
OUR COMMITMENT TO HUMAN RIGHTS

Reebok International Ltd

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OUR COMMITMENT TO HUMAN RIGHTS

We are committed to engaging in ongoing, transparent communications with our stakeholders on the progress of Reebok's efforts around the world to apply human rights in our supply chain. Our goal with this document is to share with you an overview of some of the ways we are implementing our human rights policies in the factories making our products. It describes what we have achieved to date in making conditions in our suppliers' factories consistent with our Human Rights Production Standards, some of the challenges we face in our work, as well as the problem areas remaining to be tackled to improve conditions for workers making our products.

Questions about our human rights programs, or suggestions for improvements, should be directed to Reebok's Human Rights Programs. Please send your questions or comments to the following: Human Rights Programs, Reebok International Ltd., 1895 J.W. Foster Boulevard, Canton, MA 02021. You can also e-mail HRights Reebok @ Reebok.com.

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INTRODUCTION

As a responsible corporation, we account for something bigger than our core business. For over a decade, we have integrated human rights principles into our business practices. Our commitment extends to the thousands of workers worldwide who make our products. Like most global companies in our industry, we do not own the factories that make our products. Yet, outsourcing our manufacturing and supply does not mean we can delegate responsibility to the workers making our products. We know that to be proud of the products we put our name on, we cannot be indifferent to the conditions in which they are made.

That is why, in 1992, we were the first in our industry to adopt a code of conduct calling for decent working conditions for workers in the independent factories making our products. No brand can guarantee that every factory complies with every regulation all the time. It's an ongoing process that requires both the patience and the understanding of different cultures, customs and laws. But we are committed to engaging our stakeholders in tackling problems and finding solutions to help protect workers' rights and improve workplace conditions.

Turning a code of conduct into reality is a complex process, and our compliance staff plays a critical role in improving factory workplace conditions. To enforce our Human Rights Production Standards, we do not rely on any one practice, but rather use a combination of

approaches. We regularly audit factory conditions in high-risk areas, as well as use independent, third party monitoring. We help our business partners to institutionalize human rights with education and training programs. We engage stakeholders, such as non-governmental organizations, in dialogue to help us understand local labor conditions and explore solutions. We implement innovative programs, such as our initiatives to help ensure no child labor is used in the production of our soccer balls. Finally, we also develop sustainable mechanisms, such as our worker participation programs, to empower workers to improve conditions over time without our constant intervention.

While we know there is no perfect workplace, we expect our contractors, subcontractors, suppliers and other partners to adhere to our Standards. For factories that prove unable or unwilling to improve conditions for workers, termination of the business relationship is a last, but sometimes necessary, resort.

We recognize that there is much more to be done. We will continue to raise awareness of human rights. We will continue to leverage our influence with our business partners to help protect workers' rights. We will raise the bar and listen to the views of workers. We will find new ways to help prevent factory problems from recurring. This is an ongoing effort and we are committed to making a difference in workers' lives.

EVOLUTION OF OUR PROGRAM AND PRIORITIES

Before 1992, we did not have the systematic means by which we could assess conditions of work in factories. Quality inspectors and product developers visited factories, but they did not visit dormitories, check payroll records or inquire about discipline practices. Those issues were regarded as the business of the factory. It all changed in 1992, when we adopted our Standards.

THE BEGINNING

The first steps in the early nineties were simple and straight-forward. The Reebok human rights team began systematic evaluations in footwear factories, located primarily in Asia, factory-by-factory, to gather data on the existing practices and to give factory management direction on some of the basics, such as fire safety. We developed a Guide (now in its third edition) to explain the practical application of our Standards on a factory floor. We developed an audit checklist to help the auditing process. The process was anything but simple, however, because there were no business models to follow. All the tools and communication materials had to be developed from scratch.

The first few years of Reebok's program for protecting workers progressed quietly. Reebok's first monitoring efforts involved basic procedures: touring the factory premises, interviewing management at length, reviewing payroll and timecards, and conducting brief

worker interviews. Although Reebok human rights staff provided the analysis and judgment on factory conditions, the responsibility for follow-up was given to footwear production staff, who were expected to report on whether the factory was meeting the set deadlines. The program covered a relatively small number of factories and was able to make steady improvements.

It became clear to all those in Reebok, including production staff, senior executives, and the human rights team, that good workplace conditions and good quality products go hand-in-hand. Rather than being a drag on business, the Reebok Standards were helping to produce better factories that produced higher quality products.

From 1996 to 1998, there were increasing demands being placed on the monitoring program. Reebok increased its human rights monitoring staff from two persons to ten. Our monitors were located in countries or regions where most of the factories making Reebok products are located. The program expanded outwards from footwear into other product lines, and was expanded to include subcontract factories as well.

During this time, we were faced with ever-greater challenges, as we began to better understand the full range of issues that can affect the quality of the workplace. So we turned to activists, in addition to our internal staff, and to workers themselves to search for still better ways to honor our corporate

commitment to human rights. In many cases, we opened factory premises to outside inspection by researchers, independent monitors, activists, or the media. We intensified our communications with activist groups in the US, Europe and Asia to listen to worker needs and to help us address the complexities of regional or local labor conditions.

Today, both internal and external independent monitors inspect factory workplace conditions on an ongoing basis. When credible and verifiable problems are reported, we take swift action to work with factory management to help develop long-term solutions.

THE NEXT STEP – INNOVATIONS IN MONITORING

Over time, our monitoring program has strengthened into a comprehensive program that goes beyond simple site inspections. Our human rights staff train factory managers, agents and vendors on what the Reebok Standards mean, and how to implement them.

We also develop programs aimed at improving specific labor conditions for workers over time. Our efforts include the following programs: worker communication systems that provide workers with a confidential means to voice concerns, (2) an initiative to help ensure no child labor is used in the production of our soccer balls, (3) VOC reduction programs to help improve health and safety.

As advanced monitoring techniques and closer contact with workers brought in

better information, it was clear that other innovations were needed. Our ability to continue to leverage our influence to protect workers is contingent upon timely, accurate information about workplace conditions. Therefore, our human rights program and MIS department developed a new information system database that tracks all factories and their status of compliance with the Reebok Standards. This new way of processing information allows our sourcing managers to find opportunities to consolidate sourcing in a way that favorably impacts price, quality, and the human rights of workers.

Our Human Rights Foundation has also re-focused its efforts in recent years to include grants in the communities where the factories that make our products are located, such as the Indonesia Health Care Initiative (*see page 18*).

OUR CURRENT PRIORITIES

While we remain committed to internal and independent factory audits to monitor compliance with our Standards, we have learned that factory monitoring is not always enough to protect workers. Because we cannot be in all factories at all times, we are always looking for new ways to develop the capacity of factories to maintain good workplace conditions without our constant intervention. Education and training will continue to play a large part of this strategy. However, the most sustainable method of ensuring decent workplace conditions is to facilitate the participation of workers in protecting their own rights.

