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1. Objective

Audits are among the tools we use to assess our business partners level of compliance with our Workplace Standards. Over the course of a supplier’s relationship with adidas, they may undergo several different audits related to our social and environmental standards.

This audit manual is designed for the Auditors to outline the scope of these audits, audit coverage policies and protocols for their conduct, and as a general rule, these requirements are to be strictly applied to all audits¹.

2. Audit Coverage Models

Our programme includes two audit coverage models referred to as ‘Internal’ & ‘External’ coverage.

2.1 Internal Coverage

This applies to instances where adidas has a direct contractual relationship with a supplier. Audit requirements are fulfilled by adidas’ SEA Field Operations team².

2.2 External Coverage

This applies where there is no direct relationship between adidas and a supplier, but instead where sourcing is via authorised third parties, including licensees, agents and other supply chain intermediaries. Approved External Monitors (EM’s), managed via adidas’ nominated Service Provider (SP) [see Section 6) conduct audits.

3. Types of Audit

3.1 SEA ‘Social Audits’

Factories that fall under SEA’s audit coverage, as outlined in the Factory Approval SOP, will be subject to one or more of the following types of audit:

Type of Audit	Objective	Scope of Audit
Initial Assessment (IA)	Onsite assessment of new factories against Zero Tolerance and Threshold Issues.	<ul style="list-style-type: none"> All Zero Tolerance and Threshold Issues (ZT&TI) Management Commitment Evaluation (MCE) and Management System Evaluation (MSE)

¹ SEA Field Operations team members are expected to apply their professional judgement in the conduct of SEA led audits as appropriate to the circumstances. Please refer to this manual’s footnotes for details of any programmatic deviations between audit coverage models.

² SEA Field Operations may commission EMs to audit factories falling under Internal Coverage where SEA resources are not available, also referred to as “Internal by Openview”.

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Desktop Initial Assessment (IA)³	Same as IA but conducted remotely by an auditor instead of being physically onsite.	Same as IA.
Initial Assessment Follow-Up	To determine whether the factory has remedied all Threshold Issues which were identified in an IA and that no new ZT or TI's exist.	<ul style="list-style-type: none"> All ZT & TI, MCE and MSE, similar to an IA. All the open issues from the IA must be assessed. <p>Scope is used for all the second visits where the first designation of the factory is either "SEA Rejected with Second Visit", "Compliance Override - High Risk", or "SEA Accepted--Subject to Conditions".</p>
Performance Audit (PA)	To monitor compliance in existing suppliers against all areas of adidas' Workplace Standards & Guidelines	<ul style="list-style-type: none"> All code provisions including ZT & TI, MCE and MSE must be reported on. Auditors should also report on any other categories of non-compliances that fall outside the scope of ZT/TI. All the open issues from the previous audits must also be assessed.
Desktop Performance Assessment (PA)⁴	Same as PA but conducted remotely by an auditor instead of being physically onsite.	Same as PA.
C-KPI Assessment⁵	To evaluate the factory according to the Units of Measures (UOM) in the KPI Tool.	<p>KPI rating and the Units of Measure i.e.:</p> <ol style="list-style-type: none"> Basic Expectations <ol style="list-style-type: none"> Management System Communication Compliance Performance Leadership <ol style="list-style-type: none"> Social Indicators Worker Satisfaction
S-KPI Assessment⁶	To measure the performance of a strategic T1 supplier in delivering a fair and safe workplace through effective due-diligence and worker empowerment programs.	<p>S-KPIs Structure is as follows:</p> <ol style="list-style-type: none"> Due-Diligence Indicators Management System <ol style="list-style-type: none"> Completion of Internal Audit (Risk ID) Compliance with Zero Tolerance (ZT) and Threshold Issues (TI) standards

³ See '[Desktop Assessment](#)' Guideline and the '[Guidelines on How to Conduct a Desktop Assessment](#)'; the use of Desktop Assessments by EM's will be considered on case by case basis.

⁴ See '[Desktop Assessment](#)' Guideline and the '[Guidelines on How to Conduct a Desktop Assessment](#)'; the use of Desktop Assessments by EM's will be considered on case by case basis.

⁵ Applies to suppliers with a direct contractual relationship with adidas only; 2021 will be the final year of the C-KPI.

⁶ To be piloted in 2021, with full launch in 2022.

