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

In accordance with the PRC Labor Law article 15, employers shall not employ persons under the age of 16 years. FLA Code Benchmark I. Forced Labor: Employers shall not employ persons under the age of 16 years. Factory claim these 2 workers submitted false age/ID documents and factory didn’t detect this when applicants were interviewed. Factory has taken swift action to terminate labor contracts with these workers by the factory. Prior to sending these workers back to their home towns, and it will not be possible for adidas to ensure any further follow up with these workers try the factory. Prior to termination, the SOE Team was working with the factory to establish a procedure for recruiting and hiring young workers that meet company standards and ensure proper review of age documentation at the time of hiring.

In accordance with the PRC Labor Law article 16, factory should not employ persons under the age of 16 years. FLA Code Benchmark II. Child Labor: Employers shall not employ persons under the age of 16 years. Factory claims these 2 workers submitted false age documents and factory didn’t detect this when applicants were interviewed. Factory has taken swift action to terminate labor contracts with these workers by the factory. Prior to sending these workers back to their home towns, and it will not be possible for adidas to ensure any further follow up with these workers try the factory. Prior to termination, the SOE Team was working with the factory to establish a procedure for recruiting and hiring young workers that meet company standards and ensure proper review of age documentation at the time of hiring.

In accordance with the PRC Labor Law article 18, an enterprise shall not take any measures to go against the 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 Benchmark I. Forced Labor: Employers prohibited from practices that restrict worker’s ability to terminate his or her employment or to 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. Factory confirms that [the underage] workers were fully paid to all workers and back payments were sent back to their home towns, and it will not be possible for adidas to ensure any further follow up with these workers try the factory. Prior to termination, the SOE Team was working with the factory to establish a procedure for recruiting and hiring young workers that meet company standards and ensure proper review of age documentation at the time of hiring.

In accordance with the Ministry of Labor Document No 118 (1994) article 2, an enterprise shall not take any measures to go against the 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 Benchmark I. Forced Labor: Employers prohibited from practices that restrict worker’s ability to terminate his or her employment or to 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. Factory claims these 2 workers submitted false age documents and factory didn’t detect this when applicants were interviewed. Factory has taken swift action to terminate labor contracts with these workers by the factory. Prior to sending these workers back to their home towns, and it will not be possible for adidas to ensure any further follow up with these workers try the factory. Prior to termination, the SOE Team was working with the factory to establish a procedure for recruiting and hiring young workers that meet company standards and ensure proper review of age documentation at the time of hiring.

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**FLA Code** | **FLA Compliance Benchmark and/or Legal Reference** | **ITS Findings** | **PC Internal Audit Findings** | **PC Remediation plan** | **Target Completion Date** | **PC Remediation Updates**
---|---|---|---|---|---|---

**Special regulations for Juvenile Workers**
- Juvenile worker: Anybody who is at the age of 18 or below. According to PRC Law article 92, employees shall not enter into employment agreement with the Juvenile workers. If a Juvenile worker is employed, the following requirements are to be followed:
  1. Labor Law: The employer shall not employ Juvenile workers under the age of 16.
  2. FLA Code Benchmark II. Child Labor: B.5.1. All employers shall observe all the regulations for the Special Protection of Juvenile Workers (Document No.498) article 6. Employers shall ensure that Juvenile workers be registered.
  3. FLA Code Benchmark III. Harassment or Abuse: Workers shall not be subjected to any form of harassment or abuse. Employers are required to provide a grievance procedure where workers can report issues constructively.
  4. FLA Code Benchmark IV. Non-Discrimination: Employers shall not discriminate in employment practices, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. Employers shall not use monetary fines and penalties for poor performance.

**Health and Safety**
- We have noted that the factory did not provide health examinations for Juvenile workers. It is recommended that the factory should ensure that Juvenile workers perform regular body checkup. (Note: a) before working at enterprise; b) after one year working here and c) at the age of 18 years old. We also noted that the factory didn't perform the Juvenile workers registration procedure. **FLA Code Benchmark III. Harassment or Abuse:**
  - Factory informed us that the local government will provide standard physical check up for Juvenile workers at the end of this year. 2. The registration procedure will be completed on 30 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 perform overtime, are not assigned dangerous or heavy duties. 5. Factory must also arrange annually medical checkups until 18 years of age.

