



2009

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: adidas Group
COUNTRY: China
FACTORY CODE: 530015138H
MONITOR: Level Works Limited
AUDIT DATE: August 19, 2009
PRODUCTS: Outsoles
PROCESSES: Rubber Preparing, Molding,
Vulcanizing, Inspection and Packing
NUMBER OF WORKERS: 387



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: In accordance with PRC Labor Law Article 72, the employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with the law. According to Article 73, laborers shall enjoy social insurance benefits under the following circumstances: a) retirement, b) illness or injury, c) disability caused by a work-related injury or occupational disease, d) unemployment, and e) childbearing.

Therefore, according to this national law, all 5 types of social insurance schemes mentioned above should be provided for all employees of a factory. Not all workers in the factory are entitled to all 5 types of social insurance schemes. All 424 employees are provided with illness or injury insurance and insurance for disabilities caused by work-related injuries or occupational diseases, but only 291 of 424 employees were provided with retirement and unemployment insurances; no worker was covered by childbearing insurance. (No waiver provided during the assessment.)

Legal Reference: PRC Labor Law Article 72 and 73

Note: Migrant workers are not allowed to buy childbearing insurance, according to local government requirements.

Plan Of Action:

1. To fully meet legal requirements, the factory is required to provide 5 types of social insurance for all employees. The national social security system is always considered the first option, with private insurance as a back up where the national scheme is not available.
2. Factory should submit a progressive plan on how this will be completely achieved, with a detailed timeline.
3. This action plan should specifically line out the 5 types of social insurance individually.
4. Factory should train workers with regard to the legal requirements on social insurance on a regular basis (e.g., in orientation and annual trainings); related policy should be posted in a prominent place for workers to read.



5. Based on the updated (June 25, 2009) [City name] social insurance notice, the childbearing insurance scheme has been merged into medical insurance in [City name]. As a result, a separate childbearing insurance scheme no longer exists in [City name]. Any worker with 2 or more years on the job who buys into regular medical insurance also receives childbearing insurance automatically. However, based on the adidas SEA (Social and Environmental Affairs Team) requirement, factories must provide maternity benefits to all employees, including those with less than 2 years of seniority who cannot receive childbearing insurance through the social insurance scheme. Therefore, the SEA Team requires that factories develop a policy committing to covering this benefit for workers who do not meet the 2-year requirement. In other words, workers can be reimbursed from the factory for childbearing costs equal to coverage given by the social insurance scheme.

Deadline Date: 06/30/2010

Supplier CAP: We have developed a progressive expansion plan for social insurance coverage as follows:

1. Currently, all employees are entitled to work-related injury and medical insurances and we will maintain this coverage in the future.
2. Now, 70% of all employees are provided with pension and unemployment insurance; we will keep increasing this percentage by 10% each year, and plan to resolve this issue in the following 2-3 years.
3. We have obtained a valid waiver from the local social insurance bureau per auditors' comment.
4. For the childbearing insurance issue, the audit report indicates that all 424 covered employees are employees that are also provided with illness (medical) or injury/disability insurance caused by work-related injury or occupational disease. However, the report also indicated that migrant workers are not allowed to buy childbearing insurance according to the local regulation.

Note: Most workers in this factory are migrant workers. According to latest notice (June 1, 2009) from [City name] Social Insurance Bureau (information sent to FLA for review), [City name] municipal government decided to combine medical and maternity insurances. As a result, maternity insurance is not required to be purchased, as people can receive maternity insurance automatically after having received health insurance for 2 years. Based on our review, 45% of employees have been part of the social insurance scheme for 2 years or more; therefore, these workers would receive childbearing insurance from [City name's] social insurance. For the remaining 55% of workers, the factory will cover childbearing insurance internally. Therefore, all workers either receive childbearing insurance from the social insurance scheme (45%) or through the factory's internal coverage (55%).

Supplier CAP 12/04/2009

Date:

Action Taken: adidas Group, October 2012 update, based on review of the social security insurance payment receipt:

1. All employees (301) have been provided with work-related injury and medical insurance.

2. 180 out of 301 employees have been provided with pension and unemployment insurance (60%). It remains at the same percentage as the last audit. The adidas Group SEA team will communicate with the supplier and its [agent name] to reach the below milestones: * By July 2013, the supplier should cover a minimum of 80% of the workers using the social security scheme; * By July 2014, the supplier should cover 100% of the workers using the social security scheme.

3. adidas Group SEA is working with the [Name of agent] regarding this issue.

adidas Group, May 2012 update: Based on a review of the social security insurance payment receipt:

1. All employees (248) have been provided with work-related injury, medical and maternity insurances.

2. 152 out of 248 employees have been provided with pension and unemployment insurances (61%). Factory is following the timeline as set out in their action plan to achieve 100% coverage of all 5 categories of social insurances by 2014.

adidas Group, June 2011 update:

1. All employees (319) have been provided with work-related injury and medical insurance.

2. 175 of a total 319 employees have been provided with pension and unemployment insurance (55%). It remains at the same percentage as last year; based on factory explanation, the current financial situation only allows them to maintain this level. The adidas Group SEA team will communicate with the supplier and their agent in Japan to reach the following milestones: * By July 2012, suppliers should give a minimum of 60% of the workers social security coverage; * By July 2013, suppliers should give a minimum of 80% of the workers social security coverage; * By July 2014, suppliers should give 100% of the workers social security coverage.

December 2010 update:

1. All employees (351) have been provided with work-related injury and medical insurance.
2. 192 of a total of 351 employees have been provided with pension and unemployment insurance (55%). This is a lower percentage than last year; based on factory explanation, they have met some financial problems due to decrease in orders in 2010.
3. All workers either receive childbearing insurance from the social insurance scheme (52%) or through the factory's internal coverage (48%).
4. The factory developed a policy related to childbearing internal coverage based on adidas SEA requirements. For workers that are not qualified (they have been working in the factory for less than 2 years), in order for them to receive childbearing coverage, the factory has committed to covering this benefit based on the social insurance scheme requirement. In other words, workers can claim costs from the factory due to having a baby at the same level of the social insurance scheme.

