

FLA Audit Profile	
Country	China
Factory Code	01001515A
Independent External	ITS Hong Kong Limited
Date of monitoring visit	April 24, 2002
Duration of IEM Evaluation	4 Days
Participating Compan(ies)	adidas
Number of Workers	181
Product	Socks

Due to business reasons, this factory has not been producing for adidas since mid-August 2002.

FLA Code	Findings			Remediation		Remediation Updates
	FLA Compliance Benchmark and/or Legal Reference	ITS Findings	PC Internal Audit Findings	PC Remediation plan	Target Completion Date	PC Updates/Follow-up Comments
1. Code Awareness						
2. Forced Labor						
Required Deposit/Withholding of Wages	In accordance with the Ministry of Labor Document No 118 (1994) article 2 , an enterprise shall not take currency or goods as "factory entry pledge" and shall not hold custody of, or keep as pledge, any residency permit, temporary residency permit or other document verifying an individual's personal status. In accordance with FLA Code Benchmarks I. Forced Labor: 1) Employers prohibited from practices that restrict worker's ability to terminate his or her employment or freedom of movement, including physical or mental coercion, deposits, unreasonable financial penalties or recruitment fees, and access to and renewal of identity papers and/or work permits or other legal identification documents.	It was noted that factory withheld RMB300 as deposit for immigrated new workers until they work for 3 years. It was noted that the factory paid 50% of worker's monthly wage, the rest of the wages will be paid at the end of the year. If the workers leave the factory before the end of the year, the factory will not pay the rest of the wages.	1. Factory pays 40% of the monthly salary only to workers, and withholds 60% until lunar new year - 8 October 2001.	Factory should not keep part of month salary from workers and should return all keeping salary to each worker immediately. Factory needs to reimburse fully amount of Monthly salary to each worker.	Improvements will be implemented from November 2001 in respect of salary payments - based on reply from factory on 4 November 2001. - Factory informs us that salary for Oct & Nov 2001 was fully paid to all workers and back payments will be given at the end of Dec. (Re-audit on 20 December 2001) - Have already improved payment system. (reply from factory on 22 Feb 2002)	
No Labor Contract	In accordance with the PRC Labor Law article 16 , labor contract shall be signed to establish a work-based relationship. FLA Code Benchmark I. Forced Labor: Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	It was noted that no labor contract was signed between the factory and workers.	Found no official employment contract signed between the factory and the worker. Factory should give a copy of employment contract to each worker after signed.	All labor contracts will be completed on 25 June 2002. Factory needs to prepare an official employment contract stating all the particulars, terms & conditions, wages & benefits, etc. Provide a copy of employment contract to workers immediately.	Have already completed. (reply from factory on 4 November 2001) - Factory show us that they have already improved. Instructed factory needs to keep all contracts for our further audit. (re-audit on 20 December 2001) - Have already completed. (reply from factory on 22 February 2002))	According to management, this item was finalized, but we are not able to confirm the status of this action.
3. Child Labor						
Presence of Underage Workers	In accordance with the PRC Labor Law article 15 , factory should not employ persons under the age of 16 years. FLA Code Benchmark II. Child Labor: Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	It was noted there were 2 workers currently 15 years of age. Name 1: [Worker 1] Gender: Female I. D. Card #: N/A Birthday: [Date] Date of Hire: February 22, 2002 Type of Proof: Personnel Record, Employee Interview Name 2: [Worker 2] Gender: Female I.D. Card #: N/A Birthday: [Date] Date of Hire: February 22, 2002 Type of Proof: Personnel Record, Employee Interview	Found 95 workers without ID card copy keep in records so factory consists in underage worker easily. Factory has no system for determining whether new recruits use fake documentation / falsify their age in order to get a job (08 Oct,01)	Factory claims these 2 workers submitted false age documents and factory didn't detect this when applicants were interviewed. The factory has accepted responsibility for not having proper procedures in place. Unfortunately, the factory followed ITS's instructions to terminate labor contracts with these workers and sent them back to their hometown before adidas had opportunity to discuss other options with factory and young workers. We will follow up on this case further to determine why factory took such swift actions, whether young workers provided proper termination pay and assistance returning home, and if the young workers can be located. Factory needs to review all personnel files and ensure there is a copy for each worker of his/her ID card and/or other proof of age. Factory must conduct random checks and follow up with particularly young looking workers to investigate whether their age/ID documents are genuine and issued by the proper authority.	Factory has taken action according to our recommendations - 4 November 2001 - Found 3 to 5 workers' ID card copies were still missing from records. Factory committed to continued improvement according to our instructions. (Re-audit 20 December 2001). - Factory will complete personnel files updating by April 2002. - Factory has made further improvements (reply from factory on 22 February 2002).	Factory confirms that [the underage] workers were sent back to their home towns, and it will not be possible for adidas to ensure any further follow up with these workers by the factory. Prior to termination, the SOE Team was working with the factory management to standardize the recruitment process and ensure proper review of age documentation at the time of hiring.

