

FLA Audit Profile	
Country	Pakistan
Factory name	010057406E
IEM	T-Group Solutions Pvt. Ltd.
Date(s) in facility	October 12-13, 2006
PC(s)	adidas AG
Number of workers	84
Product(s)	Martial Arts Uniforms (Kimonos)
Production Processes	Cutting, Stitching, Thread Cutting, Passing, Packing

June 8, 2007: This factory recently closed and transferred to another city without notifying adidas Group's compliance team on time. As a result of factory's closure, adidas' compliance team is not able to follow through with the original remediation action plan, as there is no more operation nor workers in this factory. Currently, adidas' compliance team is investigating this factory's closure, as factory management has not been fully transparent in regards to steps taken during factory closure, e.g., workers' layoffs and their legally mandated severance pay. Adidas will investigate this issue further through workers' interviews and payroll records to ensure that factory's closure has been conducted in a lawful manner. As part of adidas' new factory approval process, its compliance team will not approve the new factory until it is able to verify that workers' termination at old facility followed local law, and that the new factory does not have any of the threshold issues found in this report. We will be updating this report as details become available to our field staff.

August 2007 Comment: In August 2007 adidas-Group SEA Team conducted an initial assessment at relocated factory's new facility. During this audit, SEA Team reviewed terminated workers' payment records, which included at least one month's worth of wages. During document review, it was verified that out of 48 workers who had worked at closed factory, 22 were terminated, 3 were relocated to new facility and 23 stayed in [City name], where closed factory was located. However, as none of the terminated workers were available for interview, SEA Team was unable to verify that severance payments were completed and paid in accordance to local regulations with all workers. However, some interviews were carried out with past workers, which revealed that severance payments were completed for the former workers in [City name].

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation				Updates (Che Date of Follow up)		Status		Third-Party Verification		Company Verification Follow up		
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up	Documentation	Company Follow up	Documentation	Completed: Pending: On-going	External Verification (Date)	Documentation	Company Follow up (Che date of planned or follow up activities)	Documentation
1. Code Awareness																				
Code posting/information																				
		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	Adidas code of conduct poster is not posted anywhere in the facility.					Visual inspection		1) SEA local staff to provide factory with adidas Workplace Standards and the factory management to display Workplace Standards accordingly for awareness of the workers and all others concerned. 2) Factory management to verbally train workers on adidas' Workplace Standards.	12/31/2006	Factory agrees to display the poster as they are received from the SEA staff.								
		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards only and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	Workers interviewed were not aware of ADIDAS code of conduct. Neither the PC nor the Factory have made any efforts to communicate work place standards to employees.					Interview with workers and management		1) Factory to develop annual calendar of training events for workers and mid-level management on the provisions of Adidas Workplace Standards. 2) Factory management to document workplace standards trainings.	The first training session for the workers will be organized by Dec 22, 2006.	Factory pledged to develop the calendar of training events, organize the training events and distribute employee handbook to all of its workers.								
		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	There is no secure communication channel in place for employees to report any noncompliance issues written or to the PC.					Interview with management and workers, and visual inspection	Record showed workers-management council in place with four persons stated to be elected. Three meeting[s] in 2006 without any discussion on worker grievances or other noncompliances.	1) Worker Management council with top management and baseline workers to be formed with exclusion of supervisors. 2) Worker Management council must meet at least once a month. 3) Summary of the proceedings of the meetings to be displayed on factory notice boards. 4) Complaint boxes to be fixed in toilets. 5) Complaint logs to be maintained. 6) In addition, PC currently provides workers with business cards during interviews in order for workers to have access to PC should they need to file a grievance or complaint.	12/31/2006	Factory agreed to re-constitute worker management council and facilitate its free and fair functioning, fix the complaint boxes in toilets and begin maintaining complaint log.								
2. Forced Labor																				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																				
		West Pakistan Industrial & Commercial Employment (Standing Order) Ordinance 1969 Schedule (Section 2 (ii)) Section 2-A. Employment (Record of Services) Act- 1951	Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with the Code provision.	1) Employment Records are not maintained for some of the piece rate workers employed through a contractor. 2) Appointment letters are not issued to salaried or piece rated contract workers. 3) Progressive wage increase is not maintained in workers' files.				Review of documents and interview with workers		1) Factory to maintain employment records for each of its workers regardless of the fact that they are contractual (piece rate or regular workers). 2) Appointment letters/Work contracts to be issued to each and every worker. 3) Progressive wage increase is to be registered in the files of the concerned workers, along with any additional information on the workers' employment history.	12/31/2006	Factory agreed to take the recommended corrective actions.								