May 19, 2010 update:

1. 200 of a total of 351 employees were provided pension and unemployment insurance (57%). Based on factory management explanation, the percentage decrease was caused by a high turnover rate. During the last few months, the factory prepared an application procedure for new employees for the local insurance authority during a follow-up visit (management said the local authority just accepted 1 registration a month from 1 factory, i.e., if a newcomer misses this registration, they should be registered or should apply the following month).
2. All employees (351) will be provided with work-related injury and medical insurance.
3. All workers either receive childbearing insurance from the local social insurance scheme (48%) or through the factory's internal coverage (52%).
4. Factory developed a policy related to childbearing internal coverage based on adidas SEA requirements. For workers not qualified to have the childbearing insurance scheme, the factory is committed to covering this benefit based on the social insurance scheme requirement. In other words, workers can claim costs from the factory from having a baby at same level of the social insurance scheme.

January 13, 2010 update:

1. All employees were provided with work-related injury insurance and medical insurance.
2. Based on the December 2009 social insurance payment receipt reviewed, 70% of the total employees were provided with pension and unemployment insurance.
3. A valid waiver from the local social insurance bureau was provided for reviewing.
4. All workers either receive childbearing insurance from the social insurance scheme (45%) or through the factory's internal coverage (55%).

Plan Complete: No

Plan Complete Date:

Forced Labor: Other - Forced Labor

Other

Noncompliance

Explanation: The factory did not have a written policy related forced labor. Sources: document review and management interview

Plan Of Action:

1. The factory is required to complete a written anti-forced labor policy.
2. This policy should be posted in a prominent place for workers to read.
3. The forced labor policy should be put in the employee handbook.
4. All employees should receive training on the forced labor policy on a regular basis.

Deadline Date: 03/31/2010

Supplier CAP:

1. We have established a written anti-forced labor policy.
2. This policy has been posted on the bulletin board of each workshop/department.



3. This anti-forced labor policy will be included in the updated employee handbook starting in March 2010.

4. New employees will be trained on this policy during their orientation training and all workers will be given this training annually.

Supplier CAP 12/04/2009

Date:

Action adidas Group June 2011 update:

Taken:

1. A written policy against forced labor is still posted on the bulletin board to ensure workers' access to such information.

2. The factory failed to implement the CAP and failed to update the employee's handbook. The adidas SEA team is communicating with their agent to push for improvement before the next visit.

3. The latest training on the policies for all employees was on June 16, 2011.

December 2010 update: A written anti-forced labor policy is still posted on the bulletin board for workers' reading. Training on the policy is provided to all employees (including new workers, old workers, supervisors and managers) on November 1, 2010.

January 13, 2010 update: Written anti-forced labor policy has been made and is posted in a prominent place (bulletin board) for workers' reading.

May 19, 2010 update: Written anti-forced labor policy is still posted on the bulletin board for workers' reading. The policy was verbally communicated to all new employees during the orientation training. However, no records can be shown that other employees, such as older workers and supervisors/managers, have been trained on the policy. Factory management said they will hold anti-forced labor policy trainings for all employees (including older workers, supervisors, managers, etc.) in their slow season around August or September 2010.

Plan Yes

Complete:

Plan 05/10/2012

Complete

Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); 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 (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, 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. 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 stipulates 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 of consulting with management on key issues of importance to their members and to sign collective agreements. Trade unions also have 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.

Plan Of Action:

1. Factory is encouraged to set up a trade union or worker representative committee to enhance freedom of association.
2. Factory should enhance the 2-way communication system between management and employees, i.e., a) factory can set up a grievance council or a worker-management dispute resolution committee, b) members should be chosen by workers themselves, c) committee will collect and investigate grievances ensuring these grievances can be resolved in a timely and proper manner.

Deadline Date: 03/31/2010

Supplier CAP:

1. A trade union has been established in the factory.
2. We will encourage workers to elect representatives by themselves as the auditor recommended during the last FLA audit; this election will be done in March 2010.

3. We will nominate some management staff to work with workers' representatives to form a grievance council.

4. This grievance council will hold a meeting once every month.

Supplier CAP 12/04/2009

Date:

Action [adidas Group October 2012 update:](#)

Taken:

1. Based on document review and management interviews, the representatives have held meetings twice after the last audit, which were done on a quarterly basis in order to discuss the workers' benefits, policy updates and workplace issues such as how to maintain electricity safety, and other worker concerns. The meeting frequency was changed from monthly to quarterly, which was agreed on by the workers' representatives, as it can make the meetings more effective. They did not have enough things to discuss when they had meetings on a monthly basis.

2. There's one assigned person to take the meeting notes for the meeting.

3. There were 6 representatives who were re-elected in March 2012 to represent the workers.

Sources: document review, management interviews

[adidas Group update May 2012:](#)

1. The factory workers' representatives' re-election was organized on March 26, 2012; 6 representatives were elected to represent the workers.

2. Based on management interviews, representatives have held meetings on a monthly basis to discuss workers' benefits and workplace issues, such as how to improve worker awareness of personal protection, energy savings in the workshop, workers' concerns, etc. However, no meeting records are available. Factory management committed to assigning 1 new person to take meeting notes for the next meeting.

[adidas Group June 2011 update:](#)

1. The trade union representatives' election was organized on October 25, 2010; 4 representatives were elected to represent the workers.

2. 1 member left the factory in May 2011.

3. Factory plans to re-organize the trade union representative election by the end of 2011.



4. Representatives said they had met together several times this year to discuss issues related to workers' benefits. However, as none of them was assigned to take meeting notes, no written records were available for review. Factory management committed to assigning 1 person to be responsible for recording meeting minutes in the future.

adidas Group December 2010 update: A trade union representative election was organized on October 25, 2010; 4 representatives were elected to represent workers. 1 written organization chart was made which explains responsibilities. However, no written charter was established. An initial union-management meeting was held on October 25, 2010; the main content included an explanation of workers' benefits and how to address workers' grievances. Next meeting will be held January 25, 2011.

