

FLA Audit Profile	
Country	China
Factory name	010015374E
IEM	Level Works Limited
Date(s) in facility	September 7-8, 2006
PC(s)	Adidas
Number of workers	892
Product(s)	Travel Bags / Sports Equipments
Production processes	Cutting, Silk Printing, Sewing, Inspection and Packing

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Non-compliance	Risk of Non-compliance	IEM Findings		Sources/Documentation used for corroborating	Notable Features implemented by Factory Management or Company	PC Internal audit findings (Optional)	PC Remediation plan	Remediation		Updates (Che Date of Follow up)		Documentation	[Status] Completed/ Pending On- going	Third-Party Verification External Verification (Date)	Documentation	Company Verification Follow up		
					Evidence of Non-compliance (uncombombat)	If not corroborated, explain why					Target Completion Date	Factory Response (Optional)	Company Follow up 2007 & April 2008	(Sept)					Company Follow up	Documentation	
1. Code Awareness																					
Workermanagement awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.		It was noted that the factory could not provide any record for code standards training conducted by the factory / Adidas, and most of the workers interviewed did not know the code at all.			Documents review, workers interview and management interview			1) Factory management to include the Workplace standard in the workers' manual. 2) Provide workplace standard training to all workers, supervisors and managers.	30-Dec-06	The new workplace standard was posted in the employees' manual. Workplace standard trainings were provided to all workers, supervisors and managers on June 19 and June 25.	1. The factory has put the workplace standard in the staff manual. 2. The factory gave the training to workers and have the records.		Completed						
Confidential non-compliance reporting channel		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.		It was noted that no secure communications channel was established in the factory to enable its employees to report on noncompliance to Adidas, and with security that they shall not be punished or prejudiced.			Workers interview and management interview			During the factory audits, the SEA Team provides workers with monitor's business card in order for workers to contact the SEA Team to file a complaint or grievance.	Jan, 2006		adidas has issued an open letter to workers which provides a local hotline and email for workers to use should they need to report any grievances to adidas' compliance team. Factory posted letter in areas accessible to workers.		Completed						
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.																					
Other		In those cases where proof of age documentation is not readily available, employers will take precautions to ensure that all workers are at least the minimum working age, including medical or religious records, or other means considered reliable in the local context.		It was noted that no age verification policy / procedures were established in the factory. There is therefore a risk of child labor since there is no policy and processes in place to verify the ages of the workers.			Documents review, management interview			1) Human Resources (HR) to create recruitment procedures that ensure that all the workers are interviewed by HR before entering the factory. 2) HR should set up age verification policy/procedures and follow the procedures strictly.	Nov 2006.	The factory set up recruiting procedure in Jan 2007. It said all workers were recruited by HR and HR persons should inspect the whether the ID is true or false.	1. The factory has rewritten the recruiting procedure. The new policies require that all new workers should be interviewed by HR staff and the HR staff should inspect the ID carefully. 2. Factory policy does not recruit workers without ID. 3. PC did not find the workers without ID or with falsified ID when they audited the factory.		Completed						
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. Nondiscrimination																					
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																					
PPE	In accordance with the PRC Factory Safety and Sanitary Regulations article 74, in any one of the following cases, a factory should provide its workers with working clothes or aprons and, according to needs, provide protection gears, including helmets, gasmasks, gloves, leg guards and shoe covers: 1) Operations that are susceptible to cause bumps, scalding or abrasions from moving mechanical parts. 2) Operations under intense radiation heat or low temperature conditions. 3) Operations with a toxic environment, or involving infectious substances or large amount of dusts. 4) Operations that often cause clothes to be worn out, wet or especially dirty.	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent onsite exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.		It was noted that there was an insufficient number of signs in the factory regarding Personal Protective Equipment (PPE) to educate workers about the importance of wearing PPE; there was no PPE training for workers; and the cutters did not wear metal chain gloves.			Factory tour, visual inspection, worker interview			1) Factory management must buy a set of metal gloves for each worker responsible for handling cutting machines. 2) Safety department must post the warning signs in areas where cutting machines are used. 3) Safety Department must provide training to the workers and ensure that supervisors conduct regular inspections to verify that all workers are using the PPE correctly at all times.	Nov 2006	The factory purchased 3 pairs of metal glove and workers wear the gloves all the time.	1. The factory has purchased metal gloves for workers. 2. As per PC's last audit, the signs are clearly marked and all cutting workers were wearing the gloves.		Completed						
Chemical Management	In accordance with the Regulation For Chemical Usage Safety in Work Place clause 27, staff and workers are entitled to receive : (1) Date and information in description of the specific characteristics, hazardous ingredients, and safety precaution marks of the chemicals to be used in the working premises, and instructions upon safety techniques, etc. (2) Information concerning the probability of occurrence of harm against safety and health of staff and workers caused by dangerous chemicals in the working process. (3) Training upon safety techniques, including training with regard to prevention and control, and danger-avoiding methods, handling of emergency cases, or emergency measures. (4) Labor protection articles in conformity to State stipulations.	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.		1. It was noted that trichloroethylene (spot cleaning solvent) and painters was used in the silk printing section without proper labeling and Material Safety Data Sheets (MSDS) posted onsite. 2. It was noted that no training was provided to workers who were exposed to hazardous chemicals, and the workers were not aware of the content of the chemicals.			Factory tour, visual inspection, workers interview			1) List all the chemicals used in the factory in the chemical logs. 2) Collect all the MSDS and check with suppliers whether any of banned chemicals were used. 3) If banned chemical is used, replace it immediately. 4) SEA Coordinator: Give the banned chemical list to the procurement person and communicate to her the SEA requirement regarding banned chemicals.	Dec 2006	No banned chemicals will be used in the production and listed all the chemical substances and check no other banned chemicals is in use.	1. The factory has listed all the chemical used in the factory and has filed the MSDS accordingly. 2. The Banned chemicals that were found last time are no longer used. The new materials with MEK were used instead of the banned chemicals.		Completed						