Our current priority is to augment our monitoring with worker participation projects. These projects seek to create the capacity for making ongoing improvements in workplace conditions in the factories themselves. They also seek to ensure workers are part of finding problems and solutions in dialogue with management. For example, we are launching innovative projects that promote workers' rights to freedom of association, particularly in China.

As an added benefit, we have found that worker representatives can solve many everyday problems without our involvement. This allows for problems to be addressed in a timely manner, and our monitors to spend more time on training and less time policing. However, turning our code of conduct into reality is a complex and ongoing process, and we will continue to seek new programs for improving conditions in our supply chain.

OUR STANDARDS

With our role in honoring young human rights activists through the Reebok Human Rights Award beginning in 1988, it was only natural for us to apply human rights standards to the independently owned and operated factories making our products.

Our Reebok Human Rights Production Standards reflect the relevant covenants of the International Labor Organization and input from human rights organizations and academia. They also reflect our own experience and commitment to fairness, decency and the human rights of workers. In developing this policy, we sought to use standards that are fair, appropriate to diverse cultures and that encourage workers to take pride in their work.

Our Standards help us choose the factories we want to work with to make our products. We seek business partners who share not only our commitment to quality, but also our commitment to human rights. We expect our contractors, subcontractors, suppliers and other business partners to comply with our Standards, and treat workers fairly and legally.

In our *Guide to the Implementation of Reebok Human Rights Production Standards*, our Standards are written in operational language that is easy to understand and measure. Factory managers are encouraged to use the Guide as a tool to incorporate our Standards in their daily operations. The Guide is currently in its third edition, and

is updated periodically to reflect our experiences and up-to-date information regarding compliance.

We ask factories we work with to take steps to effectively inform workers about our Standards. Moreover, our Standards are posted in each factory, along with contact information for our local human rights staff. This “Notice to Employees” is written in simple language and is currently available in Arabic, Bengali, Bulgarian, Chinese (simplified), English, French, Greek, Hindi, Hungarian, Indonesian, Italian, Japanese, Kannada, Korean, Malay, Portuguese, Romanian, Russian, Sinhalese, Spanish, Tagalog, Tamil, Turkish, Thai, and Urdu.

THE REEBOK HUMAN RIGHTS PRODUCTION STANDARDS

❖ NON-DISCRIMINATION

Reebok will seek business partners who do not discriminate in hiring and employment practices, and who make decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline, and termination solely on the basis of a person's ability to do the job.

❖ WORKING HOURS/OVERTIME

Workers shall not be required to work more than 60 hours per week, including overtime, except in extraordinary circumstances. In countries where the maximum work week is less, such local standard shall apply. Workers shall be entitled to at least one day off in every seven-day period. Adherence to this Reebok Standard is a sign that factory management efficiently organizes its production planning and workflow.

❖ NO FORCED OR COMPULSORY LABOR

No factory making Reebok products shall use forced or other compulsory labor, including labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views. Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this provision. Reebok will not

purchase materials produced by any form of compulsory labor and will terminate business relationships with any sources found to utilize such labor.

❖ FAIR WAGES AND BENEFITS

Reebok will seek business partners committed to the betterment of wage and benefit levels to the extent appropriate in light of national practices and conditions. Reebok will not select business partners who pay less than the minimum wage required by applicable law or who pay less than the prevailing local industry wage.

❖ NO CHILD LABOR

Reebok seeks business partners who do not use child labor. The term "child" refers to a person who is younger than 15, or younger than the age for completing compulsory education in the country of manufacture, whichever is higher.

❖ FREEDOM OF ASSOCIATION

Reebok will seek business partners that share its commitment to the right of employees to establish and join organizations of their own choosing. Reebok recognizes and respects the right of all employees to organize and bargain collectively.

❖ NON-HARASSMENT

Reebok will seek business partners that treat their employees with respect and dignity. No worker will

be subject to any physical, sexual, psychological, or verbal harassment or abuse.

❖ **SAFE AND HEALTHY WORK ENVIRONMENT**

Reebok will seek business partners that strive to assure employees a safe and healthy workplace and that do not expose workers to hazardous conditions.

❖ **NON-RETALIATION POLICY**

Factories must publicize and enforce a non-retaliation policy that permits factory workers to express their concerns about workplace conditions without fear of retribution or losing their jobs. Workers should be able to speak without fear directly to factory management or Reebok representatives.

MONITORING

So that our Standards become more than 'good intentions', we utilize a system of risk-based internal and third party independent monitoring. A risk-based model drives both our internal and external monitoring priorities.

Human rights professionals at Reebok's corporate headquarters compliment field monitors. They establish priorities and provide technical support for factory monitoring. This includes maintaining ties to the U.S.- based human rights and labor rights community, providing up-to-date information on issues related to compliance, offering technical support on health and safety, acting as liaison with Reebok's manufacturing and sourcing managers, and communicating information to consumers and external stakeholders.

MONITORING PRIORITIES

In an attempt to increase the effectiveness of our factory monitoring policies, we use the following three-phase model.

First, we concentrate on facilities that produce a high percentage of Reebok products, for the most leverage.

Second, we identify substandard factories using a risk-based model. We focus on countries with a history of poor labor standards. We also pay particular attention to companies with a history of poor compliance. We also look towards larger companies that employ a large number of workers, particularly those

with a high percentage of migrant workers. We do so in order to maximize our impact within the region.

However, regardless of the risk profile of a factory, we respond to problems we learn about. Whenever and wherever credible and verifiable problems are reported, we take swift action to work with factory management to help develop long-term solutions.

Third, we work to establish an integrated and sustainable monitoring system. Our ultimate goal is to implement systems that will protect worker's rights on a continued basis. We continue to monitor factory compliance. However, we also augment our 'direct' monitoring with other programs. Our 'direct' monitoring has been highly effective in improving workplace conditions. However, we realize that this is not always a sustainable system.

Our ultimate goal is to implement 'autonomous' monitoring systems. Presently, we are educating workers and management to the benefits of keeping within Reebok Standards. We are training workers and management how to develop various internal compliance systems. We foster worker representation programs in companies throughout China, Indonesia, and Thailand. We are empowering workers to identify problems from within, and to seek mutually beneficial solutions with management through dialogue. These long-term models are already proving to be effective.

INTERNAL MONITORING

Our factory monitors are trained professionals who help factory managers understand what the Reebok Standards mean as well as how to best implement them. For the biggest impact, our monitors are strategically located in countries or regions in which Reebok places orders representing a significant percentage of Reebok's business, and where the risk of non-compliance is greatest. Our monitors are located in Indonesia, Korea, Thailand, the Philippines, China, Bangladesh, Turkey, Pakistan, Vietnam, Sri Lanka, and El Salvador.

In our experience, persistent trends of non-compliance vary from region to region and from country to country. Part of our monitor's job is to formulate strategies specific to the country or region that will most effectively assist workers and factory management to implement our Standards. Our monitors possess an understanding of human rights and globalization, knowledge of regional labor laws and the perseverance to assess and document factory labor conditions.