		<ul style="list-style-type: none"> c. Completion of Remediation (CAP) d. Resolution of Worker’s grievances e. Disclosure and monitoring of T1 sub-con (as per adidas requirement) <p>2. Social Impact Indicators</p> <ul style="list-style-type: none"> a. Women Leadership Program Participation b. Worker’s E-Training Participation c. Worker’s Pulse/Survey Participation d. Accident Rate e. Absenteeism Rate f. Turn Over Rate g. Satisfaction Rate of Worker’ Grievance h. Ratio of Female in mid-managerial position i. Passing grade of Digital Training j. NPS Score <p>3. Penalty</p> <ul style="list-style-type: none"> a. Warning Letter b. Strike due to ZT/TI or comm failure c. Fatal accident or major incident* d. Right in First Time of EMeReT data e. Unauthorized production and/or Sub-Con
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3.2 Third Party ‘Social Audit’ Programs

As a general rule, adidas does not accept audits from third party social compliance or ethical trade schemes in place of SEA’s own assessments. However, exceptions will be made for:

3.2.1 Collaboration Audits

In some cases, suppliers to adidas also manufacture in the same facility for other brands. Where these brands uphold similar standards to those of adidas, we will in some instances collaborate through joint monitoring activity, also referred to as collaboration audits. Whenever this is the case, the supplier in question will be notified and receive further instruction from the SEA team.

3.2.2 Social and Labour Convergence Program (SLCP) Assessments

[SLCP](#) assessments verified by an SLCP authorised Verifier Body (VB) will be considered in place of IA’s and PA’s. This is subject to prior agreement of SEA, and verified SLCP assessments must:

- Cover, at a minimum, Step 1 (Essential⁷) questions.
- Have been verified within the last 6 months prior to the date of submission to adidas.

⁷ Previously referred to as ‘Compliance’ in SLCP version 1.3. Factories are encouraged, but not mandated, to complete Step 2 (Management System/Progressive) & Step 3 (Above & Beyond/Advanced) sections of the SLCP.

- Be shared with adidas via the Fair Factories Clearinghouse (FFC).

Timelines for follow up assessments remain the same as for regular SEA audits, subject to the specific assessment findings and SEA approval designation⁸.

4. Audit Announcement

4.1 Definitions & Application

SEA 'Social Audits' follow the audit announcement model below.

	Announced	Semi-Announced	Unannounced
	A date for the audit is fixed between the facility and the auditor in advance by mutual agreement.	An 'audit window' of 4 weeks ⁹ is set by the auditor and communicated to the facility.	The audit is conducted without any advance notice being given to the facility.
Initial Assessment (IA)	X	-	-
Desktop Initial Assessment (IA)	X	-	-
Initial Assessment (IA) – Follow Up	X	-	-
Performance Audit (PA) ¹⁰	X	X	X
Desktop Performance Assessment (PA)	X	-	-
KPI Assessment	X	X	X

⁸ As defined in SEA's Factory Approval SOP.

⁹ Field Operation monitors may apply modified audit windows to Internal Coverage audits dependent on the supplier context and their professional judgement.

¹⁰ SEA's default approach is for PA's to be semi-announced. Announced audits will generally only be applied where facilities are in remote locations where logistical support for travel and accommodation is required, or where audits are combined with other activities, for example advisory or training initiatives.

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Special Investigations/Factory Visits ¹¹	X	X	X
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¹¹ Decided on a case-by-case basis dependent on the purpose of the factory visits and/or nature of the investigation and issues concerned.

5. Audit Methodology

5.1 Site Coverage

As an over-arching principle, all facilities under the same Business License should be covered by the monitoring exercise by following the Audit Framework mentioned below. However, there may be some cases, as outlined below, where an adapted approach may be required. These will be considered on a case-by-case basis and must be approved by SEA prior to the audit.

Factories in a multi-level building¹²:

- The auditor should try to cover other floors in the same building in terms of the building's structural and fire safety. Sometimes, other owners might not grant auditors with access. In such cases, auditors should check the walls, windows, hallways, stairs, elevators, etc. in common areas to get an overall impression of fire and structural safety of the building. As a best practice, auditors can ask for permission to go into the facilities on other floors to have a quick check of fire and building safety.
- In principle, the auditor should cover other facilities in the same building if they are involved in a vertical production set up with the primary adidas supplier factory. For example, a printer on the 4th floor needs to be audited if they are doing the print work for the primary factory on the 2nd floor, even though the management of the two facilities are different. Should the auditor, according to their professional judgement, deviate from this approach, this should be noted in their reporting.