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Special regulations for Juvenile Workers	"Juvenile workers" hereby refer laborers at the age of 16 but not 18 yet. According to PRC Labor Law article 65 and Regulations for the Special Protection of Juvenile Employees (Document No. 498) article 6 , employer should arrange for regular health examinations to be provided to juvenile workers. 3. In according with Regulations for the Special Protection of Juvenile Employees (Document No.498) article 6 , Employment of juvenile labor should be under registration. FLA Code Benchmark II. Child Labor: B.5. Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. B.9. Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.	We have noted that the factory did not provide such health examinations to juvenile workers. It is recommended the factory should ensure the juvenile workers perform regular body check (a) before working at enterprise, (b) after one year working here and (c) at the age of 18 years old. We have noted that the factory did not provide such health examinations to juvenile workers. We have noted that the factory didn't perform the juvenile workers registration procedure.	"Juvenile" Workers (16-18 years old) 1. "Juvenile" workers work overtime. (Note: "Juvenile" workers are allowed to work with some restrictions; cannot work overtime, cannot manage dangerous/heavy duties; annual medical checkup required - 8 October 2001.	1. Factory informs us that the local government will provide standard physical check ups for juvenile workers at the end of this year. 2. The registration procedure will be completed on 25 June 2002. 3. Identify "Juvenile workers" with different color ID badges and group them together. 4. Factory management must ensure that the "Juvenile" workers do not work overtime, are not assigned dangerous or heavy duties. 5. Factory must also arrange annually medical checkups until 18 years of age.	Completed (4 November 2001) - Juvenile workers easily identifiable on line, but factory requested to provide the list of juvenile workers to all supervisors for follow-up. (Re-audit on 20 December 2001). - All actions completed according to our requirements on 5 April 2002 (Factory response on 22 February 2002).	No further comment.
4. Harassment or Abuse						
Monetary fines	FLA Code Benchmark III. Harassment or Abuse: Employers will not use monetary fines and penalties for poor performance.	Nil	Fines/Penalty – Factory imposes fines to workers.	Eliminate all fines notice and educate workers on proper disciplinary practice e.g. deduct point system.	- Have already completed. (reply from factory on 4 Nov.,01) - Factory informed us that they have already cancelled. (re-audit on 20 Dec.,01)	No further comment.
Dismissal terms	In accordance with the PRC Rewards and Punishment Regulations article 18 , if the employee was frequently unauthorized absences from work without a legitimate reason for more than 15 consecutive days or more than 30 days cumulatively within one year, the employer has the right to remove the employee's name from the employee name list. FLA Code Benchmark III. Harassment or Abuse: Employers will utilize progressive discipline, e.g., escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers.	It was noted that according to the factory rules 3.4, if an employee were unauthorized absence from work for 5 consecutive days, the employer would cease the employment of that employee.		Factory informed that they will follow Labor Law. The employee was frequently unauthorized absence from work without a legitimate reason for more than 15 consecutive days or more than 30 days cumulatively within one year, the employer has the right to remove the employee's name from the employee name list.		Not able to confirm whether the factory has altered its policy in compliance with the labor law - prior to termination, indications were that management would follow the law.
Grievance Procedure			Suggestion Box – No information and proper guidelines. Location of suggestion box (close to supervisors, security guards, managers, etc)	Provide the following information and guidelines: i) Purpose of suggestion box - to suggest and complain constructively; ii) Who holds the key and who reads the letter; iii) When will the letter be responded to? iv) Anonymous (workers have the right not to put their real name especially if it's a complaint); v) Reward for good suggestion, etc. Adjust the location of suggestion box to another Place whereby the workers pass by everyday but it is not watchful by anybody.	Have already completed. (reply from factory on 4 November 2001) - Factory have already improved. Recommend factory re-allocate The suggestion box. Hang outside Canteen, dormitory or toilet. (re-audit on 20 December 2001)	Not able to confirm whether the relocation occurred.
5. Nondiscrimination						
Age & Sex Discrimination	FLA Code Benchmark IV. Non-Discrimination: Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.	Nil	Found age & sex discrimination on job recruitment advertisement. (8 Oct.,01)	Do not specify male or female (e.g. female sewers, etc) or age required (e.g. 18-35) on the newspaper.	Factory have already completed the improvement. (reply from factory on 4 Nov., 01) Factory inform us that they have already cancelled. (Re-audit on 20 Dec., 01)	
6. Health and Safety						