		Workers will not be required to live in employer-owned or controlled residences.	A dormitory in a two-story structure exists across the road just outside the main gate of the facility. There are presently about 20 workers staying here, about five to six workers per room. While the management stated that they do not provide any accommodation for workers and workers staying in this building have made their own arrangements for accommodation, workers interviewed stated that the facility was provided and maintained by the management.					Interview with workers	Factory management conceded that it had arranged a residential facility for some of those workers who came from far-off places. Those workers on their own invited some of their non-employee friends to live in residential facility which made the number of residents to 20.	1) Dormitories provided by the factory to comply with all those SEA requirements mandated by factory health and safety. 2) In addition, factory must also be transparent regarding any financial obligation workers have for accommodations provided by management.	12/31/2006	Factory seemed inclined to withdraw the residential facility provided by it to some of its workers.								
		There can be no employment terms (including contracts, recruitment arrangements, or any other instruments) which specify that employees can be confined or subjected to restrictions on freedom of movement, allow employers to hold wages already earned, provide for penalties resulting in paying back wages already earned, or, in any way punish workers for terminating employment. It is acceptable to provide bonuses to workers who stay for a term of contract and meet reasonable conditions, such as regular attendance, punctuality, good quality, etc.)	Some appointment letters seen on files were not signed by employees.					Review of Records	Personal records of the workers were found not having signatures of the employers and workers on several documents.	1) Factory to obtain original signatures/thumb impressions of the workers on their appointment letters/work contracts to indicate that they are accepting the TORs. 2) All other relevant documents should also be signed by the employees and employers.	12/31/2006	Factory agreed to take the recommended corrective actions.								
		On arrival of the auditors, many workers were asked to leave the facility from the rear end by jumping the wall. Some sewing machines with fabric bundles were seen without operators. Workers interviewed stated that there were also workers on thread cutting operators who had been told to leave. We suspect these workers are not on rolls.						Visual inspection of production areas and interview with workers.	Incomplete personal record, non-transparent and incomplete time entries, incomplete production and payroll record.	1) Factory to ensure maintenance of personal time/payroll/OT/production record for each and every worker in the factory. 2) PC Compliance team will continue to verify this noncompliance as it is considered a threshold issue by the PC.	12/31/2006	Management did not accept that any worker was asked to jump out of the rear wall of the factory to avoid facing auditors. It insisted that rear wall was so high that one could not jump out of it without hurting oneself. However, they admitted poor record maintenance.								
3. Child Labor																				
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																				
		The Labor Policy - 2002, Section - 20	Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	Company has no age verification system for contract workers. Age verification record for contract workers was not found available on workers' files.	Some piece-rated workers appeared to be under 18 years. Factory does not have proof of age document maintained for these workers.			Interview with workers and review of records.	Age verification documents not found in personal files for some of the workers. No chikjwante workers found in the factory premises.	1) Factory to maintain acceptable age verification documents for all of the contractual/ piece-rated/regular workers. 2) Factory management should ensure that all juvenile workers terms of employment are within the limitations required by the local law. 3) Passes to be issued to the visitors. Visitor's record to be maintained.	1/15/2007	Factory management agreed to take all the recommended corrective actions.								
4. Harassment or Abuse																				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																				
		Employers will also consistent written disciplinary practices that are applied fairly among all workers.	There are no written disciplinary procedures in place.					Interview with management and workers	No written disciplinary policy and procedures available.	1) Factory to develop policy and relevant implementation procedures to discipline all workers. Disciplinary procedures should be within local law and PC standards. 2) Policy and procedures to be communicated to all the tiers in management and the workers.	Development of policy and procedures before 12/31/2006. First training session to be organized before 01/31/2007.	Factory agrees to develop policy [and] procedures to discipline its workers and provide orientation to all concerned.								
		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	Factory does not provide any training to managers and supervisors in appropriate disciplinary practices.					Interview with management and supervisors	No document[ation] or otherwise evidence of any training on disciplinary procedures provided to management and supervisors.	1) Factory to provide training on disciplinary policy and procedures to all relevant tiers of management and supervisors once disciplinary procedures are completed.	First training session to be organized before 01/31/2007.	Factory agrees to provide training on disciplinary policy and procedures.								
		Employers will maintain written records of disciplinary actions taken.	No evidence of written disciplinary procedures available.					Review of records	No written evidence in place of the actions taken against those workers who would have violated the discipline.	1) Factory to maintain a log reflecting disciplinary actions enforced to worker force. 2) Factory management should also keep written record of the entire process of communication with workers for implementing discipline, including any back-up documents that clearly indicate reasons for disciplinary actions.	Written record of disciplinary procedures should begin to be available by 12/31/2006.	Factory consented to maintain record of the disciplinary procedures and processes.								
