

FLA Audit Profile		adidas note in January 2008: In 2006, the adidas Group created and delivered a remediation plan to this factory in order to address the issues found during the original IEM visit. Yet, in 2007 this facility was deactivated by this PC's sourcing units due to production related issues. As a result, adidas' compliance team was unable to ensure a successful completion of the remediation plan. Another FLA member Puma will follow up with this remediation plan.
Country	China	
Factory name	010215308E	
IEM	SOS-CSTC Standard Technical Services Co., Ltd	
Date(s) in facility	July 25-27, 2006	
PC(s)	adidas AG; Puma AG	
Number of workers	570	
Product(s)	Garments	
Production processes	Cutting, Embroidering, Sewing, Ironing, Trimming, Packaging	

FLA Code/Compliance Issue	Country/Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	IEM Findings			Remediation				Updates (9/12/2007)			(Status)		
					Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation	Notable Features	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (9/7/2006)	Documentation	Company Follow Up		Documentation	Completed, Pending, Ongoing
1. Code Awareness																	
Code Posting/Information		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	Company's code of conduct (COC) was not posted in the factory for workers' reference.				on-site observation; worker and management interviews									Completed	
Worker/Management 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.	Factory did not conduct training on workplace standards to increase worker/management awareness of company's requirements.				visual inspection; worker and management interviews			8/31/2006	Factory should ensure all workers receive training to increase their awareness of company's COC requirements.	Factory posted adidas SOE posters. Training will be completed by late November 2006.	photo	Factory has posted adidas new workplace standards instead of SOE poster in prominent places, but few workers are trained on this information based on worker interviews. Factory must conduct training regarding each item in adidas' new workplace standards to ensure all managers, supervisors, and workers are aware of adidas' workplace standards. Factory has posted PUMA update SAFE poster in workplace; workers briefed on SAFE standards on monthly basis.	visual inspection; worker and management interviews	Ongoing	
Confidential Noncompliance 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.	adidas did not put in place a confidential noncompliance reporting mechanism that allows workers to report complaints directly to the FLA-affiliated company. No code posted.				visual inspection; worker and management interviews				During worker interviews, SEA Team provides workers with contact information (business cards) including office address, phone number, email, etc. Workers are then able to contact SEA Team in case they need to report a grievance to the PC.					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.																	
Other							document review, management interview				Factory should develop termination/rehirement policy and procedure and make sure workers are well informed through workplace coaching and public announcement.						
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.																	
Age Verification		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.					document review, worker and management interviews				Factory should have clear policy and rule on child labor which, for example, includes age verification process through document checking and face-to-face interviews.						
Juvenile Worker Identification System		Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.					document review, management interview				Factory should have clear policy and rules regarding hiring and employment of juvenile workers which should include annual health inspections, registration to local labor department, restriction to dangerous work and no overtime after regular shift.						
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.																	
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	No such training on disciplinary practices arranged and conducted for managers.				training record review, management interview			12/1/2006	1) Factory should establish a proper Progressive Disciplinary System that is applicable to all factory staff. Progressive disciplinary system should be included in worker handbook and include disciplinary actions for managers or supervisors who go beyond their level of authority or use abuse or harassment to discipline workers. 2) Management should provide training to all managers on disciplinary policies. 3) Factory should include worker handbook in orientation of all incoming employees.	Factory is updating their worker handbook which will include progressive disciplinary policy. Factory managers will be trained afterwards.		Disciplinary policy is included in worker handbook. According to factory training plan, disciplinary training will be completed by late September 2007. Disciplinary policy has been included in chapter V of new worker handbook.	new worker handbook; worker and management interviews	Ongoing	
Record Maintenance		Employers will maintain written records of disciplinary actions taken.	No written records of disciplinary actions taken maintained. No such records maintained, as workers were only orally warned.				management interview			12/1/2006	1) Factory should maintain documentation of all disciplinary policies in workers' files. 2) Documentation should clearly state reasons for disciplinary action, as well as type of action given to worker.	Factory will keep disciplinary records in workers' file after the disciplinary policy has been established.		Factory is not maintaining workers' disciplinary action. 1) Factory must establish a disciplinary policy which meets local law and adidas' requirements. 2) Disciplinary policies must be posted on bulletin board and included in worker handbook. 3) All employees must be trained on disciplinary policies before policy is implementing. 4) Management must document all disciplinary actions given to workers, including verbal warnings. Disciplinary policy published and posted on bulletin boards in workplace. Disciplinary records are kept in employment files.	document review; new worker handbook; worker and management interviews	Ongoing	
Other							document review				Factory should have clear policy and procedures on non-harassment in the workplace. Workers should have proper ways to report any incident of harassment/abuse without concerns for retaliation or intimidation.						
