT sheet if they volunteer to OT and they can complaint to unions to SMS to the grievance platform. Factory posted SEA hotline, they can contact directly to LO SEA.

#### 7.7: In Progress

1. Lactating workers have one hour off per day for breast-feeding as per local law required. Some lactating workers do not use the provided one hour since their home is far away from factory. Therefore, they decide to stay and take rest in factory. In this factory, there are about 50% of workers use truck as their transportation mode. If the lactating workers fall under this group, they are commonly having to wait for other workers who share their transportation. However, if this worker is in the group of workers who live nearby factory, they should not have to remain in the factory. This issue will be verified during the next factory audit.
2. Currently HR department provided breast feeding card to workers for one 1 hour breast feeding and they can select the time in the morning or afternoon.
3. Factory is going to revise the system to scan their time in-out during breast feeding and the system need time update it will completed in 7-May-2018

#### December 2019 adidas Comments

##### 7.1: Completed

1. Factory used one system to record the attendance and payroll since January 2018.
2. There were around 10 workers such as cooks & GA dept worked on Sunday and the factory provided day off during that week. The implementation started from September 2018, all Sunday work recorded in the attendance system.
3. Attendant of Sunday work have been recorded in new PAMS from October 2017.
4. The calculation compensation follows the local law.
5. The factory manager has conducted the working hour review every week 6. HR manager is assigned to join weekly production meeting to arrange for man power or request for overtime if needed.

##### 7.2: Completed

1. Management and work representatives (17 people) met on 17 October 2017 to change the lunch break policy to ensure that workers do not work during their lunch time
3. The factory is closed at lunch break (11:30) until 12:15pm; workers can scan from 12:16pm onward. Worker interviews and attendance records confirmed the compliance of lunch break policy The fingerprint times are:
  - Morning time in at 6: 46 am
  - After lunch time in at: 12: 16 pm
  - Evening time out at: 16:00 or 18:00 pm
4. The security guard conducts inspections everyday during lunch time to see if there is any work during the rest time.

##### 7.4: Completed

1. Management and work representatives (17 people) met on 17 October 2017 to change the lunch break policy to ensure that workers do not work during break time;
2. The factory is closed during the lunch break (11:30) until 12:15pm; workers scan from 12:16pm onward. Workers' interviews and attendance records confirmed that they have acknowledged the lunch break time. The fingerprint times are:

- Morning time in at 6: 46 am
- After lunch time in at: 12: 16 pm
- Evening time out at: 16:00 or 18:00 pm

4. The security guard conducts inspections every day during lunch time to see if there is work during the time.

5. The working hour policy was revised and added the requirement to close gates and the obligation of electrician to turn the electric off for all machine during lunch break to discourage workers from working during their lunch break.

#### 7.5: Completed

1. HR manager had meeting with shop steward and union on 28-Oct-2017 and discussed about bio in & out (scanning attendance record) at 11:30. Unions requested the factory not to bio out before lunch break, because they do not want to waste time to go out and buy their food.

2. To ensure that all workers exit for lunch at 11:30, factory shop floor are being close by security guards and open only at 12:16 pm.

#### 7.6: Completed

1. The voluntary forms to work OT is giving to the line supervisors to keep for one month and the workers can sign the volunteer form if they agree to work OT.

2. After signing on the voluntary form with the consent of unions and workers representative, line supervisors need to give that form to HR Department before 3:00pm everyday as a proof that those workers are agreed to work OT.

#### 7.7: Completed

1. The daily onehour breast-feeding time is provided to workers and recorded in attendance record since April 2018.

2. For those lactation workers, they can use their paid resting time of one hour on daily basis.

3. HR provided breast-feeding card to lactating workers for them to show to security guard.

4. Lactating workers are required to scan out at 10:30 AM for one hour breast-feeding .Factory provided for breast-feeding workers are available from April-2018 based on attendance records scan out.

## NEW FINDING NO.8

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. Workers are not allowed to appeal against the disciplinary actions imposed on them. Nor are they allowed to have a third party witness present during the imposition or appeal process. ER.27
2. Security guards pat-down workers during the lunch break and before leaving the factory systematically. In addition, female security guards conduct the pat-downs for both male and female workers. H/A.10
3. The factory's disciplinary procedures include a suspension of work without payment for less than seven days. However, based on review of disciplinary records and worker interviews, this procedure was never practiced. H/A.2

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27; Harassment and Abuse Benchmarks H/A.2, and H/A.10)

## Recommendations for Immediate Action

1. <!--[endif]-->Allow workers to appeal disciplinary actions against them.
2. <!--[endif]-->Cease conducting pat-downs for workers at the factory. Only conduct pat-downs and/or searches when there is evidence of theft and with permission from the relevant authorities.
3. <!--[endif]-->Remove the suspension of work without payment from disciplinary procedures.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### 8.1: In progress

HR department has added the appeal system in the disciplinary procedure. Workers can appeal against the disciplinary action by engaging their shop steward & unions during the process. The contact of member of shop steward & unions have posted at the information board. Workers are allowed to have a third-party witness present during the imposition or appeal process from external such as Ministry of Labor, International Labor Organization, GMAC and customer.

-If workers are not satisfied with disciplinary procedure they can appeal to their internal shop steward & union for help; workers are also allowed to have a third-party witness present during the imposition or appeal process. Factory management has 7 days to find solution.

-Procedure posted in the information board and training department had included in the training plan, orientation and refresh training on Jun-2018 target 500 workers.

\* Shop steward & unions were elected by workers.

##### 8.2: In progress

1. HR manager revised and update body search procedure on 20 Sept 2017 to make it aligned with the current implementation of pat down to workers in and out production buildings. The procedure stated that the person conducting the searches must be the same gender as the workers, but during the audit day there were no male security guards. HR manager has reviewed and updated the procedure to ensure the procedure meets the requirement.

2. HR supervisor has called a meeting with security guards about the pat down to workers that will be done separately based on gender (male security guard search male workers, while female security guard search female workers).

3. HR supervisor is going to conduct regular check of security guard implementation to ensure that the correct implementation is retained.

##### 8.3: In progress

1. HR and compliance team reviewed disciplinary procedure and removed the word "suspension of work without payment" from disciplinary procedure on 20 Sept 2017.