**Remediation**
- Factory have already cancelled. (reply from factory on 4 Nov., 01)  Factory request to provide the list of juvenile workers to all supervisors for follow-up. (Re-audit on 20 December 2001).

**Monetary fines**
- FLA Code Benchmark III. Harassment or Abuse: Employers will not use monetary fines for poor performance.
- FLA Code Benchmark IV. Non-Discrimination: Employers will not use monetary fines or penalties for poor performance.

**Procedural Compliance**
- We have noted that according to the factory rules if an employee were unauthorized absence from work for 5 consecutive days, the employer would seize the employment of that employee. **FLA Code Benchmark III. Harassment or Abuse:**
  - 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. FLA Code Benchmark IV. Non-Discrimination: 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.

**Remediation**
- 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, promotion of retirement.
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<tr>
<th>FLA Code</th>
<th>FLA Compliance Benchmark and/or Legal Reference</th>
<th>ITS Findings</th>
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<th>PC Updates/Follow-up Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for Handrails</td>
<td>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.</td>
<td>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.</td>
<td>Revised</td>
<td></td>
<td>PC further comments</td>
<td></td>
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<tr>
<td>Need Heat Sources</td>
<td>FLA Code Benchmark V. Health and Safety: All facilities including building, toilets, canteens, kitchens, and clinics shall be kept clean and safe and in compliance with applicable laws.</td>
<td>FLA code Benchmark V. Health and Safety: All facilities including building, toilets, canteens, kitchens, and clinics shall be kept clean and safe and in compliance with applicable laws.</td>
<td>Need to put drain cover 20/12/01 Still need to improve (See picture 047/050)</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
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<tr>
<td>Radon</td>
<td>FLA Code Benchmark V. Health and Safety: 1) All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to comply with applicable laws and prevent hazardous conditions to employees in the facility. 2) All facilities including building, toilets, canteens, kitchens, and clinics shall be kept clean and safe and in compliance with applicable laws.</td>
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<tr>
<td>First Aid Kits</td>
<td>FLA Code Benchmark V. Health and Safety: At 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.</td>
<td>First aid kit should be clean and accessible with contents in their container.</td>
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<td>FLA Code Benchmark V. Health and Safety: All facilities including building, toilets, canteens, kitchens, and clinics shall be kept clean and safe and in compliance with applicable laws.</td>
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<tr>
<td>Fire Extinguishers</td>
<td>In accordance with the PRC Labor Law article 54, labor safety and hygiene facilities must be in compliance with the standards stipulated by the state; and according to the PRC National Standard GBZ140-90 article 5.1.3, portable fire extinguisher shall be installed in the way that the height from the top of the extinguisher to the floor is less than 1.5m, 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.</td>
<td>Fire extinguisher was not hung within 1.5m from the floor.</td>
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<td>Fire Alarms</td>
<td>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.</td>
<td>Fire alarm</td>
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<tr>
<td>Fire Equipment Control Nos.</td>
<td>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.</td>
<td>Fire equipment must be connected to fire alarm system.</td>
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<tr>
<td>IC Regular Inspection/ Fire Fighting Equipment</td>
<td>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.</td>
<td>Fire extinguisher should be installed in each floor. Fire alarm should connect with each switch.</td>
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<td>Square Box</td>
<td>FLA Code Benchmark V. Health and Safety: All buildings, including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.</td>
<td>Square box is too small e.g. warehouse (photo 14) 20/12/01</td>
<td>Square box needs to increase the size until reach the aisle line e.g. warehouse</td>
<td>On-going</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
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<tr>
<td>Box Square Box Paint on Floor</td>
<td>FLA Code Benchmark V. Health and Safety: All facilities including factory buildings, toilets, car parks, kitchens, and offices, shall be kept clean and safe and be in compliance with applicable laws.</td>
<td>As square box paint on floor with blocked the equipment (photo 17)</td>
<td>20/12/01</td>
<td>Painting</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
</tr>
<tr>
<td>Execution Markings</td>
<td>FLA Code Benchmark V. Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked exits/doors, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.</td>
<td>As arrows on exit (photo 26)</td>