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.																	
Other							document review, worker interviews				Factory should have clear policy and procedures on non-discrimination at work. Workers should have adequate grievance channel for reporting discrimination practices at work.						
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.																	
Fire Safety; Health and Safety Legal Compliance	Law of the People's Republic of China on Work Safety, Article 34: No workshops, stores or warehouses where dangerous articles are manufactured, marketed, stored or used may share same building with the employees' living quarters; a distance shall be kept between the two for the sake of 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.	There were 2 bedrooms per floor in production building for security guards.				on-site observation; security guards and management interviews			10/31/2006	Management must remove bed from break room and condition room as a break room only. Also, security guard break room should not be used as a dormitory for security guards.	Factory agreed to move bed out of break room and is finding room outside factory for security guard to have rest.		Factory has moved bed out of production building and now room is used as a store room. Break area of security guards is now outside the factory.	on-site observation; worker interviews (workers who work near store room)	Completed	
Fire Safety; Health and Safety Legal Compliance	Law of the People's Republic of China on Work Safety, Article 34: No workshops, stores or warehouses where dangerous articles are manufactured, marketed, stored or used may share same building with the employees' living quarters; a distance shall be kept between the two for the sake of 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.	Safety inspection certificates for 2 elevators expired in June 2006. Management claimed that elevators belonged to industrial management center and that certificates were applying for by industrial center.				document review, management interview				Factory should conduct internal safety inspection on special equipment and make sure of legal compliance in procurement, installation, operation and maintenance of equipment and systems.						
Document Maintenance/Accessibility		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.	Factory did not have machinery, equipment, chemical safety or fire safety policies and procedures.				document review, management interview				Health and safety policy and procedure should be well developed to cover basic fire safety, electrical safety, machine safety, and chemical safety. Factory should conduct hazard identification and risk assessment regularly to minimize health and safety risks in the workplace.						
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Factory did not maintain comprehensive documentation on all factory accidents, fires, medical emergencies, chemical events and general safety issues.				document review, management interview				Factory should develop policy and procedure on accident investigation and make sure accidents are investigated to prevent recurrence of similar accidents. All records of accident and records should be kept on file.						
Worker Participation		Workers should be involved in planning for safety, including through worker safety committees.	No worker safety committees were in place.				worker and management interviews				There is a HSE committee in the factory. Committee established in January 2006, and consists of 14 people: 1 chairperson, 1 secretary, 1 HSE consultant, 5 middle-level managers, 5 workers, and 1 clinic staff. Committee holds monthly meetings and their tasks include: 1) To identify hazardous risks in workplace, 2) conduct risk assessment and root cause analysis for all noncompliances, 3) take remediation actions on any risks or noncompliances found, and 4) plan and conduct HSE related trainings.				documentation		Completed

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Others				No procedures posted that deal with first aid.			worker and management interviews		First aid procedure must be posted at workplace to make sure workers are well informed and know how to conduct first aid in case of an accidental injury.							