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Other	In accordance with the PRC Labor Law article 55, laborers to be engaged in specialized operations must receive specialized training and acquire qualifications for such special operations.	Employer will comply with applicable health and safety laws and regulations. In any case where law and code of conduct are contradictory, the higher standard will apply.	It was noted that workers had no license for operating the cargo lift in the 3-storey production building.		Workers interview, documents review				Current factory management has two workers who can operate the lift. The first has already been certified, and the second worker is the back up person. HR must ensure that all staff responsible for handling the cargo lift have the proper certification.	Nov 2006	The factory sent another person to get the certificate and he will be operate the lift when the other worker is on leave.	1. One employee has received certification. 2. PC's internal monitor did not find the worker without certificate operating the lift.	Completed					
7. Freedom of Association and Collective Bargaining																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining																		
Freedom of Association: FLA Comment		FLA Comment: The Chinese constitution guarantees Freedom of Association; 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 freedom of association, 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. Recently, however, the government has introduced new regulations that could improve the																
		The Amended Trade Union Act of October 2001 does stipulate 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. It also grants the trade union an enhanced role in dispute resolution. In December 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. 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																		
9. 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																		
Forced overtime		Under extraordinary business circumstances, employers will make extensive efforts to secure voluntary overtime work prior to mandating involuntary overtime.	The factory's normal working hours were from 7:30am to 4:30pm, and generally the workers were required to work overtime until 6:00pm. It was noted that the workers could not receive their full attendance bonus if they were off work one time each month during the overtime period from 4:30pm to 6:00pm which was required by the factory. There is therefore a risk of forced overtime, as the workers may consider the overtime hours between 4:30pm to 6:00pm compulsory. Moreover, some workers stated that they believed their regular working hours ended at 6:00pm every day.	Employee interview				The factory's practice is to provide an attendance bonus to workers when they work overtime. Yet, this may cause workers to think they are deducted pay when they don't work overtime. 1. General Manager must amend the bonus system to ensure that the bonus system is fair, and clear to all workers in the factory. 2. In addition, factory management must ensure that all workers receive their attendance bonus even when they do not work overtime, as all overtime should not be mandatory. 3. All managers, supervisors, and workers must be verbally trained on soon to be completed overtime policy.	Dec 2006		1. The factory revised the bonus system. Management has set up a bonus system, and attendance bonus is no longer separated. 2. All the bonus will be based on workers' performance, and not on OT attendance performance. The performance mainly focuses on efficiency and productivity. 3. Training on bonus calculation system was completed in Jan 2007.	Completed						
Overtime Limitations	1. In accordance with the PRC Labor Law article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours. 3. In accordance with the PRC Labor Law article 36, the employing unit shall guarantee that its staff and workers have at least one day off in a week.	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. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts	1. It was noted that the workers in the factory had worked a maximum of 10 hours overtime per day, and 3 to 4 overtime hours per day on average. 2. It was noted that the workers in the factory worked for a maximum of 84 hours per week, and 64 hours per week on average. 3. It was noted that the workers in the factory, especially the workers from computer sewing and garment, had worked 7 to 30 consecutive days in a month.	Workers interview, attendance records review.				1) Planning and production departments must base production orders on 58-hour work weeks and must work to reduce it to 55 hours/week within the next year. 2) If production must work more than 58 hours/week, the supervisors must apply to the General Manager and HR department for approval 3) Supervisors must ensure that all workers receive 1 day off in seven. 4) HR must ensure all the overtime is voluntary, and that workers do not receive any punishment for declining to work overtime.		1-2. Beginning in June 2006 factory management started to implement policy working hour policy. The policy requires that the planning and production departments base production on 58 hours/week; if they exceed 58 hours, the GM must approve any addition hour of work. The employee manual clearly states that all overtime is voluntary. 3. Since March 07 PC audit, monthly report from factory indicates that they meet 60 hours/week, and one day off in seven. 4. The staff manual has been issued to all workers and the training was provided by the factory. This issue will continue to be monitored during peak season to verify proper implementation of the hours of work policy. Aug 08: Reviewing the wage and hours of June, July and Aug. 2008, the factory has been controlling working hours within 60 hours after the HowW policy was implemented.	Completed							
Other			It was noted that the factory did not establish a working hours policy to limit excessive overtime hours. There is therefore a risk of excessive overtime hours, since the factory management may not have control over the workers' overtime hours.	Management interview, documents review				1. Standards of Engagement Coordinator must set up policy on overtime indicating overtime (OT) limits, and procedures for supervisors/managers to request for OT. 2) Planning and production must accept orders based on 58 hours/week schedule. 3) The production schedule should be approved by general manager. If workers need to work beyond 60 hours/week. 4) HR must set up a voluntary overtime policy and make sure all workers, managers, and superiors are communicated that all OT is strictly voluntary.	Nov 2006	Oct 24: 1) HR is setting up OT policy. 2) the Collective bargaining contract is ready and the factory is start to receive orders according to its production limitation.	1-3.) Beginning in June 2006 factory management started to implement policy working hour policy. The policy requires that the planning and production departments base production on 58 hours/week; if they exceed 58 hours, the GM must approve any addition hour of work. The employee manual clearly states that all overtime is voluntary. Since March 07 PC audit, monthly report from factory indicates that they meet 60 hours/week, and one day off in seven. 4) The staff manual has been issued to all workers and the training was provided by the factory.	Completed						
10. 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.																		
Miscellaneous																		