2. The disciplinary procedure will be revised and updated based on local labor law.

3. HR department has implemented follow disciplinary procedure stated.

4. The training about disciplinary policy & procedure was conducted to 24 supervisors on 21 October 2017 by qualified on-site trainer.

5. The training about disciplinary policy & procedure was conducted to 25 line leaders on 21 October 2017 by qualified on-site trainer.

6. The next review will be in January & June 2018

#### December 2019 adidas Comments

##### 8.1: Completed

1. Disciplinary Procedures, revised on 08 Jan 2018, has stated that the worker can appeal against the disciplinary or can ask their representative and union to be the witness (Section 5.D: 2.1 to 2.6).

2. The policy/procedure also posted on the information board and update every year and when it needed by safety officer.
3. All warning letters have to be acknowledged by workers representative/union to be the witness started from January 2018.

#### 8.2: Completed

1. The body search procedure last update was completed on May 05, 2018 to include gender sensitive process.
2. Totally there are 16 males' guards to check male workers and 19 female guards to check female workers.
3. The supervisor had conducted a meeting with security guard about separated pat down by gender on Nov 20, 2017.

#### 8.3: Completed

1&2. Disciplinary procedure was reviewed and the clause on suspension was removed from the procedure on 10-Jan-2018 to in line with legal requirement.

3. The qualified trainer has conducted the disciplinary training to 25 line leaders on October 21, 2017, 192 workers in June and August 2018 and 587 workers from May to July 2019.

## NEW FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

1. While the factory has suggestion boxes and a hotline, the Grievance procedure does not ensure that workers can raise their complaints or grievances anonymously. ER.25
2. Grievances and resolutions are neither recorded nor monitored. The company does not record any grievances obtained from workers through the grievance system. Workers typically take up their complaints with the shop stewards, but there is no documentation. ER.2, ER.25

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2, ER.25)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

##### 9.1: In Progress

1. HR and compliance team reviewed and revised the existing grievance procedure on 13 October 2017 to ensure that the procedure contains clause mentioning that workers could raise their complaints or grievances anonymously and the complainant confidentially, the change became effective on 18 November 2017.
2. Those complaints and grievances could be raised up via provided suggestion box and SMS system or direct to leader supervisor, shop steward, union, HR or IR staff.
3. HR supervisor posted at bulletin board for workers information.
4. The training grievance policy was conducted to 24 supervisors on 21 October 2017 by qualified on-site trainer.
5. The training about grievance policy was conducted to 25 lines leaders on 21 October 2017 by qualified on-site trainer. 93 workers received grievance training in Oct-17. Training for 2018 will be conducted in June & August, the target 500 people.

## 9.2: In Progress

1. IR officer has been assigned to record worker's complaints and grievances and report them to HR manager from September onward.
2. HR Manager reviews workers' complaint recorded on monthly basis to ensure that the complaints are properly recorded and feedbacked
3. Regular monthly meeting between management and shop steward and meeting minute are being recorded and documented. . From now onward IR staff is responsible to draft meeting minute and keep document.

## December 2019 adidas Comments

### 9.1: Completed

1. Grievance procedure has been revised on January 08, 2018 to ensure that the workers can raise their complaint anonymously (section 1.0).
2. The procedure mentions 4 different grievance channels, directly complain, union, suggestion box, and SMS system.
3. The policy already has been posted on the information board and is updated yearly.
4. The qualified trainer has conducted the grievance training to:
  - 49 Line leaders & supervisors in 2017, refreshment training to 94 leaders and all manager legal in 2018 and 2019
  - 287 workers in 2018 and 587 workers in 2019

### 9.2: Completed

- 1-2. Factory had assigned an IR officer responsible handle and track grievances. This record is submitted to the HR manager upon receipt for appropriate action and feedback.
3. Regular monthly meeting between management and shop steward have been conducted; meeting minutes were recorded and documented as proof of evidence and follow up of pending issues.

## NEW FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

There are two labor unions in the factory for many years and union representatives elected by workers, but there is still no Collective Bargaining Agreement (CBA). ER.26, FOA.16

##### Local Law or Code Requirement

Cambodia Labor Law, Article 96 and Article 971; FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmark FOA.16)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. HR manager already discussed with union representative about CBA on 16-Dec-17.
2. The union representatives will indicate their decision on whether or not they would like to begin CBA negotiations. If they both

agree, the factory will establish CBA based on agreements reached by factory management and unions.

December 2019 adidas Comments

CBA is not in place. Local law in Cambodia does not require a factory to always have CBA with unions.

## NEW FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Ventilation of the sewing department on the second floor is poor because the ventilation system there is broken. The factory does not monitor it regularly. HSE.13 2. Goods are stacked too high in the accessory warehouse all the way up to the ceiling and lighting system which poses a falling risk and a fire risk. Packed products are placed next to one of the exhaust fans in the accessories storage. HSE.1 3. The factory does not conduct inspection of grounding. HSE.4, HSE.13 4. One drilling machine in the maintenance room is not grounded. HSE.13 5. One operational button on a heat transfer machine on the sewing line was broken. HSE.14 6. Two (2) grinding machines in maintenance room are missing covers and tool rests. HSE.14 7. Sewing machines in the cutting section are missing the needle guards. Also, rotation parts of fabric spreading and inspecting machines are not covered during operation. HSE. 14 8. The warning signs for th embroidery machines are not in the local language. HSE.14 9. There are no operational instructions for the heat transfer machines. Workers are not aware of how to safely operate them. HSE.14 10. Fifty percent (50%) of heat transfer machines do not have the double-hand operation mechanism. HSE.14 11. Speed limit is not set up and enforced for vehicles inside the factory as there is no procedure available. HSE.1

##### Local Law or Code Requirement

Cambodia Labor Law, Article 230; Law of Administration of Factory and Handicraft Cambodia Article 25, Article 27 and Article 28; Cambodia Law, Prakas 053/00; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.4, HSE.13, and HSE. 14)

##### Recommendations for Immediate Action

1. <!--[endif]-->Monitor the ventilation in working place regularly to provide proper working conditions.
2. <!--[endif]-->Control the load ability in the warehouses and ensure goods are not stacked too high or close to the ceiling and lighting system, equipment, or fans.
3. <!--[endif]-->Ensure all machines and equipment are grounded.
4. <!--[endif]-->Ensure all operational buttons on machines and equipment are in working order.
5. <!--[endif]-->Equip machines and equipment with the proper covers and machine guards.
6. <!--[endif]-->Post safe operating procedures in the local language next to machines.
7. <!--[endif]-->Equip heat transfer machines with double-hand operation mechanism.
8. <!--[endif]-->Define and monitor the limit of vehicle speed inside the factory.