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; 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 (AFTU). 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														
Right to Freely Associate		Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time a worker seeks employment, and continues through course of employment.	Worker representatives elected yearly in the factory. However, no other workers know the information based on interviews. There was a yearly worker representatives meeting held 1 week after they were elected based on meeting minutes provided by factory, but no workers knew about it and only 1 meeting was held per year.				meeting minutes of worker representatives provided by factory; worker and worker representatives interviews		Factory shall establish guidelines in election of worker representatives and inform workers about it. Factory shall keep record of election proceedings. Committee should inform all workers of existence and function of committee, post meeting agenda and meeting minutes on board. Please refer to addas 'sustainable compliance guideline' page 7, 15, 16 & appendix 3 about how to run management-worker committee.	11/30/2006	Factory already posted worker representative's photo in each factory section. Committee is going to hold meetings with employees to provide committee information to all employees.		Factory posted worker representative's photo in each factory section; committee holds meetings monthly. Worker representatives elected by workers every 2 years; most workers understand the function of workers' committee. Factory must briefly train all workers on each function of workers' committee clearly so they understand them. New election of worker's representatives will be held in January 2008. Workers informed of purpose and function of worker's committee by training and posters.	meeting minutes of worker representatives; worker interviews	Ongoing	
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.																
Minimum Wage	China Labor Law, Article 48: Wages paid to laborers by employing unit shall not be lower than local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	There were inconsistencies between production records, pre-audit visit, and attendance records. According to information from pre-audit visit, latest OT in factory was 22:30 and worker OT was on Sundays, if necessary. Production records (e.g., exchange records of broken needle, production report of embroidery workshop) indicated workers worked June 11, 2006, July 9, 2006 and July 23, 2006 (all Sundays), but these days were not on work hour records. Due to these inconsistencies, workers work hours could not be verified. Wages calculated based on working hour records with discrepancy, so there was a lack of positive evidence to indicate that workers' base wages were no less than				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Management must issue memorandum to managers and workers that all worked hours/days are properly recorded in attendance records. Sanctions should be provided for failure to punch or swipe time cards. Factory must make sure workers do not work over 60 hours per week, and that OT work does not surpass 3 hours per day. All workers must have 1 day off per week.		Factory explained that workers made mistakes in recording the date on production records. From now on, they will double check production record and make sure they are accurate.	3 workers who made Sunday records said they filled the wrong date in on broken needle and production records. Some of their group co-workers also said that they did not work on Sunday. This issue will be monitored continuously by PC to ensure factory management is in compliance.	worker interviews	Currently, factory is using an electronic time recording system to record all work hours; system is directly linked to workers' payroll. All workers paid no less than minimum wage since September 2007. OT hours compensated according to legal premium. Factory has changed their management team recently; new team is very committed to social compliance improvement, which is quite different from the attitude of old management team. New management is having close monitoring and tracking of number of working hours, so workers are not working more than 60 hours a week and guarantee 1 day off in 7 days.	document review work hours and payroll records; cross-checked; worker and management interviews	Completed and ongoing
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.	Workers did not know how their overtime wages were being calculated and could not tell the clear amount of their last wages.				worker interviews									
Wage and Benefits Posting		All notices that are legally required to be posted in the factory work areas will be posted. All legally required documents, such as copies of legal code or law, will be kept at the factory and available for inspection.	No poster on legal requirement of wages and benefits was in place.				on-site observation; worker and management interviews		Workers must have access to local labor law and regulations, e.g., China labor law and related wage regulation, HSE law, etc. A copy of minimum wage information and legal benefits must be posted on bulletin boards.		Factory already posted factory regulations, hotline contact, number of local labor bureau on at each floor's notice board. Factory has also posted China labor law, Safety Production law, and Occupational Health Prevention Law on each floor's gate in late July.	photo			Completed	