Multiple buildings on the same premises that belong to the same management:

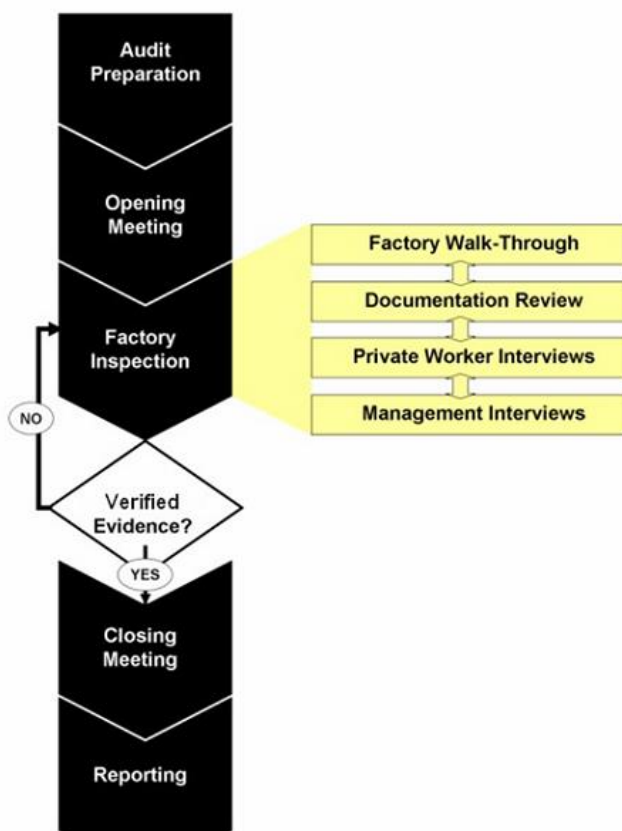
- The auditor should cover all the common areas including cafeterias, dormitories, chemical warehouses, etc. which are used by all the workers from different buildings. Regarding common areas, a walk-through is not enough. The auditor needs to check the documents of the workers employed in common areas and also include them in the interviews. (For example; workers employed in the cafeteria, warehouse, clinic, etc. would fall under audit coverage.)
- The auditor should cover the other buildings only if the production in the other building is related to adidas' production (i.e., vertical set-up production in between the buildings). (For example; an embroidery section in the next building is used by the primary factory would fall under audit coverage.)
- The auditor should cover the other buildings only if there is swapping (or possibility thereof) of workers between buildings/businesses.

If the other buildings in the same premises do not fall into any of these points, then a written commitment from the factory's top management is needed to confirm that the production for adidas brands is fully dedicated to only a specific building/s with no vertical production occurring in any other buildings, no common areas used by the workers from other buildings, and there is no swapping of workers between buildings/businesses.

¹² In Bangladesh, we do not accept multi-level buildings.

5.2 Audit Framework

Experience shows that non-compliances vary by region and country - and even by factory. As a result, auditors will need to formulate specific assessment methodologies that most effectively cover the relevant conditions and assist factory management and workers with implementing the Workplace Standards. However, the components of an audit generally follow this standard practice:



5.2.1 Audit Preparation

Auditors should follow their own methodologies and practices for preparing for the audit. However, adidas also expects auditors to review, and be knowledgeable of, the following as part of their audit preparation.

Local Law	<ul style="list-style-type: none"> • Auditors should be fully aware of the conditions, challenges and issues prevailing in the country, region and industry where the audit is to be conducted. • Auditors should have requisite knowledge of local law and to understand common areas of non-compliance and areas of concern to workers. • It would be useful for the auditor to gather the relevant code regulations and have them available as a reference in the audit.
Workplace Standards	<ul style="list-style-type: none"> • The auditor should have a strong understanding of the Workplace Standards, the ZT/TI and understand where adidas' requirements are stricter than the local law.
SEA Country Risk Mapping	<p>Provides special guidance on the following high-risk issues:</p> <ul style="list-style-type: none"> • Issues particular to a country. • Common areas of non-compliances in the country. • Common areas of non-compliances found in audits at existing business partners. • SEA requirements for the country that go above local labour law.
SEA Guidelines	<p>Detailed guidance and case studies of common non-compliances and best practices contained within the:</p> <ul style="list-style-type: none"> • Health & Safety Guidelines • Employment Guidelines • Environmental Guidelines <p>All these documents are available via the 'Reporting & Policies' section of adidas' Sustainability website and the Fair Factories Clearinghouse (FFC) 'Documents' section. This also contains additional guidelines, such as the Fire Safety Guidance Note & the Boiler Guideline, among others.</p>
Supplier Self-Assessment & Migrant Worker Questionnaire	<p>Contains information on working hours, wages, safety & health and policies and permits, number and language of workers/management, including migrant workers and recruitment practices, number of buildings and floors. Auditors can use the information to develop a risk profile of the factory and focus on the biggest risks of non-compliance with ZT and TI requirements during the audit.</p>
Supplier Open Issues List	<p>Before visiting the factory, auditors are expected to check the factory's account in the FFC regarding the open issues from all previous audits. The factory is required to provide a CAP update and status of open issues with relevant evidence and completion date of remediation. High priority should be given by the factory for non-compliances open for more than 3 years</p>

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	and Threshold Issues open for more than 1 year, as well as any recent worker complaints ¹³ .
External Sources	Check any local NGO and/or media coverage of the factory concerned including FLA Benchmarks.