		Security practices will be gender-appropriate and non-retroactive.	Only male security guards are posted in the facility.					Visual inspection and interview with workers, management and security guards.	Factory has the male security guards. However, in terms of practicality it would not be possible to find female security guards in the prevalent local cultural scenario.	1) Factory to offer to all the openings for the security staff and keep transparent record of the recruitment processes. 2) As women security guards are not culturally accepted, factory management must adopt a policy that male security guards may not conduct any type of searches (including pat downs) to female workers as this practice would violate PC standards.	Whenever need for the new security staff emerges, the factory should offer all the openings to all on gender-neutral basis.	Factory agrees to take the recommended corrective actions. However, it insisted that culturally it would not be acceptable for different stakeholders to see women working as security guards.								
5. Nondiscrimination																				
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																				
6. Health and Safety																				
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.																				
		Factories Act 1934, Section 25, Punjab factories Rules 1978, Rule-33-D (c)	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	1) Most exits and pathways leading to exits do not have emergency lights. 2) Both the staircases leading to the first floor of the cutting/surplus store building do not have handrails. 3) Keep Clear' yellow boxes are not marked in front of exits. 4) Emergency lights installed are tube-light type, which are ineffective in thick smoke.				Visual inspection	2) Both the staircases leading to the first floor of the cutting/surplus store building have been provided with the handrails. 3) Keep Clear' yellow boxes have been marked in front of exits.	1) Factory to provide emergency lights at all the exit paths. 4) Emergency lights should be able to work in every kind of circumstances that requires evacuation, including fire and smoke.	12/31/2006	Factory consented to take the recommended corrective measures.								
		All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language.	MSDS in the local language is not posted in the latex paste application area where a strong odor from the chemical could be sensed.					Visual inspection	MSDS in local language found posted in the latex application area.	1) Factory to post MSDS in the local language in the latex paste application area.		Factory agrees to always keep the MSDS posted in the chemical usage areas.								
		Factories Act 1934, Section 25, Punjab factories Rules 1978	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be completed with and workers shall be trained in proper safety, first aid, and evacuation procedures.	1) Fire extinguishers and fire alarms were found blocked in work areas. 2) Most aisles in work areas were found partially or completely blocked. 3) Aisles are not marked and evacuation signs/plans are not posted in work areas. 4) Some sewing operators had blocked their access to the passage with bins. 5) The transmission chain drive of the belt making machine located on the first floor extends to the middle of the main pathway on the ground floor. 6) Emergency exit of the surplus storing building was found to be locked. 7) Keep clear yellow boxes are not marked in front of exits.				Review of records, interview with management, visual inspection	Aisles marked, evacuation signs/plans posted in work areas, sewing operators have free access to exit pathways. The transmission chain drive of the belt making machine has been managed to make the main pathway clear. Keep clear yellow boxes marked in front of exits.	1) Factory management must ensure that fire extinguisher and any other fire emergency equipment is maintained clear at all time. Factory should conduct monthly inspection of all extinguishers to ensure that they are properly maintained, and document result of monthly checks. 2) All aisles and workstations must be maintained obstruction free at all times. Supervisors and workers should conduct periodic checks. 3) Emergency exits must be maintained unlocked and obstruction free during hours of operations. Please note that locked emergency exits is a zero tolerance issue by the PC. Factory management should designate a person responsible for ensuring that all emergency exits are unlocked everyday.	12/31/2006	Factory agrees to take the recommended corrective action.								

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Safety Equipment		All safety and medical equipment (such as fire fighting equipment, first aid kits) shall be in place, maintained as prescribed and accessible to the employees.	1) Only two emergency lights were seen in work areas, out of these one was not functional. 2) Some fire extinguishers had expired. 3) First aid boxes in work areas were quite empty. There is no system of replenishment upon use/consumption of first-aid material. 4) There are no fire extinguishers installed in the cutting/surplus store building.				Visual inspection	Fire extinguishers provided in the cutting/surplus store building.	1) Factory management must ensure that all emergency exits are equipped with functional emergency lights. Emergency lights must be checked monthly to ensure they are functioning correctly. Please document monthly check results. 2) Fire extinguishers must be replaced once expired. Factory management must also check extinguishers on a monthly basis to ensure they are properly maintained and not expired. 3) Factory management must ensure that all factory areas, including dorms are equipped with adequate fire extinguishers. 4) Factory management must have 1 first aid box for each 100 workers. All 1st aid boxes must have a list of medicines required by law and PC. Factory management must have person in place that checks all first aid boxes on a weekly basis to ensure that they are properly stocked and that none of the first aid contents are expired.	12/31/2006	Factory agrees to take the recommended corrective action.									