Payroll Reporting		Accurate and reliable payroll reporting, including pay stubs will be provided.	There were inconsistencies between production and attendance records. Wages could not be verified.				on-site observation; worker interviews		Factory required to have a reliable working hour record that is linked to payroll. Management must at least pay all workers basic minimum wage and its equivalent in OT according to labor law requirements.		Factory has an electronic time record system which is linked with payroll. Worker also confirmed that minimum wage and OT rate is properly compensated.	worker interview			Completed	
Record Maintenance		All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	There were inconsistencies between production and attendance records. Workers' actual wages could not be verified.				on-site observation; worker interviews		Please see issue regarding minimum wage.		Factory has an electronic time record system which is linked with payroll. Worker also confirmed that minimum wage and OT rate is properly compensated.	worker interview			Completed and ongoing	
Legal Benefits	China Labor Law, Article 72: Sources of social insurance funds shall be determined according to categories of insurance, and an overall pooling of insurance funds from society shall be retroceded step by step. Employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with law.	Employers will provide all legally mandated benefits to all eligible workers.	Factory provided around 439 employees social insurance, did not provide detailed information about how many workers provided what kind of social insurance such as retirement and medical insurances, etc. No waiver from local legal social insurance authority provided to illustrate that factory met local legal requirement of social insurance.				social insurance fund receipt; worker and management interviews		Factory is required to provide social insurance to workers according to legal requirement. Where workers do not have access to medical insurance schemes, factory must provide sufficient medical treatment for all work-related injuries and illnesses. If this cannot be provided on site, it should be provided at external facilities.		Factory kept local government's proof that factory meets local insurance requirement. Factory provides work-related injury insurance to all employees and provides pension scheme, and unemployment and maternity insurances to 440 out of 620 workers. Factory is going to provide all workers 5 type(s) of insurances (pension, medical, work-related injury, maternity, unemployment) at end of 2006. Since workers also need to contribute their money to the different insurance schemes, factory is now trying to explain to workers benefit of having insurance and to persuade them to participate in all insurance	Factory has provided all workers with 5 types of insurance (pension, medical, work-related injury, maternity, unemployment) as of early February 2007.	local social insurance authority receipt; factory workers' name list; worker and management interviews	Completed		
Accurate Recording of Wage Compensation		All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	There were inconsistencies between production and attendance records. No evidence to prove that accurate recording of wage compensation was kept.				record review (production and attendance records), worker interviews		Factory is required to have a reliable working hour record which is linked to payroll. Management must at least pay all workers the basic minimum wage and its equivalent in OT according to labor law requirements.		Factory has an electronic time record system which is linked with payroll. Worker confirmed that minimum wage and OT rate are properly compensated.	worker interview			Completed and ongoing	
Minimum Wage/Quotas		Workers paid on the basis of incentive quotas will be paid not less than minimum or prevailing wage, whichever is higher.	Employers will provide all legally mandated benefits to all eligible workers. Wages could not be verified.				record review (production and attendance records), worker interviews		Factory is informed that double book-keeping or other fraudulent practice is threshold issue according to addas. "Enforcement Guideline" and can trigger issuance of warning letters to factory, addas will arrange unannounced audit at factory to monitor factory working hour conditions.		We did not get same information as described by 3rd-party auditor. However, this issue will be monitored on a regular basis in order to ensure workers are properly compensated, and that their hours of work are in compliance with local law.	worker interview	Found 1 case of a production record (i.e., broken needle record) indicating worker worked 6 May (Sunday), yet worker interviews indicated they did not work on Sunday. This issue will continue to be monitored by PC's compliance staff. New management team is strongly committed to being open and transparent in social compliance effort.	document review (broken needle records for past 6 months); interview	Completed	