### COMPANY ACTION PLANS

Action Plan no 1.

##### Description



#### 11.2: Completed

1-2. Accessory warehouse supervisor conducts daily monitoring to ensure that storage are within allowable limit and in compliance with the height limit that were posted. Factory management posted height limit to remind workers on the storage allowable limit. No materials are allowed to be stored beside the wall/exhaust fans.

3-4. The distance between the top shelf to the ceiling and lighting system is limited to 1 meter and workers were not allowed to placed any products or materials next to the ventilation. The compliance is monitored by supervisor and random review by safety officers.

6 Refresher training to workers, supervisors of on workplace safety were conducted.

#### 11.3: Completed

1. Grounding system had been inspected by Comin Khmer 18-Sep-18. The inspection report is available;

2. Compliance and safety team meeting was conducted with Comin Khmer about the inspection report on 19-Nov-18 and how to do the corrective action with the report;

3. Comin Khmer will provide the quotation of each issues in the report for the factory to take improvement action;

4. After received the quotation from Comin Khmer, Safety team request to management for improvement the action plan. End of February 2019.

CAP:

Grounding system inspection had been conducted, there are 2 recommendations which had already been completed by factory as following:

1. Installed pipe for the ground wiring on 26-Mar-2019

2. Installed cable lug for the connection on 26-Mar-2019

#### 11.4: completed

1. Maintenance repaired operational button of all heat transfer machine early of September-2017.

2. Maintenance check operational button on heat transfer machine on weekly basis to ensure that operational button is well functioned.

3. Each machine is attached with maintenance sheet to verify the maintenance and repair record.

#### 11.10: Completed

1. All heat transfer machines have been installed a double hand operation in the first week of April 2019

2. Safety team did daily checking to ensure all machines were installed double hand operation including the new machine.

#### 11.11: Completed

5. The procedure about limited driving inside facility was developed on 30 January 2018 including requirement on limit speed.

#### Company Action Plan Update

##### 11.1: Completed

1. Maintenance repaired broken ventilation system on September 20, 2017

2. Maintenance is responsible to conduct weekly checks of the ventilation system to ensure it is functional.

3. Supervisor of sewing department on the second floor is going to submit request form if the fan is broken.

4. Electrician installed thermometer to monitor temperature level in the area. Line leaders are responsible to check the temperature 3 times per day: 07:30am, 11:00am and 15:30pm. The record is kept in production line.
5. Ventilation and cooling pad is cleaned by cleaner regularly and supplier schedule to clean monthly or whenever needed.
6. Safety officer conduct comprehensive temperature testing every three months in all areas of the factory to monitor temperature level inside working areas.

#### 11.2: In Progress

1. Accessory warehouse supervisor is responsible to monitor the stack level can not exceed the height limit, 200 cm. The height limit is posted beside the storage shelf for workers' information. All goods in the accessory warehouse are not allowed to stack to exceed the height limit of 200 cm.
2. To avoid falling risk and a fire risk, accessory warehouse supervisor requests no item can be stored on the top shelf
3. The distance between the top shelf to the ceiling and lighting system is 1 meter to avoid falling risk and a fire risk.
4. No packed products or the cartons are allowed to place next to the exhaust fans. The area in front of the fan need to be free obstructed to ensure good ventilation.
5. Safety officer conduct daily reviews to check the stack status to ensure the stack level meet the safety standard
6. Training regarding to fire risk and workplace health and safety is included in the orientation for all new intakes, and also covered in refreshment training.

#### 11.3: In Progress

1. HSE manager contacted with SGS for inspection quotation and schedule of grounding system
2. The quotation is going to be provided in December 2017. Once the quotation provided. The HSE manager will submit the quotation to Global HRCM manager is going to confirm with factory manager to arrange the inspection date
3. The inspection is required to done by the end of February 2018 to ensure the grounding system is safe and functional
4. HSE team is going to arrange inspection schedule of grounding system to ensure the inspection is going to be conducted on a regular basis.

#### 11.4: In Progress

1. Certified electrician provided grounding system to drilling machine on Nov 25, 2017
2. Electrician is responsible to ensure all machines are grounded by conducting weekly check of the machines.
3. All machines is going to be checked comprehensively during annual grounding inspection by qualified third party.

#### 11.5: Completed

1. Maintenance repaired operational button of all heat transfer machine in early September 2017.
2. Maintenance checks operational button on heat transfer machine on weekly basis to ensure that operational button is well functioned.
3. Each machine is attached with maintenance sheet to verify the maintenance and repair record.
4. Heat transfer leader are responsible for daily check of operational button, any button missing/broken is going to be reported to maintenance directly for repair requirement.

#### 11.6: Completed

1. Maintenance provided proper cover and tool rests to two grinding machines in maintenance room on October 20,2017
2. Safety officer conducted on site training to the maintenance to remind them the safety use of the grinding machines must have cover and tool rest in place, the training conducted on 19-Aug-17 there were 21 people from maintenance staff who attended training.
3. Any broken or missing part of cover and tool rest are to be replaced by maintenance immediately

#### 11.7: Completed

1. Installation of needle guards to all sewing machines in the cutting section was completed by maintenance on October 10, 2017. Maintenance team is conducting daily inspections to check if the machines are missing needle guards; all missing guards to be installed immediately.
2. Rotation parts of fabric spreading machine was repaired and covered by maintenance team on October 10, 2017. Maintenance team responsible to check all the machines must have properly guards.
2. Onsite training to remind workers to use needle guard during operation was completed as part of the PPE training on 26 September 2017 to 43 workers from line 15
3. Line leader is responsible to monitor workers use needle guard
6. Safety officer conducts daily checks to ensure the usage of needle guard and properly cover during operation.

#### 11.8: Completed

1. Safety officer posted warning sign in local language on embroidery machine on September 5, 2017
2. Line leaders conduct daily check in embroidery machine to ensure that each machine is posted with warning sign in local language.
3. Line leader is going to report lack of warning sign in local language to HSE team for replacement.
4. Safety officer conducted on site training of machine safety to the operators. The training is about the importance of the warning sign, it can help the worker to be aware of the work-related accident from happening.