May 19, 2010 update: Factory management claimed that the election has not been held yet because of a current high turnover rate (30%) and heavy production tasks (peak season in March, April, May and June). It will be held in August 2010.

January 13, 2010 update: Factory will encourage workers to elect representatives in or around March 2010.

Plan Complete: No

Plan Complete Date:

Freedom of Association: Employer Interference and Control

FOA.3 Employers shall refrain from any acts of interference with workers' organizations, including acts that are designed to establish or promote the domination, financing or control of workers' organizations by employers. (S)

Noncompliance

Explanation: Factory management should approve workers' representatives in the trade union.

Sources: documentation review, management interviews and worker interviews

Plan Of Action: Workers' representative candidates should be fully elected by workers without factory management's approval.

Deadline Date: 03/31/2010



Supplier CAP: The factory will encourage workers to elect their representatives in March 2010, and will ensure worker representative candidates will be fully elected by workers themselves without factory management's approval during the next round of elections.

Supplier CAP Date: 11/10/2009

Action Taken: [adidas Group October 2012 update:](#)

1. Based on document review and management interviews, the representatives have held meetings twice after the last audit, which were held on a quarterly base to discuss workers' benefits, policy updates and workplace issues such as how to maintain the electricity safety, among other workers' concerns. The meeting frequency was changed from monthly to quarterly, which was agreed on by the workers' representatives. The meetings were not as effective when they were held quarterly since they did not have many things to discuss when had the meetings on a monthly basis.

2. There's one assigned person to take the meeting notes for the meeting.

3. There are 6 representatives who were re-elected in March 2012 to represent the workers.

Sources: document review and management interviews

[adidas Group update May 2012:](#)

1. The factory workers' representatives re-election was organized March 26, 2012; 6 representatives were elected to represent the workers.

2. Based on management interviews, representatives have held meetings on a monthly basis to discuss workers' benefits and workplace issues, such as how to improve worker awareness on personal protection, energy saving in workshop, workers' concerns, etc. However, no meeting records are available. Factory management committed to assigning 1 new person to take meeting notes for the next meeting.

[adidas Group June 2011 update:](#)

1. The trade union representatives election was organized October 25, 2010; 4 representatives were elected to represent the workers.

2. 1 member left factory in May 2011.

3. Factory plans to re-organize a trade union representative election by the end of 2011.

4. Representatives said they had met together several times this year to discuss issues related to workers' benefits, however, as none of them was assigned to take meeting notes, no written records are available for review. Factory management committed to assigning 1 person to be responsible for recording meeting minutes in the future.



December 2010 update: Trade union representative election was organized on October 25 2010; 4 representatives were elected to represent the workers. 1 written organization chart was made which explains the responsibilities. However, no written charter was established. An initial union-management meeting was held October 25, 2010; the main content included an explanation of workers' benefits and how to address workers' grievances. The next meeting will be held January 25, 2011.

May 19, 2010 update: Factory management claimed that the election has not been held yet because of a current high turnover rate (30%) and heavy production tasks (peak season in March, April, May and June). It will be held in August 2010.

January 13, 2010 update: Factory will encourage workers to elect representatives in or around March 2010.

Plan Yes
Complete:

Plan
Complete
Date:

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: 1. Workers' representatives for the trade union in the factory were not elected by workers, but designated by factory management.

Sources: document review and management interviews

2. All the workers' representatives in the trade union were management or office staff, and did not include production workers.

Sources: document review and management interviews

Plan Of Action: Factory is required to update new workers' representative election policy/procedure, which will ensure workers' representative candidates are fully elected by workers themselves, instead of being designated by management in next round of elections.



Deadline Date: 03/31/2010

Supplier CAP: We will encourage workers to elect their representatives in March 2010, and ensure workers' representative candidates will be fully elected by workers themselves without factory management's approval during next round of elections.

Supplier CAP Date: 11/10/2009

Action Taken: [adidas Group October 2012 update:](#)

1. Based on document review and management interviews, the representatives have held meetings twice after the last audit, which were held on a quarterly base to discuss workers' benefits, policy updates and workplace issues such as how to maintain the electricity safety, among other workers' concerns. The meeting frequency was changed from monthly to quarterly, which was agreed on by the workers' representatives. The meetings were not as effective when they were held quarterly since they did not have many things to discuss when had the meetings on a monthly basis.
2. There's one assigned person to take the meeting notes for the meeting.
3. There are 6 representatives who were re-elected in March 2012 to represent the workers.

Sources: document review and management interviews

[adidas Group update May 2012:](#)

1. The factory workers' representatives re-election was organized March 26, 2012; 6 representatives were elected to represent the workers.
2. Based on management interviews, representatives have held meetings on a monthly basis to discuss workers' benefits and workplace issues, such as how to improve worker awareness on personal protection, energy saving in workshop, workers' concerns, etc. However, no meeting records are available. Factory management committed to assigning 1 new person to take meeting notes for the next meeting.

[adidas Group June 2011 update:](#)

1. The trade union representatives election was organized October 25, 2010; 4 representatives were elected to represent the workers.
2. 1 member left factory in May 2011.
3. Factory plans to re-organize a trade union representative election by the end of 2011.

4. Representatives said they had met together several times this year to discuss issues related to workers' benefits, however, as none of them was assigned to take meeting notes, no written records are available for review. Factory management committed to assigning 1 person to be responsible for recording meeting minutes in the future.

December 2010 update: Trade union representative election was organized on October 25 2010; 4 representatives were elected to represent the workers. 1 written organization chart was made which explains the responsibilities. However, no written charter was established. An initial union-management meeting was held October 25, 2010; the main content included an explanation of workers' benefits and how to address workers' grievances. The next meeting will be held January 25, 2011.

May 19, 2010 update: Factory management claimed that the election has not been held yet because of a current high turnover rate (30%) and heavy production tasks (peak season in March, April, May and June). It will be held in August 2010.

January 13, 2010 update: Factory will encourage workers to elect representatives in or around March 2010.

Plan Complete: Yes

Plan Complete Date:

Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation: There was no written policy on freedom of association in this factory.