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Need for Handrails	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		One side handrails installed throughout factory stairways (photo 09) 20/12/01 Done (Photo 029)	Factory shall make sure all stairways are equipped with two handrails in office building.	Closed	No further comment.

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Need Drain Covers	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Drain without drain cover 20/12/01 Still need to improve (See picture 047/055)	Need to put drain cover	Pending	Not able to confirm whether action has been completed.
Inadequate Lights	FLA Code Benchmark V. Health and Safety: 1) All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Inadequate lights at the warehouse 20/12/01 Still need to improve because cables are wired haphazardly across the ceiling. (See picture 053/054)	Factory is to add more Fluorescent tubes to increase the lights levels in warehouse. All lights should be installed protective guard. Re-install.	Pending	Not able to confirm whether action has been completed.
First Aid Kits	FLA Code Benchmark V. 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.		Insufficient first aid boxes, improper storage of medicines in first aid box (photo 36) 20/12/01 still need to improve (See picture 050)	First aid kit should be clearly marked, easily accessible, protected against dust and water, with inspection tag. First aid kits have green cross & equipped with at least : a) 20 individually wrapped sterile adhesive dressings (assorted sizes) appropriate to type of work. b) 6 medium sized individually wrapped sterile unmedicated wound dressings approximately 12m x12m c) 2 individually wrapped sterile unmedicated wound dressings approximately 18m x 18m d) gauze bandage e) for individually wrapped sterile triangular bandage f) pair of scissors g) safety pins h) latex gloves (disposable) i) Eye wash cup & medicines j) sterile eye pads Factory needs to put eye wash cup & medicines at chemical using area	Pending	Not able to confirm whether action has been completed.
Toilets	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		No toilet paper provided. No soap for washing hand after toilet. No towel or hand dryer machine install wash room. In female toilet, garbage container without cover. 20/12/01 Done (See photo 036, 037)	Provide toilet paper in each toilet room. Provide soap in each toilet. Install hand dryer or towel inside toilet. Put garbage bin with cover in each toilet room.	Closed	No further comment.
Fire Extinguishers	In accordance with the PRC Labor Law article 53, labor safety and hygiene facilities must be in compliance with the standards stipulated by the state; and according to the PRC National Standard GB140-90 article 5.1.3, portable fire extinguisher shall be installed by the way that the height from the top of the extinguisher to the floor is less than 1.50m, and the height from the bottom of the extinguisher to the floor is not less than 0.15m. FLA Code Benchmark V. 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.	We have noted that all fire extinguishers were hung 1.8m from the floor.		Factory will complete the improvements by 25 June 2002. From the top of fire extinguishers to the floor is 0.8m to 1.2m height.	Pending	Not able to confirm whether action has been completed.
Fire Alarms	FLA Code Benchmark V. 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.		Insufficient fire alarms installed inside factory 20/12/01 Fire alarms need to connect together, separate fire alarm system is not qualified. (Picture 034/035)	Factory should be installed fire alarms in each floor. Fire alarms need to connect with each switches.	Pending	Not able to confirm whether action has been completed.
Fire Equipment Control Nos.	FLA Code Benchmark V. 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.		No control number for each fire equipment 20/12/01 Done	Add numbering	Closed	No further comment.
No Regular Inspection/Fire Fighting Equipment	FLA Code Benchmark V. 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.		No regular inspection for each fire fighting equipment 20/12/01 Done	Prepare regular checking system	Closed	Action item completed at date of last inspection.