Our monitors visit the factories that make our products to inform workers about their rights. They foster communication and trust of workers. They assess factory workplace conditions, and advise factory managers on ways to improve conditions. They work with factories to implement innovative programs that promote the safety and welfare of workers.

Factory monitoring begins with a benchmark audit used to create a plan for problem remediation. Key components of our audit include:

- ❖ Worker interviews
- ❖ Record review (i.e., payroll, timecards, etc.)
- ❖ Management interviews
- ❖ Visual inspection, and
- ❖ Consultation with organizations that have the trust of the workers

Face-to-face interaction between our human rights monitors and workers is a cornerstone of this process. Earning workers' trust is of paramount concern, because in some factories workers fear the risk of demotion or termination if they reveal human rights abuses. Wherever possible, we take measures to protect workers from being penalized for informing us of an abuse. Our monitors keep the identity of the workers interviewed confidential. Because clear communication is crucial, Reebok monitors are either local nationals or fluent in the local languages and familiar with local custom.

To help our work, we maintain detailed and specific audit requirements. We also require factories to store all records for the last year onsite. This allows us to randomly select samples of payroll and timecards to verify the accuracy of wages and working hours, and to search employment records for reliable proof-of-age verification of employees' dates of birth. We cross-check to determine if problems found are widespread, and

look for frequent patterns of injuries or illnesses that may result from work processes or other aspects of the factory's operation.

To assess conditions that are not easily substantiated, monitors attempt to corroborate workers' stories in order to produce evidence of widespread or systematic violations. For example, instances of harassment – both physical and verbal – are especially difficult to verify, because cultural and hierarchical precedents tend to inhibit workers from providing testimony. Increasingly, however, workers are reporting violations of the Reebok Standards to our monitors through phone calls, or text messaging on mobile phones.

After the initial audit, our monitors use announced and unannounced follow-up visits to verify that the corrective action plan is being implemented. We make a commitment to return to that factory on multiple occasions, thus increasing the effectiveness of our site inspections over time. We also provide compliance training to proactively institutionalize human rights compliance in factories.

INDEPENDENT MONITORING

Independent monitoring can drive improvements in factory workplace conditions by providing credible third-party assessments to factory workers and managers, Reebok internal monitors and external stakeholders.

In 1999, we were the first footwear maker to release an in-depth, third-party

critique of labor conditions in overseas factories. The report "Peduli Hak", Indonesian for "Caring for Rights" examined conditions for workers in two Indonesian factories, which together made 75% of our Indonesian footwear. Since "Peduli Hak" was conceived as a process for improving workplace conditions, the final report highlighted workplace problems – not strengths - and the steps the two factories took to correct them. As a result of this report, many improvements in the factories have been implemented. Also, many of the lessons learned from this assessment are still being applied to the Reebok-producing footwear factories throughout the world.

We continue our commitment to independent monitoring through our participation with the Fair Labor Association (FLA). In 2002, FLA-accredited independent monitors audited over twenty Reebok producing footwear and apparel factories. The independent monitoring is extensive, covering the full range of code of conduct issues. The process used by the FLA can be found by visiting the FLA's website at www.fairlabor.org.

As with internal monitoring, instances of non-compliance reported by an independent external monitor are communicated to factory management. Our compliance staff then works with management to prepare corrective action plans with timetables for addressing any substandard conditions that have been identified.

FOSTERING WORKER PARTICIPATION

We believe that the next step in improving conditions for the workers worldwide who make our products is to empower them to understand and protect their own rights. We also believe greater worker participation represents the next generation of brand strategies to honor code commitments to respect the rights of workers to freedom of association.

We have launched several initiatives that help workers to take a more active role in improving their work conditions. These initiatives include the following programs: Worker Communication System, Worker Representation, the Human Rights Exchange Program, and Communication Committees.

Worker participation initiatives have been beneficial to the workers, to factory management and to Reebok. Workers have a way to voice their concerns in order to protect their own rights and to resolve factory problems more efficiently and satisfactorily. And as a result, they are showing an increased commitment to - and ownership for - the conditions in their factories. We believe this results in improved working conditions, greater productivity and higher quality products.

This improved communication and negotiation between worker leaders and management has in turn reduced the number of strikes and general unrest in the factories. In the past, a large part of the tension and problems in factories did not arise because of malicious intent. Rather they resulted from

misunderstanding and miscommunication. Now worker representatives are better able to act as effective mediators between production line workers and factory management. As an added benefit, we have found that worker representatives can solve many everyday problems without our involvement.

WORKER COMMUNICATION SYSTEM

In 1997, we introduced a Worker Communication System to provide a secure channel for workers to report areas of noncompliance with our Standards directly to Reebok. We did this out of a strong belief that workers should participate in protecting their own rights. Factory management is asked to sign a non-retaliation statement, and to post it prominently in the factory so workers know they will not be penalized for reporting their concerns.

Workers can voice their concerns anonymously in four ways:

- ❖ By placing letters in drop boxes located at the factory,
- ❖ Using pre-paid mailers that are distributed to workers with their pay checks at specified intervals during the year,
- ❖ Calling the monitoring staff directly,
- ❖ Via the Internet on our website

We regularly refer issues we learn about through the Worker Communication

System to representatives of workers, and encourage them to resolve issues directly with factory management, rather than always depend on Reebok to intervene.

Our monitors discuss reported concerns with factory management. Management then posts the reported concerns and the actions taken by the factory to address them.

Twenty-five factories in five countries currently use the system. As a result of the Worker Communication System, management and workers are developing more effective problem solving mechanisms. Some of the typical issues that have been resolved include: the reinstatement of workers terminated without adequate cause, improvements in food quality, resolution of management and worker disputes, and clarification of commonly misunderstood factory policies.

WORKER REPRESENTATION

We have been an industry leader in respecting a worker's right to freedom of association with our worker representation initiatives in Indonesia, Thailand and, increasingly, China. In these countries, welfare committees and unions have historically been used as tools for the dissemination of management or government directives. However, we help management hear workers' voices by facilitating the development of democratically elected worker committees. These programs focus on teaching workers how to exercise their rights as provided for by

internationally recognized standards and local law. We also foster communication and problem resolution skills.

Our human rights staff facilitated union/welfare committee training programs in Thailand and Indonesia. They were conducted by academic and non-governmental organizations, such as the Labor and Management Development Center of Chulalongkorn University.

In China, we facilitated the first democratic election of worker representatives in two factories as part of an experiment to encourage factory workers to participate in workplace decisions.

It should be noted that our worker representative efforts are not designed to promote any trade union per se, but rather to encourage an environment in which workers can, if workers so choose, exercise their right to freedom of association in accordance with internationally recognized standards. This is particularly valuable in countries where the trade union movement is restricted by law and manipulated by government and/or factory management to the disadvantage of workers. In trade union/management conflicts, Reebok seeks to leverage its influence to help ensure that management respects the rights of workers and refrains from any unfair practices.

