



ADIDAS-SALOMON  
ASSESSMENT FOR ACCREDITATION

May 2005

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## INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies, and is reevaluated every three years.

The FLA Board of Directors voted to approve the accreditation of the adidas-Salomon compliance program on May 12, 2005, based on proven adherence to FLA's Workplace Code of Conduct and the Obligations of Companies. Details on FLA's accreditation methodology can be found at [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation). adidas-Salomon was discontinued as the corporate identification in 2006, and the company is currently affiliated with the FLA as the adidas Group.

## ADIDAS-SALOMON'S LABOR COMPLIANCE PROGRAM

### History with the FLA

adidas-Salomon was approved as a FLA Participating Company in 2001. The former Global Director of Social & Environmental Affairs served on the FLA Board of Directors from January 2001 to June 2002 before being replaced by the current Head of Social & Environmental Affairs, Region Americas. adidas-Salomon has attended FLA Board and Monitoring Committee Meetings throughout its implementation period.

### Program Overview

The adidas-Salomon Standards of Engagement (SOE), the Company's Code of Conduct, includes benchmarks for labor and health, safety and environment. The global Social & Environmental Affairs (SEA) department consists of 32 individuals, and is organized into three regional teams (please refer to the description of the monitoring team below). Pre-production audits are conducted prior to placing product with new suppliers. In addition, any zero-tolerance issues must be remediated before sourcing is approved by SEA. A 5-Star rating system is used to evaluate the conditions in each factory, and future sourcing decisions rely on this system.

The Annual Consolidated Revenue FY2004 totaled €6,478 billion, of which 37% was generated from footwear products, 53% from apparel, and 10% from hardware (accessories and gear). adidas-Salomon works with more than 800 independent suppliers worldwide, manufacturing in 65 countries (60% Asia, 20% Americas, 20% Europe and Africa). adidas-Salomon has licensing agreements with 19 companies that source from 136 suppliers in 24 countries.

## Monitoring Team

There are 32 full-time staff members in the SEA department, working from three geographic regions: 22 full-time staff located in Asia, 7 in Europe, and 3 in the Americas. Below the Global Director of SEA are three regional heads and then respective regional field staff. The Global Director reports to Global Legal Counsel.

## Internal Audit at Headquarters

FLA staff visited the SEA Regional Office of adidas-Salomon in Portland, Oregon. The visit to adidas-Salomon included interviews with the Head of Social & Environmental Affairs, Region Americas, the Social & Environmental Affairs Manager, Region Americas, and raw materials sourcing personnel. In addition, adidas-Salomon provided access to the e-room and data storage area. FLA was given all requested documentation, either during the meeting or by email afterwards.

FLA visited the SEA Regional Office in Bangkok, Thailand. The visit included one-on-one interviews with the SEA manager and a sourcing staff member. FLA reviewed documentation and conducted a database review with adidas-Salomon providing full transparency. FLA also observed a supplier training in Thailand on the topic of health and safety.

Independent External Monitoring and Verification visits: During adidas-Salomon's implementation period, there were 42 IEM visits in Year One, 13 in Year Two, and 12 in Year Three.

Observations of Audits: FLA observed two audits and capacity building/coaching sessions in apparel factories in Mexico and one pre-production audit of an equipment factory in China.

Telephone Interviews: FLA staff conducted an interview with an adidas-Salomon SEA representative in Istanbul, Turkey.

Profile of adidas-Salomon's FLA applicable facilities during the implementation period<sup>1</sup>:

ADIDAS-SALOMON APPLICABLE FACILITIES AND IEMS, 2002-2004						
COUNTRY	2002	2002 IEM Count	2003	2003 IEM Count	2004	2004 IEM Count
Albania	2		2		2	
Bosnia Herzegovina	1		1		1	
Brazil	1		1			
Bulgaria	6		10		5	
Cambodia	3		3		4	
Canada	4		4		1	
China	68	12	76	2	59	2
Columbia	1		1		1	
Croatia	1		1		1	
El Salvador	6	4	9		10	1
Germany	6		6		5	
Greece	2		3		3	
Guatemala				1		
Honduras	6		7	1	2	1
Hong Kong	4		4		3	
Hungary	1		1			
India	1		1			
Indonesia	25	6	25	1	21	1
Ireland	1		1		1	
Italy	11		13		5	
Japan	3		1		1	
Korea	3		3		1	
Lao P.D.R	3		3		2	
Macau	2		2			
Macedonia	2		3		3	
Malaysia	16	3	16	1	7	
Mauritius	1		1			
Mexico	17	4	31	1	5	1
Morocco	2		3		1	
Pakistan	5		5	1	2	
Peru	1		1			
Philippines	5	2	6		6	
Poland	1		1		1	
Portugal	37	3	41		28	
Singapore	6		6		5	

<sup>1</sup> In Year One of FLA monitoring the IEM quota was 10%. It was reduced to 5% from Year Two onwards. That change, and the general trend towards consolidation in supply chains, explains the reduction in the numbers of IEMs over the course of the implementation period.

ADIDAS-SALOMON APPLICABLE FACILITIES AND IEMS, 2002-2004						
COUNTRY	2002	2002 IEM Count	2003	2003 IEM Count	2004	2004 IEM Count
Spain	2		2		1	
Sri Lanka	2		2		14	
Taiwan R.O.C.	21	1	21		20	
Thailand	21	2	24	2	10	2
Tunisia	11		11		20	
Turkey	26	3	30		2	
UK	10		10		2	
Ukraine	2		2		10	
USA	15		15		19	
Vietnam	25	2	27	3	1	1
<b>Total</b>	<b>389</b>	<b>42</b>	<b>436</b>	<b>13</b>	<b>285</b>	<b>9</b>

## **ANALYSIS OF ADIDAS-SALOMON'S LABOR COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS**

This section presents a detailed report of the efforts adidas-Salomon has made to meet FLA commitments as outlined in the FLA Charter and approved by the Board on the recommendation of the Evaluation Working Group. The obligations and corresponding benchmarks are listed below. Each benchmark is followed by examples of the actions adidas-Salomon has taken to fulfill each obligation and examples of the due diligence the FLA staff has undertaken to verify that the commitment has been met.

### **I. ADOPTS AND COMMUNICATES A CODE**

#### **1.1 Formally adopts a code that meets or exceeds FLA standards**

Actions Taken:

adidas-Salomon adopted the Standards of Engagement (SOE) Code of Conduct in 1997 and updated it in 2001.

Verification by FLA:

The adidas-Salomon SOE is posted on the company website.

#### **1.2 Informs all suppliers in writing**

Actions Taken:

adidas-Salomon informs its suppliers annually about their SOE via a letter and guidelines, which include Employment Guidelines, Health, Safety & Environment Guidelines, Guide to Best Environmental Practice and the SOE Poster.

Verification by FLA:

These documents were reviewed by the FLA and are available at FLA office headquarters.

#### **1.3 Posts the code in a prominent place in supplier facilities in the local languages of workers and managers**

Actions Taken:

adidas-Salomon requires factories to post the SOE in relevant locations in factories (lunch areas primarily).

Verification by FLA:

The FLA verified that the SOE is posted in multiple languages. FLA observed the SOE posted during factory visits in Mexico, China and Thailand.

#### **1.4 Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover)**

Actions Taken:

adidas-Salomon requests factories to inform workers of the SOE during orientation. The SEA team conducts training on SOE for suppliers as well as for internal departments within adidas-Salomon.

Workers are also informed of the SOE by way of other company initiatives. In order to check on the status of worker knowledge about the SOE, adidas-Salomon conducted two worker dialogue initiatives in Central America facilitated by two local non-governmental organizations.

Verification by FLA:

The FLA confirms that adidas-Salomon informs suppliers about the standards so the suppliers can then inform workers. In Mexico, the FLA observed a capacity-building session in which adidas-Salomon reinforced the importance of educating workers on Code awareness. FLA also observed adidas-Salomon monitors in one region check on Code awareness through worker interviews during a factory audit.

