

FLA Audit Profile	
Country	China
Name of Factory	530015611F
Independent External Monitoring Organization	Level Works Ltd.
Date(s) in Facility	June 12-13, 2007
FLA Affiliated Compan(ies)	adidas-Group AG
Number of Workers	424
Product(s)	Caps
Production Processes	Cutting, knitting, sewing, linking, pressing, inspection, washing, packing

FLA Code/Benchmark	Compliance Status	Describe noncompliance, risk of noncompliance or uncorroborated evidence of noncompliance	List sources/documentation used for reference and corroborating evidence (e.g. worker interviews, factory walkthrough, records review, etc.)	Cite and describe local and/or country laws used for additional reference	Describe notable features implemented by factory management or Company
1. Code Awareness					
Other	Noncompliance	Factory management and workers were unaware of the FLA and, according to factory management, the company did not communicate its association with the FLA to the factory.	Interviews with management and workers and document review		
2. Forced Labor					
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.					
3. Child Labor					
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.					
4. Harassment or Abuse					
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.					
5. Non-Discrimination					
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.					
6. Health and Safety					
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.					

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H&S.8 Permits and Certificates	Noncompliance	<ol style="list-style-type: none"> 1. Boiler was not registered or inspected by local labor bureau. 2. Boiler operator had no license. 	Document review and management interview.	<p>PRC Provisional Boiler and Pressure Vessels Safety Monitoring Regulation Article 9: The operating unit of boiler and pressure vessels has to apply to the Boiler and Pressure Vessels Safety Monitoring Authority for registration and an operating certificate before it is intended to put the same to use. The operating unit shall, according to the quality and number of equipment, set up a specialized committee or specialized technician to strengthen safety management of the boiler and pressure vessels, in order to establish health and safety management system. The operating unit has to train and evaluate operators. The operator has to pass an examination to obtain the certificate of competency before operating independently.</p> <p>Special Appliance Quality Safety Monitoring Regulation Article 28: The operating unit with special appliances should follow the requirements of Quality Technical Monitoring Administration Department, to apply for regularly inspection at the Special Appliance inspection unit one month before the expiry date of the safety inspection approval. After the application, the Special Appliance inspection unit shall follow the requirements of the Quality Technical Monitoring Administration Department to carry out the inspection on time. The Special Appliance shall not be used when it has not undergone regular inspection or if it failed the inspection.</p>	

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H&S.14 Material Safety Data Sheets/Worker Access and Awareness	Noncompliance	No MSDS was available for chemicals used in the washing department or chemical warehouse.	Factory tour and management interview.	Regulation of Chemical Safety Usage in Workplace, Article 12: The unit which uses chemicals shall set up identification labels for all chemicals in use. For dangerous chemicals, a safety label shall be applied and MSDS be provided to the worker.	
7. Freedom of Association and Collective Bargaining					
Employers will recognize and respect the right of employees to freedom of association and collective bargaining. 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 Oct. 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 to consult 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 Dec. 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.					
8. 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 of 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.					
HOW.1 General Compliance Hours of Work	Noncompliance	The compliance status of "Overtime Hours" and "Rest Days" could not be verified due to inconsistencies noted during this audit.	1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days.		

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HOW.2 Rest Day	Noncompliance	The compliance status of "Rest Days" could not be verified due to inconsistencies noted during this audit.	<ol style="list-style-type: none"> 1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days. 		
HOW.6 Time Recording System	Noncompliance	The compliance status of "Overtime Hours" and "Rest Days" could not be verified due to inconsistencies noted during this audit.	<ol style="list-style-type: none"> 1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days. 		
9. Wages, Benefits and Overtime Compensation					
WAGES AND BENEFITS: Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.					

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<p>OVERTIME COMPENSATION: In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.</p>					
<p>WBOT.1 General Compliance Wages, Benefits and Overtime Compensation</p>	<p>Noncompliance</p>	<p>The compliance status of "Minimum Wages" and "Overtime Wages" could not be verified due to inconsistencies noted during this audit.</p>	<p>1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days.</p>		
<p>WBOT.2 Minimum Wage</p>	<p>Noncompliance</p>	<p>The Compliance status of "Minimum Wages" could not be verified due to inconsistencies noted during this audit.</p>	<p>1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days.</p>		

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WBOT.7 Payment for All Hours Worked	Noncompliance	The compliance status of "Minimum Wages" and "Overtime Wages" could not be verified due to inconsistencies noted during this audit.	<ol style="list-style-type: none"> 1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days. 		
WBOT.8 Calculation Basis for Overtime Payments	Noncompliance	The compliance status of "Minimum Wages" and "Overtime Wages" could not be verified due to inconsistencies noted during this audit.	<ol style="list-style-type: none"> 1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day. 2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days. 3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days. 		

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WBOT.10 Premium/Overtime Compensation	Noncompliance	The compliance status of "Minimum Wages" and "Overtime Wages" could not be verified due to inconsistencies noted during this audit.	<p>1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day.</p> <p>2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days.</p> <p>3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days.</p>		
WBOT.17 Accurate Calculation and Recording of Wage Compensation	Noncompliance	The compliance status of "Minimum Wages", "Overtime Wages" and "Overtime Hours" could not be verified due to inconsistencies noted during this audit.	<p>1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day.</p> <p>2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days.</p> <p>3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days.</p>		

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WBOT.19 False Payroll Records	Noncompliance	The compliance status of "Minimum Wages", "Overtime Wages" and "Overtime Hours" could not be verified due to inconsistencies noted during this audit.	<p>1. As per broken needle records review, there were broken needle records on May 13, 2007 (Sunday) but provided records indicated that relevant workers were on rest this day.</p> <p>2. As per Fabric Sample Card review and relevant workers interviewed, some workers had made sample cards on November 12, 2006 and January 28, 2007 (Sundays) but relevant workers were on rest on both days.</p> <p>3. As per material receiving and issuing records reviewed and relevant workers interviewed, some workers had worked on November 26, 2006, April 15, 2007 and May 1 and 27, 2007 (Sundays and public holiday) but relevant workers were on rest on these days.</p>		
10. Miscellaneous					
Subcontracting, homework and other issues not covered by above benchmarks and code requirements.					
MISC.1 Illegal Subcontracting	Noncompliance	Computer embroidery operation was subcontracted out by the factory. According to factory management, the subcontractor is not approved by the Company.	Management interview and document review		