<td>20/12/01 Done</td>
<td>Insufficient evacuation arrows on floor 20/12/01 Done</td>
<td>Closed</td>
<td>No further comments.</td>
</tr>
<tr>
<td>Electric Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained in conformity to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>Table are wired haphazardly across the ceiling (photo 41,42)</td>
<td>20/12/01 Still need to improve (see picture 039,040,042,053,056)</td>
<td>Re-install</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>Some wires are patched and taped</td>
<td>20/12/01 Still need to improve (See 040/052/056)</td>
<td>Change to a new wire</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>Some wires are not completely insulated. (photo 44)</td>
<td>20/12/01 Need to improve (see picture 046,052)</td>
<td>Need to install switch box or take it away</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
</tr>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>No warning sign on junction box &amp; switch box</td>
<td>21/12/01 Poor quality warning sign. (See picture 33)</td>
<td>Pull warning sign</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>No warning sign outside main electricity control room</td>
<td>20/12/01 Poor quality warning sign. (See picture 33)</td>
<td>Pull warning sign</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>Main switch box without rubber sheet put on floor (photo 22)</td>
<td>20/12/01 Done</td>
<td>Paint back the rubber sheet on floor</td>
<td>Closed</td>
<td>No further comments.</td>
</tr>
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<td>Electrical Safety</td>
<td>FLA Code Benchmark V. Health and Safety: All ventilation, planting, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.</td>
<td>Switch box door can not close properly</td>
<td>20/12/01 Done</td>
<td>Repair or change it</td>
<td>Closed</td>
<td>No further comments.</td>
</tr>
<tr>
<td>MSDS/Labeling &amp; Storage</td>
<td>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.</td>
<td>Dyes, 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)</td>
<td>20/12/01 N response (See picture 048,049)</td>
<td>No MSDS must be made available where chemicals are used or stored</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Secondary Containment/Eye Wash</td>
<td>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 the fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.</td>
<td>No secondary containment for hazardous chemical. No eye wash available at site where chemical is used and stored. (photo 33,34,35) No response (See picture 048, 049)</td>
<td>Toxic and flammable chemicals must be stored separately. Secondary containment must be provided for hazardous chemicals. Warning label and signs must be posted at the chemical store.</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>Poor Chemical Safety</td>
<td>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.</td>
<td>- PPE provided for handling chemicals. No chemical spillage kit in place at the chemical storage area. Toxic chemicals are not separated from nonhazardous chemicals. Inadequate warning signs at chemical storage areas. 09/12/01 No response</td>
<td>Workers must be provided with basic technical handling training. Appropriate PPE must be provided for handling hazardous chemicals. Spill kit must be made available to contain any chemical spill.</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
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<td>Outside Warning Sign</td>
<td>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.</td>
<td>Outside warning sign have not been removed (photo 15). 09/12/01 Done</td>
<td>Need to remove</td>
<td>Closed</td>
<td>No further comment.</td>
<td></td>
</tr>
<tr>
<td>Inadequate Warning Sign</td>
<td>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.</td>
<td>Inadequate mandatory signs are placed in the factory to caution workers on hazards relate to mechanical, electrical, fire, chemical and heights. 09/12/01 Need to improve</td>
<td>Proper mandatory and warning sign must be sufficiently provided to communicate hazards to workers.</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
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<tr>
<td>Air Compressor</td>
<td>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.</td>
<td>Air Compressors are not isolated from production floor (photo 37). 09/12/01 Done (Picture 056)</td>
<td>Air Compressors are to be isolated to eliminate noise level. e.g. Inside wash section</td>
<td>Closed</td>
<td>No further comment.</td>
<td></td>
</tr>
<tr>
<td>Protective Guards</td>
<td>FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.</td>
<td>Machine gate without protective guard (photo 49). 09/12/01 Factory needs to give us further information or photo.</td>
<td>Install protective guard</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
</tr>
<tr>
<td>Protective Guards</td>
<td>FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.</td>
<td>Ventilation fan without adequate guard (2.20/49). 09/12/01 Factory needs to give us further information or photo.</td>
<td>Install protective cover</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
</tr>
<tr>
<td>Exposed Sharp Edges</td>
<td>FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.</td>
<td>Sharp edge of fluorescent light (photo 27). 09/12/01 Factory needs to continuously improve (Picture 093, 040, 042).</td>
