.A Monitoring Visit Prof	ïle	IEV Profile
ountry	China	China
ctory name	12021546C	12021546CV
M	Kenan Institute Asia	ALGI
ate of audit	March 17, 2004	May 23-24, 2006
ays in the facility	1	2
C(s)	adidas AG	adidas AG
ımber of workers	3,500	3,500
oduct (s)	3,500	3,500
oduction processes	Cutting, Sewing, Packing	Cutting, Sewing, Packing

Production processes Cutting, Sewing, Packing		Cutting, Sewing, Packing			Dawa diada				Third Danta Vanisia atian	Company Varification Fallow Ha						Common Verification Fallow Us						
FLA Code/ Compliance issue Country Law/Legal Reference 1. Code Awareness	rence FLA Benchmark	Monitor's Findings Document	ntatio Best Practice PC Internal A (Opti		Target Completion Date Remediation Factory Respons (Optional)	Company Follow Up (May 20, 2004)	Completed, Pending, Ongoing (November 25, 2004)	Documentation Company Follow Up (June 2006)	Documentation ALGI IEV (May 22-23, 2006) Documentation	Company Verification Follow Up Company Follow Up (August 2006) Documentation	tio Company Follow Up (December 2006) Documentatio	Company Follow Up (September 2007)	Documentatio Company Follow Up (November 29, 2007)	Company Follow Up Documentation (July 2, 2008)	tio Company Follow Up (June 11, 2009)	Company Verification Follow Up Company Follow Up (January 20, 2010) Documentatio n	Company Follow Up Documentatio (December 20, 2010)	Company Follow Up (May 2012)	ocumentatio Company Follow Up n (December 2012)	Documentation	Company Follow Up (February 2014)	Documentation Status
Worker/Management Awareness of Code	FLA Principles of Monitoring, Obligations of Companies: Ensure that company factories as well as contractors and suppliers inform their employees ab- workplace standards orally and through posting of standards in a prominent place local languages spoken by employees a managers) and undertake other efforts to educate employees about standards on regular basis.	s (There is record fo training.) e (in nd o	iew no	Factory has an employment policy which contains the basic content COC. Factory will conduct awareness to for new workers as well existing employees.	of the raining		Ongoing Factory has maintained a train program for factory workers we contains COC awareness train Progress made.	nich materials to newly-employed workers, and	s worker interviews Attendance record, training pictures,													
There will not be any use of forced labor, whether in the form otherwise.	n of prison labor, indentured labor, bonded labor or		document, securi	hours per day voluntarily. Workers must have t	ed he		Complete and workers can refuse OT work vanishment, based on work interview.	ker contract and factory rules. Factor	training material, all overtime work shall interview worker interview be voluntary and the facility is not to force workers to work overtime. Factory policy is observed posted on site for workers' information. All workers expressed during interview that	guard s, policy otice												
No person will be employed at an age younger than 15 (or 14 or younger than the age for completing compulsory education higher than 15 4. Harassment or Abuse Every employee will be treated with respect and dignity. No experience of the complete of the	n in the country of manufacture where such age i																					
psychological or verbal harassment of abuse. 5. Nondiscrimination No person will be subject to any discrimination in employment discipline, termination or retirement, on the basis of gender, re	nt, including hiring, salary, benefits, advancement																					
nationality, political opinion, or social or ethnic origin.			Found discrimina on job recruitmen advertisements,	Management to develop written pand procedure for hiring which inconomical non-discriminatory practices. Management to provide training to	olicy eludes	Hiring notice revised and hiring practices changed. Male and female workers have equal opportunity to apply for sewing or any other positions in factory. Written hiring policy in place which includes non-discriminatory hiring practices, policy and procedures to be followed by all hiring staff.	ng notice Complete		Recruitment advertisement is observed factory to be in compliance. No item of discrimination was uncovered.	aspection												
Risk of Noncompliance Due to Lack of Management Systems 6. Health and Safety Employers will provide a safe and healthy working environme	ont to provent accidents and injury to health arisin	No written policy and procedure on hiring. record rev	iew	Human Resources department in discriminatory hiring practices and Factory has a written employment policy which states workers must hired based on their ability to do to job, rather than on grounds of percharacteristics.	d 30-Sep-04 be the	Policy in place and followed by hiring doct staff.	ument review Complete		Updated hiring policy was observed by audit team. A detailed hiring procedure states that no discrimination is allowed in any step of the hiring process. Policy and procedures were revised by HR August 20, 2004	riew, erview												
out of, linked with, or occurring in the course of work or as a red ventilation/Electrical/Facility Maintenance Article 54: Employing unit must provide laborers with occupation safety and health conditions conforming to provisions of the	result of the operation of employer facilities. All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	There is no protection for high and low pressure wires. visual inspection		Factory to install wider guard rails warning signs around high voltage equipment.		Factory has erected wider guarding rails around the high voltage equipment inside the factory area. Warning signs, such as "Electricity: DANGER" and "Do not climb" have been posted.	inspection Complete		Areas where high voltage equipment are surrounded by fences. Warning signs were observed posted.	DUIT												