Sources: document review and management interviews

- Plan Of Action:**
1. Factory is required to create a written freedom of association (FOA) policy. Key elements such as the right of employees to join and organize associations and collective bargaining (CB) should be included.
 2. FOA policy should be posted in a prominent place for workers to read.
 3. FOA policy should be included during induction training for new employees and during the annual factory policy training for current employees.



Deadline Date: 03/31/2010

Supplier CAP:

1. We have established a written freedom of association policy.
2. This policy has been posted in a prominent place so workers can read it.
3. New employees will be trained on this policy during orientation training. All other workers will receive training annually.

Supplier CAP Date: 12/04/2009

Action Taken: adidas Group update May 2012:

1. Based on document review and on-site inspection, a written policy on FOA is still posted on the bulletin board for workers' easy access.
2. Based on training records review, the policy was verbally communicated to all the employees in March 2012.
3. Workers now can freely elect workers' representatives to represent them. These representatives discuss any concerns with factory management. The latest election for new representatives was conducted on March 26, 2012.

adidas Group June 2011 update:

1. A written FOA policy is still posted on the bulletin board; this ensures workers' access to this information.
2. Based on the training records review, the policy was verbally communicated to all employees on June 16, 2011. Based on this policy, workers are free to establish a union, can elect representatives and can discuss all concerns with factory management.

December 2010 update: A written FOA policy is still posted on the bulletin board for workers' reading and the policy was verbally communicated to all employees on October 25, 2010. Workers are free to establish a union, can elect representatives and can discuss all concerns with factory management.

May 19, 2010 update: A written FOA policy is still posted on the bulletin board for workers' reading and the policy was verbally communicated to all new employees during orientation training. However, no records can be provided to show that other employees, such as all the other workers and supervisors/managers, are trained on the policy. Factory management said they will hold a FOA policy training for all employees (including older workers, supervisors, managers, etc.) in their slow season during or around August or September 2010.



[January 13, 2010 update](#): A written FOA policy been posted in a prominent place (bulletin board) for workers' reading.

Plan Complete: Yes

Plan Complete Date: 06/16/2011

Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws. (P)

Noncompliance

Explanation: There was no juvenile worker identification system in the factory.

Sources: document review and management interviews

Plan Of Action:

1. Factory is required to set up and complete a juvenile worker identification/monitoring system and then implement it strictly.
2. The juvenile worker monitoring/tracking system should include a written policy/procedure indicating: a) how to control juvenile workers' work hours, b) a provision of regular health exams to avoid any harm to the workers' health, c) keeping juvenile workers out of dangerous or heavy work positions, d) how to set up a separate file documenting points A, B and C.
3. Training on these juvenile policies/procedures should be provided to managers, supervisors, and staff so that they can be implemented during daily activities.

Deadline Date: 03/31/2010

Supplier CAP:

1. We have completed the juvenile workers' identification/monitoring policy/procedure and implemented it.
2. All management staff will be trained on the policy/procedure and we have nominated some staff to strictly monitor working conditions and working hours of juvenile workers.
3. Juvenile workers will be provided with a physical examination once every 6 months if applicable.



Supplier CAP 12/04/2009

Date:

Action [adidas Group update May 2012:](#)

Taken:

1. Based on visual inspection, an adidas SEA worker hotline poster was posted in the workplace of the production building.

2. Based on document review, the factory had communicated content to all workers in March 2012 during the annual refresher course.

[adidas Group June 2011 update:](#) No juvenile worker is employed in the factory. A young worker protection policy has been developed and is kept onsite. All employees have been trained on the policy.

[December 2010 update:](#) There were no juvenile workers employed by factory. However:

1. A policy and procedure regarding age verification during recruitment has been written.

2. 1 HR staff has been appointed to monitor work conditions and hours of any future juvenile workers when applicable.

3. Juvenile workers will be provided with a physical exam every 6 months if applicable.

[January 13, 2010 update:](#) Currently, no juvenile workers are employed in the factory.

[May 19, 2010 update:](#) Currently, no juvenile workers are employed in the factory. However:

1. 1 policy regarding ID card checking during recruitment has been written.

2. 1 HR staff has been appointed to monitor work conditions and hours of juvenile workers when applicable.

3. Juvenile workers will be provided with a physical exam every 6 months if applicable.

Plan Yes

Complete:

Plan 05/19/2010

Complete

Date:

Non-Discrimination: Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Noncompliance

Explanation: Factory requires employees to do an exam indicating their serology index of hepatitis B before employment. Furthermore, a serology index of hepatitis B is used as condition of employment. If applicants fail the exam, the factory does not hire them.

Sources: documentation review and worker interviews

Plan Of Action: 1. Factory is required to stop using the exam for recruits that indicates their serology index of hepatitis B.

Deadline Date: 03/31/2010

Supplier CAP: 1. We have canceled the exam used during recruitment that indicates the serology index of hepatitis B of recruits.
2. This will be written in the new employee handbook and published in March 2010.

Supplier CAP Date: 12/04/2009

Action Taken: adidas Group update May 2012: No such item was found in the factory's policy. This change was also confirmed during previous audits, so this issue can be closed.

adidas Group December 2010 update: No such item was found in the hiring policy.

1. Based on worker interviews and a factory policy review, no exam indicating the serology index of hepatitis B is required as a condition of employment.

2. Based on a review of the updated factory policy, the exam indicating the serology index of hepatitis is no longer included. Also, the requirement was deleted from the factory policy and the employee handbook.

May 19, 2010 update: No such item was found in the policy.

1. Based on worker interviews and a factory policy review, no serology index exam for hepatitis B is required as a condition of employment.

2. Based on a review of the updated factory policy, the serology index exam for hepatitis is no longer a requirement.

January 13, 2010 update: Factory took this item out of their policy.

Plan Complete: Yes

Plan Complete Date: 05/19/2010

Code Awareness:

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

Explanation: No Adidas Code of Conduct is posted in the factory.