The FLA reviewed summaries of consultations in which adidas-Salomon engaged with two local non-governmental organizations in two countries to confirm workers' understanding of the Code of Conduct and of certain Code elements, such as Freedom of Association.

**1.5 Obtain written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards**

Actions Taken:

The adidas-Salomon SOE is specifically referred to in the supplier agreement. Suppliers are required to sign a manufacturer's agreement committing to comply with the standards in order to engage in business with the company.

Verification by FLA:

A copy of the supplier agreement is on file with the FLA.

**2. TRAINS INTERNAL COMPLIANCE STAFF**

**2.1 Identifies the staff or service provider responsible for implementing their compliance program**

Actions Taken:

The adidas-Salomon SEA team consists of 32 full-time and 5 part-time employees from three geographic regions.

Three external groups were contracted in 2004 to augment Code trainings and monitoring efforts. Two of these groups monitored and trained non-FLA-applicable facilities.

Quality Control, Production Staff, and Continuous Improvement Staff (Lean) dedicate 15% of their time to compliance.

Verification by FLA:

A full compliance organizational chart is available at FLA headquarters. FLA has visited adidas-Salomon SEA offices in four countries where compliance staff is located.

FLA reviewed reports of audits conducted by the two external monitoring organizations. Copies are on file at FLA headquarters.

Through interviews with raw materials staff, FLA confirmed that production is involved in SEA activities and that action plans were followed up on by production staff.



## 2.2 Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing and remediating

### Actions Taken:

adidas-Salomon provides internal monitors with technical manuals on health, safety and the environment.

New SEA managers are accompanied by regional SEA Heads for on-the-job training and to ensure consistent monitoring methodology.

### Verification by FLA:

The FLA confirmed with a SEA staff member in Asia that training was provided on health and safety with a particular emphasis on chemical management and health and safety committees.

During an interview with the FLA, one SEA Manager confirmed accompanying two senior auditors for several months to learn different auditing techniques. When she first started, she received a variety of training materials, including the SOE Handbook and material on how to conduct an audit and worker interviews. She learned labor laws through independent research and had just completed a health, safety and environmental training with an adidas-Salomon expert.

The FLA accompanied Americas and Asia SEA members on audits and confirmed that a consistent monitoring approach was utilized.

## 2.3 Updates that training at regular intervals

### Actions Taken:

The primary ongoing training for the SEA team is via the company's annual meeting. In 2004, the focus of the annual meeting training was on Strategic Monitoring.

SEA members are regularly trained on Health and Safety, Strategic Monitoring, and Lean Manufacturing.

Various trainings are conducted to improve monitoring skills, such as training on social auditing techniques.

The SEA team conducts training on SOE for internal company departments.

### Verification by FLA:

The FLA confirmed that a team meeting took place in Macau and was focused on Strategic Monitoring. Additionally, FLA verified that a Strategic Monitoring 4-day workshop was held in Thailand and that a pilot project utilizing Strategic Monitoring techniques has been initiated. FLA conducted two phone interviews with adidas-Salomon staff in Asia and Europe who confirmed that trainings were held in both regions.

Through interviews with SEA staff from different regions, the FLA confirmed trainings for SEA members on Health & Safety, Strategic Monitoring and Lean implementation. Documentation of Health and Safety trainings are on file at FLA headquarters.

[Consultant] confirmed that she conducted trainings on social auditing techniques.

Through an interview with a sourcing staff member in one region, the FLA confirmed that training had been conducted by the local SEA manager. FLA confirmed that sourcing staff in another region are given regular trainings on local labor law and adidas-Salomon standards.

### 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

#### 3.1 Encourages the establishment of grievance procedures at supplier facilities

Actions Taken:

Adidas-Salomon encourages the development of worker-management communication through trainings on grievance systems for both factory management and workers. These efforts include training on Freedom of Association in Central America by a non-governmental organization.

