

FLA Audit Profile	
Country	China
Name of Factory	530015715F
Independent External Monitoring Organization	A. L. G. I.
Date(s) in Facility	November 19 - 21, 2007
FLA Affiliated Compan(ies)	adidas
Number of Workers	5413
Product(s)	Sports shoes
Production Processes	Material Inspection, Cutting, Molding, Sewing, Assembling, Checking, Packaging

FLA Code/Benchmark	Compliance Status	[Status]	Description of Noncompliance, Risk of Noncompliance or Uncorroborated Evidence of Noncompliance	Updates (Cite Date of Follow Up)		Third-Party Verification	
		Completed, Pending, Ongoing		Company Follow Up	Documentation	External Verification (Date)	Documentation
GEN 2: 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.	Noncompliance	Completed	adidas Code of Conduct (CoC) is not posted in prominent places within the factory. The CoC was posted on the August 2007 internal newspaper.				
GEN 3: 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.	Noncompliance	Completed	adidas has not established a grievance procedure for all workers. The company distributed leaflets of grievance procedure to workers during July and August 2007.				
F.1 General Compliance Forced Labor	Noncompliance		See below.				
F.4 Employment Terms/Prohibitions	Noncompliance	Ongoing	1 article in the employment contract states that workers dismissed by disciplinary action shall pay 1 month's salary as penal sum of failure to inform of resignation 1 month in advance.				
CL.1 General Compliance Child Labor	Noncompliance		See below.				
CL.6 Employment of Young Workers	Noncompliance	Ongoing	Juvenile workers were not registered at local labor bureau.				

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H&A.1 General Compliance Harassment and Abuse	Noncompliance		See below.				
H&A.3 Discipline/Review of Disciplinary Action	Noncompliance	Ongoing	In the discipline policy, workers do not have the opportunity to reply, challenge or make appeals against the termination.				
H&A.7 Discipline/Training of Management	Noncompliance	Ongoing	Supervisors and management did not receive training regarding the practice of disciplinary actions.				
D.1 General Compliance Non-Discrimination	Risk of noncompliance		See below.				
Other/Policy	Risk of noncompliance	Ongoing	The factory does not have a policy for termination/retraining for operational purposes.				
H&S.1 General Compliance Health and Safety	Noncompliance		See below.				
H&S.8 Permits and Certificates	Noncompliance	Ongoing	30 security guards missing security licenses.				

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H&S.11 Personal Protective Equipment	Noncompliance	Ongoing	1. Though provided by factory, around 10% of workers are not using masks, gloves and earplugs as required. 2. Though there are enough eye wash stations, the tab has been taken off and stored with the nearest supervisor. Workers cannot use the eye wash water if the supervisors leave the production area.				
H&S.20 Bodily Strain	Noncompliance	Ongoing	Only 20% of the production area is designed for ergonomic concerns. And lifting technique training is not provided to relevant workers.				
H&S.24 Toilets/Restrictions	Noncompliance	Ongoing	Workers are required to write down on a form every time they use the washrooms and drink water.				
FOA.1 General Compliance Freedom of Association	Noncompliance		See FLA comment on China situation. (A27 on Findings tab.)	adidas Group SEA has developed a Workers' Committee project in its factories. Project aims to build workers' representative committees inside factories that have a non-functioning union, to make sure a 2-way communication exists between management and the workers. - As an essential element of adidas Key Performance Indicator (KPI) assessments, effective worker-management communication mechanism is required to be established and run systematically in all the key suppliers. Field monitors will regularly review effectiveness of system in each KPI audit. - With the launch of the new China Employment Contract Law (ECL), trade unions were given more responsibilities on collective bargaining, e.g., collective contract decree, etc. A checklist of the functional trade union was developed and is widely used in performance audits of existing suppliers to make sure a 2-way communication exists between management and the workers.			
FOA.5 Employer Interference/Constitution, Elections, Administration, Activities and Programs	Noncompliance	Ongoing	The facility management participated in the establishing process of the workers' union and management occupies the key positions in trade union.				

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Other	Risk of noncompliance	Ongoing	No written policy regarding independent worker representation can be provided by the facility.				
HOW.1 General Compliance Hours of Work	Noncompliance		See below.				
HOW.2 Rest Day	Noncompliance	Ongoing	Production records show consecutive working from November 1 - 17.				
HOW.6 Time Recording System	Noncompliance	Ongoing	The following noncompliances were uncovered during the assessment: 1. Factory only provided last 2 months time records. (September, October 2007) 2. Time records factory provided did not have information of either beginning or end of work shift, and only showed normal total working hours and total OT hours per day. 3. Production records and time records do not match. Auditors consider time records presented do not accurately represent working hours at factory. Production records show consecutive working from November 1 - 17. Management stated OT at night arranged between 17:30 to 20:30. However, production records showed production hours after 21:00.				
HOW.8 Overtime/Reduced Mandated Overtime	Noncompliance	Ongoing	Workers did not sign voluntary OT application form.				
HOW.11 Extraordinary Business Circumstance/Forced Overtime	Noncompliance	Ongoing	Workers did not sign voluntary OT application form.				

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HOW.14 Annual Leave	Noncompliance	Ongoing	Factory does not provide paid annual leave to workers.				
WBOT.1 General Compliance Wages, Benefits and Overtime Compensation	Noncompliance		See below.				
WBOT.2 Minimum Wage	Noncompliance		Payroll and time records do not match production records reviewed. Information on the payroll record is not considered accurate.				
WBOT.5 Holidays, Leave, Legal Benefits and Bonuses	Noncompliance	Ongoing	1. Factory does not provide paid annual leave to workers. 2. Factory bought occupational injury and medical insurances for all 5413 workers. Pension, unemployment and maternity insurances for only 200 out 5413 workers.				
WBOT.7 Payment for All Hours Worked	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed. Information on the payroll record is not considered accurate.				
WBOT.8 Calculation Basis for Overtime Payments	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed. Information on the payroll record is not considered accurate.				
WBOT.10 Premium/Overtime Compensation	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed. Information on the payroll record is not considered accurate.				
WBOT.13 Deposit of Legally Mandated Deductions	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed. Information on the payroll record is not considered accurate.				
WBOT.19 False Payroll Records	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed. Payroll and time records were judged to be false.				
WBOT.20 Payroll Record Maintenance/Worker Acknowledgement	Noncompliance	Ongoing	All payrolls factory provided were missing workers' signatures. Audit team could not verify the payroll.				
WBOT.21 Record Maintenance	Noncompliance	Ongoing	Payroll and time records do not match production records reviewed.				
WBOT.27 Wage Receipt	Noncompliance	Ongoing	All payrolls factory provided were missing workers' signatures. Audit team could not verify the payroll.				

Company Verification Follow Up	
Company Follow Up (Cite Date of Planned/Follow-up visit, if Appropriate)	Documentation

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