Sources: factory tour and management interviews

Plan Of Action:

1. The adidas open letter to workers is required to be posted in a prominent place for workers' reading. The open letter to workers contains SEA team's contact information should workers have the need to file grievances or complaints.
2. Verbal training on the content of the open letter and the adidas Group workplace standards should be provided to all managers, supervisors, and workers during induction training and the annual factory policy refresher course.
3. All trainings should be recorded and kept for reviewing.

Deadline Date: 03/31/2010

Supplier CAP:

1. adidas' code of conduct (COC) has been posted in each workshop.
2. Each new employee will be trained on the COC during orientation and all other workers will be receive a training annually.

Supplier CAP 12/04/2009

Date:

Action [adidas Group June 2011 update:](#)

Taken:

1. An adidas SEA worker hotline poster was posted in the workplace of the production building. The hotline poster contains SEA field team contact information (phone/email/address).
2. Based on worker interview results, workers know how to file grievances with the adidas SEA Team.
3. Factory verbally communicated the content of the open letter and the adidas Group workplace standards to all managers, supervisors, and workers during induction training and during the annual factory policy-refreshing course on June 16, 2011.

[December 2010 update:](#)

1. The adidas SEA worker hotline poster is posted on the wall of the production building. The hotline poster contains the SEA field team contact information (phone/email/address).
2. Based on worker interviews, workers said they know how to file grievances with the adidas SEA Team.
3. Factory verbally communicated the content of the open letter and the adidas group workplace standards to all managers, supervisors, and workers during the induction training and during the annual factory policy refresher course on October 26, 2010.

[May 19, 2010 update:](#) adidas SEA worker hotline poster is posted on wall of the production building. The hotline poster contains SEA field team contact information (phone/email/address). Based on worker interviews, workers said they know how to file complaints with adidas SEA.

[January 13, 2010 update:](#) adidas workplace standards are posted in the production area so workers can read them.

Plan Yes

Complete:

Plan 12/22/2010

Complete

Date:

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: There was no confidential noncompliance reporting mechanism that allows the factory workers to contact the company directly.

Sources: management interviews and worker interviews

Plan Of Action: 1. Factory should provide a 2-way communication system between management and employees, i.e., a) factory can set up a grievance council or a worker-management dispute resolution committee, b) however, members of the committee should be chosen by workers themselves, c) the committee will collect and investigate grievances, ensuring grievances are resolved in a timely and proper manner, d) factory has been provided with the adidas SEA worker hotline poster which includes the adidas SEA contact information (e.g., hotline telephone number, email address, postbox address and our confidentiality policy), and the factory should post it in a prominent place of the workplace so workers are able to read it. Using the provided information, workers can directly approach the adidas SEA team via phone, letter or email.

Deadline Date: 03/31/2010

Supplier CAP:

1. We will establish a 2-way communication channel by forming a grievance council.
2. Grievance council will meet on a monthly basis to deal with grievances or will meet at any additional times necessary.
3. All grievances that result in a change or action will be posted in a prominent place so workers can read them.
4. Council members will be composed of worker representatives and management staff.
5. Workers will be encouraged to elect representatives and arrange elections in March 2010; we will ensure worker representative candidates are fully elected by workers themselves, without factory management being involved in nominations, during the next round of elections.



6. The adidas SEA worker hotline poster is posted on the wall of the dormitory building for workers to read; we will train all employees on using this hotline during the annual vocational training.

Supplier CAP 12/04/2009

Date:

Action adidas Group update May 2012:

Taken:

1. The grievance council meets on a monthly basis to review grievances and all the results were recorded on site.
2. The adidas' worker hotline was posted in the workplace for easy access and all workers were trained on this in March 2012.

Sources: document review

adidas Group June 2011 update: a) Grievance council was set up November 2, 2010; b) Grievance council meets on a monthly basis to review grievances. c) All grievance results are recorded and filed on site; d) SEA worker hotline posters are posted on the wall so workers can read them. Based on worker interviews, they know how to access the adidas worker hotline.

May 19, 2010 update: The grievance council not been set up yet, and the adidas SEA worker hotline poster is posted on the wall of the production building. The hotline poster contains SEA field team contact information (phone/email/address), and based on worker interview results, the workers said they know how to complain to adidas SEA.

January 13, 2010 update: Grievance council will be set up in March 2010. The SEA worker hotline poster will be posted on the wall of the dormitory building. Hotline poster contains SEA field team contact information (phone/email/address). Based on worker interview results, workers said they know how to complain to adidas SEA.

Plan Yes

Complete:

Plan 05/10/2012

Complete

Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: [No evacuation plan was posted in the workshops or dormitories.](#)

[Sources: factory tour and management interviews](#)

Plan Of Action: [Factory is required to prepare the evacuation plan and then post it in the workshops and dormitories.](#)

Deadline Date: [03/31/2010](#)

Supplier CAP: [We have made 16 evacuation plans and posted them in all the workshops and dormitories.](#)

Supplier CAP Date: [12/04/2009](#)

Action Taken: [adidas Group update in May 2012: Based on visual inspection, the evacuation plans are posted in all necessary areas. This issue can be closed.](#)

[adidas Group June 2011 update: Evacuation plans are posted in all necessary areas.](#)

[December 2010 update: Evacuation plans have been posted in all necessary areas. May 19, 2010 update: Evacuation plans have been posted in all necessary areas.](#)

[January 13, 2010 update: Evacuation plans have been posted in all necessary areas.](#)

Plan Complete: [Yes](#)

Plan Complete Date: [01/13/2010](#)

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: There were no first aid kits in the workshops or dormitories.

Sources: factory tour and management interviews

Plan Of Action:

1. The factory is required to install one first aid kit for every 100 workers.
2. The kits must be provided on the production floor and in the dormitory.

Deadline Date: 03/31/2010

Supplier CAP: We have purchased 12 first aid kits and installed these first aid kits in each department and dormitory.

Supplier CAP Date: 12/04/2009

Action Taken: [adidas Group update May 2012](#): Based on visual inspection and a review of the records, 11 first aid kits were in place in the workplace. This issue can also be closed.

[adidas Group June 2011 update](#): There are 12 first aid kits placed inside the workplace.
December 2010 update: 12 first aid kits are still placed in the mentioned areas.