False Payroll Records		Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.	Inconsistent working hour records identified during the audit.				record review (production and attendance records), worker interviews		addas will arrange unannounced audit at the factory to monitor factory working hour conditions.		We did not get same information as described by 3rd-party auditor. However, this issue will be monitored on a regular basis in order to ensure workers are properly compensated, and that their hours of work are in compliance with local law.	worker interview	Inconsistent working hour records were identified during the audit. This issue was addressed to factory management and factory will be monitored continuously by the PC to ensure factory management is in compliance.	documentation, interview	Ongoing	
Record Maintenance	Provisional Regulations for the Payment of Wages, Article 6: An enterprise must register amount of wages, time of payment and name and signature of recipient. Wage payment records should be kept for at least 2 years.	All legally required payroll documents, journals and reports will be available complete, accurate and up-to-date. (In the United States terms this would include W-4s, I-9s, green cards, 941s and supporting material.	Factory only kept and provided payroll records for the past 6 months.				management interview		Factory is required to keep workers' time cards, payroll and all related records for 3 years.	30/9/2006	Since factory moved to a new site in October 2005, they have changed factory name; they did not keep all records for their old factory. Factory has committed to keep workers' time card records, payroll records in factory for 2 years.		All records are kept since Oct.2005 when the new factory started operation.	documentation, interview	Completed	
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	China Labor Law, Article 41: Employing unit may extend work hours due to requirements of its production or business after consultation with trade union and laborers, but extended work hour for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, extended hours shall not exceed 3 hours a day under condition that health of laborers is guaranteed. However, total extension in a month shall not exceed 36 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 law of the country of manufacture or, where laws of such country will not limit hours of work, regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 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.	Though attendance records provided by factory showed maximum work hours of 60 hours per week, there were inconsistencies between production records, pre-audit visit, and attendance records. According to information from pre-audit visit, latest OT in factory was 22:30 and worker OT was on Sundays, if necessary. Production records (e.g., exchange records of broken needle, production report of embroidery workshop) indicated workers worked June 11, 2006, July 9, 2006 and July 23, 2006 (all Sundays), but these days were not on work hour records. Due to these inconsistencies, workers work hours could not be verified.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Please see remediation under "hours of work." Factory is required to: 1) Have reliable working hour records. 2) Provide workers 1 day off per week. 3) Ensure workers do not work over 3 hours of OT per day and 60 hours per week. 4) Determine causes of production delays and institute corrective measures to eliminate them. addas will arrange unannounced audits to factory to monitor factory's working hour conditions.		Factory follows PC's requirements on working hours.	worker interviews, follow-up audit	Found 1 case of a production record (i.e., broken needle record) indicating worker worked 6 May (Sunday), yet worker interviews indicated they did not work on Sunday. This issue will continue to be monitored by PC's compliance staff. New management team is strongly committed to being open and transparent in social compliance effort.	documentation (cross-checking of hours records), worker interviews	Completed	

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Reduce Mandated OT		Employer will demonstrate a commitment to reduce mandated overtime and to enact a voluntary overtime system to meet unforeseen situations.	There were inconsistency between production records and attendance records. Working hours could not be verified.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Please see remediation under "hours of work." Factory is required to: 1) Have reliable working hour records. 2) Provide workers 1 day off per week. 3) Ensure workers do not work over 3 hours of OT per day and 60 hours per week. addas will arrange unannounced audits to factory to monitor factory's working hour conditions.			OT voluntary policy (which is in compliance with addas' requirements) has been informed to workers. Factory's OT work is on a fixed schedule: Monday, Tuesday, Thursday, Friday evenings for 3 hours; Saturdays, 6 hours day work. If workers do not want to have OT, they can fill in OT voluntary form to inform their supervisors in advance that they do not wish to participate in OT work.			Completed and ongoing	