		Accident record increasing every year, especially needle punching.		Factory to provide more safety training to workers on how to use needle guards installed on the set machines.	the	No progress made.	Rer interviews Pending No progress made. According policy, a warning letter will be if for noncompliance found and to implement remediation.	o PC ssued ailure	Training on machine operation and first aid provided to workers in March 2006. Workers reflected knowledge of proper machine operation. docume attenda record, training worker	notos, paterials,												
Risk of noncompliance due to management systems.	lack of	Wastewater slot near canteen. No firewall for storehouse on the first floor. No protection appliance for sewing machines. Bad smell and germs from recycled and re-used wastewater.		Factory to cover the wastewater near canteen, install fire sprinkler system inside material warehouse check all the sewing machines regularly to ensure safety guards used correctly.	e, and	Factory has covered wastewater slot near canteen. Fire sprinkler system has been installed inside material warehouse. Factory will check all the sewing machines regularly to ensure safety guards are used correctly.	inspection Complete and Ongoing		Wastewater slot observed covered. Fire sprinkler system is in place within the material warehouse. Regular use of safety guards for sewing machines will be enforced by line leader. However, approximately 20% of workers were observed not using guards.	Factory management and supervisors will conduct regular safety inspections on floor and ensure intensified safety training is provided to workers who are not using safety guards at work. Supervisors will also be trained on how to monitor the situation everyday to ensure sustainable compliance.												
(FOA); however, the Trade Univindependent of the sole official Unions (ACFTU). According to contrary to the fundamental pringing to strike. As a consequent standards on the right to organing government has introduced new the labor relations mechanisms. Stipulates that union committees assemblies and trade unions much has the responsibility to consult their members and to sign collect enhanced role in dispute resolution introduced the obligation for reports.	constitution guarantees Freedom of Association nion Act prevents the establishment of trade unions of trade union - the All China Federation of Trade to the ILO, many provisions of the Trade Union Act processes in China fall short of the ILO nize and bargain collectively. However, the we regulations that could improve the functioning of the The Amended Trade Union Act of Oct. 2001 as have to be democratically elected at members' must be accountable to their members. The trade until with management on key issues of importance to ective agreements. Trade unions also have an aution. In Dec. 2003, the Collective Contracts Decrease to the previous system of non-negotiated	are the finion o																				
Employ er Interf erence/Elections	Workers' organizations have the right to		between factory workers, who are the existence an worker's represer	bargaining should be promoted, s as HSE or Welfare Committees. Besides, factory management shimplement systems to ensure effective communication with employees. Management should inform all workers of the existent function of workers' representative the official trade union.	at and uch all ee and ees of		On-going Both HSE and Worker's Welf at Committee have been set up at monthly meetings were organistic discuss issues of concern in the workplace. Progress made.	ed to meeting minutes ne	1) 2nd H&S Committee established November 3, 2004; meetings held every 3 months. Meeting minutes provided to audit team. Meetings discussed all H&S issues and assigned each issue to a staff member to be responsible for making sure policies or new regulations are implemented well. 2) 3rd section of Welfare Committee established in December 2005; there are 27 members, including 23 workers and 4 managers. Workers are welcomed to join the committee. Meeting minutes observed to be in	review .												
Indication of Noncompliance (Data that has not been verified.)		Workers have no awareness of trade union.	existence and full	Factory management should info worker's ide official trade of the official trade of the official trade union. In add factory shall make sure workers aware of other means of communications, such as Welfard HSE Committees. Committees shold regular meetings. Meeting mand a record of discussions should posted in a public place inside the factory.	ction ition, are e and hould inutes ld be		Pending Factory is publishing the meet minutes now in the factory are Elections for Worker's Welfare Committee will be held at the beginning of next year; training function of the Welfare Committee will be provided to workers price election.	held in November 2005 and new Welf are Committee was in place December 2005. Since then,	ppics th y ngs	erview												

Findings		Remediation	[Status] Updates	Third-Party Verification	Company Verification Follow Up				Company Verification Follow Up		
A Code/ Compliance issue Country Law/Legal Reference FLA Benchmark Monitor's Findings n	Best Practice PC Internal Audit Findings (Optional)	PC Remediation Plan Completion Date Factory Response (Optional)	Company Follow Up (May 20, 2004) Documentation Pending, Ongoing (November 25, 2004)	Documentation Company Follow Up (June 2006) Documentation (May 22-23, 2006) Documentation	Company Follow Up (August 2006) Documentatio Company Follow Up (December 2006)	Documentatio Company Follow Up n (September 2007)	Documentatio Company Follow Up (November 29, 2007) Company Follow Up (Jet 1) Documentation (Jet 2)	npany Follow Up (July 2, 2008) Documentatio n Company Follow Up (June 11, 2009) Documentation	Company Follow Up (January 20, 2010) Documentatio n (December 20, 2010)	n (May 2012) Documentatio Company Follow Up n (December 1)	Documentation Company Follow Up (February 2014) Company Follow Up (February 2014)
oy ers recognize that wages are essential to meeting employees' basic needs. Employers will pay by ees, as a base, at least the minimum wage required by local law or the prevailing industry wage, never is higher, and will provide legally mandated benefits.											