COMMUNICATION COMMITTEES

We worked with factory management to establish communication committees in El Salvador and Turkey. We sought to establish and strengthen communication channels between management and workers by allowing worker participation in factory management decisions. Each department elects representatives for a limited term in a secret ballot. These representatives form a committee, and meet at least once a month with elected management representative(s).

The newly formed committees are successful in part due to the high degree of transparency about the meeting process. In Turkey, where this system has been in place for several years, minutes of the meetings are posted on factory notice boards to encourage accurate communication of the proceedings. In El Salvador, factory Human Resources and Labor Practices managers typically document meetings. Management responses are also documented and available to Reebok on request.

HUMAN RIGHTS EXCHANGE PROGRAM

We developed a program in Indonesia that brings new, inexperienced worker representatives to factories where there

are more experienced representatives. This peer-to-peer interaction helps new worker representatives gain valuable practical knowledge on how to be more effective in their own factories. We also encourage worker groups to share their knowledge with their colleagues so that they, too, can become actively involved in solving factory problems.

In November 2001, worker and staff representatives from five Indonesian footwear factories traveled to Thailand and spent four days visiting factories and interacting with their Thai counterparts.

In January 2002, Thai workers and staff representing five factories traveled to Indonesia, where, in addition to visiting factories and interacting with their peers, they observed a transparent, democratic union election in a factory in Surabaya, East Java.

Welfare committees and unions in these two countries play different roles, but they share the same objective -- to represent workers. This exchange program helped both Thai and Indonesian worker groups develop new ideas and strategies for serving their colleagues and workers.

TRAINING

Reebok provides ongoing direction and instruction to help management understand and successfully implement our Standards. We consider training as important as monitoring because it takes us beyond the policing role to one that will have a long-term impact in factories. Our training workshops focus on strengthening compliance with our Standards and with local legal requirements, including such issues as worker health and safety, child labor, freedom of association, wages, benefits and working hours.

The specific goals of our training workshops are to:

- ❖ Raise awareness of the importance of compliance with the Reebok Standards and local laws
- ❖ Communicate the practical meaning of code provisions and applicable laws in factories
- ❖ Promote improvements by identifying factory best practices
- ❖ Work with factories to develop their own internal compliance teams and strategies, and
- ❖ Provide tools to assess and improve compliance

We also develop and conduct training sessions tailored to individual needs. For example, senior human rights staff presented the concept of sustainable compliance at a workshop in 2002 for senior footwear factory and Reebok production management. The workshop

covered theories of communication, ways that factory management could incorporate better communication within the factory and direct communications with individual workers. This workshop was the first devoted solely to engaging management in problem solving with workers.

Worker Representatives

Reebok also facilitates training by outside experts and NGOs to help worker representatives understand their rights and to improve their communication and problem solving skills. We also provide informal coaching to encourage worker representatives to reach out to their colleagues, to professionalize the administration of unions and welfare committees, and to become actively involved in solving factory problems.

For example, in Indonesia, we encourage union members to learn from their peers by facilitating visits between members of new, inexperienced unions and more experienced and sophisticated unions in other factories. These visits provide new worker representatives with a strong cross-industry peer group who in turn provide encouragement and guidance in resolving problems with factory management.

CHILD LABOR

Our standard states that "Reebok will not work with business partners that use child labor." The term "child" refers to a person who is younger than 15, or younger than the age of completing compulsory education, whichever is higher.

This standard is written into our manufacturing agreements, and is enforced through monitoring, education and training, as well as partnerships with NGOs. Our monitors work with factory managers to help them understand what the standard means and how to best implement it.

ENFORCING OUR STANDARD

In the area of child labor, we ask our factories to abide by the following:

First, the factory must employ workers who are at least 15 years of age or who meet the legal minimum working age, whichever is higher.

Secondly, the factory must have established procedures for verifying the age of all employees and should maintain independent documentation of age in each employee's personnel file.

Thirdly, the factory must observe all applicable laws regarding restrictions on the labor of workers below age 18. For example, employers are asked to have a system for identifying work stations

and operations that are inappropriate for young workers.

Finally, in order to help protect children, we ask factories to implement a policy where children do not have access to production areas. Therefore, childcare facilities should not physically overlap production areas. Moreover, children under the local minimum working age should not be allowed in the factory work area at any time, unless they are part of a guided school group tour or other such unusual event.

OUR SOCCER BALL GUARANTEE

Quality hand-stitched soccer balls have been made in the Sialkot region of Pakistan for generations. Typically, the panels were cut in factories and transported to villages and area stitching centers. In 1995, when we entered the global soccer ball market, we learned that as many as 20% of the stitchers were children.

Consistent with our commitment to human rights, we knew we had to find a way to manufacture soccer balls without child labor. We led the way in the creation of an industry collaboration that included the participation of the International Labor Organization, Save the Children, UNICEF, and Sialkot Pakistan Chamber of Commerce to address the longstanding problem of child labor in Pakistan. We then insisted that our supplier build a state-of-the-art

soccer ball-manufacturing factory that centralized all production into one facility, including stitching.

The factory in Sialkot opened in 1997. Monitors were put in place to help ensure that children do not work in the factory and that soccer ball panels are not transported outside the factory where children might be used to perform the work.

Since then, tens of thousands of soccer balls have been produced that proudly bear the label "Guaranteed: Manufactured Without Child Labor."

Today, our monitors continue to regularly inspect the factory to help ensure compliance.

Building a Better Future

To help families and displaced child workers in the Sialkot region, we support educational initiatives in Pakistan. The first project was the creation of the Chanaan Institute for Child Labor Rehabilitation. The Institute focuses on education and technical training for former child workers and children of factory employees, and provides education and outreach to families in the community. We are exploring other educational initiatives to provide a better future for Pakistani children.

HEALTH AND SAFETY

Our Standards seek to provide workers with a safe and healthy workplace, free from hazardous conditions. Health and safety offers a particular challenge for us, as it covers a broad range of issues such as management of hazardous and combustible materials, air quality, fire safety, operational safety, emergency medical care, worker health and hygiene, dormitory conditions, as well as general factory conditions. Our human rights staff works with factories to improve factory conditions on these broad ranges of issues. Our efforts include:

- ❖ Enforcing our Standards through sustainable monitoring
- ❖ Building the internal capacity of factory managers to solve health and safety issues, through “Train the Trainers” programs and by facilitating worker health committees in programs like the China Capacity Building Project
- ❖ Contributing to the health of communities surrounding factories, through efforts like the Indonesia Health Care Initiative
- ❖ Efforts to reduce or eliminate the presence of toxic chemicals through a Volatile Organic Chemical (VOC) Reduction Program, combined with testing air quality in Reebok footwear producing factories.

ENFORCING OUR STANDARDS

We work with factory management to help implement and enforce our safety procedures. Factories are asked to designate a qualified person to manage health and safety issues. We also work with factories to conduct effective safety training and to communicate regularly health and safety information to workers. Whenever possible, we encourage management to involve workers in all aspects of the process, and often facilitate the development of health and safety worker committees in factories to address problems.