PPE	Punjab Factories Rules 1978 : Rule 23	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	1) Most workers in the production hall had fabric dust on their hair, none of them had been provided appropriate masks to prevent them from breathing in floating fabric dust particles. 2) No PPE has been provided to workers working in the belt making section. Heavy dust generation was noticed in this area. 3) Ear muffs have not been provided to the generator operator. 4) Latex in paste form being used in the production hall had a strong odor. No PPE had been provided.				Visual inspection		1) Factory to provide a) appropriate masks to workers to prevent them from breathing in floating fabric dust particles. b) PPE to the workers in the belt making section. c) Ear muffs to the generator operator and d) appropriate cartoon masks to the workers in Latex pasting section. 2) Factory management must enforce the use of PPE at all times.	12/31/2006	Factory agrees to take the recommended corrective action.									
Chemical Management		All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	Barrel containing diesel was seen lying outside in the open exposed to sunlight and rain. No smoking sign has not been posted.				Visual inspection	Barrel containing diesel has been placed under a shed. No smoking sign has been posted.	1) Factory to always keep the inflammable and combustible items unexposed to sun and light.	Always	Factory agrees to take the recommended corrective action.									
Ventilation/Electrical/facility maintenance	Punjab Factories Rules 1978 Rule 23.39 & 61	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility	1) Lighting in work areas was inadequate ranging from 90 lux to 350 lux. 2) Heavy lint was noticed on overhead cables, ceiling and wall fans, exhaust fan and on a switch-gear in the pressing area. 3) Wires and power connections of numerous sewing machines were seen in the middle of passages. Loose wires on the floor were observed in work areas. 4) A sewing machine in the cutting section was connected to the mains without a plug. 5) Ambient temperature in work areas ranged between 90 to 93°F.				Visual inspection	Wires and power connections of numerous sewing machines and work areas have been organized. No sewing machine in the cutting section was seen without properly insulated electric connections.	1) Factory to improve lighting arrangements in the working areas. 2) Factory management must ensure that all electrical connections including cables, fans, and sewing machines are properly installed and periodically checked. 3) Temperature in work areas is required to be controlled by making elaborate ventilation arrangements and installing more industrial exhaust fans.	12/31/2006	Factory agrees to take the recommended corrective action.									
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Minor injury logs are not maintained in the facility.				Review of records and interview with management		Factory to maintain accident and incident log on a regular basis.	12/31/2006	Factory agrees to take the recommended corrective action.									
Machinery Maintenance	Factories Act - 1934	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner	1) None of the sewing machines have needle guards installed on them. 2) Some of the sewing machines did not have belt guards. 3) The exhaust pipe of the generator is not insulated and could cause burn injuries.	1) Tag guns do not bear the names of the users to ensure personalized usage.			Visual inspection	1) All the sewing machines found equipped with needle and belt guards. 2) The exhaust pipe of the generator was found properly insulated. 3) Tag guns found bearing the names of the users to ensure personalized usage.	1) Factory to always keep all the moving gear properly guarded, all the articles that may cause burn injury should be properly insulated.	Always	Factory agrees to take the recommended corrective action.									
Sanitation in Facilities	Punjab Factories Rules-1978- Rule-41, 43 (6)	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	1) The pond used for industrial effluents from the sewer lines/drains is located at one end of the lawn next to the generator shed. 2) Gents' toilet block located at the rear of the main building is poorly maintained. 3) Ladies' toilet in the production hall does not have any signage indicating it is meant for ladies. There are no dustbins with lids in individual ladies toilet closets. 4) Hand wash areas in toilet blocks do not have soap and hand-drying facility.				Visual inspection	1) The open pond used to store effluents from the sewers was found covered with the concrete slabs. 2) Gents' toilets were found neat and clean. 3) Signage has been provided with the ladies toilets to indicate that these are meant for ladies. Dustbins have been provided with lids in individual ladies toilet closets. 4) Hand wash areas in toilet blocks were found having soap and hand-drying facility.	1) Factory to ensure that entire premises including toilets are always to be kept properly neat and clean. 2) Hand washing facilities should be provided with liquid soap and hand drying facilities.	12/31/2006	Factory agrees to take the recommended corrective actions.									