The company's Employment Audit Tool includes a question regarding the existence of a grievance procedure.

There is a program to establish health, safety, and environmental committees in factories as part of establishing a grievance channel.

Verification by FLA:

FLA has reviewed a schedule of trainings, including trainings on worker-management communication in at least three countries. A copy of the proposal for the Freedom of Association training, and a summary of its results are available at FLA headquarters.

FLA was provided with a copy of the audit tool and confirms that the factory rating includes the existence of a grievance procedure.

An interview with a SEA representative in one region confirmed that grievance procedures are encouraged via both welfare committees and, more recently, through establishing health and safety committees in factories.

#### 3.2 Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted

Actions Taken:

Business cards are provided to workers during worker interviews. In certain instances, workers are given the numbers of local staff based in the country (Quality Control or Production staff) in an attempt to provide a local contact number.

According to the 2004 annual report submitted to the FLA, labor rights groups and workers approached adidas-Salomon directly on more than 100 occasions.

Verification by FLA:

The FLA noted that there is a system in place for workers to contact adidas-Salomon staff. There were, however, some regional inconsistencies noted in the implementation of this policy. The FLA observed auditors in one region provide business cards to workers during interviews, while in another region the FLA observed that business cards are provided to employees when deemed necessary. In a third region, in a location where there is no SEA staff, the contact numbers for a Quality Control Manager, based in that country, is provided. The Quality Control Manager is instructed to report any calls to the SEA team member in that region.

The FLA spoke with an SEA auditor in one region who had received worker complaints via phone calls but did not document or track the phone calls received. Another SEA Manager in a different region had not yet been contacted by workers through the company communication channel.

#### 3.3 Ensures the channel is secure, so workers are not punished or prejudiced for using it

Actions Taken:

By using contact numbers going directly to adidas-Salomon staff, the company is trying to ensure workers have a secure channel through which to lodge complaints.

The company has been participating in workshops and conducting research into improving their complaints and redress systems.

Verification by FLA:

FLA confirms that, when business cards are handed out, the phone numbers that are provided are direct lines to the adidas-Salomon appointed contact.

Documentation of the workshops and studies are on file at FLA headquarters.

## 4. CONDUCTS INTERNAL MONITORING

### 4.1 Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards

Actions Taken:

According to the 2004 annual report, SEA staff conducted 954 audits. This included 154 in the Americas, 512 in Asia and 288 in Europe.

Factories to be audited were selected through a point-based risk-assessment, which considered factors such as country profile, delivery and effectiveness of remediation, date of last audit, and issuance of warnings.

adidas-Salomon audits consist of management interviews, worker interviews, factory walkthroughs and records review.

Verification by FLA:

An FLA review of the adidas-Salomon database and internal reports demonstrated that the company monitored an appropriate sample of factories, with a particular emphasis on high-risk factories.

The FLA confirmed that adidas-Salomon is using a risk-based model to prioritize factory audits through review of the risk-assessment process.

FLA accompanied two internal audits (in China and Mexico) and confirmed that in both cases, monitors conducted management and worker interviews, records review, and occupational safety and health reviews.

### 4.2 Collects, verifies and quantifies compliance with workplace standards

Actions Taken:

adidas-Salomon uses a database in Asia/Europe and an e-room in the Americas to collect and assess compliance with workplace standards.

The adidas-Salomon Strategic Monitoring tool is used to collect compliance information and seeks to identify root causes through monitoring with a focus on evaluating Human Resources and Health, Safety and Environmental systems, cross-checking, and flow-charting of management systems.

Verification by FLA:

FLA confirmed that SEA utilizes an e-room and data storage area at the SEA Americas Regional Office. A factory's audit history can be captured. Each monitor also has his/her own file to store supporting documents.

At the SEA Regional Office in Thailand, the FLA verified that the SEIS database system is in place as of Quarter 3 2004 and it is used to collect and track compliance data.

FLA has reviewed the adidas-Salomon audit instrument and audit tools and has accompanied auditors on visits in various regions.