TRAINING OF TRAINERS PROGRAM

In 2000, we implemented an educational training program for Reebok producing footwear factories specifically on factory health and safety issues. Our goal was to help create and promote a factory culture that sustained interest in, and concern for, maintaining high health and safety standards. Training modules were designed to review common health and safety problems in factories and to discuss how to fix them and prevent future problems. Designed as a “train for trainers” program, the objective was to provide both managers and workers with information and resources they need to train others, and so that they could then disseminate it to workers throughout the factories.

CHINA CAPACITY BUILDING PROJECT

In March 2001, three global shoe companies, two Taiwanese-invested, and one Hong-Kong-invested footwear manufacturer, and four Hong Kong-based labor rights non-governmental organizations (NGOs) agreed to a joint project.

The project had two primary goals:

- ❖ To train workers, supervisors and managers in three footwear factories in the Pearl River Delta area of China in occupational safety and health principles, and
- ❖ To establish plant-wide health and safety committees with workers as full, active members of the committees

Professor Dara O'Rourke of Massachusetts Institute of Technology (MIT) and Garrett Brown, Coordinator of the Maquiladora Health and Safety Support Network (MHSSN) advanced the project. It lasted over two years in total and included a series of organizational meetings, a formal needs assessment process with stakeholders, curriculum development, a training, capacity building and committee support program, individual committee initiatives, and a final evaluation process.

The training portion of the project occurred in August 2001. It involved 90 Reebok, adidas-Salomon, and Nike employees; factory workers and supervisors from three contract factories (Kong Tai Shoes, Pegasus Shoes and

Yue Yuen II) and representatives from four NGOs (Asia Monitor Resource Center, Chinese Working Women Network, Hong Kong Christian Industrial Committee, and Hong Kong Confederation of Trade Unions).

The four-day training workshop was designed to involve participants in an action-based learning process. The six-person team of instructors included trainers from the Labor Occupational Health Program at the University of California at Berkeley, the Maquiladora Health and Safety Support Network, the Massachusetts Institute of Technology, and Hong Kong University of Science and Technology.

In the three-month period following the August 2001 Dongguan training, each of the three factories established plant-wide health and safety committees involving workers as full and active members of the committees. The resulting worker-management committees are young, but functioning, including one committee supported by a democratically elected union. These committees are the first step in building systems for worker participation in evaluating and improving health, safety, and environmental conditions inside these factories. The committee members are learning how to effectively transfer this information to factory managers, brand labor practice staff, and NGOs outside the factories. The committees are also working to develop new and safer mechanisms for workers to report problems, new processes for identifying and eliminating hazards, and new systems of corporate accountability.

The project has resulted in an increased level of dialogue between plant management, international brands and NGOs, and has laid the groundwork for additional joint projects on the issue of workplace health and safety.

INDONESIA HEALTH CARE INITIATIVE

To improve the health of workers in Indonesia, the Reebok Human Rights Foundation funded the Indonesia Worker Health Initiative. This program provides basic health services and education in the factories. It includes tetanus shots, the distribution of medicines, diet information to combat the high rate of anemia, and prenatal education. This initiative has improved workers' health and productivity, and serves as an important model for the delivery of preventative health care in Indonesia.

VOLATILE ORGANIC CHEMICAL (VOC) REDUCTION PROGRAM

We have embarked on an ambitious multi-faceted effort to reduce the presence of solvent-based, or VOC-containing ("Volatile Organic Compounds"), materials such as adhesives, primers, paints and cleaners in the production of our footwear. We began our VOC Reduction efforts when initial evaluations in footwear factories in 1998 alerted us to the potential for hazardous exposures to workers from the use of these toxic materials. More recently, we began to monitor VOC consumption in footwear factories as part of our voluntary compliance with the

new European Union VOC guidelines. In doing so, we acknowledge the environmental concerns associated with these chemicals, in addition to the occupational health issues.

We have approached the issue of VOC reduction in several ways:

- ❖ Substitution of less toxic VOCs (MEK, Acetone, Ethyl Acetate) for those that are widely recognized as high hazard chemicals (Benzene, Toluene, Methylene Chloride). This is the most expedient measure in the short-term to reduce hazardous worker exposures.
- ❖ Substitution of VOC-containing production materials with reduced-solvent or water-based alternatives. This requires more time for evaluation and implementation, but offers a more permanent solution to the VOC issue.
- ❖ Elimination of chemical use by conversion to non-solvent production methods, such as the "hot" melt application for back-counter adhesion. This type of production change, when feasible, offers the elimination of VOC use in the particular process.
- ❖ Operational changes at the level of the production line which result in the conservation of VOC-containing materials, such as the elimination of redundant cleaning processes, the upgrade of equipment, and the conversion of chemical application processes from dipping to brushing.

TESTING AIR QUALITY

The use of chemical materials in production, particularly Volatile Organic Compounds, results in the evaporation of some of these materials into the workplace atmosphere. These chemicals are capable of producing a variety of adverse effects in workers if they face exposure of significant duration and intensity.

Our Air Quality Testing Program provides ongoing guidance to factories on air quality issues. Our primary objective is to evaluate the chemical exposures of workers who are believed to be at greatest risk. If any worker exposure exceeds the strictest exposure criteria standard, then we develop and implement remediation plans with the factory to help improve air quality to safer and healthier levels.

Our staff monitors worker exposure for airborne chemicals in our Reebok footwear producing factories. VOCs provide the focus for our air sampling strategy, because of the occupational health and environmental implications of their use, and because of the sampling method of choice, which is a passive diffusion vapor monitor.

Those workers that are thought to be at the greatest risk of chemical exposure are selected for monitoring. Several risk factors are taken into consideration, such as: the relative toxicity of the chemicals in use, the absence of local exhaust ventilation systems, and the method of chemical use or application. Workers are tested over the entire course of a work shift. Results are then

analyzed for the appropriate chemicals by a qualified analytical laboratory.

Factory workers may have exposure to as many as five or six different chemicals over the course of a typical workday. We therefore use an air sampling and analysis method that encompasses the evaluation of a range of eight to ten, and sometimes more, individual VOCs known to be associated with footwear production. The observed worker exposures are compared to occupational exposure criteria that are available for relevant chemicals. The workers' cumulative exposures to multiple chemicals are characterized in a single exposure index for each worker, the Exposure Fraction (EF). An EF value of less than 1.0 suggests compliance with the exposure criteria. However, Reebok prefers an EF value of 0.5 or less. This demonstrates a greater degree of protection for the workers. It also provides greater confidence in compliance, given the natural variability in daily exposures that may be expected.

The worker data collected most recently in the factories during 2001 and 2002 are an initial measure of success of our efforts. More than three-quarters of the monitored workers, most of whom are representative of those believed to be at greatest risk of chemical exposure, are now exposed to airborne chemicals at concentrations which are less than half of the compliance criteria.