[May 19, 2010 update](#): 12 first aid kits are still placed in the mentioned areas.

[January 13, 2010 update](#): First aid kits have been installed in the mentioned areas. Additionally, factory nurses provide first aid training upon hire and on a quarterly basis. First aid training includes information on CPR, how to treat burns, etc.

Plan Complete: Yes

Plan Complete Date: 01/13/2010

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: In accordance with Safety Manufacturing Law Article 37, manufacturing units shall provide PPE to employees. Manufacturing units shall supervise and train employees to ensure they properly wear and use PPE. a) No earplugs are provided to workers in the trimming and rubber preparing sections. b) No facemasks are provided to workers in the rubber preparing section.

Sources: factory tour and worker interviews

Legal Reference: Safety Manufacturing Law Article 37

Plan Of Action:

1. Factory is required to purchase and provide the correct PPE to workers and to train them on how to use PPE.
2. The factory should check and change PPE on a regular basis based on the workers' needs.
3. Wearing the correct type of PPE in the working area should be added to the factory's policy and posted as a reminder inside the production area.

Deadline Date:

03/31/2010

Supplier CAP:

1. We have purchased and provided adequate PPE to all the relevant workers.
2. Our management will change the PPE for the relevant employees according to the PPE's purpose.
3. Regular trainings will be held quarterly for all relevant employees on how to use the correct type of PPE.
4. Supervisors will be responsible for regular inspections regarding the condition of the PPE and are responsible for making sure that the operators are using adequate PPE.
5. Wearing the correct type of PPE in the working area will be added to the factory policy. Reminder posters have been posted inside the workplace.



Supplier CAP 12/04/2009

Date:

Action [adidas Group June 2011 update:](#)

Taken:

1. All workers are using adequate PPE at work.
2. Factory trained all workers and supervisors on how to use adequate PPE on June 16, 2011.
3. PPE signs are posted in the working areas.
4. Record review confirmed that supervisors made monthly inspections on the conditions of the PPE.

[December 2010 update:](#)

1. All workers are using adequate PPE while at work.
2. Factory trained all workers and supervisors on how to use adequate PPE on August 30, 2010.
3. PPE signs are posted in the working areas.
4. Record review confirmed that supervisors made monthly inspections on the condition of the PPE.

[May 19, 2010 update:](#)

1. All workers are using adequate PPE while in operation.
2. Factory has trained all workers on how to use adequate PPE during operation every 6 months.
3. Reminders to wear the correct type of PPE in the working areas have been posted inside the production area.
4. No records show that supervisors make regular inspections on the condition of the PPE.

[January 13, 2010 update:](#) All workers wear adequate PPE while in operation.

Plan Yes

Complete:

Plan 12/22/2010

Complete

Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: There was no proper coverage for the electric wiring in the trimming section.

Sources: factory tour and management interviews

Plan Of Action:

1. Factory is required to have qualified personnel regularly inspect all the electrical wiring to keep wires in a safe and working condition.
2. Inspection records of the electrical connections and wiring should be maintained and organized.
3. Workers should be trained on how to identify potential electrical risks in their work positions and how to report these risks to qualified personnel so maintenance can be done in a timely manner.

Deadline Date: 03/31/2010

Supplier CAP:

1. Our qualified electrician will check all electric wiring on a monthly basis and keep inspection records.
2. Regular inspection work duties will be written into the job description of the electrician.
3. 1 safety officer is responsible for the monitoring work.

Supplier CAP Date: 12/04/2009

Action Taken: [adidas Group update May 2012:](#)

1. All electric wires were kept in good condition based on the monthly electric inspection records.
2. All the workers were trained on electrical safety and on the internal electrical safety control policy on April 2, 2012.

[adidas Group June 2011 update:](#) All electric wiring is kept in a good condition.



December 2010 update:

1. All electric wiring is covered properly.
2. 3 qualified electricians are assigned to check all the electric wiring on a monthly basis and document results.
3. On October 20, 2010, workers were trained on how to identify potential electrical risks in the work areas and how to report risks to qualified personnel for timely maintenance.

May 19, 2010 update:

1. All electric wiring is covered properly.
2. 1 qualified electrician is assigned to check all the electric wiring on a monthly basis, but no related inspection records are properly kept.
3. No records can be provided to show that workers are trained on how to identify potential electrical risks in their work positions and on how to report to these risks to qualified personnel for timely maintenance.
4. Factory management claimed they would train all employees on electrical safety issues during the slow season (around August 2010) and maintain records properly.

January 13, 2010 update: The aforementioned electric wiring has been covered properly.

Plan Complete: Yes

Plan Complete Date: 12/22/2010

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: According to the attendance records, around 10% of workers worked more than 60 hours 1 week in November 2008; the highest amount of hours was 70 hours/week. Most of these workers were from the vulcanizing section.

Sources: documentation review, management interviews and worker interviews

Plan Of Action:

1. Factory is required to make reasonable work plans to ensure all workers have sufficient time to rest.
2. HR should be responsible for monitoring work hours to ensure they are within legal limits.
3. Factory should set up a system for monitoring and controlling work hours (excessive work hour application, energy control, etc.).
4. Factory should find a methodology to increase production efficiency in order to reduce working hours.

Deadline Date: 03/31/2010

Supplier CAP:

1. Our production manager has been responsible for making production plans based on our real work capacity principle, ensuring each worker's overtime is no more than 3 hours per day, and work hours are not more than 60 hours a week.
2. Work hour monitoring/control will be included in the job description of HR and will be implemented accordingly.
3. An overtime application procedure and energy control will be introduced to control hours.
4. We will analyze our production process and find a methodology to increase our production efficiency.