#### 4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

##### Actions Taken:

Audit reports are analyzed in an attempt to identify the root causes of noncompliances. Remediation plans are implemented in response to the findings identified and analysis conducted.

##### Verification by FLA:

During the regional office and field visits, FLA reviewed audit reports and corrective action plans and confirmed that remediation plans are based on an analysis of monitoring results, including a determination of root causes.

#### 4.4 Tracks the progress of remediation

##### Actions Taken:

adidas-Salomon uses the e-room and database to maintain documentation of compliance history, including a list of noncompliances, remedial actions and the progress of remediation taken by each factory.

adidas-Salomon audit reports and remediation plans are stored in the database or e-room. The manager reviews compliance reports and follows up with factories on the status of remediation (either through a visit or via email) and will update the corrective action plans accordingly.

The SEA manager is required to scan and send documents to the regional offices every one to three months so they can track what has occurred in each contract factory from a remediation perspective.

Sourcing staff is also asked to update SEA staff on remediation progress.

##### Verification by FLA:

FLA reviewed factory reports that reflect the history of noncompliances, remedial actions and progress updates at the adidas-Salomon SEA regional offices. An FLA review of the database at a field office revealed that the action plans track the progress of remediation. These are updated after monitors conduct follow-up visits.

FLA reviewed email correspondence between a factory and the SEA manager verifying the status of remediation.

FLA can confirm that in the case of IEM remediation, progress updates are received on a regular basis.

Sourcing staff has access to the Americas e-room and can view audit results on a read-only basis. Interviews during the regional office visit indicated that quality and sourcing staff ask for updates on remediation during factory visits and will report back potential noncompliances to compliance staff.

### 5. SUBMITS TO INDEPENDENT EXTERNAL MONITORING

#### 5.1 Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters, etc.

##### Actions Taken:

adidas-Salomon submits factory lists and all other information necessary for the IEM process.

##### Verification by FLA:

The FLA confirms the timely submission of supplier lists, access letters and any other necessary information.

#### 5.2 Ensures that the suppliers selected for IEMs cooperate with the FLA monitors

##### Actions Taken:

adidas-Salomon sends copies of the FLA access letter to factories to inform them of a potential IEM and alerts them to the identification and access letter the monitor will carry.

Verification by FLA:

The FLA reviewed an access letter sent to a factory asking for cooperation with FLA IEMs and confirms the company's cooperation in IEM audits.

The FLA confirms that there were no instances of aborted IEMs in which factory management refused to cooperate with FLA accredited monitors.

### 5.3 Cooperates with FLA requests for information, clarification and follow-up in the IEM process

Actions Taken:

adidas-Salomon submits information, clarification and updates to the FLA.

Verification by FLA:

adidas-Salomon has submitted information and clarification to the FLA upon request and has proactively provided updates to their IEMs.

adidas-Salomon is the only Participating Company to provide systematic updates to pending IEM tracking charts.

## 6. COLLECTS AND MANAGES COMPLIANCE INFORMATION

### 6.1 Maintains a database

Actions Taken:

adidas-Salomon has implemented a database in Asia. For regions where the database is not fully functional, an e-room platform is used, which acts as a repository of files, including audit reports, action plans and country profiles.

Verification by FLA:

The FLA had access to the e-room, which maintains reports and remediation plans. At another SEA regional office, the FLA representative verified that the database has been functioning since mid-2004 and contains updated information.

### 6.2 Generates up-to-date lists of suppliers when required

Actions Taken:

adidas-Salomon uses the database in Asia and the e-room and data storage area in the Americas/Europe to provide the FLA with updated supplier lists and internal reports as needed.

Verification by FLA:

The FLA confirms the receipt of accurate factory lists submitted in a timely manner.

### 6.3 Analyzes compliance findings

Actions Taken:

adidas-Salomon analyzes compliance findings by factory to determine their rating, risk profile and remediation priorities.

Verification by FLA:

FLA reviewed the profiling and rating systems and confirmed that compliance findings are analyzed to determine a factory rating.