5.2.2 Audit Length

The table below provides a guide on audit duration based upon the number of employees in the factory. Based on the actual circumstances during the audit, auditors may have to exercise their professional judgement in extending the duration of the audit accordingly. All audits must take place at times where the factory is fully operational, therefore, the auditor should consider this in their preparation and confirm the operational status with the factory management in advance.

Audit Person-day & Interview Sample Size				
Number of Total Workers	1-350	351-1000	1001-2000	>2000
Audit Person-days	1	2	3	4
Interviews	10	20	40	60

Note: if a KPI assessment is combined with a PA then an additional person-day can be added to those listed above to allow for the additional content.

5.2.3 Opening Meeting

The opening meeting provides an opportunity for the auditors to introduce themselves to the factory's management and to explain the audit process. In the opening meeting the auditors should:

Attendees:	Invite: <ul style="list-style-type: none"> • Factory Owners and/or General Manager. • Compliance Manager. • Other relevant employees, whenever possible, from. <ul style="list-style-type: none"> ○ Human Resources
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¹³ The SP will inform EM's in advance in the event that there are specific worker complaints and/or incidents requiring follow up during the audit.

	<ul style="list-style-type: none"> ○ Health & Safety ○ Production & Planning ○ Trade union or worker representatives. • Any other relevant parties based on the auditor's judgement¹⁴.
Communicate:	<ul style="list-style-type: none"> • In the language understood by all attendees.
Provide:	<ul style="list-style-type: none"> • The Access Letter (if requested)¹⁵. • An Audit Itinerary so factory management can arrange the availability of relevant personnel.
Explain:	<ul style="list-style-type: none"> • The purpose of the visit, expectations and how the audit will be conducted, including the requirement for unrestricted access to records and documentation, supervisors and workers, and all areas including the shared facilities being used by the factory. • That denial of access will disqualify them from being a business partner. • The audit scope i.e. if an Initial Assessment or Initial Assessment Follow Up, it will focus on whether the factory meets the preconditions necessary to qualify as a supplier to the adidas (i.e. Zero Tolerance and Threshold Issues). • That pictures will be taken of the site and used where necessary to illustrate certain non-compliances where identified¹⁶. • That management are expected to protect all employees who participate in the audit process from any form of retaliation. • How and when management will be informed of the audit's findings. • That, if authorized, the factory will be subject to on-going annual audits to assess the factory's compliance performance with all of the Workplace Standards and benchmarks.

¹⁴ This could include other SEA personnel, representatives of Tier 1 suppliers where a sub-contractor is being audited etc.

¹⁵ Applicable to EM covered audits only; the SP will provide the EM with a copy of the Access Letter prior to the audit.

¹⁶ Auditors are expected to exercise their professional judgement relating to alternative arrangements for the taking of photos in cases where factories have legitimate restrictions in place on the use of photographic equipment within factory premises e.g. confidentiality of production processes, intellectual property etc.

5.2.4 Site Tour

The site tour, or factory walk-through, should include all production & storage areas, maintenance and electrical rooms, boilers, compressors, generators, transformers etc., communal facilities, dormitories etc. where present. This can also include, where deemed relevant by the auditor, a perimeter survey.

5.2.5 Worker Interviews¹⁷

Worker interview selection criteria:

- A broad range of the workforce should be selected, including potentially vulnerable workers and those in less skilled positions.
- Workers selected for interviews should reflect the factory's overall workforce in regards to: gender, age, ethnic, national, linguistic, migrant or religious groups, different contract types such as permanent vs. temporary employee status, agency workers, years of service for the factory, from different departments within the factory, including security and canteen workers as well as production workers, different designations, for example rank and file workers and supervisors etc.
- Workers should be selected from different parts of the factory's premises (e.g. workers from different buildings, floors or lines, etc.) and, if possible, from different shifts.
- Interviewees should only be selected by the auditor and never by the factory's management.
- If the factory is unionized, or if there is no union but a formalized worker representation system is in place, it is important that leaders of the union/worker representatives are interviewed.
- Workers should be selected as close to the interview time as possible with little advance warning to either the worker or the factory's management.

The minimum interview sample sizes outlined in section 5.2.2 should be applied. The auditor conducting the worker interviews should:

- Where possible, be of the same gender as the majority of the factory's workforce.
- Conduct interviews in a variety of settings as they deem appropriate in regard to the issues being discussed (e.g. one-on-one interviews; group interviews; etc.)
- Conduct interviews in a private environment close to the production area in which the workers should feel comfortable.
- Conduct off-site interviews and/or surveillance, where deemed necessary or beneficial by the auditor, near but outside factory premises, as needed, to ensure that workers can speak freely without the presence of factory management and/or check if factory is having its weekly rest days or letting workers get out of their dormitory on their off hours.