Temporary Regulations Regarding Payment of Wages of PRC: Article 15. Employer may not deduct fees or fines from laborers' wages. Under the following conditions, employer may deduct fees on other parties' behalf: 1) Personal income tax; 2) Social security; 3) Child support, alimony as ordered by the court; and		Workers must be allowed to choose whether to eat at the factory canteen or not. If they choose to eat outside, they should not be required to pay for the meals. Factory shall post a public notice and provide training to workers to explain all the items specified on worker's pay slip.	Complete 1) Management has verbally informed workers of option to eat at factory canteen or not. New policy states that if they choose to eat outside, they will not be required to pay for meals; there will not be a deduction from worker's pay check. 2) Factory has posted a public notice and provided training to workers to explain all the	team. Updated policy is posted on notice board for workers' information. factory inspec	d,						
Benefits Article 72: The sources of social insurance funds shall be determined according to the branches of insurance, and an overall raising of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.	enrolled in the pension insurance and workers are requested to take annual leave during low seasons.	Factory management should meet the basic requirements from local legal department with regard to social security schemes. The factory shall work out a plan to make sure all workers are covered by social security scheme and inform all workers that they participate in the social security scheme.	Pending All workers are covered by work- related injury insurance, but only 7.69% workers are covered by pension scheme. PC to continue to work with management to ensure pension coverage for all employees is provided.	social security payment receipt, insurance records insurance records more workers in the pension scheme, currently 15% of workers have been enrolled. All workers are covered by work-related injury insurance. Factory management is continuously working on enrolling more workers in the pension scheme, currently 15% of workers have been enrolled. 1) Facility registered all workers (3,996 in May) with occupational injury, 452 workers with pension and 448 with medical care. As per confirmation with local social insurance bureau, maternity and unemployment insurances are not required in local area. Facility obtained a statement from local social insurance bureau, stating detailed numbers of workers registered with pension, medical care and injury insurance. Statement is valid from May 10-August 9, 2005. 2) Workers are requested to take annual leave during low seasons.	Currently, 15% of workers have been enrolled in the pension scheme. Factory is currently working on increasing the percentage of workers to be enrolled in the pension scheme. Factory management to increase percentage by November 2006. Due to worker turnover, percentage drop to 12% only. Factory's explanation is the during low season, some employees who were registered in pension plan left factor since high season began again factory recruited many more employees. Factor does not enroll new employees in pension scheme until they pass probation. Currently, most employees are reluctant be enrolled in pension scheme because since July 2006, pension scheme policy was revised and employees get less ber than before. As a result, the number of workers enrolled in pension scheme has dropped. Factory management has been asked to work out a feasible plan to ensuthey increase percentage of workers in social security scheme, e.g. more training for employees and ask employees to sigup for pension scheme voluntarily.	pension scheme is now 13.17%. However, factory meets adidas SEA requirements regarding work-related injury insurance, medical insurance and maternity benefits. So it is suggested that factory increase enrollment of pension, although current practice meets the local labor authority's requirement.			rcentage of worker enrollment in a nsion scheme has been increased m 38.8% to 42%. Factory achieved pir goal and will keep continue to enroll rkers. Factory contributes 100% of employees with medical and workplace injury insurance. Currently, review, worker and management interview Factory contributes 100% of employees with medical and workplace injury insurance. Currently, review, workers and management, after new Social Insurance Law was issued January 1, 2010, some migrant workers did not want to join the national pension scheme, due to the fact that workers could not take out their contribution from the national scheme when they leave (either are terminated or resign) the company they are working in. They are only allowed to transfer their contribution to another city or their home town. Factory has provided training to workers on Pension Plan benefit, but percentage of contributors has been difficult to increase dramatically in 2010. Factory will follow up the official Implementing Rules of new Social Insurance Law, which may be released in late 2011.	Following adidas SEA requirement, factory has set up a corrective action plan to achieve 100% of coverage of all 5 categories of social insurances by 2014. Currently, factory has covered 100% of employees in 3 categories of social security: medical, work injury, and maternity insurance (all female employees are registered in maternity insurance in first month of their pregnancy). 40% of employees are covered into pension, while 60% of workers will be covered into unemployment insurance law and regulations is conducted for all workers in each July. Following the Social Secur review; worker and management interview SS categories: medical, w maternity insurance (all ferregistered in maternity insurance in first month of their pregnancy). 40% of employees are covered into pension, while 60% of workers will be covered into unemployment insurance from July 2012. Regular training on social insurance law and reach July.	insurance on the first month of their pregnancy). Pension insurance coverage was reduced to 51% of the workforce due to high turnover during Chinese Lunar New Year and factory expansion. Some workers who were and unemployment previously enrolled in the pension insurance plan have since left the factory. As a result, new employees were