These improvements may be attributed to a number of factors:

- ❖ Substantial worker exposures to chemicals in stitching departments have been eliminated by the conversion to a hot melt adhesion system;
- ❖ The virtual elimination of Toulene and Benzene as ingredients in production materials has been achieved, although continuing vigilance is necessary;
- ❖ The introduction of water-based materials in production processes has reduced the need for VOC-containing materials in factories

FAIR WAGES

We are frequently asked how our Standard on fair wages affects the compensation received by workers. We know the issue of what is considered “fair” compensation of worker wages is a complex one, especially in light of the many different national economies in which workers reside. We begin by requiring that workers receive the full wages and other compensation that they are due without deductions for fines, deposits, or recruitment fees. For example, in Vietnam, Indonesia and Cambodia, we have taken steps beyond our routine monitoring to improve fair wages for workers above the local law requirement.

While these examples demonstrate the seriousness with which we take the fair wage issues, we realize that more work can be done in this area. We continue to learn about the “living wage” issue among academics, governments, international agencies and NGOs so that we can understand the opportunities available to us to play a constructive role.

OUR STANDARD ON FAIR WAGES

Our Standards clearly state our commitment to workers on the issue of fair wages:

We will seek business partners committed to the betterment of wage and benefit levels to the extent appropriate in light of national practices and conditions. We will not select business partners who pay less than the

minimum wage required by applicable law or who pay less than the prevailing local industry wage.

Our monitors audit compliance of this fair wage standard as part of their monitoring program. Key components of our monitors’ work include worker interviews and records review. We require factories to store all records for the last year on site, allowing us to randomly select samples of payroll and timecards to verify the accuracy of wages and working hours.

As part of our monitoring and remediation process, our monitors work with factories to try to meet the following established requirements:

- ❖ Workers must be paid for all hours worked
- ❖ Workers must be paid at least the legal minimum wage or the local industry practice – whichever is higher
- ❖ Workers must be paid overtime rates that exceed rates for regular working hours
- ❖ Workers who are paid a piece rate, must be paid a piece rate equal to (or greater than) the wage rate that would otherwise be paid for regular hours plus overtime hours
- ❖ No recruitment fees are to be deducted from workers’ pay
- ❖ No fines are to be deducted from workers’ pay

- ❖ Under no circumstances can workers work off the clock and no payments are to be made to workers outside of payroll
- ❖ Workers must be paid their legally mandated bonuses in full
- ❖ Workers shall be paid for holidays and leave by applicable law

IMPROVING FAIR WAGES FOR WORKERS

We are also addressing the ongoing issues surrounding the adequacy of wages on several other fronts:

In Vietnam, for instance, we have adopted a policy that requires factories producing for Reebok to pay the foreign-invested minimum wage, which is more than double the minimum wage, regardless of ownership structure. Vietnamese law permits a two-tiered wage system based on the structure of factory ownership. The discrepancy between these two different legal minimum wages can have a dramatic impact on the ability of workers to provide for themselves and their

families. Our experience is that there are many garment factories that are unwilling to accept these policies. However, while it has not been simple or easy, we have managed to find foreign-invested factories that achieve our Standards, and other locally-owned factories that have been willing to adopt our policy and pay workers the higher foreign-invested minimum wage.

In Indonesia, beginning in 1998 and continuing through 1999, we required footwear factories producing our shoes to pay 20-25% more than the government-stated minimum wages set for the standard 40-hour work week and overtime. We took this action in response to the Asian financial crisis, and the limits on the right of workers to freedom of association at that point in Indonesia's history. We help make sure that workers making Reebok products receive all minimum wage increases, including, for instance, the 38% increase in the minimum wage that was enacted in 2002.

COLLABORATION WITH NGOS

To improve working conditions in factories, we strive to create innovative practices in collaboration with human rights groups, labor rights organizations, and other leading institutions that are likely to have the trust of workers.

Our human rights monitors establish and maintain relationships with non-governmental organizations (NGOs) in their region to help them understand local and regional labor conditions as well as problems at specific factories.

As respected third-party entities, NGOs are able to facilitate meaningful dialogue and to provide expert advice on difficult issues. Because a long-term worker-management relationship based on trust will be more beneficial than an issue-by-issue crisis management approach, we often turn to NGOs that have a long-standing presence in the community to suggest mutually acceptable solutions.

Some examples of NGO Collaboration include

- ❖ In the Dominican Republic, we collaborated with a local human rights group to interview workers and management involved in a protracted labor dispute.
- ❖ In Mexico, we worked with local labor experts and representatives of the International Labor Organization to facilitate worker education on the right to freedom of association and collective bargaining at MexModa.
- ❖ In Bangladesh, we worked with a local human rights group to facilitate the creation of daycare programs in two Reebok producing apparel factories.
- ❖ In Pakistan, we sponsored a project run by a local rights group (SAHE-Sialkot) to provide alternative schooling opportunities for retrenched child workers and school drop-outs.
- ❖ In China, we consulted with NGOs on a project to improve health and safety conditions in footwear factories. The NGOs involved in that project included: Chinese Women Workers Network (CWWN), Hong Kong Christian Industrial Committee (HKCIC), Asia Monitor Resource Centre (AMRC) and the Hong Kong Confederation of Trade Unions (HKCTU). We are also collaborating with the HKCIC and another Hong Kong NGO, the Labor Education Service Network (LESN), on union training programs.
- ❖ We also serve on the executive committee of the China Working Group (CWG). The CWG, established in 2001, is a coalition of businesses, non-governmental organizations and socially responsible investors working together to address labor rights and human rights problems in China. The mission is to collaboratively support meaningful improvements in the lives and working conditions of Chinese workers.

REGION SPECIFIC ACTIONS

These countries are key geographic areas of interest for Reebok monitors. Each has a high volume of Reebok production and/or a high risk of code non-compliance. This section is not intended to provide an exhaustive examination of each country or region, but rather to briefly describe some of the successes and challenges in implementing the Reebok Standards in these countries.

CHINA

In China, our monitors have noted progress towards improved conditions in factories, particularly in the areas of working hours, freedom of association, health and safety, and the elimination of deposits and fines.

We have experienced steady and sustained improvement in working hours in Reebok footwear-producing factories. Reebok's footwear production staff are working closely with factory management to boost efficiency and productivity while limiting working hours and the number of workers required for specific tasks. While the working hours standard is a larger challenge in apparel factories, we have experienced successes in some cases through collaboration with other interested buyers.

We have taken steps under the law to augment the ability of workers to represent their views with management. For example, in 2001, in a large footwear factory near Shenzhen,

Reebok facilitated the introduction of the first democratically elected workers' representative group. *The South China Morning Post* heralded this pilot project as a model for factories all over China, as it offers the prospect of greatly improved working conditions for millions of workers on the mainland. In October of 2002, we facilitated another transparent election of worker representatives at a Reebok-producing factory in Fuzhou.

While many health and safety challenges still exist in China, some of the most common safety problems in other countries, such as poor fire safety, are less commonly found. This is due to both our efforts and the Chinese government's strong enforcement of fire standards. In the area of chemical safety, we do not frequently encounter in China toxic spot removers commonly used in other countries, such as benzene-based spot removers and 100% methylene chloride.