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Square Box	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Square box is too small e.g. warehouse (photo 14) 20/12/01	Square box needs to increase the size until reach the aisle line e.g. warehouse	On-going	Not able to confirm whether action has been completed.

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No Square Box Paint on Floor	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		No square box paint on floor against blocking the equipment (photo 17) 20/12/01 Some fire extinguishers are still missing square box on floor (See picture 033)	Paint square box on floor	Pending	Not able to confirm whether action has been completed.
Evacuation Markings	FLA Code Benchmark V. Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.		No arrows on aisle (photo 25) 20/12/01 Done Insufficient evacuation arrows on floor 20/12/01 Done	Put arrows on floor. Add some more according to information.	Closed	No further comment.
Emergency/Exit Lights	FLA Code Benchmark V. Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.		No Exit light box (warehouse, workshop & office) – photo 11,30,39 20/12/01 Done Insufficient emergency light (aisle & staircase) - photo 11,30 20/12/01 Done	Add some more according to our standard.	Closed	No further comment.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		Cables are wired haphazardly across the ceiling (photo 41,42) 20/12/01 Still need to improve (see picture 039,040,042,053,054)	Re-install	Pending	Not able to confirm whether action has been completed.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		Some wires are patched and taped 20/12/01 Still need to improve (See 040/052/056)	Change to a new wire	Pending	Not able to confirm whether action has been completed.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		Some wires are not completely insulated. (photo 04) 20/12/01 Need to improve (see picture 046,052)	Need to install switch box or take it away	Pending	Not able to confirm whether action has been completed.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		No warning sign on junction box & switch box 21/12/01 Poor quality warning sign. (See picture 032)	Put warning sign	Pending	Not able to confirm whether action has been completed.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		No warning sign outside main electricity control room 20/12/01 Poor quality warning sign. (See picture 032)	Put warning sign Need to re-paint or put plastic warning sign	Pending	Not able to confirm whether action has been completed.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		Main switch box without rubber sheet put on floor (photo 22) 20/12/01 Done	Need to put back the rubber sheet on floor	Closed	No further comment.
Electrical Safety	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		Switch box door can not close properly 20/12/01 Done	Repair or change it	Closed	No further comment.
MSDS/Labeling & Storage	FLA Code Benchmark V. Health and Safety: 1) All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language. 2) All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.		Drums, containers, dispensers were not clearly labeled. No MSDS available at site of chemical being used and stored. No proper chemical storage area. (photo 33,34,35) 20/12/01 No response (See picture 048,049)	Factory is to ensure that all chemicals containers, bin, dispensers are labeled. MSDS must be make available where chemicals are used or stored.	Pending	Not able to confirm whether action has been completed.

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Secondary Containment/Eye Wash	FLA Code Benchmark V. Health and Safety: 1) All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances. 2) 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.		No secondary containment for hazardous chemical No eyewash available at site where chemical is used and stored. (photo 33,34,35) 20/12/01 No response (See picture 048, 049)	Toxic and flammable chemicals must be stored separately chemical storage room. Secondary containment must be provided for hazardous chemicals. Warning label and signs must be posted at the chemical store.	Pending	Not able to confirm whether action has been completed.