#### 11.9: Completed

1. Safety officer posted safe operating procedures in local language on heat transfer machine on August 20, 2017
2. Team leader conduct daily check to ensure that each heat transfer machine is posted with operating procedure in local language for workers.
3. Within the first month of hiring, workers are trained by their team leader about how to operate heat transfer machine. Those workers are provided with the training until they properly understand about operating procedure and can operate the machine safely.
4. The training topic is included in the new intakes' orientation.

#### 11.10: In Progress

1. Maintenance team in charge to install 2 hands operation of heat transfer machine, the time line to complete end of April 2018.
2. Maintenance in charge is responsible for installation of two hands operation button for all heat transfer machine. The installation is going to complete on January 2018 The installation not yet finish, the time line as above mention.
3. Team leader conducts internal reviews to monitor to ensure double hand operation is followed.
4. Safety officer conduct daily reviews to check the status of operation, such is also verified by compliance auditor during monthly HSE internal audit.

#### 11.11: In Progress

1. Speed limit (slow down 25km/h) had been set up along main entrance on August 20, 2017
2. Driver was provided reminder about safely drive inside factory premise
3. Workers were also reminded about the ban of driving motorbike in factory premise. Factory posted the speed limit sign and security reminded to the driver
4. Driving in facility premises is monitored by security guard
5. The procedure about limited driving inside facility is under development and is going to be fully set up by January 2018.

## NEW FINDING NO.12

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Sewing workers on the first floor of sewing section use medical masks instead of dust mask when working. Also, none of the sewing workers on the second floor near accessories warehouse wear masks. HSE.7

2. Personal Protective Equipment (PPE) such as safety shoes, anti-electric gloves, helmet, etc. are not available for workers in the generator room. HSE.7
3. Some PPE (non-flammable cloths, face mask, helmet, boots, etc.) are not provided to firefighting team. HSE.6, HSE.7
4. Safety shoes are not provided for workers handling carts. HSE.7
5. All of three sampled metal gloves in use at cutting section are torn. HSE.7
6. There is no record of PPE provision available for review. ER.2

#### Local Law or Code Requirement

Cambodia Labor Law, Article 230; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environmental Benchmarks HSE.1, HSE.6, and HSE.7)

#### Recommendations for Immediate Action

1. <!--[endif]-->Provide the proper personal protective equipment (PPE) to all workers, including the firefighting team, and monitor for use.
2. <!--[endif]-->Maintain the records of PPE distribution.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### 12.1: In Progress

1. HR department applied for safe mask for workers and the proper masks were provided place by Oct 2017. Masks are conducted monthly.
2. Factory provided proper PPE (safe mask ) to all workers by early November
3. For the workers sewing dusty fabric, line leaders is going to ask them to wear dust mask.
4. Safety officer provided onsite training about the importance of using mask during working hours on Nov 20, 2017.
5. Face mask is kept in HR room and worker can change their mask if needed
6. Importance of PPE usage training is one of the topics of new intakes orientation and also included in annual refreshment training. The training of orientation cover 100% of the new intakes, and the refreshment training covers 30% of workers. Training plan 2018 will be provided to workers in Feb, May and Sep. The target 500 people.

##### 12.2: In Progress

1. Factory provided proper personal protective equipment such as safety shoes, anti-electric gloves, helmets to workers working in generator room by 17 November 2017.
2. Proper storage area of those PPE is located in generator room
3. Electrician is responsible to request the replacement of broken PPE in the generator room.
4. Safety officer is going to conduct onsite training about how to use PPE properly on 27 December 2017.
5. Safety officer random check to ensure the electrician follow the instruction

##### 12.3: In Progress

1. HSE department requested to purchase proper PPE (non-flammable cloths, face mask, helmet, boots, etc.) for 14 firefighting team members by January, 2018
2. Local fire brigade is going to provide training about firefighting skill and the usage of firefighting equipment to firefighting team by February 2018 during annual firefighting training
3. Training of how to use the firefighting PPE is going to be conducted by local fire brigade by February, 2018 during annual firefighting training
4. Non-flammable cloths, face mask, helmet, boot, etc. is going to be kept at secured cabinet.

##### 12.4: Completed

1. Safety shoes provided for 16 workers handling carts on 15 September 2017
2. Safety officer conducted on site training to the worker handling carts and forklift operator on 21 December 2017 to train them the purpose of PPE usage and how to use PPE properly.

3. Warehouse supervisor is responsible to ensure workers wear safety shoes by conducting roving and monitoring their work.
4. Workers are going to report to their supervisor whenever their safety shoe broken to apply for replacement.
5. Safety officer conduct daily roving to ensure workers handling carts wear safety shoes properly during operation.
6. Safety shoes is going to be placed in designated place after work to prevent losing or damage.

#### 12.5: In Progress

1. Replaced 26 metal gloves which is torn with the new one on 25 September 2017
2. Cutting operators are required to report to their supervisor about their PPE (metal glove) when it is broken for changing for the new one
3. Cutter are required to keep their metal glove in provided place after work to prevent losing or damage.
4. Safety officer conducted inspection of metal glove condition on weekly basis to ensure that metal glove is in good condition
5. Safety officer conducted on site training about how to use PPE on 04 August 2017, trained to 27 people for cutting department to prevent work related accident from happening. The refresh training is going to plan in 2018.
6. Safety officers monitor and purchase spare of PPE is in place to ensure that the torn gloves can be replaced immediately

#### 12.6: Completed

1. HR and safety team had provided PPE to workers but did not kept the records properly.
2. HR and safety team have been recorded PPE provided to workers from September 2017 onward by logbook and PPE list and well-kept for easy reference.
3. In the record mentioned type of provided PPE, date of providing, and department received PPE.
4. Each department is going to request for required quantity and type of PPE to HR and safety officers whenever needed, HR and safety officers is going to purchase the PPE accordingly.

#### December 2019 adidas Comments

##### 12.1: Completed

3. As per review and consultation with face mask suppliers, workers who are working with dusty fabric will be provided with dust mask. Per face mask supplier, face masks cannot be used more than 8 hours.

6. PPE training has been provided to 439 workers in February, April, May, June 2018 and 655 workers in January, February, July 2019.

i. In 2018, there were 16 trainings on PPE conducted for 439 workers from sewing, mechanic, cutting, and warehouse section.