Although the practice of collecting deposits from new workers is illegal, it is nonetheless common. As a result, workers often find it difficult to leave jobs without approval from the factory management because leaving usually results in the loss of the worker's deposits and last month's wages. While factory management is often initially resistant to our requirement that these practices be stopped, in almost all cases the factories have eventually eliminated fines and returned deposits without

experiencing long-term negative consequences.

We still find a number of common areas of non-compliance in China factories. We believe these conditions to be generic to the Chinese apparel and athletic footwear manufacturing industry. Whenever we find problems, we take steps to try to fix them.

These problems include sub-minimum wage payments attributable to the pervasiveness of piece rate wage calculation, and the fact that overtime hours are often not compensated at a premium as required by Chinese law. Reebok human rights monitors frequently find underpayment in factories that calculate wages exclusively based on piece rate as opposed to a flat hourly rate, when inspecting “first-time” factories. In addition, Saturday work, which according to Chinese law should be paid as overtime, is commonly paid at the same rate as Monday through Friday work. Sundays and holidays are also often worked and not paid at the proper overtime rates. To combat this issue, we ask factories to maintain accurate and reliable records of all hours worked, including overtime, both in timecards and payroll records. This allows us to determine what wages are owed to workers. If a piece rate workers earnings fall below the applicable minimum wage, we ask factories to pay the difference to bring the earnings up to the minimum level.

It is also common for workers to have difficulty in refusing to work overtime. Additionally, Chinese national law on

overtime is not widely enforced. Our monitors ask factories to commit in writing that workers will not be required to work no more than 60 hours/week, and in many instances, less, in accordance with local law. We ask factories to submit a plan of what actions the factory will take when it anticipates a need to work in excess of these hours due to high production. We also ask factories to develop, implement, and communicate a voluntary overtime policy, where workers can refuse overtime without penalty. This is an ongoing effort for our monitors, and we continue to work with factories to combat this difficult issue.

It is common practice for management to hold original identification documents of workers, making it difficult to obtain subsequent employment without a government identification card, especially since workers typically need to travel great distances to their hometowns to obtain duplicate identification. When these problems are found in Reebok producing factories, we require that all workers have access to all original passports, identity papers, and travel documents to the workers.

CENTRAL AMERICA & THE CARIBBEAN

In Central America (Guatemala, Honduras, and El Salvador), our monitors have noted increasing awareness on the part of both factory management and workers of several reforms, including improved fire prevention, the establishment of a harassment free workplace, and worker grievance resolution. Most Reebok-producing factories in Central America

have adopted or are in process of adopting non-retaliation, non-harassment, and non-discrimination policies.

As part of their internalization of Reebok Standards, factory managers now regularly schedule periodic fire and evacuation drills and schedule service and maintenance on fire-fighting equipment.

Some Salvadoran-owned factories are developing communication committees consisting of freely chosen worker representatives and management. These committees participate in the management decisions about workplace conditions and investigate worker grievances and concerns. Recent discussions in these factories have included efficiency and production goals, monetary compensation, and health and safety issues.

Central American factories can present compliance challenges, most notably the violation of the mandated maximum weekly hours limit. In response, we periodically require written commitment from factory management to reduce employee work hours to the prescribed limit and conduct regular on-site monitoring visits. We also use purchasing pressure and collaborate with other brands to enforce these agreements.

During initial audits of several factories presenting disciplinary problems, we found that management often punished tardy workers by docking their earnings. Our monitors have been working with

factory management on alternatives to these measures, and there has been a steady and sustained improvement. The elimination of fines has been generally successful, and the Reebok-proposed implementation of comprehensive 'factory rules' that emphasize non-monetary disciplinary measures have been well received.

Our monitors have also encountered difficulty in their attempts to foster respect for freedom of association. Most factory workers are not aware of the freedom of association labor code provision, and many factory managers view unions negatively. To counter this, we require that factories adopt a non-retaliation, non-harassment, and non-discrimination policy to comply with Reebok Standards. We have also concentrated on management training to encourage proper respect for worker rights.

MEXICO

Mexican Reebok-producing factories have shown a substantial improvement in the enforcement of health and safety standards. Factories have scheduled regular fire and evacuation drills, and are achieving improved compliance with the required use of protective equipment in the cutting rooms and cleaning stations. Although most of the factories in Mexico use some type of chemical spot remover, Benzene-based removers and 100% methylene chloride have been banned on the production floors, and are rarely found in the factories. Management has largely shifted to water-based environmentally-friendly removers.

However, there are several issues requiring ongoing attention. Our monitors have discovered 14- and 15-year old workers in a few factories near the U.S.-Mexican border. Although these children typically have parental permission to work, their employment is a clear violation of the Reebok Standards and local labor law. To address this matter, our monitors routinely ask management to provide age-related documentation during factory inspection, including parental permission forms and proof of employee registration with local labor authorities. We have also worked with factory management to implement a hiring process that guarantees age limit compliance, and requires monitored factories to provide documentation of social security payments and employee payroll for up to six months.

The rights of Mexican workers to freedom of association and to vote by secret ballot during union elections remains under threat. We have also taken steps to address this by conducting confidential worker interviews to review factory compliance with the freedom of association provision, and by investigating alleged violations. Under the Reebok Standards, we require the factory to inform workers that they have the right to organize, join, or establish organizations of their own choosing without fear of management reprisal. We also encourage management to develop and enhance communication channels with workers by utilizing grievance councils and communication committees to increase worker

participation in factory management decisions.

UNITED STATES

Overall, U.S. factories demonstrate strong compliance with the Reebok Standards. Factories in the U.S. are relatively diligent in informing workers about factory safety policies and procedures, and in providing instruction and personal protective equipment to those workers who operate machinery or work with chemicals. However, our monitors have witnessed worker discrimination and harassment in some independently owned and operated U.S. factories. These factories tend to be characterized by clear cultural, ethnic, or linguistic divisions between management and the worker population, and Reebok monitors have been alerted to preferential hiring and promotion practices. To counter this, we require factories to provide documentation on ability and performance reviews to support workers' wage rates and promotion. To further combat intimidating work environments, factories are required to adopt, develop, and train management in accordance with a non-harassment policy, and to publicly post corporate policies in all languages spoken by the community of workers.

Other labor issues in US factories include improper overtime payment and unauthorized subcontracting. On occasion, factories have failed to pay overtime wages at the premium rate, as mandated by US law, and rely instead on bonuses as remuneration for overtime work. To counter this

behavior, our monitors review factory payroll to ascertain the factory's level of compliance with wages and overtime calculations. To monitor whether factories are using unauthorized subcontractors for cutting, sewing or embroidery, factories are required to provide information on the intended subcontractor and obtain prior authorization from Reebok. We then verify that the subcontractor also complies with Reebok Standards. This combination of internal and external monitoring has resulted in the reduction unauthorized subcontracting.

