

| FLA Audit Profile                            |                                                     |
|----------------------------------------------|-----------------------------------------------------|
| Country                                      | Vietnam                                             |
| Name of Factory                              | 010084721F                                          |
| Independent External Monitoring Organization | Global Standards                                    |
| Date(s) in Facility                          | December 17-18, 2007                                |
| FLA Affiliated Compan(ies)                   | Adidas                                              |
| Number of Workers                            |                                                     |
| Product(s)                                   | Footwear                                            |
| Production Processes                         | Cutting, Preparation, Sewing, Finishing, Inspection |

| FLA Code/Benchmark                                                                                                                                                                                                                                                                                                                                     | Compliance Status     | Describe Noncompliance, Risk of Noncompliance or Uncorroborated Evidence of Noncompliance                                                                                 | List Sources/Documentation Used for Reference and Corroborating Evidence (e.g., Worker Interviews, Factory Walkthrough, Records Review) | Cite and Describe Local and/or Country Laws Used for Additional Reference | Describe Notable Features Implemented by Factory Management or Company |
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| <b>1. Code Awareness</b>                                                                                                                                                                                                                                                                                                                               |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| 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         | Adidas Group Workplace Standards have not yet been provided & posted. (Note: Adidas only started production at this facility 3 months prior to IEM.)                      | Management interview<br>Visual inspection                                                                                               | N/A                                                                       |                                                                        |
| <b>2. Forced Labor</b>                                                                                                                                                                                                                                                                                                                                 |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.                                                                                                                                                                                                                           |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| F.2 Freedom in Employment                                                                                                                                                                                                                                                                                                                              | Risk of noncompliance | Procedures for workers to resign are too complex, requiring many signatures and government certifications, resulting in many workers leaving without proper notification. | Worker interview<br>Record review<br>Management interview                                                                               |                                                                           |                                                                        |
| <b>3. Child Labor</b>                                                                                                                                                                                                                                                                                                                                  |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.                                                                                                            |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| CL.4 Other Means of Age Verification                                                                                                                                                                                                                                                                                                                   | Risk of noncompliance | Lack of written policies & procedures on child labor and age verification. But no cases of underage workers seen.                                                         | Management interview<br>Record review                                                                                                   | N/A                                                                       |                                                                        |
| <b>4. Harassment or Abuse</b>                                                                                                                                                                                                                                                                                                                          |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |
| Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.                                                                                                                                                                                             |                       |                                                                                                                                                                           |                                                                                                                                         |                                                                           |                                                                        |

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| H&A.5 Discipline/Written Disciplinary System                                                                                                                                                                                                                                                    | Noncompliance         | Factory labor regulations submitted to local authorities for registration May 10, 2004; local authorities required some revisions on discipline. Management failed to prove they have been revised as required. Factory practices do not comply with legal procedures: some workers disciplined for issues not written in regulations. | Management interview<br>Record review                     | <b>Article 87 of the Labor Code</b>                                              |  |
| H&A.7 Discipline/Training of Management                                                                                                                                                                                                                                                         | Noncompliance         | Managers and supervisors not trained on disciplinary policy and procedures.                                                                                                                                                                                                                                                            | Record review                                             | N/A                                                                              |  |
| Other                                                                                                                                                                                                                                                                                           | Noncompliance         | Discipline decisions were posted in public to shame workers.                                                                                                                                                                                                                                                                           | Management interview<br>Record review                     |                                                                                  |  |
| <b>5. Non-Discrimination</b>                                                                                                                                                                                                                                                                    |                       |                                                                                                                                                                                                                                                                                                                                        |                                                           |                                                                                  |  |
| No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin. |                       |                                                                                                                                                                                                                                                                                                                                        |                                                           |                                                                                  |  |
| <b>6. Health and Safety</b>                                                                                                                                                                                                                                                                     |                       |                                                                                                                                                                                                                                                                                                                                        |                                                           |                                                                                  |  |
| Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.                                                                 |                       |                                                                                                                                                                                                                                                                                                                                        |                                                           |                                                                                  |  |
| H&S.4 Worker Consultation                                                                                                                                                                                                                                                                       | Noncompliance         | No Safety Committee exists.                                                                                                                                                                                                                                                                                                            | Record review                                             | <b>Joint Circular No. 14/1998/TTLT/BYT-BLDTBXH-TLDDVN dated October 31, 1998</b> |  |
| H&S.6 Communication to Workers                                                                                                                                                                                                                                                                  | Risk of noncompliance | Training/communication on Health and safety reportedly conducted by line supervisors, but without any written materials or adequate records.                                                                                                                                                                                           | Management interview<br>Record review<br>Worker interview | N/A                                                                              |  |
| H&S.8 Permits and Certificates                                                                                                                                                                                                                                                                  | Noncompliance         | Fire plan has not been fully approved for the current factory location.                                                                                                                                                                                                                                                                | Record review                                             | N/A                                                                              |  |
| H&S.9 Evacuation Requirements and Procedure                                                                                                                                                                                                                                                     | Noncompliance         | 1) Alarm system is reportedly tested monthly, but without records.<br>2) Several exit doors lack signs and emergency lighting.<br>3) Fire escape at back of main building not level and shows rust. It should be checked for safety and repaired or replaced.<br>4) Flammable materials stored under the exit stairs.                  | Visual inspection                                         | N/A                                                                              |  |
| H&S.10 Safety Equipment and First Aid Training                                                                                                                                                                                                                                                  | Noncompliance         | Some first aid kits not fully stocked and contained expired items.                                                                                                                                                                                                                                                                     | Visual inspection                                         | N/A                                                                              |  |