¹⁷ Offsite interviews may also be utilized when identified as being necessary. Field Operations auditors may reference the [Offsite Worker Interview Documentation](#) for further guidance; EM's will be issued with specific instructions when offsite interviews are defined as being within the scope of their engagement.

Unless unavoidable or agreed in advance with SEA, translators should not be used support interviews with language groups which make up 50% or more of the workforce. In these cases, the auditor should be a native speaker of the language concerned. In cases where there is a multi-lingual workforce, auditors may use a translator to access the views of workers from minority groups.

The protection of workers is of priority, therefore, any problems raised by workers need to be discussed with management in a non-attributable way in order to protect workers from retaliation. The names of workers involved in identifying an issue should never be divulged to the factory management. The auditor is expected to keep a confidential note of who is being interviewed and to leave a contact telephone number (e.g. via a business card) with all workers interviewed so they can later make direct contact with the auditor if necessary, in addition to having access to adidas' Worker Hotline.

5.2.6 Record Review

Auditors should review all factory documentation necessary to verify compliance with ZT and TI requirements. This includes but is not limited to:

- Payroll and records of time including legally mandated benefits.
- Safety trainings
- Machinery maintenance, fire equipment and hazardous materials
- Relevant licenses & permits.

SEA requires that a factory's timekeeping and payroll records must be accurate and reliable in order to verify proper wage payments and sustained factory practice – please refer to the table below.

Auditors should also respect certain countries' laws that prohibit the photocopying of certain personnel documents (ex. social security card).

Record Review – IA	Record Review – PA
<ul style="list-style-type: none"> • Min. last 3 months of records. • Preferably more within the last 12 months 	<ul style="list-style-type: none"> • Min. 3 months in the previous 12 months. • Include at least 1 month from peak season; 1 month from low season; 1 month with public holidays. • Best practice to review the last 12 months records or at least records maintained since the last PA if less than 12 months.

5.2.7 Closing Meeting

Prior to the closing meeting, a 'pre-closing meeting' should be held (if there is more than 1 auditor) to allow the auditor/s to collate all findings, analyse the evidence gathered during the audit (interviews, document checks, site tour) and identify inconsistencies, non-compliances, observations, and good practice. An analysis of the findings of the audit should be completed before the closing meeting even if the audit was completed by one auditor.

The closing meeting allows for the auditor/s to provide the factory management with an overview of the day's events and the findings from the audit, as well as to assess and obtain the management's

commitment and capacity to correct any areas of non-compliance. In the closing meeting the auditor should:

Attendees:	Invite: <ul style="list-style-type: none"> • Factory Owners and/or General Manager. • Compliance Manager. • Other relevant employees, whenever possible, from; <ul style="list-style-type: none"> ○ Human Resources ○ Health & Safety ○ Production & Planning ○ Trade union or worker representatives. • Any other relevant parties based on the auditor's judgement¹⁸.
Communicate:	<ul style="list-style-type: none"> • In the language understood by all attendees.
Provide:	<ul style="list-style-type: none"> • An overview of the day's events. • Review primary findings, both positive and negative, with factory management. This includes Zero Tolerance & Threshold Issues if any. • Highlight, and urge prompt remediation of longstanding unresolved non-compliances (more than 3 years) and any Threshold Issues. • Discuss any open worker complaints. • Assess the management's commitment to comply with the Workplace Standards and ask any pending questions needed in order to fully complete the "Management Commitment and Systems" section. • Provide an overview of possible next steps.
Explain:	<p>Next steps for the finalization of the audit report and communication of the audit outcome. For EM covered audits, this will include:</p> <ul style="list-style-type: none"> • That factory management should present their ideas on preliminary remediation steps and document them in the 'Corrective Action Plan (CAP) template', each step is expected to provide an estimated finish date and responsible person and the document should be signed by the factory management¹⁹.

¹⁸ This could include other SEA personnel, representatives of Tier 1 suppliers where a sub-contractor is being audited etc.