- 19 mechanic and maintenances were trained on wearing safety gloves, safety shoes, eyes glasses protection, safety belt, and helmet in Jun 2018.

- 18 cutters were trained on wearing mental gloves in Jun 2018.

- 4 forklift drivers at logistic, packing and warehouse were trained on wearing safety belt, helmets and safety shoes.

- 398 workers from sewing lines were trained on mask wearing, scissors and machine guards

ii. In 2019,15 training on PPE usage will be conducted for 655 workers from all section.

- 16 maintenances were trained on wearing safety gloves, eyes glasses protection in Feb 2019.

- 1 electrician was trained on wearing safety gloves, safety shoes, safety belt, and helmet in Jul 2019.

- 18 cutters were trained on wearing mental gloves in Jan 2019.

- 4 forklift drivers at logistic, packing and warehouse were trained on wearing safety belt, helmets and safety shoes in Feb 2019.

- 19 workers at logistic were trained on wearing helmet and glove in Jan 2019

- 34 workers at Embroidery and Pad print on ear plug and glove in Feb 2019.

- 563 workers from sewing lines were trained on mask wearing, scissors and machine guards.

iii. The training has been conducted for 30mn for each class which talk about how to protect themselves from any incident during working.

#### 12.2: completed

1. PPEs distributed safety shoes, leather gloves, helmets, goggles, ear-mops, flashlight, and safety belts.
  2. Observation confirmed that storage is set up in the generator room;
  3. Electrician reported to safety officer for replacement of broken PPEs in generator room
  4. PPE coaching to electrician was conducted on 15 November 2018.
- 19 mechanic and maintenances were trained on wearing safety gloves, safety shoes, eyes glasses protection, safety belt, and helmet in Jun 2018.
- 16 maintenances were trained on wearing safety gloves, eyes glasses protection in Feb 2019.
- 1 electrician was trained on wearing safety gloves, safety shoes, safety belt, and helmet in Jul 2019.

#### 12.3: Completed

1. Firefighting uniform had quoted by purchase dept and waiting approval from management.
- 2-3. The firefighting training has been conducted to 33 workers in 20 March 2018 and 45 workers in 12 Oct 2019 by Phnom Penh Municipal Police Commissioner.
4. The non-flammable cloths, face mask, helmet, boot, were already kept at secured cabinet Nov 2019.

#### 12.5: completed

1. Provided 26 new gloves provided to workers on 25 September 2017. Last check on 29 December found the gloves are still in good condition;
2. Cutting operators reported broken gloves to supervisors and the supervisor reported to HSE team by bringing the broken gloves.
3. A common storage is set up for storing all PPEs in the cutting section.
4. The inspection is conducted monthly and the last inspection was on 29 December 2018 by HSE team.
5. the PPE training has been provide to 439 workers, including cutting department, in February, April, May, June 2018 and 655 workers in January, February, July 2019. Each training session is 30 minutes long; Factory also provides post training to all attendees to evaluate their knowledge after training.
6. The Factory is ensuring that that there is metal-gloves in stock in case of replacement.

### NEW FINDING NO.13

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. While the factory management stated that the factory has a lightning protection system, there is no record of its installation available. Nor is there a record of the lightning system having been inspected at the time of installation or on a regular basis since. HSE.4, HSE.132. There are no smoke detectors in the accessory warehouse or in the sewing and cutting sections. HSE.53. The fire alarm control panel is not kept in the security guard booth, but placed in a workshop where no one is present after working hours. HSE.54. There are no separate walk ways designated for people in the main yard, which is also the main exit path from the production buildings with many

vehicles going in and out. Also, the main exit path from the cutting and accessory warehouse to the main yard to the main entrance was blocked by trucks and vehicles during the assessment. Additionally, emergency assembly points are blocked by cars. HSE.55. About 50% of exit paths from the sewing lines are blocked by pillars. One exit is blocked by the movable electrical fan at finishing goods warehouse. About 60% of exit doors at the sewing lines are latched at one side. HSE.56. Workers are blocked by finished goods at their work stations in the QC section and by other workstations at sewing lines. Thirty percent (30%) of aisles in the cutting area are blocked by trolleys of cut pieces. HSE.57. There is an improper secondary exit for the dormitories for foreigners, the lactation room, and daycare center. It is a window from the second floor of a three-storey building linked to an overhang with 30 to 35cm in width, leading to a ladder down to the ground. HSE.5, HSE.258. In the accessory warehouse, the exit sign and emergency light at one of two exits are missing. HSE.5

#### Local Law or Code Requirement

Cambodia Labor Law, Article 230; Law of Administration of Factory and Handicraft Cambodia Article 24, Article 25 and Article 26; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.4, HSE. 5, HSE.13, and HSE.25)

#### Recommendations for Immediate Action

1. <!--[endif]-->Maintain the records of lightning system installation, inspection and validation. Conduct the inspection of the lightning system regularly.
2. <!--[endif]-->Install smoke detectors in the accessory warehouse, and in the sewing and cutting sections
3. <!--[endif]-->Ensure access to exits, secondary exits, and assembly points are clear of any obstructions.
4. <!--[endif]-->Do not latch emergency exits.
5. <!--[endif]-->Maintain the clear aisles for safe evacuation for workers from their work station.
6. <!--[endif]-->Relocate fire alarm control panel to the security guard booth or to a location where there is someone present at all times.
7. <!--[endif]-->Designate a separate walk way and exit paths for people in the main yard.
8. <!--[endif]-->Provide proper secondary exits for the dormitories, child care center, and lactation room.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### 13.1: In Progress

1. HSE manager contacted with SGS for inspection quotation and schedule of lightning protection system
2. The quotation is going to be provided in December 2017. Once the quotation provided, is going to confirm with factory manager to arrange the inspection date
3. The inspection is required to done by the end of February 2018 to ensure the lightning protecting system is safe and functional.

##### 13.2: In Progress

1. Project manager for construction contacted fire equipment supplier to check installation plan with clear layout
2. Supplier is going to estimate the quantity and type of smoke detector required to installed in each area based on the coverage space
3. Smoke detector centralized to the alarm systems going to be installed inside accessory warehouse, sewing and cutting sections in 2018 to effectively detect fire accident. The first batch installation in accessory warehouse is going to be done in the beginning of February 2018.

