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.
| 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. | Visual Observation | Nil | Labor laws and fire safety regulations are posted around the workplace. | 30 June 2003 | Inspection of workplace - posting of relevant documents on the notice boards. |
| Forced Labor | | FLA Benchmark, Health and Safety: Accidents (other than fatal) shall be investigated at the earliest. | 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. | | |
| Child Labor | | FLA Benchmark, Health and Safety: All safety and accident reports shall be maintained for at least one year, or longer if required by law. | Visual Observation | Nil | Factory did not maintain comprehensive documentation on all factory accidents, fires, medical emergencies, chemical events and general safety issues. | | |
| Harassment or Abuse | | | | | | | |
| Nondiscrimination | | FLA Benchmark, Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees. | Visual Observation | Nil | Factory has equipped dormitories with first aid kits. | 30 June 2003 | |
| Health and Safety | | FLA Benchmark, Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees. | Visual Observation | Nil | Factory has equipped dormitories with first aid kits. | 30 June 2003 | Photo records kept on file by adidas SEA staff. |
| Freedom of Association and Collective Bargaining | | 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 workers shall not be lower than the local minimum wage limit. | Payroll Review | Nil | Factory management claims 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 overtime rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws. | Ongoing | |

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

**Country Law**: According to Article 41 of the Labor Law of the People's Republic of China: workers are paid a basic wage for a 40-hour work week, and observes the 60 hours. Factory has since rectified the total work hours per week for all factory workers.

- **Regulations**: If worker damage[s] a swipe card, replacement for a new one will be charged to worker; if worker loses a swipe card, factory should use a proper disciplinary system for workers who repeatedly lose their factory ID card. SEA staff will verify that fees are no longer charged through worker interviews during next visit.

#### 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 units that establishes the labor relationship and clarifies the rights and obligations of both parties. The maximum overtime per day is 2 hours and 60 hours per week with one day off in seven.

- **Regulations**: The maximum overtime was as long as 5 hours a day and as high as 30 hours per month for all 5 samples, which greatly exceeded the legal limit of 3 hours a day and 36 hours per month.

### Ongoing

**Country Law**: According to Article 24 of Opinions on Matters of Carrying Out Labor Law of the People's Republic of China of No. 298, it stipulates that laborers shall not exceed the legal limit of overtime per day and per month. Factory has since rectified the total work hours per week for all factory workers.

- **Factories**: In May 2002, factory applied for special permission from the local labor department which has already educated workers and posted the notice inside factory on this new policy change.

### Probation period

**Country Law**: According to Article 13 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; for a labor contract with a term of more than 2 years, the probation period shall not exceed 90 days; for a labor contract with a term of more than 2 years, the probation period shall be included within the term of the labor contract.

- **Regulations**: For all labor contracts, the duration of probationary period shall not exceed 60 days. The probation period shall not exceed 30 days; for a labor contract with a term of more than 6 months, the probation period shall not exceed 15 days; for a labor contract with a term of less than 6 months, the probation period shall not exceed 30 days; for a labor contract with a term of less than 6 months, the probation period shall not exceed 15 days.

### Hours of Work

**Country Law**: According to Article 41 of the Labor Law of the People's Republic of China: workers are paid a basic wage for a 40-hour work week, and observes the 60 hours. Factory has since rectified the total work hours per week for all factory workers.

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### Finding

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**Regulations**: Instead of deducting 20% from worker's salary from lost time (card, factory is now adopting a warning/disciplinary system to worker if they keep losing the ID card. SEA staff will verify that fees are no longer charged through worker interviews during next visit.

**Factories**: In May 2002, factory applied for special permission from the local labor department which has already educated workers and posted the notice inside factory on this new policy change.

**Regulations**: If worker damage[s] a swipe card, replacement for a new one will be charged to worker; if worker loses a swipe card, factory should use a proper disciplinary system for workers who repeatedly lose their factory ID card. SEA staff will verify that fees are no longer charged through worker interviews during next visit.

**Regulations**: In reviewing the factory records, the duration of probationary period for workers was 5 to 6 months. However, the term of labor contracts reviewed 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.

- **Regulations**: Factory has contracted the local labor department which has agreed to arrange a sooner date for confirmation of all contract renewals.

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FLA Compliance Issue
 Legal Reference / Country Law
FLA Benchmark
Monitor’s Findings
Recommendation
Real 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.

Monitor’s Findings:
The FLA benchmarked normal working hour plus overtime hour per week was 72 hours for all 3 samples in May 2002, which exceeded FLA maximum limit of 60 hours per week.

Recommendation:
Use the comments directly above.

Real Practice:
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.

Documentation:
Recent time card records reviewed by adidas SEA staff.

Overtime Compensation

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

Payroll records of Apr 2003
adidas SEA staff to work with management to ensure calculations for regular time and overtime rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws.

Recent payroll records reviewed by adidas SEA staff.

Incorrect base for calculation of overtime wage
Country Law: Despite the factory paying 150% and 200% of normal wages for overtime on weekdays and rest days respectively, the factory failed to simply 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
adidas SEA staff to work with management to ensure calculations for regular time and overtime rates are correct and that all hours worked are compensated according to the legal requirements under the China labor laws.

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 wages 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
adidas SEA staff to work with management to ensure calculations for regular time, overtime and holiday rates are correct and that all hours worked 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.

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Payroll and attendance records of Feb 2003
adidas SEA staff to work with management to ensure calculations for regular time, overtime and holiday rates are correct and that all hours worked are compensated according to the labor law in China.

Recent payroll records reviewed by adidas SEA staff.