in extraordinary business circumstances, employees will (i) not be required to work more than the lesser 8 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law country of manufacture or, where the laws of such country will not limit the hours of work, the regular work such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day											
According to Article 41 of Labor Law of the PRC, employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborers, but extended working hours per day shall generally not exceed 1 hour; if the extension is needed for special reason, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed 3 hours per day. However, total extension in a month shall not exceed 36 hours. Except in extraordinary business circumstances employees will (i) not be required to work more than lesser of (a) 48 hours per year; however, the actual working hours per year; however, the actual working hours of workers per year is 2767, which exceeds the legal limitation. In the factory adopts the comprehensive working hours yetem, which is 2448 hours per year; however, the actual working hours of workers per year is 2767, which exceeds the legal limitation. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	hours per week during peak seasons. From PC audit findings (Nov ember 2004):	Factory shall develop and implement a tracking system on all working hours of each worker and make sure the number of weekly working hours is not in excess of 60 hours per week under normal working conditions.	Pending According to management interview and factory policy review, factory is tracking and will control the number of weekly working hours to not exceed 60 hours a week.	management controlling work hours to be within 60 worker and worked 50 hours a week: 40 regular	them to have necessary management systems for work hours. Factory has committed to buying more machines and recruiting more workers for next peak season. 2) Regarding the comprehensive work hour permit, factories in [Area name] are not able to obtain these permits any more. Labor bureau is controlling this very strictly, as this issue has become an industry and region-wide problem. Currently, this permit is not accepted by adidas. adidas is focusing on ensuring factory respects 60 hours a week standard. 3) Factory has also been required to put necessary controls in place for security guards and other non-	hours per week. hours per week. rs	document review In the past two months, work hours were within 60 hours per week.				
f Noncompliance Due k of Management indicates that workers must swipe 13 minutes before working, and must finish swiping card 13 minutes after working.		Factory shall post clarification notice in public and explain to workers in detail when and how to punch time cards. If factory policy includes a certain number of minutes of tolerance to allow for all workers to punch in, factory should state policy clearly and inform all workers of the policy. Workers shall not be required to punch in prior to or after regular working hours unless they are compensated with overtime pay.	Complete Factory has posted a clarification notice and explained to workers in detail the policies and procedures for punching time cards. Workers are not be required to punch in prior to or after regular work hours unless they are compensated with overtime pay.	posters, worker interviews The notice is in use and trainings are provided. Workers are clear about the requirements on swiping time cards. The notice is in use and trainings are provided. Workers are clear about the requirements on swiping time cards. The notice is in use and trainings are provided. Workers are clear about the requirements on swiping time cards. The notice is in use and trainings are provided. Workers expressed understanding of the policies and procedures for punching time cards. The factory posted a notice regarding procedures for time card punching next to time card device. The notice is in use and trainings are provided. Worker interviews The notice is in use and trainings are provided. Workers expressed understanding of the policies and procedures for punching time cards. The factory inspection, practice observation	ew, production workers (e.g. their work						
ertime consistion tion to their compensation for regular hours of work, employees will be compensated for overtime hours at remium rate as is legally required in the country of manufacture or, in those countries where such laws will st, at a rate at least equal to their regular hourly compensation rate.											
	As per internal audit findings (Nov ember 2004), correct ov ertime rates are not applied.	Factory shall provide at least 1 day off in 7 work days.	Pending See PC Internal Audit findings. According to PC policy, a warning letter will be issued for noncompliance found and failure to response to remediation requested.	Per pay roll review from October 2005- April 2006 for piece rate workers (50%) and hour rate workers (50%), overtime rates applied to all workers are verified to be in compliance.	iew						