

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

What is a Tracking Chart?

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

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

What a Tracking Chart is NOT -

- An exhaustive assessment of factory conditions

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

- A pass or fail evaluation

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

- A one-time event

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

Note on Language

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

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

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

Instructions for Printing

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

FLA Audit Profile	
Country	China
Factory name	01001547B
IEM	BVCPS (HK), Shen Zhen Office
Date of audit	Jun 12 & 13, 2003
PC(s)	adidas-Salomon
Number of workers	1,197
Product(s)	Shin-guards
Production processes	Sewing, cutting, injection, printing, knitting and packaging

FLA Code/ Compliance issue	Legal Reference / Country Law	Findings				Remediation			
		FLA Benchmark	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	PC Follow up	Documentation
1. Code Awareness									
Code posting/information		FLA Principles of Monitoring: 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.	National and local laws were not posted.	Visual Observation	Nil	Labor laws and fire safety regulations are posted around the workplace.	30 June 2003	Fire safety regulations are posted inside factory premises and worker manual including labor law provisions is posted on the factory notice boards. In addition, adidas SOE posters in Chinese are posted clearly inside factory.	Inspection of workplace - posting of relevant documents on the notice boards.
2. Forced Labor									
3. Child Labor									
4. Harassment or Abuse									
5. Nondiscrimination									
6. Health and Safety									
Injury Log		FLA Benchmark, Health and Safety: All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Factory did not maintain comprehensive documentation on all factory accidents, fires, medical emergencies, chemical events and general safety issues.	Record Review	Nil	Management claims that to date, no accidents have occurred at the factory site. Given the lack of documentation, it is difficult to assess whether this is accurate. Factory has committed to keeping a log book for all work related injuries and accidents.	1 September 2003	Factory keeps a log book for all accidents and workplace injuries, together with the investigation records.	Log will be maintained in the HR department and adidas SEA staff will review it periodically.
Safety Equipment		FLA Benchmark, Health and Safety: All safety and medical equipment (such a fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	No first aid kit was installed in the dormitory.	Visual Observation	Nil	Factory has equipped dormitories with first aid kits.	30 June 2003	Factory provides first aid kits on each floor of the dormitory building.	Photo records kept on file by adidas SEA staff.
7. Freedom of Association and Collective Bargaining									
8. Wages and Benefits									
Local minimum wage not guaranteed	Country Law: According to Article 48 of the Labor Law of the People's Republic of China: The state practices the system of minimum wage guarantee. The wages paid by employing units to laborers shall not be lower than the local minimum wage limit.		For monthly rate workers, 13 samples of current month (Apr 2003) were paid equivalent to RMB 1.88/hour, which was lower than the local minimum requirement of RMB 2.69/hour. For daily rate workers, all 5 samples from May 2002 to Jan 2003 were paid equivalent to RMB 2.63/hour. In addition, 12 samples of current month (Apr 2003) and 5 samples from Feb – Mar 2003 were paid equivalent to RMB 2.68/hour. All these payment were lower than the local minimum requirement of RMB 2.69/hour.	Payroll Review	Nil	Factory management claims that it does provide minimum wage to workers and that the calculation methods used by the auditors render a different result. adidas SEA staff to work with management to ensure calculation for regular time and over time rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws.	Ongoing	Payroll of February 2004 was reviewed, confirming the new calculations that meet the legal requirements on minimum wage standard.	Payroll documents kept on-site - photocopies taken by SEA staff.