### 13.3: In Progress

1. The alarm control panel is going to be relocated to security guard house where security guards can monitor the alarm 24 hours; to be finished by January 2018.
2. Fire equipment supplier went to the factory to check installation plan and provide updated layout.
2. Before the relocation is completed, a security guard is going to be assigned to monitor the alarm system after work hours.
3. Security guard is going to be provided with awareness training about fire alarm functionality once the panel installation is completed in January 2018.

### 13.4: In Progress

1. Factory managements rented land next to factory for factory expansion.
2. The new building of the expansion is under construction and is going to be fully completed by the beginning of February 2018.
3. Parking area for the vehicles is going to be relocated to the back of expanded land by February 2018
4. Fabric warehouse is going to be relocated to the expanded land by February 2018. Container and trucks parking for fabric unloading is going to be also relocated to the expanded land by February 2018.
5. Separate walk ways designated for people in the main yard is going to be provided once the construction is done.
6. Assembly area is going to be located in the canteen that is under construction now.
7. Factory is going to provide folding tables for canteen. After lunch time, all folding table are removed by security guards for preparing assembly area.

### 13.5: In Progress

1. Factory manager is discussing with production manager regarding reset layout where aisle blocked by pillar by December, 2017
2. Maintenance removed movable electrical fan from area in front of finish goods warehouse by Nov 2017 to keep that area free of obstruction
3. Finished goods' supervisor is responsible to ensure the exit is free of obstruction by conducting reviews during working hours
4. Safety officer conducts check in logistics on daily basis to ensure that the area is free of obstruction.
5. All exit doors in sewing line are unlocked and monitor by security guard during work hours.
6. Factory conducted fire drill and evacuation training to all employees in the factory on 11 November 2017.

### 13.6: Completed

1. The. Factory has designated area for each item in production and warehouse.
2. Department head from each department are responsible to monitor daily 6S arrangement
3. Safety officers conduct daily checks in working area to ensure goods are stored properly in designated area and workers are not blocked during working hours.
4. Training supervisor provided 6s awareness training to allow workers to have 6s mindset as below:
  - Cutting department, trained to 36 people on 25 November 2017
  - Fabric warehouse, trained to 24 people on 1 December 2017
  - accessories warehouse, trained to 17 people on 1 December 2017
  - Maintenance, trained to 18 people on 22 December 2017
  - Packing, trained to 33 people on 22 December 2017
5. 6s training is included in orientation for all new intakes when they start working in the factory, and the production supervisor is going to remind the workers to check the 6s by paging system every day.

### 13.7: In Progress

1. The lactation room, and daycare center is going to be relocated into the factory expansion area by the beginning of February 2018 and both of lactation room and daycare center is going to be located on the ground floor.
2. Factory is discussing with construction supplier regarding to the secondary exit of foreigners' dormitory. The replacement of current secondary exit is going to be decided by February 2018, before the construction completed.
3. Safety officer is going to conduct risk assessment to the area where is going to be used for lactation room and daycare center to look for potential hazard and take remediation action base on risk assessment result before lactation room and daycare center moved to the new construction area.



### 13.8: Completed

1. Electrician installed exit sign and emergency light at exit of accessory warehouse on 18 October 2017.
2. Safety officer conducts daily check to ensure the exit sign and emergency light is installed at each exit door.
3. Electrician inspects exit sign and emergency light on a monthly basis to ensure that the lighting well function.
4. HSE team works with electrician to conduct full testing of emergency light once every month by turning off electricity to check the functionality of each emergency light. The testing is conducted at 6:30 pm.
5. During the full testing, safety officers measures the lighting level of each area, and add more emergency light in those areas below 1 lux.

### December 2019 adidas Comments

#### 13.1: In progress

Lighting protection system inspection was conducted by Comin Khmer and now waiting for management approval on repair fee. Safety will follow-up in Jul-2019.

#### 13.2: Completed

1. 29 centralized smoke detectors installed in the areas. Observation confirmed the improvement was made in August 2018.
2. The last two tests on the system were conducted in October and December 2018.

#### 13.3: Completed

1. The alarm panel is placed at the security guard office and being monitored by security guards in January 2018
2. Security guards were trained immediately by supplier. The provides refresher training to new security guards.

#### 13.4: Completed

1. Fabric warehouse was relocated to the new warehouse which is in extending building. Therefore trucks are not unloading in front of cutting and accessory warehouse.
2. Contractors removed the roof from the wall to extend the loading area for logistic warehouse. Yellow marking were drawn for loading and emergency service to avoid blocking.
3. The canteen was relocated to the new area in front of new warehouse.
4. Assembly area is assigned in front of office.
5. Car parking area assigned in front of dormitory.

#### 13.5: In progress

1. At the sewing area where aisle blocked by pillars, sewing machines were removed to extend aisle. HR & factory manager are in discussion on the re-lay out plan to eliminate/minimize that aisle were blocked by pillars. Safety team will follow-up the re-lay out in Jul-2019.

#### 13.7: Completed

Dormitory have been relocated to the new building and provided with secondary exit.

1. The lactation room, and daycare center was relocated to ground floor of new expansion in April 2019,
2. The secondary exit of dormitory were already provided on June 2019
3. Risk assessment were already conducted in April 2019 to identify risks.

## NEW FINDING NO.14

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no contract in place with a hospital for regular medical checks of workers. HSE.182. Clinic staff and doctors are not available during the night shifts and doctors are not stationed in the factory from 7:00 to 8:00, 11:00 to 14:00, or 16:00 to 18:00 as shown on their manual time records. [Note: there are no biometric records of doctors' attendance]. HSE.183. The root causes were not properly analyzed and identified for at least two cases of injuries caused by sewing machine needles. HSE.1, HSE.34. Illness cases are not tracked statistically and with proper root cause analysis. HSE.35. There is no procedure to ensure that children are only released to their parents or other authorized adults from the daycare center. HSE.276. Childcare center is located next to the kitchen of dormitories for foreigners, which in turn are located on the top of production building, posing health and safety risks to the children HSE.277. Childcare center is not equipped with proper facility. Nor is there nursing staff. The facility has a few chairs, cradles and toys along with some decommissioned equipment from the kitchen. Factory management explained that they haven't properly equipped the facility and hired any caretakers because the childcare center is not being used by workers. HSE.278. Dormitories for foreigners are located in the same production and warehouse building HSE.26