Supplier CAP Date: 12/04/2009

**Action
Taken:**

adidas Group October 2012 update:

1. 8 workers were found to have worked continuously for 13 days with no rest day in 7 days in May and June 2012; these workers were working in the trimming department; 5 workers were found to have worked 74 hours a week in September 2012.
2. The management explained that the OT was due to the labor shortage and a high volume of orders made by the factory's customers (Remark: adidas only has very few orders in this factory which are placed through an agent) in a short time.
3. Factory committed to employing more workers to solve the problem of the labor shortage, and have internal working hours monitored by HR in order to control working hours.
4. adidas Group SEA is working with their agent [Name of agent has been removed] regarding this issue. If factory cannot control the excessive working hours, SEA's enforcement action will be applied. The enforcement policy includes a 3 warning letter system that may result in a factory termination. A warning letter is a written notification that is issued to a factory when the SEA team verifies that a critical or threshold issue is found in such factory, and/or when the factory fails to remediate such issue(s). The third letter may result in recommendation to terminate the manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of the adidas Group.

Sources: document review, and worker and management interviews

adidas Group update May 2012:

1. Based on document review and management interviews, 2 workers were found in the sulphur department to have worked continuously for 12 days with no rest day in 7 days in February 2012.
2. Based on interviews with management, the factory admitted that this was only the case in 2012, because of the labor shortage after the lunar new year holiday.
3. Factory committed to enhancing management of its working hours in the future and will train workers on the 60 hours a week and 1 day off in 7 days policy.

adidas Group June 2011 update:

- a) 4 workers worked continuously during the whole month of April 2011 without 1 day of rest.
- b) Based on factory explanation, only these 4 workers are skillful at operating the outsole machine; factory needs to complete 1 emergency order in April for another customer (Remark: Factory said they did not receive any orders from adidas Group in the last 6 months).
- c) Factory committed to train more outsole machine operators to avoid a re-occurrence of such violation.



December 2010 update:

1. Excessive work hour issues were identified during this audit as described below: a) Maximum daily hours of some workers exceeded 12 hours/day in October and November 2010; b) Some workers worked more than 60 hours (some reached 77 hours) in a given week in October and November 2010.
2. SEA was told this excessive work hour issue in October and November was caused by labor shortages and a high volume of orders made by factory's customers in a short amount of time. (Remark: adidas only has very few orders in this factory, placed through an agent.)
3. SEA is working with their agent on this. If factory cannot control the excessive hours, SEA's enforcement policies may be applied; this includes a 3 warning letter system that may result in factory termination. A warning letter is a written notification issued to the factory when SEA verifies that a critical or threshold issue has been found, and/or when the factory fails to remediate the issue(s). The 3rd letter may result in recommendation to terminate the manufacturing engagement between supplier and adidas Group or any other business entity doing business with or on behalf of adidas.

May 19, 2010 update:

1. Excessive work hour issue has been identified during this audit as below: a) Some workers worked more than 12 hours in a single day in April 2010. b) Some workers worked more than 60 hours (some reached a maximum of 77 hours) in a given week in April 2010. c) Some workers only received 2 days off in the whole month of April 2010.
2. SEA was told this excessive work hour issue in October and November was caused by labor shortages and high volume orders made by factory's customers in a short amount of time. (Remark: adidas only has very few orders in this factory, placed through an agent.)
3. SEA is working with their agent on this. If factory cannot control the excessive hours, SEA's enforcement policies may be applied; there is a 3 warning letter system that may result in factory termination. A warning letter is a written notification issued to the factory when SEA verifies a critical or threshold issue is found, and/or when factory fails to remediate issue(s). The 3rd letter may result in recommendation to terminate the manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of adidas.

January 13, 2010 update: No worker had worked hours exceeding 60 a week since the last FLA audit.

Plan No
Complete:

**Plan
Complete
Date:**

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: In accordance with PRC Labor Law Article 38, the employing unit shall guarantee its staff and workers have at least 1 day off in a week. Based on attendance records, around 10% of workers worked 12 consecutive days without 1 day off in November 2008. Most of these workers were in the vulcanizing section.

Sources: document review, management interviews and worker interviews

Plan Of Action: Factory is required to make reasonable work plans based on the factory's capacity, ensuring all workers have sufficient time to rest (1 day off in 7, at least; work no more than 60 hours a week, etc.). When making a production plan, planner should always consider whether the production lead time is too tight and consider whether the raw materials will arrive late.

Deadline Date: 02/28/2010

Supplier CAP:

1. We will arrange the production planning based on our real work capacity, ensuring each worker has at least 1 day of rest in a given week.
2. Working hour monitoring/control will be included in the job descriptions of the HR department staff. These responsibilities will be implemented accordingly.

Supplier CAP Date: 11/10/2009

Action Taken: [adidas Group update May 2012:](#)

1. Based on document review and management interviews, 2 workers were found in the sulphur department to have worked continuously for 12 days with no rest day in 7 days in February 2012.

2. Based on interviews with management, the factory admitted that this was the only case in 2012, because of the labor shortage after the lunar new year holiday.

3. Factory committed to enhancing management of its working hours in the future and will train workers on the 60 hours a week and the 1-day off in 7 days policy.

adidas Group June 2011 update: a) 4 workers worked continuously during the whole month of April 2011 without 1 day rest. b) Based on factory explanation, these 4 workers are the only ones skilled enough at operating the outsole machine; factory needs to complete 1 emergency order in April for another customer (Remark: Factory said they did not receive order from adidas Group in the last 6 months.). c) Factory committed to train more outsole machine operators to avoid a re-occurrence of such violation.

December 2010 update:

1. Excessive work hour issues were identified during this audit as described below: a) Maximum daily hours of some workers was 12 hours/day in October and November 2010; b) Some workers worked more than 60 hours (some reached a maximum of 77 hours) in a given week in October and November 2010.

2. SEA was told this excessive work hour issue in October and November was caused by labor shortages and a high volume of orders made by the factory's customers in a short amount of time. (Remark: adidas only has very few orders in this factory, placed through an agent.)

3. SEA is working with their agent on this. If factory cannot control the excessive hours, SEA's enforcement policies may be applied; this policy includes a 3 warning letter system that may result in factory termination. A warning letter is a written notification issued to the factory when SEA verifies a critical or threshold issue is found, and/or when the factory fails to remediate the issue(s). The 3rd letter may result in recommendation to terminate the manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of adidas.

