

FLA Audit Profile	
Country	China
Factory name	12021546C
IEM	Kenan Institute Asia
Date of audit	March 17, 2004
PC(s)	adidas-Salomon; Reebok International, Ltd.
Number of workers	3,500
Product(s)	Garments (Swimsuits)
Production processes	Cutting, Sewing, Packing

Findings						Remediation				Updates			
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation	Best Practice	PC Internal Audit Findings (Optional)	Company Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (May 20, 2004)	Documentation	Company Follow Up (November 25, 2004)	Documentation
1. Code Awareness													
Worker/management awareness of Code		FLA Principles of Monitoring, Obligations 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.	Workers are not aware of COC.	* worker interview * record review (There is no record for COC training.)			- Factory has an employment policy which contains the basic content of the COC. - Factory will conduct awareness training to new workers as well existing employees.	30-Aug-04				Factory has maintained a training program for factory workers which contains COC awareness training. Progress made.	Training records & materials
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													
						Upon review of administration document, security guards are required to work 9 hours per day as regular schedule	Factory shall revise the policy to state that all overtime be performed voluntarily. Workers must have the right to refuse working overtime without any penalty.	30-Sep-04				Workers can refuse O/T work without any punishment, based on worker's interview.	Worker's interview
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 of 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.													
						Found discrimination requirements on job recruitment advertisement, such as only female workers are allowed in sewing department	Factory must not discriminate in hiring and employment practice; male workers should be given equal right to work in all departments including sewing section if they want. Management to develop written policy and procedure for hiring which includes non-discriminatory practices. Management to provide training to Human Resources department in non-discriminatory hiring practices and revise hiring notices.	27-Mar-02		Hiring notice revised and hiring practices changed. Male and female workers have equal opportunity to apply for sewing or any other position in factory. Written hiring policy in place which includes non discriminatory hiring practices, policy and procedures to be followed by all hiring staff.	Document review		
			No written policy and procedure on hiring				Factory has a written employment policy which states workers must be hired based on their ability to do the job, rather than on grounds of personal characteristics.	30-Sep-04		Policy in place and followed by hiring staff.	Document review		
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													
Ventilation/Electrical/facility maintenance	Article 54 The employing unit must provide laborers with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and provide regular health examination for laborers engaged in work	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	There are no protection for high and low pressure wire.	* visual inspection * record review			Factory to install wider guard rails and warning signs around high voltage equipment.	30-Jun-04		Factory has erected wider guarding rails around the high voltage equipment inside the factory area. Warning signs, such as "Electricity: DANGER" and "Do not climb" have been posted	Site inspection		
Machinery Maintenance		All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner	Accident record increasing every year, specially needle punching				Factory to provide more safety training to workers on how to use the needle guards installed on the sewing machines	30-Jul-04		Factory has provided basic safety training to workers including how to use needle guards.	Worker's interview. Document review		
Sanitation in Facilities		All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws	Waste water slot near to canteen. There is no fire wall for the store house in the first floor. There is no protection appliance for sewing machine. Bad smell and germ of re-cycle and re-used waste water				- Factory to cover the waste water slot near canteen. - Install fire sprinkler system inside material warehouse. - Factory to check all the sewing machines regularly to ensure safety guards are used correctly.	30-Jul-04		- Factory has covered the waste water slot near canteen. - Fire sprinkler system has been installed inside material warehouse. - Factory will check all the sewing machines regularly to ensure safety guards are used correctly.	Site inspection		