##### Local Law or Code Requirement

Cambodia Labor Law, Article 186, Article 230 and Article 242, Article 247 and Article 250; Prakas 330/00, Article 3, Law of Administration of Factory and Handicraft Cambodia Article 24; Prakas 243/02; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.3, HSE.18, HSE. 26, and HSE.27)

##### Recommendations for Immediate Action

1. Sign a contract with a hospital for regular medical checks for workers. 2. Ensure the clinic staff and doctors are available during all operating hours of the factory. 3. Identify root causes of work-related injuries and accidents for preventing their recurrence. 4. Conduct proper tracking of illnesses including statistical analysis and proper root cause analysis. 5. Establish procedure to ensure that children are only released to parents or other authorized adults from the daycare center. 6. Relocate childcare center away from the kitchen and production building 7. Equip childcare center with proper facility and nursing staff. 8. Relocate dormitories for foreigners away from the production and warehouse building.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

14.1: Completed

1. Workers have registered health care with government controlled National Social Security Fund (NSSF). All workers were provided with special card and they can have their health checks conducted free of charge. Workers could have their health checked up at any public hospital nearby using the NSSF card provided for free of charge.
2. The factory also provided annual medical check by in house doctor.
3. A public hospital located in front of factory, the workers can access it easily for health checkup.

#### 14.2: In Progress

1. Per local labor Law, Article 242 stated that if factory has at least 50 workers, factory has to have nurse to stay in clinic. Currently, factory has only 20 workers work in night shift. However, there is a state hospital in front of factory and workers can approach this hospital for medical needs. Security guard are assigned to accompany workers to the hospital.
2. Factory is also equipped with fully stocked first aid kit, which workers have access to. Nurse is responsible for checking daily first aid box and refill first aid kit.
3. Factory is going to invite external trainer from Ministry of Health to conduct first aid training to workers in night shift in May 2018.
4. Factory has doctor in place and the attendance had recorded in the manual notebook, did not have time record in the system.
5. Doctor is required to work 6 hours per day as required by local law. That working ours is required based on the total workforce in the factory 1700 workers.
3. Currently factory had 2 doctors with a rotating schedule:
  - First doctor works from Monday-Wednesday from 09:00am-16:00pm
  - Second doctor works from Thursday-Saturday from 09:00am-16:00pm
6. Doctor is also required to have time record by biometric systems of Sep-17 onward.
7. The Doctor attendance record printed are attached to payroll record and kept for reference document.

#### 14.3: In Progress

1. The Factory is conducting investigation into worker-related accident to find out the root cause of accident. Safety officer conducts investigations using the form provided from SEA. The investigation conducted by safety officer whenever accidents take place. The one cited by FLA was missing the root cause of accident. The investigation is conducted by asking the injured worker, line supervisor and workers nearby during the time of accident to find out the root cause of accident.
2. Safety officer is going to work with production supervisor and factory nurse, and utilize investigation report to analyze the root cause for taking preventive action to prevent the recurrence of accident by improving working condition for workers.
3. Based on root cause identified, safety officer provides training to the workers to remind them how to prevent the work-related accident.
4. The report of investigation and analysis is going to be retained for easy reference
5. Line leaders conduct daily reviews to check PPE use by workers to ensure that works use PPE properly during working hours.
6. Safety officers also need to regularly check the workplace standard and their working condition to ensure that they are safe in working.

#### 14.4: In Progress

1. The Factory has assigned the on-site nurse to track illness cases to analyze the root cause leading to illness. Nurse used the form mentioning each step to track illness case to analyze the root cause of illness.
2. The tracking report is going to be done accordingly and well-kept for referral information
3. Illness record is done for each worker for easy tracking of their illness history
4. Safety officers need to follow up on the tracking statistic of root cause of illness which is sent by on-site nurse monthly.
5. After getting the summary of tracking from the on-site nurse, the training is going to be provide to the workers about the root cause of illness which was mostly happen and the way how to prevent it.

#### 14.5: In Progress

1. Procedure to ensure that children are only released to their parents or other authorized adults from the daycare center policy had been established on 10 November 2017. HR department have meeting with supervisors and leaders about safety requirements.
2. Safety officer posted the procedure at Childcare center for information after the day care room finished the construction in February 2018.
3. Factory to communicate the procedure to workers via line leaders, monthly HSE meeting and meeting with union and worker representative.
4. Factory to communicate the procedure to the mother of children about the procedure of daycare and ensure that children be only released to their parents or other authorized person only.
5. The procedure is going to be strictly applied on daily basis to ensure safety for child in the daycare center.
5. Factory is going to post internal contact numbers of safety officers at childcare for easy contact when there is any emergency case.

#### 14.6: In Progress

1. Childcare center will be transferred to the new expansion location by the end of February 2018.
2. The new childcare center is going to be located on ground floor and in safe location to avoid posing health and safety risks to the children.
3. Safety officer is going to conduct risk assessment of the area where is going to be used for childcare center before the center is moved there by February 2018
4. Risk assessment is going to be conducted to identify hazards in the new childcare center by February 2018. The risk assessment result is going to be used for monitoring and remediation actions taken.

#### 14.7: In Progress

1. The new childcare center is going to be fully equipped with proper facility and necessary material by February 2018 such as cleaning basin, drinking water dispenser, and toys for child to play base on law requirement. All required equipment must be provided.
- 2.. Safety officer and the nurse is going to work together to check the condition of the childcare center to ensure the environment is safe for using.
3. Safety officer is going to conduct risk assessment of daycare center twice per year to look for potential hazard and take remediation and preventive action.
4. HR department is going to communicate with workers and encourage workers who have baby age from 18 months to 3 years to use the day care center, the factory is going to hire Child care personnel. if there is a baby in day care center.
5. HR department is going to announce such as PA system, meeting with line leader, supervisor and monthly meeting with union and SMS system.

#### 14.8: In Progress

1. Factory managements rented land next to factory for factory expansion.
2. The new building of the expansion is under construction and is going to be fully completed by the beginning of February 2018.
3. Currently, production area, heat transfer and embroidery sections share the same building with dormitory. The factory is going to remove heat transfer and embroidery to current fabric warehouse to make them separate from dormitory building by February 2018.
4. The factory management rental the house outside the factory for expat staff from 1-Feb-18.
5. Set up clear schedule to remove heat transfer and embroidery after finishing the factory expansion.