Sanitation in Dining Area	Factories Act - 1934	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	Drinking water cooler is located at the entrance of the gents toilet block behind the main building, by law this should be at least 20 feet away. This cold water dispenser is poorly maintained - side protective cover was missing. The water is not filtered before drinking.				Visual inspection	1) Drinking water cooler has been removed from the entrance of the gents toilet block. 2) The cooler has been repaired.	Factory to ensure that filters should be pre-fixed to the drinking water spots.	12/31/2006	Factory agrees to take the recommended corrective actions.									
Sanitation in Dormitories		All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills should also be conducted at least annually.	The condition of the dormitory is deplorable. Toilets are in an extremely poor condition. The interior is dark and dingy, workers cook their food inside the rooms where they reside, loose wires were noticed, there are no fire extinguishers and each living room has one exit only. The first floor has a rickety metal staircase for egress and ingress. The compound was unkempt with overgrown vegetation and littered with garbage.				Visual inspection		1) Factory to ensure implementation of all those Health and Safety standards in the residential facilities for its workers as are mandatory for compliance in the factory itself. Dormitory facility should be equipped with proper lighting. 2) Factory management must provide fire extinguisher, evacuation maps, and fire alarm in entire dormitory building. In addition, all dorms must have at least two fire escapes, and have scheduled fire drills. 3) All electrical connections must be properly connected, including internal wiring, and electrical appliances. 4) Factory management must ensure that all dorms are provided with proper space for workers to cook meals.	12/31/2006	Factory management seemed inclined towards withdrawal of residential facilities it had provided to its workers coming from far-off places.									
Worker Participation		Workers should be involved in planning for safety, including through worker safety committees.	Factory does not have a committee to monitor issues pertaining to Health and Safety.				Interview with workers and management		1) Factory to constitute a health & safety committee with clear mandate and roles and responsibilities clearly defined and assigned. 2) HSE Committee must be composed by management and workers, workers must be free to elect their HSE committee representatives. 3) HSE committee must hold monthly meetings, and maintain records of such.	1/15/2007	Factory agrees to take the recommended corrective actions.									
Other			1) Surplus store on the first floor of the new building is completely disorganized with material scattered all over the place, even the passage to the emergency exit was partially blocked with material. 2) Some fabric rolls were found stored on the ground and on the passage in the main store. 3) Punching bags/waste fabric stuffing store is disorganized. 4) Old footwear and rejected Kimono store is being partly used for making packing bags. This area is disorganized and there is no emergency exit. 5) Factory does not conduct health checks as required by Law. 6) Overall housekeeping standards are poor. 7) First-Aid procedures are not posted anywhere in the factory.	1) Workers on sitting jobs are provided wooden/metal stools to sit on. 2) Ladies on standing jobs in the checking section were seen to be working bare feet.			Visual inspection	1 & 3-4) Surplus material store, punching bags/waste fabric stuffing store and Old footwear and rejected Kimono store were found organized. 2) Fabric rolls were found stored properly. 4) Emergency exit has been provided to the area. 7) First-Aid procedures posted at several places. Ladies on standing jobs were found wearing shoes.	5) Factory to regularly conduct health checks as required by Law. 6) Factory management must improve the overall house-keeping and provide the workers on sitting jobs with chairs with backs to sit on.	12/31/2006	Factory agrees to take the recommended corrective actions.									
7. Freedom of Association and Collective Bargaining																				
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																				
Other	Industrial Relations Ordinance-2002		Factory does not have any Worker/Management or Workers' committee to address workers' grievances.				Interview with workers and management	Record showed workers-management council in place with four persons stated to be elected. Meeting in 2006 without any discussion on worker grievances or other noncompliance.	1) Worker Management Council with top management and base line workers to be formed with exclusion of supervisors to meet at least once a month. 2) Summary of the proceedings of the meetings to be displayed on factory notice boards.	12/31/2006	Factory agreed to re-constitute worker management council and facilitate its free and fair functioning.									