Legal Compliance with Protected Workers	China Labor Law, Article 41: Employing unit may extend work hours due to requirements of its production or business after consultation with trade union and laborers, but extended work hour for a day shall generally not exceed 1 hour; if such extension is called for due to special reasons, extended hours shall not exceed 3 hours a day under condition that health of laborers is guaranteed. However, total extension in a month shall not exceed 36 hours.	Factory will comply with all applicable laws governing work hours, including those regulating or limiting the nature and volume of work performed by women or workers under the age of 18.	There were inconsistency between production records and attendance records. Working hours including overtime hours could not be verified.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Please see remediation under "hours of work." Factory is required to: 1) Have reliable working hour records. 2) Provide workers 1 day off per week. 3) Ensure workers do not work over 3 hours of OT per day and 60 hours per week. 4) Determine causes of production delays and institute corrective measures to eliminate them. addas will arrange unannounced audits to factory to monitor factory's working hour conditions.			Factory follows addas' requirement on working hours. There is also a voluntary OT policy in place. Although factory OT goes beyond 36 hours/month (China labor law's requirement), factory's total work hours do not surpass 60 hours/week as required by addas' standards. Factory already received approval from local government that they can have over 36 hours of OT per month; however, all OT is strictly voluntary.	worker interviews, follow-up audit		Completed and ongoing	
16. 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 work week. Calculation of hours worked must include all time the employer allows or requires worker to work.	There were inconsistencies between production records and attendance records. Overtime hours could not be verified.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Please see remediation under "hours of work." Factory is required to: 1) Have reliable working hour records. 2) Provide workers 1 day off per week. 3) Ensure workers do not work over 3 hours of OT per day and 60 working hours per week. 4) Compensate all OT worked in accordance with local law. addas will arrange unannounced audits to factory to monitor factory's working hour conditions.			Workers confirmed they did not work on Sunday and that they were paid correct OT rate when they work OT.	worker interviews	New management team is strongly committed to being open and transparent in social compliance effort. All hours are recorded now.	documentation (cross-checking of hours records), interviews	Completed
OT Compensation	China Labor Law, Article 44: Employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal work hours under any of the following circumstances: 1) pay no less than 150% of normal wages if extension of working hours is arranged; 2) pay no less than 200% of normal wages if extended hours arranged on days of rest and no deferred rest can be taken; and 3) pay no less than 300% of normal wages if extended hours arranged on statutory holidays.	Factory shall comply with applicable law for premium rates for overtime compensation.	There were inconsistencies between production records and attendance records. Overtime hours could not be verified. Therefore, workers' overtime wages could not be verified, either.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Factory is required to pay all workers the right OT rate for their OT work during the week (150%), on the weekend (200%) and on national holidays (300%).			Factory pays workers OT work according to China Labor Law, Article 44's requirement.	worker interviews, follow-up audit		Completed and ongoing	
OT Compensation for Piece	China Labor Law, Article 44: Employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal work hours under any of the following circumstances: 1) pay no less than 150% of normal wages if extension of working hours is arranged; 2) pay no less than 200% of normal wages if extended hours arranged on days of rest and no deferred rest can be taken; and 3) pay no less than 300% of normal wages if extended hours arranged on statutory holidays.	Where workers are paid on piece rate, payment for overtime work performed shall result in no less payment than premium pay required by law.	Workers were paid by piece rate, but there were inconsistencies between production records and attendance records. Workers' overtime working hours could not be verified. Therefore, piece rate workers' overtime wages could not be verified, either.				document review (production and attendance records provided by factory), worker interviews, pre-audit visit		Please see remediation under "hours of work." Factory is required to: 1) Have reliable working hour records. 2) Provide workers 1 day off per week. 3) Ensure workers do not work over 3 hours of OT per day and 60 working hours per week. 4) Compensate all OT worked in accordance with local law. addas will arrange unannounced audits to factory to monitor factory's working hour conditions.			Factory pays workers OT work according to China Labor Law, Article 44's requirement. Although law does not specify OT pay should be paid by hourly rate or piece rate to workers. For OT work, factory does best practice by paying workers 150%, 200% and 300% for piece rate, which would normally be higher than equivalent hourly rate based on minimum wage for workers OT work.	worker interviews, follow-up audit		Completed and ongoing	