

*The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.*

### **What is a Tracking Chart?**

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

### **What a Tracking Chart is NOT -**

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

**Note on Language**

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

**Instructions for Printing**

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

<b>FLA Audit Profile</b>	
<b>Country</b>	China
<b>Factory name</b>	010015352E
<b>IEM</b>	A.L.G.I.
<b>Date(s) in facility</b>	August 7-8, 2006
<b>PC(s)</b>	adidas AG
<b>Number of workers</b>	41
<b>Production processes</b>	Swimming goggles and caps
	Rolling, pressing, printing, talcum-powdering, trimming, inspection, packing, injection, anti-fog, assembly

September 2007: In 2006, the adidas Group created and delivered a remediation plan to this factory in order to address the issues found during the original IEM visit. Yet, in 2007 this facility was deactivated by this PC's sourcing units due to production related issues. As a result, adidas' compliance team was unable to ensure a successful completion of the remediation plan.

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings				Remediation				Status	Updates		Third-Party Verification	Company Verification	Follow up		
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date		Company follow up (Cite date of follow up)	Documentation				Completed, Pending, On-going	Company Follow up (May 2007)
<b>1. Code Awareness</b>																		
Confidential non-compliance reporting channel		<b>FLA Principle of Monitoring, Obligation of Companies:</b> 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 non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	adidas has not established a confidential non-compliance reporting mechanism in the factory for workers to report complaints.					Factory tour and employee interviews		SEA Team provides workers with contact information via business cards during workers' interviews. Contact information provided to workers include monitor's phone number, address, and e-mail contact.	9/8/2006			Completed and on-going	adidas has looked for more efficient ways to communicate the Workplace Standard to workers and to factory managers. The PC's compliance team considers that there are better methods for communicating company expectations about workplace labour conditions and health and safety to all suppliers' workforce. As a result, it has drafted an "Open Letter to Workers" and has required factory management to post it in accessible areas for workers to read. This letter will be provided to all suppliers in Asia by June 2006. The Letter contains three effective ways of contacting the PC's compliance team by including the office telephone contact of the local SEA manager/person, the local office address if available, and e-mail address (Worker.Hotline@adidas-Group.com) where workers can file a complaint or complain.	Open Letter to Workers will be provided to all suppliers by June 2006.		
<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.																		
<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.																		
Policy		In those cases where proof of age documentation is not readily available, employers will take precautions to ensure that all workers are at least the minimum working age, including medical or religious records, or other means considered reliable in the local context.	Facility has not adopted a policy for age verification.					Documentation review and management interview		1) Factory management must draft a policy that includes the proper steps to verify the age of all prospective workers. Original ID cards should be cross-referenced against other documents and checked for "forges/invalid" changes to birth dates. 2) Employee records, in particular age/ID documents (e.g. a photocopy of worker I.D. cards) must be maintained in each worker's file. 3) Training on the recruitment policy, child labor and juvenile labor must be "socialized" within the factory – provide copies of the policies and rules to all HR/personnel staff and supervisors.	9/15/2006			1-3) Completed	1-2) Factory has established child labour policy, which contains age verification procedures. Copy of workers' ID is filed in workers' personal files. 3) As indicated by the factory the training of labour policy (and adidas code of conduct has been conducted and provided to all workers.	Child labor policy		
<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 or abuse.																		
<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.																		
Policy			Factory has not adopted a written policy or procedure related to prohibition of discrimination.					Documentation review and employee interview		1) HR/personnel to work with management in the development of non-discrimination policies. Policies must be endorsed by management and published. 2) Training on factory policies and workplace rules must be "socialized" within the factory – provide/post copies of the policies and rules and conduct orientation for new workers and training for exiting workers on the content of the policies and rules.	9/15/2006			1-2) Completed	1) Factory has established non-discrimination policies, and posted on public site. 2) As indicated by factory the relevant training of labour policy and adidas code of conduct has been provided to all workers, including the section on non-discrimination.	Non-discrimination policy		
<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																		
<b>7. Freedom of Association and Collective Bargaining</b>																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																		
Freedom of Association: FLA Comment		<b>FLA Comment:</b> The Chinese constitution guarantees Freedom of Association. However, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (AFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms.																
		The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.																

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					Evidence of Non-compliance (un corroborated)	If not corroborated, explain why	Sources/Documents used for corroborating	Notable Features implemented by Factory Management or Company	PC Remediation plan	Target Completion Date	Company follow up (Cite date of follow up)	Documentation		Company Follow up (May 2007)	Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation
Policy				Facility has not adopted a written policy or procedures on freedom of association.					1) HR/personnel staff to work with management in the development of freedom of association policies. Policies must be endorsed by management and published. 2) Training on factory policies and workplace rules must be "socialized" within the factory – provide/post copies of the policies and rules and conduct orientation for new workers and training for exiting workers on the content of the policies and rules. 3) The factory management must also develop its own efficient systems of direct worker-management contact to improve communication with workers. Institute systems which do this, such as worker committees, newsletters or magazines to which workers contribute, monthly meetings with management, etc.  4) There are some possible communication channels to be referenced to enhance communication function: workers' committees, grievance procedures, regularly scheduled meetings, on-going job development and training, job evaluations, suggestion boxes, factory newsletters/magazines, social activities, suggestion boxes, management reports important business decisions or problems to the union, e.g. lay-offs; production problems.	10/12/2006			1-4) Completed and on-going	1) Factory has established FOA policy. 2) As reported by factory management, the training on labour policy and addidas code of conduct has been conducted and provided to all workers, including, principle of FOA. 3-4) The factory has adopted an open door policy so all workers can direct any issue or questions to factory management and owner; also suggestion boxes are installed in various areas and where workers can send letters to management. There are also ongoing meetings held between management/supervisors and workers.	FOA policy				

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<b>8. 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>9. 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																		
<b>10. 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.																		
<b>Miscellaneous</b>																		
Illegal subcontracting				There is no mention of need to follow the adidas Code of Conduct in any of the subcontracting contracts. It was observed that in the contracts with subcontractors, there are no items stating one rest day, maximum hours of work, minimum wage and OT payments, minimum age and health and safety requirements.		Documentation review and management interview	1) Factory management must communicate adidas' Code of Conduct (Standard of Engagement-SoE) to Subcontractors and Service Providers. As required by adidas' Sustainable Compliance Guideline, all business partners should have communicated the adidas Code of Conduct to their suppliers, material suppliers, subcontractors and other business partners. 2) At a minimum, business partners must obtain written confirmation from such parties that they will comply with the adidas Code of Conduct, and the business partner must maintain a database to track supplier/vendor information. 3) In addition, factory management must conduct periodic monitoring exercises to ensure that all subcontractors and providers are in compliance with adidas' SoE and local law.	9/19/2006		Factory created its internal code of conduct policy which includes the fundamental principle of adidas COD, those COD have been reviewed and accepted by all subcontractors (5 suppliers).	1-2) Completed 3) Pending	1) Per supplier's update in May, the factory has communicated the adidas COD (Workplace Standards, formally called SOE) to its five sub-contractors. The factory has received written confirmation forms from all of their subcontractors.						