8. Wages and Benefits																				
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																				
Minimum Wage	The Punjab Gazette (Extraordinary) August-2006	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	1) Factory is yet to implement the revised minimum wages. Workers are still being paid Rs. 3000/- against the revised Minimum wages of Rs. 4000 per month by provincial government effective July 06. 2) Workers are not paid according to their skill level as per Minimum wage standard given in The Punjab Gazette on August 10, 2006. e.g. minimum wage for store assistant should be Rs:4507 whereas company is paying only Rs:4300.	1) Instances of combined wages being paid between two or more workers. In one instance, two brothers were working as stitchers but personal file and wage record of only one person is maintained. The earnings are clubbed together and these two workers are paid under one name. Hence cannot confirm if minimum wages are being paid to these two workers. 2) There is no individual wage record for overlock operators. These operators are working under a salaried supervisor who receives the entire payment from accounts department against pieces made and pays these operators. Hence minimum wages for these operators can not be verified.			Review of records and interview with management and workers.	Factory is paying less than legal minimum wages to its workers. No credible documentary evidence in place to indicate that every worker is receiving his/her wages individually in person.	1) All workers in factory employment on 07/12/2006 and after, to be paid the legal minimum wage. Factory management must ensure to pay to all eligible workers on retroactive basis. 2) Factory management must create a payroll/time record for every worker working at the factory. 3) Payment to all employees must be in compliance with local law, and cannot be less than the current minimum wage. Workers must also be paid for all hours worked. 4) Factory management must pay workers directly, and not to supervisors.	1/15/2007	Factory agreed to take the recommended corrective actions.									
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.	1) Workers are not aware of the benefits/incentives which are legally mandated. 2) Workers interviewed are not aware of appropriate and applicable rules and regulations pertaining to wage and benefits. Factory has not conducted any training programs to educate workers on their compensation entitlements.				Interview with workers and management.	No program in place at the factory to make the workers aware of their legally mandated benefits/incentives.	1) Factory to conduct orientation sessions to make its workers aware of their legally mandated benefits/incentives. 2) Factory management must pay all salaries, benefits, incentives, etc. in compliance with local law.	All the payments regarding working benefits to be made before 12/31/2006. The worker orientation sessions to begin immediately. The first session to be conducted before 01/10/2007.	12/31/2006	Factory agreed to take the recommended corrective measures.								
Wage and Benefits Posting		All notices that are legally required to be posted in the factory work areas will be posted. All legally required documents, such as copies of legal code or law, will be kept at the factory and available for inspection.	1) Legally required notices pertaining to wage and benefits are not posted in the facility. 2) Factory does not have the updated Finance Act 2006.				Visual inspection and Interview with Management.	1) Legally required notices pertaining to wage and benefits are not posted in the facility. 2) Factory has in its record a copy of the updated Finance Act 2006.	Factory to post in its premises legally required notices pertaining to wage and benefits.	12/31/2006	Factory agreed to take the recommended corrective measures.									
Wage and Benefits Information Access		In general, workers will have access to understandable information about their wages and benefits, and will not express dissatisfaction with their ability to get information.	Workers were not aware of the legally mandated benefits that they are entitled to.				Interview with workers.	No means available in the factory to keep the workers aware of their legally mandated benefits.	1) Factory to post in its premises legally required notices pertaining to benefits/incentives. 2) Factory management must include these benefits in the worker handbook. 3) Orientation sessions to make the workers should also be arranged.	12/31/2006 The worker orientation sessions to begin immediately. The first session to be conducted before 01/10/2007.	Factory agreed to take the recommended corrective measures.									

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation					Updates (Cite Date of Follow up)		[Status]	Third-Party Verification		Company Verification Follow up	
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Time-recording system	Punjab Factories Rules - 1978 & Factories Act - 1934	Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	1) Factory Security Guards maintain a manual time record of Employees on rolls (33 employees) only. No time record is maintained for Piece rated workers (65 to 70 workers). 2) Attendance and time records of contract workers are not available. 3) Attendance and time records of salaried workers were being maintained manually by the Security Guards on a register from July 2006. Prior to July 2006, no time records were available. The management stated that all computer records were destroyed in a recent fire. 4) Factory does not record the actual time "in" and "out." Only the shift timing is being recorded. 5) Some workers had worked on weekly holidays (Sunday) 27-Aug-06, 01-Oct-06, 08-Oct-06, etc. Time records of salaried workers do not reflect any such work being undertaken on these weekly-off days. 6) While some workers have worked up to 11pm on few occasions, few had worked up to 6 a.m. on eight days in Oct 06. These hours worked do not reflect on time records.			Review of records and interviews with management and workers.	No transparent and credible time keeping system in place. Factory is in the process of installing swipe card system but that was not fully operational till 12/14/2006. Time keepers just register if workers are present or absent.	1) Factory management to ensure that transparent, accurate and credible system of time keeping to register exact "in" and "out" entries for all of the regular, piece-rate and contractual workers. Time recording system may be "time punch card" or "electronically operated swipe card system." Manual time keeping is to be stopped immediately. 2) Factory management must ensure that only workers record their own hours of work, under no circumstances should security guards, or supervisors/managers record workers' hours of work. 3) Factory management must maintain all hours of work/payroll records for at least two years.	12/22/2006	Factory agreed to take the recommended corrective measures.									

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Record Maintenance	West Pakistan Minimum Wages for Unskilled Workers Ordinance-1969	All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	1) Signature of worker on salary sheet did not tally with signature on appointment contract and signature taken during interview. It appears that wage records were created in a haphazard manner and signed. Hence can not confirm if appropriate wages have been paid. 2) There is no individual wage record for overlook operators. These operators are working under a salaried supervisor who receives the entire payment from accounts department against pieces made and pays these operators. 3) Wage records prior to July 06 could not be produced by the factory.				Review of records and interview with management and workers.	Inaccurate, false and non-transparent payment records. Mismatched signatures on job applications, appointment letters/work contracts and payroll-claimed. Personal/time/production and payments record not presented for several workers.	1) Factory to stop using falsified records. This is a zero tolerance non-compliance. 2) Personal and payment records should be signed by the respective workers in person. 3) Personal/time/production and payment records should be maintained separately for each worker. All shortfalls in the existing record should immediately be corrected.	12/31/2006	Factory agreed to take the recommended corrective measures.								
Legal benefits	Provincial Employee Social Security Ordinance - 1965 & Employees Old Age Benefit Act-1976	Employers will provide all legally mandated benefits to all eligible workers.	Contract workers are not covered under social security and employee old age benefit scheme as required by law.				Review of records and interview with management and workers.		Factory management to provide coverage of social security and employee old age benefit scheme as required by law to all the entitled workers regardless of their mode of payment (monthly, fortnightly, contractual or piece-rate basis).	12/31/2006	Factory agrees to take the recommended corrective measures.								
Payment of Legal Benefits	Factories Act-1934	Legally mandated benefits will be provided or paid in full within legally defined time periods.	1) Annual leave or its encashment is not given to workers. 2) Company has not paid any annual bonus since last four years as required by law.				Interview with workers and management.	Factory does not maintain leave accounts for its workers. There is no evidence that it ever paid leave encashment. No payment of bonuses.	1) Factory to maintain leave accounts for all of its workers. 2) All the eligible workers to get the leave encashment. 3) Annual bonus should be paid to all the eligible workers. 4) Payment of vacation and bonuses should be made retroactively to at least since adidas Group has been producing at the factory.	1/15/2007	Factory agreed to take the recommended corrective measures.								
Accurate recording of wage compensation	West Pakistan Minimum Wages for Unskilled Workers Ordinance-1969- Section-3	All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	Salary is being calculated on total number of days in a month whereas legally salary should be calculated on total number of working days in a month (excluding Sundays).				Review of records and interview with management.		1) Factory to calculate the salary on total number of working days in a month (excluding Sundays). 2) Difference in payments from 07/01/2006 to 12/31/2006 to employees should be paid retroactively.	12/31/2006	Factory consented to make the payment retroactively and going forward to calculate the salaries in accordance with the provisions of the law.								
Record Maintenance		All legally required payroll documents, journals and reports will be available complete, accurate and up-to-date. (In the United States terms this would include W-4s, I-9s, green cards, 941s and supporting material.	Company could not produce pay and time records prior to July 2006. As per the Management, all records prior to July 06, were destroyed in a recent fire.				Interview with management	Fire occurred on the first floor of the factory in the evening between July 26 & 27 2006. The pay and time record are kept in the factory offices located in the basement which was not affected by the fire.	Factory to produce pay and time records prior to July 2006 for the purposes of subsequent follow ups.		Factory management insisted that all of its record was burnt in the fire hence it can not produce that record.								
Accurate benefit compensation		All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled.	Appointment contracts of some workers did not have the signature of workers. Hence duration of service may not be appropriately documented. This would have an impact on calculation of applicable legal benefits.				Review of records	Signatures of the workers as well as employers were found missing on many of the appointment contracts and other personal documents.	1) Factory to obtain actual signatures of the workers in their personal documents registering the accurate effecting dates. 2) Employers should also sign the documents, and ensure that all workers have a copy of their employment letters or contracts.	12/31/2006	Factory agreed to take the recommended corrective measures.								
9. Hours of Work																			
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.																			
Forced overtime		Under extraordinary business circumstances, employers will make extensive efforts to secure voluntary overtime work prior to mandating involuntary overtime.	Employees are forced to work Overtime during peak production period. The Security Guards do not allow them to leave the factory without management's approval.				Interview with workers and management.		1) Factory management must ensure that the overtime work is done on voluntary basis. 2) Workers must not be compelled to work OT against their free will, and should not be kept from leaving factory premises. 3) Factory management must create a voluntary OT policy and procedure, and verbally train all managers, supervisors, and workers on it. 4) Factory management must also ensure that it has proper number of workers and systems in place to ensure that when OT is needed workers are not forced to stay.	12/31/2006	Factory disagreed that the OT is involuntary on its production floors.								
Overtime Limitations	Factories Act-1934	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	1) Workers have worked on weekly holidays (Sunday) 27-Aug-06, 01-Oct-06, 08-Oct-06. No compensatory leave was given to workers. 2) While some workers have worked up to 11pm on few occasions, few had worked up to 6am on eight days in Oct 06. 3) Security Guards work seven days a week without any day off; moreover they are on duty from morning 6:00am to evening 6:00pm 12 hours duty.	In absence of complete and accurate time records for all employees, cannot confirm if factory is working within 60 hours a week.			Interview with workers and management	Inaccurate working/OT hours record non-transparent time recording systems	1) Factory management must ensure to have a transparent, accurate and credible system of timekeeping in place that registers the exact "in" and "out" entries for all of the regular, piece-rate, contractual workers, and security guards. 2) Factory management must ensure that working hours including OT do not exceed 60 hours per week, and the number of total hours of daily work are within legal limits. 3) All OT must be compensated as required by local law, including providing workers with compensatory leave. 4) Factory management must also ensure to provide one day off in seven to all workers.	12/31/2006	Factory is in process of installing electronically controlled swipe card time recording system. It also agrees to limit the working hours including OT hours to 60 hours per week for every worker including the security guards.								
Voluntary OT		Overtime hours worked in excess of code standard will be voluntary.	Overtime work during peak production period is involuntary. Workers are not free to leave the factory if they do not wish to work overtime. The Security Guards do not allow them to leave the factory without Management's approval.				Interview with workers		1) Factory management must ensure that the overtime work is done on voluntary basis. 2) Workers must not be compelled to work OT against their free will, and should not be kept from leaving factory premises. 3) Factory management must create a voluntary OT policy and procedure, and verbally train all managers, supervisors, and workers on it. 4) Factory management must also ensure that it has proper number of workers and systems in place to ensure that when OT is needed workers are not forced to stay.	12/31/2006	Factory disagreed that the OT is involuntary on its production floors.								
10. Overtime Compensation																			
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.																			
Accurate recording of OT hours worked?		Employees will be paid for all hours worked in a work week. Calculation of hours worked must include all time that the employer allows or requires the worker to work.	Overtime hours worked are not recorded.				Interview with workers and management; Review of time records and record collected from production floor		Factory management must ensure that transparent, accurate and credible system of time keeping is in place, and that such registers the exact "in" and "out" entries for all of the regular, piece-rate, contractual workers and security guards. The working hours sheet should clearly indicate per day all OT hours worked by each individual worker.	12/31/2006	Factory is in process of installing electronically controlled swipe card time recording system. It also assures to record OT working hours accurately.								
OT Compensation	Factories Act-1934	The factory shall comply with applicable law for premium rates for overtime compensation.	1) Salaried employees are working overtime up to 2300 hours. However, overtime is not compensated in wages and instead they are allowed a day off next day. Overtime hours worked less than 8 hours a day are not compensated at all. 2) Review of production register revealed that some workers were working on weekly holiday (Sunday) 27-Aug-06, 01-Oct-06, 08-Oct-06, etc. but no overtime and compensatory leave was given to workers. The time records of salaried workers do not reflect any such work being done. 3) Security guards work seven days a week without any day off; moreover they are on duty from morning 6:00am to evening 6:00pm, 12 hours duty, without any compensation for extra hours worked.				Interview with workers, security guards and review of records		1) Factory management must record all OT accurately and payment for such OT work must be based on the premium rate basis that is in accordance with the country law. 2) OT work on Sundays and official holidays should be paid on the premium rate and a day off should be provided in lieu of work on every such day. 3) Factory management must pay all security guards for an OT worked daily, and provide with one day in seven off.	12/31/2006	Factory agreed to take the advised corrective measures.								
Miscellaneous																			
Other	Factories Act-1934, Electricity Rules-1910 & Apprenticeship Ordinance-1962		Factory is not Registered with the Labor dept. Factory does not have a NOC for Generator. Factory is not Registered with Apprenticeship Institute as required by Law.				Review of records and interview with management.	Factory produced original updated and valid certificate of its registration with the Labor Dept.	Factory should obtain a NOC for Generator from the Department of Environmental Conservation. 2) Factory should also get itself registered with Apprenticeship Institute as required by Law.	1/15/2006	Factory agreed to take the recommended corrective actions.								