FLA Code/ Compliance issue	Legal Reference / Country Law	Findings				Remediation				
		FLA Benchmark	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	PC Follow up	Documentation	
Wage Deduction	Country Law: According to Article 24 of Opinions on Matters of Carrying out Labor Law of the People's Republic of China of LMI [1995] No. 309: Employers shall not collect or withhold the wages of employees in any form as deposit or for other purpose.		In reviewing the factory regulations: If worker damage[s] a swipe card, replacement for a new one will be charged [to worker at] RMB 30 (factory claimed cost at RMB 20). If worker lost a swipe card, replacement for a new one will be charged [to worker at] RMB 50.	Record Review - Facility Regulations	Nil	Factory has reduced the replacement fee for lost time cards to Rmb20 which is the basic cost of the card. adidas has requested that no fees whatsoever be charged. Instead factory should use a proper disciplinary system for workers who repeatedly lose their factory ID cards. SEA staff will verify that fees are no longer charged through worker interviews during next visit.	Ongoing	Instead of deducting 20rmb from worker's salary from lost time card, factory is now adopting a warning/disciplinary system to worker if they keep losing the time cards. And factory has already educated workers and posted the notice inside factory on this new policy change.	Policy for lost time cards and disciplinary records.	
Labor Contract	Country Law: According to Article 16 of the Labor Law of the People's Republic of China: Labor contract is an agreement between laborers and employing units that establishes the labor relationship and clarifies the rights and obligations of both parties. For the establishment of labor relationship, a labor contract shall be signed.		All labor contracts expired on Mar 31, 2003. No renewal of labor contracts were found. Factory claimed that the local labor bureau rejected their renewal application because of the epidemic disease SARS.	Labor contracts	Nil	Factory has contacted the local labor department which has agreed to arrange a sooner date for confirmation of all contract renewals.	1 September 2003	All workers have standard labor contracts with the employer. According to information from the factory HR manager, labor contracts are signed once the new worker starts working in this factory.	SEA staff [reviewed] the copies of labor contracts and confirms that they have been updated.	
Probation period	Country Law: According to Article 3 of Circular on Matters of Implementing Labor Contract Systems of LMI [1996] No.354: In accordance with the Labor Law, the labor contract may specify a probation period that shall not exceed six months at the maximum. For a labor contract with a term of less than 6 months, the probation period shall not exceed 15 days; for a labor contract with a term of more than 6 months, but less than 1 year, the probation period shall not exceed 30 days; for a labor contract with a term of more than 1 year, but less than 2 years, the probation period shall not exceed 60 days. The probation period shall be included within the term of the labor contract.		In reviewing the factory regulations, the duration of probationary period for workers was 3 to 6 months. However, the term of labor contracts reviewed (expired on Mar 31, 2003) was one year. According to the term of labor contracts, the duration of probationary period shall not exceed 30 days.	Labor contracts	Nil	Reset the probation period to one month for all factory workers.	30 June 2003	According to the labor contract signed between workers and factory, probation period is set as one month for all workers - this is also set out in the employment contract.	SEA staff reviewed copies of updated employment contracts.	
9. Hours of Work										
Exceed legal overtime limit	Country Law: According to Article 41 of the Labor Law of the People's Republic of China: Under the precondition that the physical health of laborers is ensured, overtime shall not exceed 3 hours a day and 36 hours in a month.		The maximum overtime was as long as 5 hours a day and as high as 105 to 120 hours in May 2002 for all 5 samples, which greatly exceeded the legal limit of 3 hours a day and 36 hours per month.	Swipe card records of May 2002	Nil	In May 2002, factory applied for special permission from the local labor bureau to work more than 60 hours. Factory has since rectified the total work hours per work week, and observes the 60 hour work week maximum.	30 June 2002	The maximum overtime per day is 2 hours and 60 hours per week with one day off in seven.	Recent time records reviewed by adidas SEA staff.	

FLA Code/ Compliance issue	Legal Reference / Country Law	Findings				Remediation				
		FLA Benchmark	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Target Completion Date	PC Follow up	Documentation	
Exceed 60 hours / week		FLA Benchmark, Hours of Work: Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law or the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.	The **** hours [worked] (normal working hour plus overtime hour) per week was 72 hours for all 5 samples in May 2002, which exceeded FLA maximum limit of 60 hours per week.	Swipe card records of May 2002	Nil	See the comments directly above.	30 June 2002	Through review of working hour records, no violation of the 60 hours work week requirements were found in first three months of year 2004.	Recent time records reviewed by adidas SEA staff.	
10. Overtime Compensation										
Incorrect base for calculation of overtime wage	Country Law: The normal wage (i.e. base for calculation of overtime wage) shall be at least the local minimum wage standard as per PRC Labor Law : Article 48		Despite the factory paying 150% and 200% of normal wages for overtime on weekdays and rest days respectively, the factory failed to comply because the base to calculate overtime wage was below legal minimum wage for all 25 samples in Apr 2003. For example, the factory used RMB 1.88/hour as the base to calculate overtime wage rather than RMB 2.69/hour.	Payroll records of Apr 2003	Nil	adidas SEA staff to work with management to ensure calculations for regular time and over time rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws.	30 June 2003	Workers are receiving their wage statements on each salary day, and the wage statement includes basic wage, incentives, overtime hours, overtime compensations. All overtime hours are compensated according to the labor law in China.	Recent payroll records reviewed by adidas SEA staff.	
No overtime wage paid	Country Law: According to Article 2 of the Regulations on Holiday-taking during National Festivals and Anniversaries (revised and promulgated by the State Council on September 18, 1999), festivals when all citizens can take holiday: (1) New Year's day: 1-day holiday (January 1); (2) Spring Festival: 3-day holiday (the 1st, 2nd and 3rd day of the Lunar New Year); (3) Labor Day: 3-day holiday (May 1, 2 and 3); (4) National Day: 3-day holiday (October 1, 2 and 3). If the statutory festive holiday is rest day, the rest day shall be postponed.		The factory just paid 100% of normal wage when workers were required to work on Feb 4 and 5, 2003. The factory should pay these workers 200% of normal wage because Feb 1 & 2, 2003 (statutory holidays, Chinese New Year days) fell on Saturday and Sunday. Feb 4 & 5, 2003 should be compensated for the lost Saturday and Sunday as per this regulation. In other words, working on Feb 4 and 5, 2003 should be treated as working on rest days and compensation should be paid as per Article 44 of the Labor Law of the People's Republic of China : Payment of wage remuneration of no less than 200% of the normal wage if employee is arranged to work on rest days.	Payroll and attendance records of Feb 2003	Nil	adidas SEA staff to work with management to ensure calculations for regular time, over time and holiday rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws.	30 June 2003	All overtime worked is compensated at legal premium rate as shown on the payroll for February 2004.	Recent payroll records reviewed by adidas SEA staff.	