¹⁹ Not applicable to Field Operations audits. Following the audit, SEA will send the audit findings summary to the factory and sourcing and request the factory to develop a corrective action plan. SEA's Factory Manual and

	<ul style="list-style-type: none"> • The role of SEA/SP to determine the outcome of the audit, and the authorisation for production - so do not provide a response on this either way. • Advise the factory management that, in order to verify that Threshold Issues have been remediated in a sustainable way, it is necessary in some cases to conduct a follow-up audit on the condition that: <ul style="list-style-type: none"> ○ The factory has reported in writing that the remediation has been finished. ○ 3 months' records are available demonstrating compliance. • Advise Factory Management that SEA is conducting an EM Audit Survey to factories to improve the audit process as per SEA expectations and that the Service Provider will contact them shortly after the audit²⁰.
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5.3 Reporting

The findings for all audits are reported through the Fair Factories Clearinghouse (FFC) and should be submitted within **7 business days**²¹ from the audit date. For reporting to be considered 'Complete' in the FFC the following must be submitted:

- New FFC audit report record with the current compliance status of all Zero Tolerance, Threshold Issue, MCE, MSE, and non-compliances entered with sufficient detail.
- The signed Corrective Action Plan (CAP) Report from the closing meeting²².
- Photo File – these are photos of the production buildings and general environment that help provide an overview of the facility²³.
- Any other relevant supporting evidence (auditors will need to upload solid evidence as a source of finding such as photographs, photocopies of documents reviewed) in the relevant code provision in the CAP.
- Existing open issues from earlier IA/PA's (if applicable) are updated recording their current status i.e. actions taken to date, verification status under the "Action Verified Details" section of the last audit.

All of the above should be delivered in English with documents such as the Corrective Action Plan (CAP) also delivered in the language of the management, wherever this is possible. In the case of EM's, SEA/SP reserves the right to reject an audit report and/or remove the EM from its authorised auditor list if any of these items are not recorded in the FFC.

Remediation Guide, sent by SEA together with the audit findings, provide further links to SEA guidelines as well as information on CAP development and reporting.

²⁰ Not applicable to Field Operations audits.

²¹ Field Operations audit findings will be uploaded to the FFC within approx. 14 business days of the audit being completed.

²² Not applicable to Field Operations audits.

²³ At the auditors discretion for Field Operations audits.

5.3.1 Completing the FFC Audit Report:

The [Quick Reference Guide to the Fair Factories Clearinghouse](#) provides full guidance on how to complete the report in the FFC. However close attention should be paid to the following points:

Code Provision	Score	Explanation
<p>All "Required" Code Provisions must be answered. These cover all:</p> <ul style="list-style-type: none"> • Zero Tolerance • Threshold Issue • Management Commitment & • Management Systems Evaluation <p>Additional Code Provisions not covered above can be added to record other non-compliances.</p>	<p>All of the ZT & TI Code Provisions must be marked as Pass or Fail.</p> <p>Management Systems & Commitment Evaluation must be marked with Yes or No.</p> <p>The use of the "No Finding" score is not accepted for the required code provisions.</p> <p>For focused audits where the auditor is investigating a specific topic, it is acceptable to score the uncovered TIs as N/A</p>	<p>For all "Required" Code Provisions provide:</p> <ul style="list-style-type: none"> • A detailed description or explanation of the score given for all Pass, Fail, Yes, No replies • Check all sources used to verify the finding. • Provide a detailed description of the sources/evidence used to verify the finding. (For example, where the interviews are the source, the auditor should note details including how many persons were interviewed, how many verified the non-compliance, etc.) • Where the score is "Fail" or "No", both the 'Root Cause' (ZT & TI only) & the 'Company Plan of Action' should be updated as well²⁴.

EMs should notify the SP immediately on completion of the audit report in the FFC²⁵.

5.3.2 Audit Report Sharing

On completion of the audit report the auditor should prepare the report for sharing in line with the instructions contained within the [Quick Reference Guide to the Fair Factories Clearinghouse](#), "How to share the report"²⁶.

²⁴ See Remediation Guide

²⁵ The SP has a further 10 business days to review the findings and determine the final designation. This may be subject to seeking further clarification from the EM and/or consultation with SEA, if needed. The SP will then communicate the audit findings and the SEA Approval Designation to the factory and sourcing (SP will also send, where applicable, supporting documentation including Worker Hotline Posters & the SEA Factory Manual).

²⁶ For EM audits, completion of the 'sharing' step subject to review of the report by the SP and their instruction to proceed.

5.3.3 Confidential Worker Information

The report should not include any information that could be used to identify specific workers – such as names, ID numbers, job descriptions and/or work location²⁷. In exceptional circumstances when the best interests of affected workers (i.e. underage workers) are served through disclosing their identities, or where there is information that is too sensitive for the audit report, the auditor can provide details within the “Confidential Summary” of the FFC report. The same can be used for concerns, which cannot be substantiated through evidence and/or interviews or to report the attitude of management towards the non-compliances or the audit process as a whole. For EM’s, in the case of evidence in pictures containing sensitive/restricted information, please send it to the SP.