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Poor Chemical Safety	FLA Code Benchmark V. Health and Safety: All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.		No PPE provided for handling chemical. No chemical spillage kit in place at the chemical storage area. Toxic chemicals are not separated from flammable chemicals. Inadequate warning signs at chemical storage areas. 20/12/01 No response	Workers must be provided with basic chemical handling training. Appropriate PPE must be provided for handling hazardous chemical. Spill kit must be make available to contain any chemical spill.	Pending	Not able to confirm whether action has been completed.
Outdated Warning Sign	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Outdated warning sign have not removed. (photo 15) 20/12/01 Done	Need to remove	Closed	No further comment.
Insufficient Warning Signs	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Insufficient mandatory signs are provided in the factory to caution workers on hazards relate to mechanical, electrical, fire, chemical and heights. 20/12/01 Need to improve	Proper mandatory and warning signs must be sufficiently provided to communicate hazards to workers.	Pending	Not able to confirm whether action has been completed.
Air Compressor	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Air compressor not isolated from production floor. (photo 37) 20/12/01 Done (Picture 056)	Air Compressors are to be isolated to eliminate noise level e.g. Inside wash section	Closed	No further comment.
Protective Guards	FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.		Machine gear without protective guard (photo 20) 20/12/01 Factory needs to give us further information or photo.	Install protective guard	Pending	Not able to confirm whether action has been completed.
Protective Guards	FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.		Ventilation fan without adequate guard 20/12/01 Factory needs to give us further information or photo Ceiling fan blades without adequate guard (photo 12,29,40) 20/12/01 Factory needs to give us further information or photo	Install protective cover	Pending	Not able to confirm whether action has been completed.
Exposed Sharp Edges	FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.		Sharp edge of fluorescent lights (photo 27) 20/12/01 Still need to continually improve (Picture 039,040, 042)	Should be covered by sponge	Pending	Not able to confirm whether action has been completed.
Flywheel Guard	FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.		Flywheel without safety guard (photo 19) 20/12/01 Factory needs to give us further information or photo	Install safety guard	Pending	Not able to confirm whether action has been completed.
Leak in Steam Tube	FLA Code Benchmark V. Health and Safety: All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.		20/12/01 Steam tube is leaking (See picture 045)	Need to repair immediately	Pending	Not able to confirm whether action has been completed.
PPE/Ear Plugs	In accordance with Factory Safety and Sanitary Regulations article 77, factory shall provide earplugs, goggles and helmets to workers who expose to excessive noise, bright light, radiant heat, sparks, and debris in workplace. FLA Code Benchmark V. Health and Safety: Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	It was noted that the factory did not provide earplugs to the workers who worked less than 3 months.	Noise exceed permissible level (85db) at knitting section & air exhaust room Photo 21, 28 20/12/01 Still need to improve	The factory needs to purchase appropriate earplugs and this issue will be settled by 10 July 2002 Reduce noise level and change the door. Provide earplugs to worker. Factory needs to educate all workers why using earplugs and how to use earplugs.	Pending	Not able to confirm whether action has been completed.

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No Hygiene License	In accordance with the PRC Food Hygiene Law article 27, for the units who produce or sale food must obtain the Hygiene License before they apply for the registration from Industry and Business Administration Dept. For the units have not got the Hygiene License, can not start to operate. FLA Code Benchmark V. Health and Safety: Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	We have noted that no Hygiene License was available for the kitchen of the factory.		Factory informed that the Hygiene License will be obtained on 25 July 2002. Factory needs to apply for the registration of Hygiene License from Industry and Business Administration Dept.	Pending	Not able to confirm whether action has been completed.