<td>Should be covered by sponge</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
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<tr>
<td>Machine Guard</td>
<td>FLA Code Benchmark V. Health and Safety: All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.</td>
<td>Machine without safety guard (photo 19). 09/12/01 Factory needs to give us further information or photo.</td>
<td>Install safety guard</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
</tr>
<tr>
<td>Hole in Search Tub</td>
<td>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.</td>
<td>09/12/01 Search tube is leaking (See picture 066).</td>
<td>Need to repair immediately</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
<td></td>
</tr>
<tr>
<td>PPE/Ear Plugs</td>
<td>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.</td>
<td>- Workers must be provided with basic technical handling training. Appropriate PPE must be provided for handling hazardous chemicals. Spill kit must be made available to contain any chemical spill.</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<tr>
<td>FLA Code</td>
<td>PLA Compliance Benchmark and/or Legal Reference</td>
<td>ITS Findings</td>
<td>PC Internal Audit Findings</td>
<td>PC Remediation plan</td>
<td>Target Completion Date</td>
<td>Remediation Updates</td>
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<td>No Hygiene License</td>
<td>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.</td>
<td>We have noted that no Hygiene License was available for the kitchen of the factory.</td>
<td>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.</td>
<td>Pending</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>FLA Code</td>
<td>FLA Compliance Benchmark and/or Legal Reference</td>
<td>Remediation Updates</td>
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<tr>
<td>Fire Extinguisher</td>
<td><strong>FLA Compliance Benchmark and/or Legal Reference</strong></td>
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<td></td>
<td>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.</td>
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<td><strong>PC Internal Audit Findings</strong></td>
<td><strong>PC Remediation plan</strong></td>
<td><strong>Target Completion Date</strong></td>
<td><strong>PC Updates/Follow-up Comments</strong></td>
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<td></td>
<td>Fire extinguishers without regular checking</td>
<td>Prepare regular checking system</td>
<td>25/12/01 Done</td>
<td>N/A</td>
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<td>N/A</td>
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<td></td>
<td>Fire extinguishers with regular checking</td>
<td>Prepare regular checking system</td>
<td>25/12/01 Done</td>
<td>N/A</td>
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<td>N/A</td>
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<tr>
<td>Canteen Sanitation/Safety</td>
<td><strong>FLA Compliance Benchmark and/or Legal Reference</strong></td>
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<td></td>
<td>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.</td>
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<td><strong>PC Internal Audit Findings</strong></td>
<td><strong>PC Remediation plan</strong></td>
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<td><strong>PC Updates/Follow-up Comments</strong></td>
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<td></td>
<td>Poor extraction system in kitchen (photo 06)</td>
<td>Improve extraction system</td>
<td>25/12/01 No response</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>N/A</td>
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<td></td>
<td>Kitchen wall &amp; ceiling full of grease &amp; dirt</td>
<td>Change all tiles</td>
<td>25/12/01 No response</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>N/A</td>
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<td></td>
<td>1) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.</td>
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<td><strong>PC Updates/Follow-up Comments</strong></td>
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<tr>
<td></td>
<td>Chef does not wear hairnet or hat when working inside kitchen (photo 02,06)</td>
<td>Provide hat or hairnet to chef</td>
<td>25/12/01 Done</td>
<td>N/A</td>
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<tr>
<td>Canteen Sanitation/Safety</td>
<td><strong>FLA Compliance Benchmark and/or Legal Reference</strong></td>
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<td></td>
<td>1) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.</td>
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<td></td>
<td>Tables &amp; chairs put inside canteen, some are broken</td>
<td>Change all tables or chairs</td>
<td>25/12/01 Factory needs to give us further information or picture.</td>
<td>Not able to confirm whether action has been completed.</td>
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<td>N/A</td>
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<tr>
<td></td>
<td>Freezer without cover the mechanical part (photo 05)</td>
<td>Need to cover the motor</td>
<td>25/12/01 Done</td>
<td>N/A</td>
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<td>N/A</td>
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<td>Freedom of Association and Collective Bargaining</td>