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| H&S.11 Personal Protective Equipment                           | Noncompliance | PPE for chemical use and hearing protection not worn correctly and consistently. Signs not posted in areas where PPE required.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Visual inspection |     |  |
| H&S.13 Chemical Management and Training                        | Noncompliance | 1) Factory lacks proper system for safe handling and use of chemicals, including MSDS, PPE, chemical labels and warnings, exhaust ventilation, and safety training for workers who use chemicals.<br>2) Chemicals storage/mixing room lacks secondary containment, proper exhaust ventilation, eyewash and equipment for safe chemical handling.                                                                                                                                                                                                                                                                                                                                                      | Visual inspection |     |  |
| H&S.14 Material Safety Data Sheets/Worker Access and Awareness | Noncompliance | Many chemicals lack MSDS. MSDS are kept in office but not posted in production.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Visual inspection | N/A |  |
| H&S.18 Machinery Maintenance and Worker Training               | Noncompliance | 1) Machine safety and guarding needs review and improvement. Many machines are old and safety procedures and training have not been documented.<br>2) Observed machines with emergency stop blocked/obstructed by workers. i.e.. hanging masks over stop button.                                                                                                                                                                                                                                                                                                                                                                                                                                      | Visual inspection |     |  |
| H&S.20 Bodily Strain                                           | Noncompliance | Workers lack proper seating for safe and ergonomic work.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Visual inspection | N/A |  |
| H&S.24 Toilets/Restrictions                                    | Noncompliance | Toilets were locked in some areas (not all) restricting workers' free access.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Visual inspection | N/A |  |
| H&S.26 Drinking Water                                          | Noncompliance | Drinking water has not been tested for hygiene/safety.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Record review     | N/A |  |
| Other                                                          | Noncompliance | 1) Factory should review building loading to ensure structural safety and integrity of building. Weight and vibration of machines on upper floors may pose risk to structure & occupants.<br>2) Mezzanines which have been added in some areas visibly unsafe and should be removed.<br>3) Warehouse materials/products are stacked too high; workers lack proper training and equipment for lifting and moving materials.<br>4) Government internal environment tests conducted September 28 reported need for improvement in some areas, including lighting, noise, & ventilation.<br>5) Certification of training on food hygiene and safety for canteen workers not obtained and kept by factory. | Visual inspection |     |  |
| <b>7. Freedom of Association and Collective Bargaining</b>     |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |     |  |

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| Employers will recognize and respect the right of employees to freedom of association and collective bargaining.                                                                                                                                                                                                                                                                                                                                                           |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| FOA.1 General Compliance Freedom of Association                                                                                                                                                                                                                                                                                                                                                                                                                            | Noncompliance         | CBA has not been registered with government authorities.                                                                                                                                                                                                       |                                                           |                                     |  |
| FOA.26 Grievance Procedure                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Noncompliance         | Suggestion box/grievance system is under development. Boxes removed for maintenance. Grievance procedures not written, posted & communicated to workers. Several letters were received without adequate documentation of handling or feedback from management. |                                                           | N/A                                 |  |
| <b>8. Hours of Work</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| 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. |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| HOW.1 General Compliance Hours of Work                                                                                                                                                                                                                                                                                                                                                                                                                                     | Noncompliance         | OT in excess of code and local law. Some cases (10-12%) of workers worked over 12 hours OT per week from October to December 2007.                                                                                                                             | Worker interview<br>Record review<br>Management interview |                                     |  |
| HOW.2 Rest Day                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Noncompliance         | Workers worked 1-3 Sundays a month from June to August without compensating day off. They worked 1 Sunday/month from September to November with compensating day off provided within 7 day period as per law.                                                  | Worker interview<br>Record review<br>Management interview |                                     |  |
| HOW.11 Extraordinary Business Circumstance/Forced Overtime                                                                                                                                                                                                                                                                                                                                                                                                                 | Risk of noncompliance | Voluntary OT system was monthly. This is being changed to a daily sign-up system, which should meet FLA standards when completed.                                                                                                                              | Management interview<br>Record review                     | N/A                                 |  |
| <b>9. Wages, Benefits and Overtime Compensation</b>                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| <b>WAGES AND BENEFITS:</b> Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.                                                                                                                                                                      |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| <b>OVERTIME COMPENSATION:</b> In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.                                                                                                                           |                       |                                                                                                                                                                                                                                                                |                                                           |                                     |  |
| WBOT.1 General Compliance Wages, Benefits and Overtime Compensation                                                                                                                                                                                                                                                                                                                                                                                                        | Noncompliance         | Wage scale has not been registered with local authorities.                                                                                                                                                                                                     | Management interview<br>Record review                     | <b>Article 57 of the Labor Code</b> |  |

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| WBOT.10 Premium/Overtime Compensation                                                            | Noncompliance | OT not properly compensated: workers worked OT on Sunday (September 9) due to "business needs" and paid 100%. Compensating day off was provided September 15 without pay, not according to law. | Worker interview<br>Record review | N/A |  |
| Other                                                                                            | Noncompliance | Workers absent due to labor accidents were penalized with deductions from their Performance Bonus.                                                                                              | Worker interview<br>Record review |     |  |
| <b>10. Miscellaneous</b>                                                                         |               |                                                                                                                                                                                                 |                                   |     |  |
| Subcontracting, homework and other issues not covered by above benchmarks and code requirements. |               |                                                                                                                                                                                                 |                                   |     |  |