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Fire Extinguishers	FLA Code Benchmark V. Health and Safety: 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Fire extinguishers without regular checking 20/12/01 Done	Prepare regular checking system	Closed	No further comment.
Fire Extinguishers	FLA Code Benchmark V. Health and Safety: 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Insufficient fire equipment stored in kitchen and canteen 20/12/01 Done	Factory shall prepare enough fire equipment in kitchen room	Closed	No further comment.
Fire Extinguishers	FLA Code Benchmark V. Health and Safety: 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		No control number, inspection tag, sign board on each F.E. 20/12/01 Done	Install same as our request	Closed	No further comment.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: 1) All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Poor extraction system in kitchen (photo 03) 20/12/01 No response	Improve extraction system	Pending	Not able to confirm whether action has been completed.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Kitchen wall & ceiling full of grease & dirt 20/12/01 No response	Change all tiles	Pending	Not able to confirm whether action has been completed.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Kitchen floor is slippery 20/12/01 Done	Clean or change all floor tiles	Pending	Not able to confirm whether action has been completed.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Tables & chairs put inside canteen, some are broken 20/12/01 Factory needs to give us further information or picture.	Change all tables or chairs	Pending	Not able to confirm whether action has been completed.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		Freezer without cover the mechanical part (photo 05) 20/12/01 Done	Need to cover the motor	Closed	No further comment.
Canteen Sanitation/Safety	FLA Code Benchmark V. Health and Safety: 1) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws. 2) All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.		Chef does not wear hairnet or hat when working inside kitchen (photo 02,06) 20/12/01 Done	Provide hat or hairnet to chef	Closed	No further comment.
7. Freedom of Association and Collective Bargaining						

FLA Code	FLA Compliance Benchmark and/or Legal Reference	Findings		Remediation		Remediation Updates
		ITS Findings	PC Internal Audit Findings	PC Remediation plan	Target Completion Date	PC Updates/Follow-up Comments
Worker/Management communication		Nil	No proper communication channel between factory management and workers. (8 Oct.,01)	Consider the following options: i) Form Workers' Committee in term of social, welfare, health, safety & environment issues. ii) Conduct regular meeting with Worker Representatives in order to help workers to solve their problems. iii) Ask workers to fill In survey form at home and return it to top management.	Have already completed. reply from factory on 4 Nov.,01 - Factory promised they have already established the communication channel according to our comment. Re-audit on 20 Dec.,01	No further comment.

FLA Code	FLA Compliance Benchmark and/or Legal Reference	Findings		Remediation		Remediation Updates
		ITS Findings	PC Internal Audit Findings	PC Remediation plan	Target Completion Date	PC Updates/Follow-up Comments
8. Wages & Benefits						
Pay Below Minimum Wage	In accordance with the PRC Labor Law article 48 and Opinion of the Ministry of Labor on Several Questions concerning the Implementation of the Labor Law(1995) article 57 , employees, including those who are in probationary, training or internship period, shall not be paid lower than the local minimum standard RMB360 per month. FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	We have noted that some workers were paid as low as RMB142.26 per month (RMB0.85 per hour) in March 2002.	Through the random check, some workers are paid below minimum wage.	Factory informed that they will pay according to China Labor Law. Factory must pay workers at least minimum wage. Minimum wage is base on 21 working days a month.	- Will be improved in November 2001 (reply from factory on 4 November 2001) - Factory informed us that they have already changed 21 working days a month starting from November 2001. Salary payment will be at the end of December. Instruct factory keeping all payroll for our further audit (Re-audit on 20 December 2001) - Have already improved (reply from factory on 22 February 2002)	Prior to termination there was some improvement in this area. However, we cannot confirm what the current status of this item is.
No Social Insurance	In accordance with the PRC Labor Law article 72 , employer unit and its workers must participate in social insurance schemes and pay social insurance premiums in accordance with the law; and according to article 73 , workers shall enjoy social insurance benefits under the following circumstances: retirement, illness or injury, work-related injury or occupational disease, unemployment and maternity. Therefore, according to this national law requirement, all five types of social insurance schemes mentioned above should be provided to all employees of a factory. FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: Employers will provide all legally mandated benefits to all eligible workers.	It was noted that no social insurance provided for the workers.		Factory will achieve local government requirement. 5 types of social insurance schemes should be provided to all employees. a) Retirement, illness or injury b) Work-related injury or occupational disease c) Unemployment and maternity		Not able to confirm the status of this action.
Maternity Leave	FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: Employers will provide all legally mandated benefits to all eligible workers.		Factory only provide 56 days maternity leave to workers. (8 Oct.,01)	Law requires: paid 3-month maternity leave to all the workers. Age on or over 24 add 15 Days, single kid add 35 days.	Factory has already completed improvement. (reply from factory on 4 November 2001) - Factory informed us they have already improved according to our information. Instructed factory put all benefits in worker's handbook or put on the notice board. (re-audit on 20 December 2001) - Factory promised they had immediate improvement on this issue. (reply from factory on 22 February 2002)	No further comment.
Free Uniform	FLA Code Benchmarks VII. Wages and Benefits, Hours of Work, and Overtime Compensation: All workers have a right to use or not to use employer provided services, such as housing or meals. Deductions for services to employees will not exceed the cost of the service to the employer.		Factory provide 2 set summer uniform and 2 set winter uniform to each worker but if resign, they should pay RMB80 per each set of uniform. Total paid RMB320 (8 October 2001)	Factory provides all free essential uniforms to new workers as part of company operation cost. If any worker resigns, they only need to pay uniform charge if don't return uniform to the factory.	Have already completed improvement (reply from factory on 4 November 2001) - Factory inform us that they have already improved according to our information. Instructed factory to keep all newcomer's information for our further auditing. (re-audit on 20 December 2001) - Have already completed the improvement (reply from factory on 22 February 2002)	No further comment.