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7. Freedom of Association and Collective Bargaining																		
Employers will recognize and respect the right of employees to freedom of association and collective bargaining																		
Employer Interference/Elections		Workers' organizations have the right to elect their representatives and conduct their activities without employer interference	Members of trade union are chosen by the management, and all are the management.	* worker interview		No proper communication channel between factory management and the workers, workers are not clear about the existence and function of worker's representatives.	As free trade union is legally restricted by the government in China, alternative means for independent and free association or collective bargaining should be promoted, such as HSE or welfare committees. Besides, factory management shall implement systems to ensure effective communication with employees. Management should inform all workers of the existence and function of worker's representatives of the official trade union.	31-Dec-04				Both HSE committee and worker's welfare committee have been developed and monthly meetings organized to discuss issues of concern at work place. Progress made.	Document review of committees and meeting minutes					
		FLA Comment: <i>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 functioning of the labor relations mechanisms. 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.</i>				Workers are not aware of the existence and function of worker's representative inside official trade union	Factory management should inform workers of the existence and function of the official trade union. In addition, factory shall make sure workers are aware of other means of communications, such as welfare committee and HSE committee. The committees should hold regular meetings. The meeting minutes and a record of discussions should be posted in a public place inside the factory.	12/31/2004				Factory is publishing the meeting minutes now in the factory area. Elections for worker's welfare committee will be held at the beginning of next year; training on the function of the welfare committee will be provided to workers prior to the election.	Document review of committees and meeting minutes					
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																		
Voluntary Use of Benefits	Temporary Regulations Regarding the Payment of Wages of the People's Republic of China Article 15. The employer may not deduct fees or fines from the laborers wage. Under the following conditions, the employer may deduct fees on other parties' behalf: 1. Personal income tax. 2. Social security 3. Child support, alimony as ordered by the court 4. Other legally sanctioned fees and fines	All workers have a right to use or not to use employer provided services, such as housing or meals	The factory deducts board, meals, temporary registration and an item titled with other directly from workers' pay slips. Workers don't know what the item titled with other means.				a) Workers must be allowed to choose whether to eat at the factory canteen or not. If they choose to eat outside, they should not be required to pay for the meals. b) Factory shall post a public notice and provide training to workers to explain all the items specified on worker's pay-slip.	30-Jul-04				a) Management has verbally informed workers of the option to eat at the factory canteen or not. The new policy states that if they choose to eat outside, they will not be required to pay for the meals, and there will not be an deduction from the worker's paycheck. b) Factory has posted a public notice and provided training to workers to explain all the items specified on worker's pay-slip.	Worker's interview					
Legal benefits	Article 72 The sources of social insurance funds shall be determined according to the branches of insurance, and an overall raising of social insurance funds shall be practiced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law.	Employers will provide all legally mandated benefits to all eligible workers	The factory doesn't buy social security for all workers.				Factory management should meet the basic requirements from local legal department with regard to social security schemes. The factory shall work out a plan to make sure all workers are covered by social security scheme and inform all workers that they participate in the social security scheme.	31-Dec-04				All workers are covered by work-related injury insurance, but only 7.69% workers are covered by pension scheme. PC to continue to work with management to ensure pension coverage for all employees is provided.	Social security payment receipt and Insurance records					

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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																									
Overtime Limitations	According to Article 41 of Labor Law of the People's Republic of China. The employing unit may extend working hours as necessitated by its production or business operation after consultation with the trade union and laborers, but the extended working hour per day shall generally not exceed one hour; if such extension is needed for special reason, under the condition that the health of laborers is guaranteed, the extended hours shall not exceed three hours per day. However, the total extension in a month shall not exceed thirty six hours.	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	The factory adopts comprehensive working hour system, which is 2448 hrs per year, but the actual working hours of workers per year is 2767, which exceed the legal limitation.	* visual inspection * document review * worker interview		Workers may work more than 60 hours per week during peak seasons From PC audit findings (Nov 2004): - Inconsistent working hour records from cross-checking - Insufficient compensation for overtime work done during public holidays/Correct overtime rates not applied - Sunday work performed; workers do not receive one day off in 7 working days.	Factory shall develop and implement a tracking system on all working hours of each workers and make sure the number of weekly working hours is not in excess of 60 hours per week under normal working conditions.	8/31/2004					According to management interview and review of factory policy, factory is tracking and will control the number of weekly working hours to not exceed 60 hours/week.	Document review Management interview											
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.																									
Accurate recording of OT hours worked		Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work	The notice beside swiped card machine indicates that workers must swipe the 13 minutes before working, and must finish swiping card 13 minutes after working.				Factory shall post a clarification notice in public and explain to workers in detail when and how to punch time cards. If factory policy includes a certain number of minutes of tolerance to allow for all workers to punch in, factory should state policy clearly and inform all workers of the policy. Workers shall not be required to punch in prior to or after regular working hours unless they are compensated with overtime pay.	31-Jul-04					Factory has posted a clarification notice and provided training to workers in detail on the policies and procedures for punching time cards. Workers are not be required to punch in prior to or after regular working hours unless they are compensated with overtime pay.	Visual inspection, worker interview											
Miscellaneous																									
Unauthorized subcontracting																									
Possible homework																									