5.3.4 Special Reporting Requirements for External Monitors

Issue Type	Reporting Expectation
<p>Critical issues including but not limited to:</p> <ul style="list-style-type: none"> • Those which present imminent risk to workers’ safety/risk to life and limb. <p>Or</p> <ul style="list-style-type: none"> • Constitutes a significant breach of workers’ human rights. <p>Or</p> <ul style="list-style-type: none"> • Instances of unauthorized production, bribery, denial of access or an attempt to pervert the course of the audit through fraud, coercion, deception or interference. 	<p>The auditor should follow the instructions on the External Monitor (EM) Alert Sheet and send a copy of the Alert Sheet to the SP right after the audit whenever possible, and within 24 hours at the latest.</p>
<p>Excessive Overtime</p>	<p>The description of violations should at least contain assessment on below factors to determine general practice as threshold issue:</p> <ul style="list-style-type: none"> - the percentage of workers affected - the weeks when violation found in the past year - the highest working hours

²⁷ Where relevant, names of factory management personnel and descriptions of their functional areas of responsibility, may still be included in reports.

<p>Failure to manage existing child labour problems</p>	<p>When child labour is found, the auditor should provide as much of the following information:</p> <ul style="list-style-type: none"> • Obtain the names of all child workers with clear identification so that checks can be conducted to ensure none of them are being dismissed. • Verify the worker(s)' age and the numbers of child labour. • Try to find the reasons why they are working in the factory. • Any hazards at their working position. • Check HR policy to find why child labour was hired • Find out why are they not in school and what is the family situation. <p>The auditor should also communicate to the management the expectation that they should remove any underage worker from the workplace immediately and move them to safe place. Management should provide a clear explanation to workers for their understanding and obtain assurance that no children will be dismissed.</p>
<p>Use of restricted chemicals</p>	<p>When restricted chemicals are discovered, please provide as much of the following information as possible:</p> <ul style="list-style-type: none"> • Floor plans (of the work area, and its adjacent areas, where the restricted chemical(s) are used). • Photos (the entire ventilation arrangements, its peripheral facilities workstation, workers, etc.). • List of chemicals used the production process (chemical name, volume) and the inventory list (See Chemical Management Inventory List). • Location and layout plans of exhaust ducts / systems. • Direction of airflow at the entrance to production room. • Design specification / manual. • Maintenance plan and records. • Installation of abatement device. • Testing report (ambient concentration & occupational exposure level). • Record on the selection process for PPE and the distribution record. • Record of chemical use mapping. <p>See: Restricted Substances Guidance</p>

<p>Management Commitment and Systems</p>	<p>In cases where the major items within MCE and MSE sections have negative findings, the auditor can give a failing score to the Threshold Issue relating to Management Attitude and System.</p> <p>To further support the commitment evaluation, the CAP that was reviewed during the closing meeting should be signed by both EM and factory management and uploaded to FFC.</p>
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6. External Coverage Audits & adidas' Service Provider (SP)

Since 2013, Openview Service Limited has been adidas' nominated a Service Provider (SP) with responsibility for managing SEA's 'External Coverage' audit activity globally. The SP's remit includes:

- Selection, assessment, on-boarding and continuous quality assurance of EM's.
- Awarding of audits to EM's and overseeing audit scheduling.
- Reviewer of audit reports.
- SEA designation setting, in consultation with SEA, and communication of audit outcomes to factories and linked sourcing entities.
- Monitoring factory Corrective Action Plan (CAP) updates in the Fair Factories Clearinghouse (FFC) compliance database.

The activity of the SP is overseen by SEA's Programme Operations (PO) team.

6.1 External Monitors (EM's)

6.1.1 EM Qualification Criteria

In order to ensure that only experienced and qualified external auditors are servicing our business partners, only SEA authorised auditors can conduct audits on behalf of adidas. This means that the lead auditor must be authorised by SEA via the SP. If an unauthorised monitor leads the audit, the audit report will be rejected. While other auditors, not pre-authorized by SEA or the SP, can support the lead auditor in performing the audit, SEA expects that the quality of their auditing and reporting reflect the same high standards required of lead auditors.

In order to review the suitability of candidate auditors, the SP will require the following information:

- Full name
- Contact information (it is preferable that auditors reside in the country where they perform audits)
- Résumé/Curriculum Vitae
- Documentation detailing the auditor's education/training (e.g. certificates, foreign languages, etc.)
- Records of relevant audit experience e.g. details of number of audits completed, locations, audit types/schemes.