		Findings		Remediation		Remediation Updates
FLA Code	FLA Compliance Benchmark and/or Legal Reference	ITS Findings	PC Internal Audit Findings	PC Remediation plan	Target Completion Date	PC Updates/Follow-up Comments
9. Hours of Work						
Excessive OT	In accordance with the PRC Labor Law article 41 , the overtime worked shall not exceed 3 hours per day and 36 hours per month. In accordance with the FLA Code provision on 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.	It was noted that the overtime hours of workers in this factory were around 4 to 6 hours per day and 100 to 155 hours per month during April 2001 to March 2002.	Some sections are working over 72 hours per week e.g. security (8 October 2001)	Factory will get the approval from local government and will re-arrange the production schedule. Factory shall implement proper management practice to make sure no more than 72 hours being worked in a week.	Have already completed improvement (reply from factory on 4 Nov.,2002) - Factory promised that they will keep 72 hours a week starting from 2002 and this few month is low season therefore their working hour is below 72 hours. (re-audit on 20 December 2001) - Have already completed below 72 hours a week. (reply from factory on 22 February 2002)	No further comment.
Lack of One Day Off in Seven	In accordance with the PRC Labor Law article 38 , the factory shall ensure that every worker has at least one rest day per week. In accordance with the FLA Code provision on 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.	It was noted that workers in this factory worked 21 to 30 consecutive days during April 2001 to March 2002.	No Sunday off for most of the weeks. (8 October 2001)	Factory will re-arrange their production schedule. Workers must have 1 day off within every 7 days.	Should provide Sunday off starting from Nov.,01 (reply from factory on 4 November 2001) - Factory promised that they have already improved starting from Dec.,01. Instructed factory needs to keep all time card record for our further audit. (re-audit on 20 December 2001) - Have already completed. (reply from factory on 22 February 2002)	No further comment.
Poor Record-Keeping	FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation: 1) Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. 2) All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.		No time card system or computerized hour records in place. (8 October 2001)	Factory shall install time card system to make sure all working hours are recorded correctly, two time card system is prohibited for any factory that producing adidas-Salomon products.	Have already completed the improvement. - Found factory already set up clock card system and put clock card machine inside security room. Instructed factory needs to keep time card record for our further audit. Piece rate workers also need to punch time card when working. (Re-audit 20 December 2001) - Have already completed. (reply from factory on 22 February 2002)	No further comment.
10. Overtime Compensation						
No OT Premium	In accordance with the PRC Labor Law article 44 , the overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal working days, rest days and official public holidays respectively. In accordance with the FLA Code provision on 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.	It was noted that no overtime premium provided for workers.	Factory does not pay 1.5x for OT during week days and 2.0x during weekends.	Factory will adjust their payment system and will be completed on 25 June 2002. Factory must pay OT rate accordingly.	Improvement will be started on November 2001 (reply from factory on 4 November 2001) - Factory informed us that they have already changed overtime payment calculation starting from Nov.,01 according to our information. First improved salary payment will be paid at the end of Dec.,01. (re-audit on 20 December 2001) - Have already improved (reply from factory on 22 February 2002)	No further comment.