## 6.4 Reports to the FLA on those activities

### Actions Taken:

adidas-Salomon is the only Participating Company to provide systematic updates to the FLA about remediation progress on IEMs.

### Verification by FLA:

The FLA confirms receipt of updates, which are on file at FLA headquarters.

## 7. REMEDIATES IN A TIMELY MANNER

### 7.1 Upon receiving the internal and independent external monitoring reports, contacts the supplier concerned (within a reasonable timeframe) to agree to a remediation plan that addresses all compliance issues identified by the monitor

#### Actions Taken:

After an audit, adidas-Salomon contacts the supplier and uses the health and safety action plan and the labor action plan to develop a remediation plan.

#### Verification by FLA:

The FLA has reviewed time-bound remediation plans developed between the factory and company. The FLA has also reviewed correspondence between an adidas-Salomon monitor and the factory discussing noncompliances and development of a remediation plan. The FLA also confirmed that this process takes place through discussions with a factory manager.

### 7.2 Implements a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances

#### Actions Taken:

The company's remediation plans aim to be both corrective and preventative.

#### Verification by FLA:

FLA has reviewed various IEM tracking charts in which adidas-Salomon has presented a corrective and preventative remediation plan. In one country, the FLA observed the action plan and supporting documents for an internal audit. The documents demonstrated that the corrective action plan attempted to address remediation at the root cause and aimed to prevent recurrence. In addition, an interview with a factory manager at a different adidas-Salomon contract factory in the same country also corroborated this process. The FLA verified that an SEA auditor provided detailed suggestions for possible remediation during the closing meeting of a pre-production audit in a factory in another region.

### 7.3 Within sixty (60) days, supplies the FLA with the remediation plan citing all progress made and a timeline for outstanding items

#### Actions Taken:

adidas-Salomon aims to provide the FLA with a remediation within 60 days of finalizing the report.

#### Verification by FLA:

The FLA confirmed the timely submission of remediation plans during the company's three-year implementation period.

## 7.4 Confirms the completion of remediation

### Actions Taken:

SEA staff confirms completion of remediation through the collection of documents, photographs and/or follow-up visits.

### Verification by FLA:

The FLA confirmed the timely submission of remediation plans during the company's three-year implementation period.

## 7.5 Conditions future business with contractors and suppliers upon compliance standards

### Actions Taken:

The 5-Star rating system is used to rank a factory and to condition future business depending on the remediation progress.

New suppliers do not receive orders if there are egregious noncompliances identified during pre-production audits.

### Verification by FLA:

FLA has reviewed the rating system in two regional offices and can confirm that a system is in place to condition future business.

FLA shadowed a pre-production audit in China and witnessed the company communicate to the vendor that they would return in 3 months and until that time, the factory would not be approved for sourcing.

## 8. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE

### 8.1 Analyzes compliance information to identify persistent and/or serious forms of noncompliance

#### Actions Taken:

adidas-Salomon analyzes compliance information through a variety of perspectives, including factory ratings, audit findings, stakeholder dialogues, and studies commissioned by third-parties to identify persistent and/or serious forms of noncompliance. The company includes examples of persistent and/or serious forms of noncompliances they have identified in their annual report to the FLA.

#### Verification by FLA:

FLA has reviewed factory ratings, studies and compliance findings and meeting summaries of stakeholder dialogues. adidas-Salomon annual reports are on file at FLA headquarters.

### 8.2 Establishes and implements programs designed to prevent the major forms of such noncompliance

#### Actions Taken:

adidas-Salomon seeks to address major forms of noncompliance through participation in FLA projects, through training programs and other focused initiatives.

#### Verification by FLA:

FLA confirms the company's participation in projects. FLA has also reviewed documentation of training and reports from other initiatives.

### 8.3 Takes steps to prevent recurrence in other Applicable Facilities where such noncompliances may occur

#### Actions Taken:

adidas-Salomon creates opportunities that bring suppliers together to share best practices during supplier workshops and meetings.