May 19, 2010 update:

1. Excessive work hour issues were identified during this audit as below: a) Some workers worked more than 12 hours in a single day in April 2010; b) Some workers worked more than 60 hours (some reached a maximum of 77 hours) in a given week in April 2010; c) Some workers only had 2 days off in the whole month of April 2010.

2. SEA was told this excessive work hour issue in October and November was caused by labor shortages and a high volume orders made by the factory's customers in a short amount of time. (Remark: adidas only has very few orders in this factory, placed through an agent.)



3. SEA is working with their agent on this. If the factory cannot control the excessive hours, SEA's enforcement policies may be applied; this includes a 3 warning letter system that may result in factory termination. A warning letter is a written notification issued to the factory when SEA verifies a critical or threshold issue is found, and/or when the factory fails to remediate the issue(s). The 3rd letter may result in a recommendation to terminate manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of adidas.

January 13, 2010 update: No worker had worked hours exceeding 60 a week since the last FLA audit.

Plan No
Complete:

Plan
Complete
Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: 1. In accordance with the Provisional Regulations for the Payment of Wages Article 6, employing units shall record in writing the amount of wages paid to workers, the date of the payment, the names and signatures of the persons who receive wages, and the units shall keep them for two years or more for examination. Employing units shall provide workers with a copy of his/her payroll when they pay wages. The factory did not keep the attendance records for the resigned workers.

Legal Reference: Provisional Regulations for the Payment of Wages Article 6

2. The provided attendance records were incomplete. There was no in or out time indicated in the provided barcode attendance records and there was no in/out time indicated for meal breaks. The factory used the manual attendance records for recording workers' overtime work and for calculating overtime wages. The manual attendance records were found without an exact in or out time. Furthermore, on some occasions, the overtime hours showed in the barcode attendance records did not match with the manual attendance records.

Sources: document review, management interviews and worker interviews

**Plan Of
Action:**

1. The factory is required to strictly follow the Provisional Regulation for the Payment of Wages, article 6. This means they are required to keep the payment records and attendance records of all employees (including resigned workers) for two years or more so they can be checked.

2. Each clock in and clock out time should be indicated in the barcode attendance records, while in and out time can not be indicated in the barcode attendance records. The fixed meal break time should be written in the factory policy and posted in a prominent place so workers can read it, and should be strictly implemented.

3. The only purpose of the manual attendance records is for reference only and they must match the barcode attendance records. All wages (including overtime wages) must be calculated based on the barcode attendance records.

**Deadline
Date:**

03/31/2010

**Supplier
CAP:**

1. We have started keeping all payment records and attendance records (including for resigned workers) for two years, starting from the last FLA audit.

2. Our management has requested all workers to punch their time cards 4 times/day if OT is applicable. The meal break times have been fixed and included in our factory policy and all new workers have been trained on this issue during their orientation.

3. Our manual attendance records are used for our in-line production supervisor's reference only, and they will fully match the barcode attendance records.

**Supplier CAP
Date:**

12/04/2009

**Action
Taken:**

[adidas Group October 2012 update:](#)

1. 8 workers were found to have worked continuously for 13 days with no rest day in 7 days in May and June 2012; these workers were working in the trimming department; 5 workers were found to have worked 74 hours a week in September 2012.

2. The management explained that the OT was due to the labor shortage and a high volume of orders made by the factory's customers (Remark: adidas only has very few orders in this factory which are placed through an agent) in a short time.

3. Factory committed to employing more workers to solve the problem of the labor shortage, and have internal working hours monitored by HR in order to control working hours.

4. adidas Group SEA is working with their agent [Name of agent has been removed] regarding this issue. If factory cannot control the excessive working hours, SEA's enforcement action will be applied. The enforcement policy includes a 3 warning letter system that may result in a factory termination. A warning letter is a written notification that is issued to a factory when the SEA team verifies that a critical or threshold issue is found in such factory, and/or when the factory fails to remediate such issue(s). The third letter may result in recommendation to terminate the manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of the adidas Group.

Sources: document review, and worker and management interviews

adidas Group update May 2012:

1. Based on document review and management interviews, 2 workers were found in the sulphur department to have worked continuously for 12 days with no rest day in 7 days in February 2012.

2. Based on interviews with management, the factory admitted that this was only the case in 2012, because of the labor shortage after the lunar new year holiday.

3. Factory committed to enhancing management of its working hours in the future and will train workers on the 60 hours a week and 1 day off in 7 days policy.

adidas Group June 2011 update: a) 4 workers worked continuously during the whole month of April 2011 without 1 day of rest. b) Based on factory explanation, only these 4 workers are skillful at operating the outsole machine; factory needs to complete 1 emergency order in April for another customer (Remark: Factory said they did not receive any orders from adidas Group in the last 6 months). c) Factory committed to train more outsole machine operators to avoid a re-occurrence of such violation.

December 2010 update:

1. Excessive work hour issues were identified during this audit as described below: a) Maximum daily hours of some workers exceeded 12 hours/day in October and November 2010; b) Some workers worked more than 60 hours (some reached 77 hours) in a given week in October and November 2010.

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May 19, 2010 update:

1. Excessive work hour issue has been identified during this audit as below: a) Some workers worked more than 12 hours in a single day in April 2010. b) Some workers worked more than 60 hours (some reached a maximum of 77 hours) in a given week in April 2010. c) Some workers only received 2 days off in the whole month of April 2010.

2. SEA was told this excessive work hour issue in October and November was caused by labor shortages and high volume orders made by factory's customers in a short amount of time. (Remark: adidas only has very few orders in this factory, placed through an agent.)

3. SEA is working with their agent on this. If factory cannot control the excessive hours, SEA's enforcement policies may be applied; there is a 3 warning letter system that may result in factory termination. A warning letter is a written notification issued to the factory when SEA verifies a critical or threshold issue is found, and/or when factory fails to remediate issue(s). The 3rd letter may result in recommendation to terminate the manufacturing engagement between the supplier and adidas Group or any other business entity doing business with or on behalf of adidas.

January 13, 2010 update: No worker had worked hours exceeding 60 a week since the last FLA audit.

Plan No
Complete:

Plan
Complete
Date:
