

FLA Audit Profile	
Country	Malaysia
Factory name	01004604A
IEM	ITS
Date of audit	October 29, 2001
Duration of IEM	5 days
PC(s)	adidas
Number of workers	345
Product(s)	Tracksuits, Jackets, Pants, Woven and Knitted Sportswear

FLA Code/Compliance Issue	FLA Benchmark and/or Legal Reference	Findings			Remediation		Remediation Updates
		ITS Findings	Best Practice - ITS Findings	PC Internal Audit Findings	PC Remediation Plan	Target Completion Date	PC Updates/Follow-up Comments
1. Code Awareness							
No Code Posted	FLA Obligations of Companies, A. Create An Informed Workplace. Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally 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.	FLA Code of Conduct has not been posted in factory. Factory management has been made aware of code requirements and would inform their workers of the said requirements.			Factory posts adidas SOE posters, together with codes of conduct or compliance standards of other brands. Factory provides written work rules to all workers. ITS audit found management is unfamiliar with code provision on Hours of Work, and adidas will conduct SOE Basic Training in 2001 and 2002 for factory management. Direct SOE training for workers has been nil to date.	Ongoing	Most recent SOE Basic Training provided to Factory SOE Coordinators in February 2002, which included a briefing on the code provision on Hours of Work. FLA documentation requirements noted.
Confidential Noncompliance Reporting Channel	In accordance with the FLA Obligations of Companies, F. Provide employees with opportunity to report noncompliance: 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.	Nil	Workers have telephone numbers of adidas representative, whom they could contact in the event they wish to report any noncompliance.	No suggestion boxes available. However, worker representatives who are informally selected in different departments can bring collective grievances to management. Need to clarify who selects the representatives.	Factory required to install 2 suggestion boxes to improve communications between management and workers.	Suggestion boxes installed by 29 July 2001. Other issues require ongoing monitoring.	During next SOE audit of factory, adidas will conduct specific worker interviews on subject of management-worker communications and report back on use of the suggestion boxes. [Compliance officer/adidas representative] will maintain a file of any phone calls from workers, letters received or other evidence of worker complaints directed to adidas. During future factory visits, adidas will check process for selection of workers' reps and how factory tracks any complaints or grievances. FLA documentation requirements noted.
2. No Forced Labor							
Identification Papers Withheld	FLA Code Benchmark I. Forced Labor: Workers will retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers will not retain them to restrict workers' access to their personal identification documents, or to ensure that workers will remain in employment in the factory. Employers may obtain copies of original documents for record-keeping purposes.	Nil		Disagree with lack of findings by ITS. No letter of consent for foreign workers to use to allow management to keep their passports.	Factory to prepare letter of consent to be signed by foreign workers allowing the factory to keep their passports.	Standard letter in use by 31 July 2001.	SOE Basic Training provided to Factory SOE Coordinators in February 2002, which included training on recruitment of migrant workers. 2 audits have been carried out in 2002 to monitor factory's recruitment practices and the employment terms and conditions. During future factory visits, adidas will monitor whether factory continues to obtain foreign workers' permission to retain passports and whether workers can access them freely. In 2003, adidas SEA Team regionally will commence work on a specific labor project to research and develop strategies for managing issues which relate specifically to problems experienced by migrant workers, i.e. recruitment fees; discrimination in workplace; below minimum wage payments; freedom of movement; acceptable living conditions; access to accumulated wages and benefits and repatriation of monies to home country. FLA documentation requirements noted.
3. No Child Labor							
		Nil					1) SOE Basic Training provided to Factory SOE Coordinators in February 2002, which included training on prevention of child labor. 2) 2 audits have been carried out in 2002 to monitor factory's personnel records and physical observation, and notes from these visits have been recorded and will be kept on file.
4. No Harassment or Abuse							
		Nil	Factory has made an effort to identify and compile elements which constitute harassment/abuse in workplace. Furthermore, they have clear written procedures for prevention/eradication of such practices to create a more conducive working environment for workers. An example of this practice is where harsh words used in reprimanding workers by supervisors has been significantly reduced at production line. This matter can easily be confirmed through worker interviews.				SOE Basic Training was provided to Factory SOE Coordinators in February 2002, which included training on the prevention of harassment or abuse.
5. Nondiscrimination							

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		Nil					SOE Basic Training was provided to Factory SOE Coordinators in February 2002 which included training on non-discrimination.
6. Health and Safety							
Evacuation Route	FLA Code Benchmark V. Health and Safety: 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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	2 exit doors in front of the production are not marked with the 'Exit' sign.			Factory to fix immediately - exit signs will be installed.	asp following FLA audit.	Exit signs were marked on the exit doors in front of production in November 2001. FLA documentation requirements noted.
H&S Training	FLA Code Benchmark V. Health and Safety: 1) 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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. 2) 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. 3) 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.	Nil			adidas conducts internal factory training programs on PPE use; Chemical Handling; Fire Drills; First Aid; and Needle Guard use.	Ongoing	SOE Basic Training was provided to Factory SOE Coordinators in February 2002, which included training on HSE matters. adidas has also developed a training video on how to make and install needle guards simply and inexpensively and the resulting benefits to workers and production, which has been shown at and distributed at supplier training sessions throughout Asia. FLA documentation requirements noted.
Machine Guards	FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	2 units of buttoning machines were without safety guards.			Factory will attach necessary guards.	asp following FLA audit.	Safety guards were installed in February 2002. FLA documentation requirement noted.
Switchboard Safety	FLA Code Benchmark V. Health and Safety: 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.	The main switchboard in the factory located in the passageway was not fenced.			Factory will fix a plastic fence.	asp following FLA audit.	A wooden fence was installed in December 2001. FLA documentation requirements noted.
Switchboard Safety	FLA Code Benchmark V. Health and Safety: 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.	The main switchboard did not have a rubber mat placed in front of it.			Factory will prepare rubber matting as soon as possible.	asp following FLA audit.	Rubber matting was in place as of November 2001. FLA documentation requirements noted.
No Trained First Aid Team	FLA Code Benchmark V. Health and Safety: 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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Nil		No trained First Aid Team in the factory.	Factory to request help from the local Red Crescent Society to visit the factory and train the first aid committee.	No fixed date - depending on availability of trainers.	During the next SOE audit of the factory, adidas will conduct specific worker interviews on this subject, and report back on the activities of the first aid committee. FLA documentation requirements noted.
Fire Safety	FLA Code Benchmark V. Health and Safety: 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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Nil		No fire drill in recent 6 months	Factory to conduct a drill as soon as factory is relocated to the new plant.	Immediately following relocation.	The last fire drill was carried out on 14 September 2002. FLA documentation requirements noted.
Fire Safety	FLA Code Benchmark V. Health and Safety: 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 complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.			Exit aisles not properly drawn.	Factory to draw all the necessary aisles.	Immediately following relocation.	Aisle markings in place. FLA documentation requirements noted.
Fire Safety	FLA Code Benchmark V. Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.			Fire extinguishers - notices/posters not sufficient.	Factory to fix all necessary notices.	Immediately following relocation.	Number of fire points / notices in place . FLA documentation requirements noted.

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Fire Safety	FLA Code Benchmark V. Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.			No enough fire extinguishers in the factory, i.e. 1:100m2	Add more fire extinguishers.	Immediately following relocation.	Sufficient number of fire extinguishers in place . FLA documentation requirements noted.
Fire Safety	FLA Code Benchmark V. Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.			No C[O]2 fire extinguishers are available at the electrical main switch board.	Add the necessary quantity.	Immediately following relocation.	Appropriate fire extinguishers in place . FLA documentation requirements noted.
7. Freedom of Association and Collective Bargaining							
		Nil		Not addressed in ITS report. ITS evaluates the factory to be in compliance (i.e. factory allows FOA), but reports from management interview sections that: 1) management not trained on FOA Code or legal requirements; 2) workers have never attempted to form a union; and 3) no workers' organizations exist at factory. adidas does not treat absence of strikes or lack of conflict between management and workers as compliance with Freedom of Association standard under SOE.			SOE Basic Training provided to Factory SOE Coordinators in February 2002, which included training on Freedom of Association and Collective Bargaining. 2 audits carried out in 2002 to monitor factory's working condition in this area, and notes from these visits have been recorded and will be kept on file. In 2003, adidas SEA Team will commence work on specific labor project to research and develop strategies for improving management-worker communications; supporting the development of worker representation in legal and appropriate forms within workplace; and increasing exposure of management and workers to CBA requirements under local law.
8. Wages & Benefits							
	FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: 1) Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher. 2) Where workers are paid on a piece rate, the payment for overtime work performed shall result in no less payment than the premium pay required by law.	Nil		Workers are paid piece rate and as there is no minimum wage. It is unclear whether they receive a base wage even if they do not meet their production targets. In a previous internal audit, it was found that Nepalese workers were paid below minimum wage.	Factory to calculate the amount of monies to be 'back paid' to migrant workers.	Factory to provide back payment plan by end 2001.	Payment of back wages was made in January 2002. Additionally, SOE Basic Training provided to Factory SOE Coordinators in February 2002, which included training on Wages & Benefits. 2 audits were carried out in year 2002 to monitor factory's working condition in this area, and notes from these visits have been recorded and will be kept on file. FLA documentation requirements noted.
9. Hours of Work							
Excessive OT	FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: 1) Employer personnel practices will demonstrate an effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. 2) 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.	The factory has exceeded the 12 hours overtime per week.		Agree with ITS findings. In the management interview ITS reports that workers have been required to exceed code limit 11 out of the past 12 months, and reports that OT is generally 10-24 hours/wk, in addition to a standard 45-hour workweek. Records review shows that for the past 12 months workers have worked more than code limits regularly. However, the factory has maintained compliance with the legal maximums.	Please see column H regarding actions taken by adidas and factory to address this issue.	Ongoing monitoring	SOE Basic Training was provided to Factory SOE Coordinators in February 2002 which included training on Hours of Work. 2 audits carried out in 2002 to monitor the factory's working hours conditions. Factory will take further action by allocating overloaded orders to its Vietnam factory as there is more manpower there. Working hours in that factory will need to be watched closely, and this must be under arrangement with adidas sourcing. adidas has established, as part of its SOE strategy and project planning for 2003, a Working Hours Task Force with mission of researching root causes of, and then formulating strategies for minimizing, excessive working hours.
Voluntary OT	FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: Overtime hours worked in excess of code standard will be voluntary.	Nil		Disagree with lack of findings by ITS. Several noncompliance issues identified in relation to "forced work" during overtime hours.	Factory required to complete a form for workers to voluntarily request OT.	August 2001	SOE Basic Training was provided to Factory SOE Coordinators in February 2002, which included training on working hours and overtime approval processes. FLA documentation requirements noted.
10. Overtime Compensation							
		Nil					SOE Basic Training was provided to Factory SOE Coordinators in Feb 2002 which included training on OT wage calculations.