#### Verification by FLA:

The FLA attended an adidas-Salomon supplier training which served as a forum for training and knowledge sharing. Factories shared best practices with one another. One example was a factory presented to other suppliers the factory's best practice in chemical management systems. FLA has also reviewed documentation on vendor trainings and capacity building sessions in 2004 provided by the company staff on environmental best practices and working hours to vendors in southern China.

## 9. CONSULTS WITH CIVIL SOCIETY

### 9.1 Maintains links to organizations of civil society involved in labor rights and utilize, where companies deem necessary, such local institutions to facilitate communication with Company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards

#### Actions Taken:

adidas-Salomon consults with civil society on a regular basis, particularly in countries with challenging compliance issues.

adidas-Salomon contracted with a non-governmental organization to provide Freedom of Association trainings in Central America in 2004.

#### Verification by FLA:

adidas-Salomon maintains links with civil society groups involved in labor rights. FLA verification involved

- 1) A review of records on consultations with civil society organizations,
- 2) Company annual reports,
- 3) On-site visits with company staff, and
- 4) IEM reports and reviews of internal monitoring reports.

The FLA has reviewed documentation of a proposal for the training and a summary of the results. Documentation is on file at FLA headquarters.

### 9.2 Consults periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate

#### Actions Taken:

The company keeps on file an up-to-date list of suppliers. The Compliance Manager is in regular communication with sourcing staff and is kept informed of any new factories that are being considered or withdrawals from factories.

#### Verification by FLA:

The company has a small sourcing base with infrequent changes to its factory list. The company is able to generate an up-to-date list of suppliers.



### 9.3 Analyzes compliance findings

#### Actions Taken:

adidas-Salomon consults with unions in all regions either on an individual basis or through multi-stakeholder forums that the company has organized in Central America, Europe and China.

One example of the company's interactions with local sources involves the collaborative capacity building project by adidas-Salomon and three other international brands, (two of which are FLA Participating Companies) with trade unions, workers and managers from Ministries of Labor and the Inspectorate of Labor. These stakeholders participated in a series of workshops with the intent of promoting worker-management communication practices.

#### Verification by FLA:

Documentation for all stakeholder forums including meeting minutes or summaries are on file at FLA headquarters.

An FLA interview with a SEA staff member in Europe confirmed participation in the project. The final project report was reviewed by FLA and is on file at FLA headquarters.

### 9.4 Assures the implementation of monitoring is consistent with applicable collective bargaining agreements

#### Actions Taken:

adidas-Salomon reviews collective bargaining agreements, where existing, as part of monitoring efforts and seeks to ensure implementation and remediation consistent with those agreements.

#### Verification by FLA:

FLA confirms that questions on collective bargaining are in the audit instrument and on the Employee Interview Questionnaire. The audits observed by FLA representatives were at factories that did not have independent trade unions.

## 10. PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS

### 10.1 Pays annual dues

#### Actions Taken:

adidas-Salomon has paid its annual dues to the FLA in a timely manner.

#### Verification by FLA:

Records are on file at FLA headquarters.

### 10.2 Pays IEM administrative and monitoring fees

#### Actions Taken:

adidas-Salomon has paid all appropriate IEM fees to the FLA in a timely manner.

#### Verification by FLA:

Records are on file at FLA headquarters.

### 10.3 Signs and honors required FLA contracts

#### Actions Taken:

adidas-Salomon signs, submits and honors the FLA contract.

#### Verification by FLA:

The FLA confirms the company's cooperation in signing the FLA Monitoring Services Agreement.

#### 10.4 Submits factory lists, a standardized annual report and other information in complete form and on time

Actions Taken:

adidas-Salomon submits factory lists and standardized annual reports in a complete and timely manner.

Verification by FLA:

The FLA confirms that adidas-Salomon submits its factory lists, the annual reports and all other information accurately and in a timely manner.

## CONCLUSION

Accreditation of adidas-Salomon's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on adidas-Salomon. To check an affiliate's accreditation status, visit [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).