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<tr>
<td>Worker/Management communication</td>
<td>Nil</td>
<td>No proper communication channel between factory management and workers. (9 Oct., 01)</td>
<td>Consider the following options: i) Form Workers' Committee in term of social, welfare, health, safety &amp; 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.</td>
<td>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</td>
<td></td>
<td>No further comments</td>
</tr>
<tr>
<td>FLA Code</td>
<td>FLA Compliance Benchmark and/or Legal Reference</td>
<td>IFS Findings</td>
<td>PC Internal Audit Findings</td>
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<tr>
<td>Wages &amp; Benefits</td>
<td>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation; Employers will provide all legally mandated benefits to all eligible workers.</td>
<td>We have noted that some workers were paid as low as RMB0.85 per hour in March 2002. Factory informed us that they will pay according to China Labor Law.</td>
<td>Minimum wage is base on 21 working days a month.</td>
<td>We will be improved in November 2001 (reply from factory on 4 November 2001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay Below Minimum Wage</td>
<td>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.</td>
<td>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 checks, some workers are paid below minimum wage.</td>
<td>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.</td>
<td>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. Factory promised they had immediate improvement on this issue. (reply from factory on 22 February 2002)</td>
<td></td>
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</tr>
<tr>
<td>No Social Insurance</td>
<td>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation; Employers will provide all legally mandated benefits to all eligible workers.</td>
<td>It was noted that no social insurance provided for the workers.</td>
<td>Factory only provides 56 days maternity leave to workers. (8 Oct., 01)</td>
<td>Factory has already completed improvement (reply from factory on 4 November 2001)</td>
<td></td>
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</tr>
<tr>
<td>Maternity Leave</td>
<td>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation; Employers will provide all legally mandated benefits to all eligible workers.</td>
<td>Law requires paid 3-month maternity leave for all the workers. Age on or over 24 add 10 Days, single kid add 35 days.</td>
<td>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.</td>
<td>Factory has already completed improvement (reply from factory on 4 November 2001)</td>
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<tr>
<td>Free Uniform</td>
<td>FLA Code Benchmark 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.</td>
<td>Factory provides 1 set summer uniform and 1 set winter uniform to each worker but if resign, they should pay RMB80 per each set of uniform. Total paid RMB320 (8 October 2001)</td>
<td>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.</td>
<td>Factory has already completed improvement (reply from factory on 4 November 2001)</td>
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<tr>
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<tr>
<td>Hours of Work</td>
<td>FLA Compliance Benchmark and/or Legal Reference</td>
<td>ITS Findings</td>
<td>PC Internal Audit Findings</td>
<td>PC Remediation plan</td>
<td>Target Completion Date</td>
<td>PC Updates/Follow-up Comments</td>
</tr>
<tr>
<td>Exceed 36 OT in one Week</td>
<td>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.</td>
<td>8.0 was noted that the total working hours of the factory were around 4 to 6 hours per day and 100 to 155 hours per month during April 2001 to March 2002.</td>
<td>Some sections were working over 48 hours per week. (9 October 2001)</td>
<td>Factory will ensure that production schedule is in line with the legal requirements.</td>
<td>Have already completed improvement (reply from factory on 4 Nov., 2002)</td>
<td>No further comments.</td>
</tr>
<tr>
<td>Jack of One Day Off in Seven</td>
<td>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.</td>
<td>8. It was noted that workers in the factory worked 21 to 25 hours per week during April 2001 to March 2002.</td>
<td>9. Overtime Compensation</td>
<td>Factory will re-exchange the production schedule.</td>
<td>Have already completed (reply from factory on 22 February 2002)</td>
<td>No further comments.</td>
</tr>
<tr>
<td>Poor Record-Keeping</td>
<td>FLA Code section 19. 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. All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.</td>
<td>10. It was noted that no overtime premium provided.</td>
<td>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.</td>
<td>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.</td>
<td>Have already completed the improvement.</td>
<td>No further comments.</td>
</tr>
<tr>
<td>No OT Premium</td>
<td>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.</td>
<td>11. It was noted that no overtime premium provided.</td>
<td>Factory shall adjust the overtime payment system and all be completed on 25 June 2002.</td>
<td>Factory must pay OT rate accordingly.</td>
<td>Improvement will be started on November 2001 (reply from factory on 4 November 2001)</td>
<td>No further comments.</td>
</tr>
</tbody>
</table>