TURKEY

Factory management has significantly improved the working environment in many Turkish factories. The practice of requiring a pass to use the toilets or get a drink of water has remarkably declined, and workers now in Turkey have unfettered access to toilets and water. Additionally, some factories producing for Reebok have eliminated marital status questions on job applications. The use of suggestion boxes, when placed by the Reebok monitor in private locations, such as toilets or dressing rooms, has proved a successful worker feedback mechanism. A recent submission in a Turkish factory uncovered verbal and physical abuse by two supervisors, resulting in the dismissal of both. Worker forums also have been useful in identifying problems and solutions. Factories have been required to train workers about overtime calculations and wage rates, as well as other labor rights.

There are still issues of non-compliance in Turkey, which can include excessive and mandated overtime. To address this, our monitors encourage management to inform workers in advance about anticipated overtime opportunities, and to directly solicit signatures of those workers requesting overtime, instead of soliciting workers through supervisors. Some factories pay 1.5 times the regular wage rate for Sundays and holidays instead of the double rate mandated by Turkish law. Our most effective method for uncovering and combating overtime violations has been a thorough records review during each audit.

In another instance of non-compliance, a few factories in Turkey subcontract the cleaning, security or kitchen staff without ensuring that the subcontracted workers have adequate insurance or receive correct wages. Our monitors informed the factory that management must take the responsibility of keeping employees' work documentation (copies of ID, insurance) and see to it that subcontracted workers receive correct overtime compensation, wage statements and appropriate labor contracts. We reviewed factory records and interviewed workers to verify subcontracted workers are treated fairly and equally.

THAILAND

In Thailand, we are vigilant to monitor the presence of child labor. Reebok-producing factories require strict age verification by three forms of identification when applying for a job.

Footwear factories have developed a special program for pregnant workers, reassigning them to do light work in a specific location away from production lines involving hazardous chemicals. In some factories, pregnant workers are still able to achieve their projected work target while earning incentives through working 8 regular working hours. Footwear factories in Thailand have achieved early success at reducing Volatile Organic Compounds (VOC).

Thai workers are sometimes underpaid due to the “projected target rate” calculation. Theoretically, the target wage rate is set for 8 working hours with payment above the minimum wage, but in practice the working hours are sometimes extended to meet the target, resulting in payment below the minimum wage. In factories where this is the case, many workers continue work during their lunch so as to meet the daily target as soon as possible. To counter this, we ask factories violating the minimum wage provision to institute a policy of no work in the factory during lunch breaks, subject to disciplinary measures. In the rare situation where it is necessary due to pressures of production, the working hours must be recorded and paid at an overtime hourly rate. The factory must also post the working hours on a daily basis, as recorded by electronic swipe cards, so that workers can double check whether their payment reflects their actual working hours.

Another instance of noncompliance is that Thai apparel workers sometimes feel compelled to work more than 60 hours/week. When our monitors find

apparel factories with excessive working hours, the factory is required to adopt an action plan to limit the working hours to 60 hours/week. Additionally, the factory is required to submit to Reebok an explanation for all periods when the “extraordinary circumstances” explanation has been used. Factories are also required to communicate an overtime policy stating that workers can exercise their right not to work overtime without incurring negative consequences.

Some factories still discriminate against women by requiring a pregnancy test when applying for a job. To combat this, we require factories to formulate written hiring procedures that prohibit discrimination against women, and to establish a policy that the recruiting staff will not require a pregnancy test or inquire about pregnancy status.

INDONESIA

As workers become increasingly organized to advocate their interests, progress in achieving code compliance has been improved. Elected worker representatives are taking the initiative to train and educate workers about their rights, and one union in an apparel factory started a forum for workers to learn about the Reebok Standards. The forum is held during weekends outside the factory, and the topics discussed include the Reebok Standards, factory employment practices, and worker rights.

Several footwear factories producing for Reebok have significantly improved worker benefits. One factory enlarged

the medical clinic to provide examination rooms for workers, and expanded health services to encompass dental care and neonatal care.

Our monitors devote significant time to educating factory management on the importance of a safe and healthy work environment. In 2002, we started an assessment program to ascertain health and safety concerns. The results of this program will be the first step in aiding the factories to develop a health and safety management system. The establishment of an effective, specialized management system will greatly assist factories in implementing the health and safety provisions of the Reebok Standards.

VIETNAM

Factory payment of minimum wage in Vietnam has noticeably improved as Reebok monitors develop ongoing relationships with factory management. During initial audits conducted in footwear and apparel factories, Reebok monitors often find that most foreign-invested factories do not comply with the minimum wage requirement. Often, factory management is initially resistant to the requirement, claiming that Vietnamese law allows employers to pay a probationary wage (70% of the statutory requirement). However, Vietnamese regulations also state that when the probationary wage is below minimum wage, employers are required to pay the minimum wage. Our monitors work to make factory managers understand that payment of the probationary wage is a violation of both the legal requirement and the Reebok

Standard, and get them to change their wage policy accordingly.

However, in many factories in Vietnam, work hours can exceed the Reebok Standards limit of 60 hours/week, and reviewing and verifying the working hours is made more difficult due to the common use of manual time recording systems. To counter this practice, factories that produce for Reebok are asked to use an accurate and reliable recording system - such as electronic swipe cards - to document the time worked by employees. Factories that violate the working hours limitation are asked to formulate a remediation plan with Reebok to control the overtime work, so as to comply with the Reebok Standard. In some instances, we have assisted in the organization of a night shift, which has proved a successful solution to factories with recurring overtime violations.

The most common and recurring health and safety issues in Vietnamese factories are the lack of fire drills and shared drinking cups. Many factories are under the misconception that annual fire trainings conducted by local fire brigades fulfill the requirement for evacuation drills. We counter this by educating management on the danger of not carrying out required fire drills and the best way to conduct them. We also inform them on the health risks of shared drinking cups and assist factories in developing more sanitary drinking water methods.

THE ROAD AHEAD

Our mission is to continue to be a leader in applying human rights standards in factories through sustainable and transparent programs that result in improved conditions for workers.

Our focus will be on the following initiatives to benefit workers:

- ❖ Enable our business partners, employees and workers to institutionalize human rights compliance through education and training programs that seek to improve their knowledge, skills and attitude
- ❖ Create the capacity for ongoing sustainable improvements in workplace conditions through risk-based monitoring and facilitating the development of internal factory systems
- ❖ Continue to use independent monitors to audit a subset of Reebok producing factories in order to fulfill

the increasing expectations of external stakeholders that we demonstrate the quality and credibility of our internal monitoring system

- ❖ Continue to engage in ongoing transparent dialogue with external and internal stakeholders regarding the performance of our human rights monitoring program. We will do so in order to learn, share and inform the process for sustainable improvements of factory conditions
- ❖ Routinely revisit our Standards and seek to implement them effectively. We will continue to reevaluate our policies and practices to render factory improvements sustainable, and to identify and implement the next generation of replicable leadership best practices