#### December 2019 adidas Comments

##### 14.2: Completed

1. Safety officer request first aid kits based on the inventory form to factory manager for approval monthly.
2. Assigned nurse to daily check first aid box, fill up the record of items, refill and update inventory list.
3. Nurse will communicate to safety officer if will encounter lacking first aid suppliers.
4. Local law required the factory who employ 50-300 employees to have 1 nurse. Since 2018 factory employed 20 employees worked in night shift which is not required by law to hire a nurse. However factory had invited Phnom Penh Municipal Health department to conducted first aid training 6 workers from night shift on 4-May-19.

##### 14.3: Completed

1. Three work related accidents happened in sewing and embroidery workers in 2018. The investigation was conducting by including the root cause analysis in the investigation record.
2. As per investigation on the three-work related accident case that occurred in 2018, it was found that workers did not use the eye guard and the position of the eye guard is not user friendly. The HR and compliance teams worked with maintenance team to review high of chair, sewing table and provide trainings to workers. Work safety training has been provided to 103 workers on Jun 2018 and 169 workers on Aug 2018.

3. There were 16 training courses on machine and PPE usage to cutting workers, forklift operators, and tagging gun operators in 2017 and 2018.
4. The report of investigation and analysis was documented, and the result of the investigation is used to include in internal audit checklist and annual training plan.
- 5 & 6: Line leaders conduct daily reviews to check PPE and report on any possible risk to safety officer.

#### 14.4: Completed

1. Nurses have been tracking illness case, analyze the root cause leading to illness including in recording forms. Safety team have already developed individual treatment record for each worker.
2. Nurse have maintained all records of accidents and illnesses.
3. The recording system traces back the history of workers' illnesses and accidents and root cause analysis. Each worker had one record for tracking their illness file, the implemented from Jan-2019
4. As per illness record submitted by nurse and reviewed by safety officer; In quarter 3 of 2019, headache, flu and toothache are the most top three issues. Doctor and safety team have worked on the preventive or health advice for workers.
5. As per report submitted by nurse, a training material were developed by doctor and safety officer. As of October 2019, onsite training was provided to 543 workers.

#### 14.5: Completed

1. Day care center policy is in place and was approved by factory management on 24-Mar-2019.
2. Training team had conducted training day care center policy to supervisors, leaders and worker's representative on 2-May-19.
3. Training team announced to workers during lunch break in June-2019 about day care center is now ready to use. Since the announcement, none of the workers have registered for using day care center. Trainers conducted training on day care center to 603 workers in August, September and October 2019.
4. HR team will announce monthly to workers who want to use day care center.

#### 14.6: Completed

1. Day care center had been relocated to the ground floor of new building under dormitory on April 2019.
2. Risk assessment conducted and approved by dept head and factory manager. As per result of self-assessment, floor mat, first aid kits and drinking water are provided. The arrangement is full file with legal basic requirement.
3. The day care facility is equipped with floor mat, bed, table, chair, toys, baby bed and air-con.
4. Daycare center procedure had been developed and going to train care giver once the workers registered to use the facility.

#### 14.7: Completed

1. The new childcare center was already equipped with floor mat, bed, table, chair, toys, baby bed and air-conditioning.
2. In Feb 2019, safety officer and nurse already conducted assessment on the condition of the childcare to ensure that it is user friendly.
3. Safety officer has already included the monitoring of childcare in internal audit which is conducted twice per-year.
4. HR department already conducted meeting with workers and encourage workers to bring their baby age from 18 months to 3

years to use the day care center since 1 Apr 2019.

5. HR department already posted the announcement in the board and already meeting with line leader, supervisor and monthly meeting with union.

14.8: Completed

1. The dormitory has been moved to the new location in December 2018. Heat transfer and embroidery section have been moved to the new expanded facility.

2. The new facility is separated from the production. There are 6 expats living in the new dormitory. Fire safety equipment's, fire drill & firefighting training and secondary exits have been provided in the new dormitory.

3. Internal audit is used to monitor the safety condition of dormitory

## NEW FINDING NO.15

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. Oil used for cutting machines at cutting section does not have MSDSs, proper containers, secondary containers, labels, or warning signs. They are kept in drinking water bottles with hand written labels. Also, the oil bottles in the cutting section leak. HSE.9, HSE.10
2. Waste is not classified/separated at its source between recyclable and non-recyclable. HSE.1

##### Local Law or Code Requirement

Law of Administration of Factory and Handicraft Cambodia Article 29, and Article 31; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1, HSE.9, and HSE.10)

##### Recommendations for Immediate Action

Provide all chemicals, including lubricant, with MSDSs, proper containers, secondary containers, labels and warning signs.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

15.1: Completed

1. Safety officer posted clear label and provide MSDS in local language to each oil container on 1 November 2017.
2. Secondary container has been provided for oil container. The secondary container is set up based on the size of containers, the size of secondary containment is 10% bigger than the size of oil container.
3. Cutting supervisor and safety officers ensured no drinking water bottle is going to be used as oil container by conducting periodic checks
4. Safety officer provided onsite training about the danger of oil leakage and the danger of usage the drinking water as the container of oil to the cutting operators and enhance their fire safety awareness.
5. Oil bottles are kept in proper secondary containers to prevent leakage.

15.2: In Progress

1. Rubbish bin for different source between recyclable and non-recyclable of waste has been provided for waste segregation.
2. Clear signage to guide workers how to place correct type of waste into corresponding rubbish bins has been posted beside the bins for workers' reference.
3. Waste storage area is going to be relocated at the new expansion land and safety officer is going to separate waste segregation by

the source between recyclable and non-recyclable.

3. Safety officer conducted training about waste segregation to the workers during orientation for all new intakes, and the refreshment training was provided to cleaners and cooks on August 1, 2017, sewers on October 5, 2017. The training is about how to segregate and classify wastes.

4. Leader of the cleaner is responsible for tracking and following up cleaning schedule to ensure the waste has been segregated properly.

5. HR is going to verify the waste segregation performance whether wastes are properly classified or not.

December 2019 adidas Comments

15.2: Completed

1. The waste storage was relocated to the new building in December 2018;

2. There are 3 storages for hazard waste, recycle waste and food waste.

3. Factory made sure the segregation of the waste as the designated area with proper signs.

4. Safety team conducted regular monitoring to ensure the waste is well classified.

5. Waste has been segregated as per its type.