A lead auditor must meet the following requirements:

- **Auditing Experience:** A minimum of three (3) years of auditing experience with proof of relevant experience (e.g. audit days) demonstrating experience of performing at least 50 social, health & safety, and environmental compliance audits per year.
- **Certifications:**
 - **Required:** Completed training on and certified either as a lead auditor or an advanced auditor (or its equivalent) in SA 8000. At the discretion of SEA, similar alternative training may also be accepted e.g. Openview's Social Auditor Training Course, BSCI, WRAP, RBA, ICTI.
 - **Preferred:**
 - FLA Accreditation
 - Completed training on at least one management systems auditing standard: ISO 9001, ISO 14001, OHSAS 18001/45001.
 - APSCA registration/certification.
 - Authorisation by other brands may also be considered as a positive endorsement of the auditor in the application process.
- **Knowledge & Skills:**
 - Comprehensive understanding of labour, human rights, health & safety and environmental standards and their international and local frameworks.
 - Excellent command of written and spoken English, as well as the primary language of the workers and the factory management prevalent in the country where they perform audits.

6.1.2 EM Authorisation & Training

When an EM is judged to have met SEA's minimum qualification criteria, they will then need to attend training by SEA or the SP on adidas' Workplace Standards, supporting guidelines and auditing methodology. Some exceptions may be granted depending on the prior agreement with the SEA Programme Operations lead in the region and based on consideration of the country and the capability of auditor.

6.1.3 EM Performance Monitoring & Adherence to SEA Policies

All SEA Policies, SOP's and Guidelines must be followed strictly. The SP will continually monitor the performance of EM's, including the quality and timeliness of submission of audit reports. Further requirements to acquire, and then maintain authorization as an EM, can include completion of trial, or shadow audits, to verify and observe that the auditor understands and follows SEA's guidelines and auditing procedures.

When an EM fails to conduct an audit in line with the procedures outlined in this manual, SEA/SP has the right to refuse the audit report and to require that the audit is conducted again at the EM's expense. Examples include, but are not limited to:

- executing the scheduled audit without informing the SP;
- failing to get SP's prior approval before the audit;
- an unauthorised auditor performing the audit;

An EM's failure to meet SEA standards of audit conduct may result in SEA/SP placing an EM on probationary status or removing them from SEA's authorised EM list.

6.1.4 Professional Conduct

Authorised auditors are held to a straightforward and unconditional code of professional conduct and therefore may not directly or indirectly, neither in his/her country nor abroad, offer or grant unlawful benefits in connection with conducting or scheduling an audit on behalf of adidas. This includes either monetary "kickbacks" or any other type of benefit (i.e. free products, favours, promise of future monitoring and/or consultancy work).

Since bribery goes against the adidas' [Fair Play Code of Conduct](#), if an authorised external auditor is accused of promoting bribery, or accepting a bribe, they can have their SEA accreditation revoked in addition to that of the company that they represent.

In cases where an auditor has been offered a bribe by a factory representative during an audit, the EM should report the case immediately to the SP, together with details of the circumstances and the type of inducement offered. Depending on these circumstances, such cases might result in a factory being designated "SEA Rejected".

The same may apply for any instances of denial of access where either an SEA field monitor or EM have been: a) denied access completely or to any part of the premises, buildings, or rooms of a factory that is being audited; and/or b) denied the ability to inspect either the factory's personnel, wage & benefits, and timekeeping documents; and/or c) denied the ability to interview workers privately or management during the course of their audit.

6.1.5 Awarding of Audits to EM's

The SP will manage the awarding of audits to EM's based on criteria including:

(1) EM Rotation

Where possible, the SP will select alternate EM's or EM auditors performing consecutive assessments at a given facility. For example, the EM selected to perform *Audit 'A'* at *Facility 'Y'* will be excluded from consideration to perform the next audit at the facility unless otherwise directed by SEA/SP.

(2) Bidding

EM's will be invited to submit a quotation, or 'bid', to the SP for the conduct of an audit. Consistent with the EM rotation principle above, as a general rule the SP will award the audit to the EM submitting the most cost-effective bid.

7. Reference Documents

[Chemical Management Inventory List](#);

[Corrective Action Plan \(CAP\) Template](#);

[Restricted Substances Guidance](#)

'[Desktop Assessment](#)' [Guideline](#) (SEA internal only) and the '[Guidelines on How to Conduct a Desktop Assessment](#)';

[EM Alert Sheet](#);

[Employment, Environment and Health & Safety Guidelines](#);

[Quick Reference Guide to the Fair Factories Clearinghouse](#);

[Offsite Worker Interview Documentation](#) (SEA internal only);

[Openview Service Provider Process Flow](#);

[Workplace Standards](#);

[Zero Tolerance & Threshold Issue List](#).

8. Further Information

8.1 Change History

Document number*	Document date	Effective date	Changes
1.0			2021 initial version in current format.

9. Contact

For any questions or further information please contact:

SEA Programme Operations: Beck Aldeguer (Beck.Aldeguer@adidas.com)

Service Provider (Openview Service Limited): Candy Yu (candy.yu@openviewservice.com); (+86) 138 2214 3200