

FLA Audit Profile

Factory Code	400015907G
Country	China
FLA Affiliate	Asics
Monitor	SGS
Audit Date	October 13-15, 2008
Products	Frock, underwear, pants, sportswear Knitting, cutting, sewing, ironing, inspection, packing
Processes	
Number of Workers	315



FAIR LABOR
ASSOCIATION™

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Wages, Benefits and Overtime Compensation: A. Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation:

Finding 1: Based on working hours and payrolls review and interview with management staffs, it was identified that the factory did not pay the workers for sick leave and public holidays. This violates China Labor Law, Article 51: The employing unit shall pay wages according to law to laborers who observe statutory holidays, take leaves during the periods of marriage or funeral, or participate in social activities in accordance with the law.
Finding2: The factory only provided 219 out of 315 employees with social insurance. Relevant payment invoices were reviewed. Local authority provided five types of social insurance to workers. But the factory did not provide five social insurances to other 96 out of 315 employees. No waiver and Social Insurance Annual Verification certificate was obtained from the local social insurance administrative department to prove that such percentage meets the local requirement. This violated China Labor Law, Article 72: The sources of social insurance funds shall be determined according to the categories of insurance, and an overall pooling of insurance funds from the society shall be introduced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law and Article 73, Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: (1) retirement; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) child-bearing.

Plan Of Action:

Please pay the workers for sick leave and public holiday according to China labor law, article 51. Please provide the social insurances to all workers or the ratio of workers the local government require.

Deadline Date:

11/30/2008

Supplier CAP:

Up to now, the factory has been paying for one year together in December. However, they said they will pay every month from next year. All workers were provided social insurance in November.

Supplier CAP Date:

11/29/2008

Action Taken:

Up to now, the factory has been paying for one year together in December. However, they said they will pay every month from next year. All workers have been provided the social insurance in November.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments: FLA COMMENT TO COMPANY: The company is encouraged to develop a plan with the factory to eventually cover all employees with all five types of social insurance in a spirit of continuous improvement.

Wages, Benefits and Overtime Compensation: B. Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on review payrolls and interview with sampled workers, all workers were paid by monthly rate or piece rate. According to attendance records and payrolls from Oct 2007 to Aug 2008, the factory did not pay the local minimum wage of RMB 850/month for 21.75 working days a month and 8 hours a day in average (i.e. hourly rate RMB 4.89) to 2% workers in sewing workshop and ironing workshop. They were only paid RMB643.8~840 per month (i.e. hourly rate RMB3.7 ~4.83), which was lower than the local minimum wage of RMB850/month. This violates China Labor Law, Article 48: Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages. Remark: The legal minimum wage was RMB850/month (RMB4.89/day) since Oct 1, 2007 and RMB750/month (RMB4.31/hour) before Oct 1, 2007.

Plan Of Action: Please keep China labor law and the regulation of local government. Ex. minimum wage, wage for overtime work.

Deadline Date: 11/30/2008

Supplier CAP: The factory has been regulating minimum wage payment since October, and they will continue to manage by salary details table every month.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has been regulating minimum wage payment since October, and they will continue to manage by salary details table every month.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: I. Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on review payrolls and interview with sampled workers, most workers were paid by piece rate. According to attendance records and payroll from Oct 2007 to June 2008, for piece rate workers, overtime

payment was normal piece wage per hour plus RMB1.8 per hour for overtime work on normal weekdays and the night of Saturday, 200% of normal piece wage for overtime work on Sunday and normal piece wage for overtime work on the daytime of Saturday, which did not meet the legal requirement. Based on attendance records and payroll from July 2008 to Aug 2008, for piece rate workers, overtime payment was normal piece wage per hour plus RMB3.0 per hour for overtime work on normal weekdays and the night of Saturday, 200% of normal piece wage for overtime work on Sunday and normal piece wage for overtime work on the daytime of Saturday, which did not meet the legal requirement. According to the calculation of sampled payrolls, the overtime rate of 20% of the workers was not in line with the legal requirements which are 150%, 200% and 300% of regular/normal pay for overtime work on regular weekdays, rest days and statutory holidays respectively. This violated China Labor Law, Article 44: The employing unit shall, according to the following standards, pay laborers remunerations higher than those for normal working hours under any of the following circumstances: (1) to pay no less than 150 per cent of the normal wages if the extension of working hours is arranged; (2) to pay no less than 200 per cent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and(3) to pay no less than 300 per cent of the normal wages if the extended hours are arranged on statutory holidays.

Plan Of Action: Please keep China labor law and the regulation of local government. Ex. minimum wage, wage for overtime work.

Deadline Date: 11/30/2008

Supplier CAP: The factory has been regulating minimum wage payment since October, and they will continue to manage by salary details table every month.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has been regulating minimum wage payment since October, and they will continue to manage by salary details table every month.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: L. Voluntary Wage Deductions

WBOT.14 Voluntary wage deductions for savings clubs, loan payments, etc. can only be made with the express and written consent of workers and shall be documented in employee files. All such voluntary deductions shall be credited to proper accounts and funds shall not be held illegally or inappropriately by employers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on records review and interview with management staffs and sampled workers, the worker's wage would be deducted RMB250 as fee of smocks, tools, lunch box and baboosh when he/she leave the factory. This violated the China Labor Law, Article 50: Wages shall be paid monthly to laborers themselves in cash. The wages paid to laborers shall not be deducted or delayed without justification.

Plan Of Action: The Facility no longer deducts the cost of smocks, tools, lunchbox and baboosh from employee wages.
Deadline Date: 11/30/2008
Supplier CAP: The factory has repealed that custom.
Supplier CAP Date: 11/29/2008
Action Taken: The factory has repealed that custom.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Forced Labor: F. Wage Advances

F.6 Wage advances shall not exceed three months pay or legal limits, whichever is less. Advances shall only be made following clearly established factory rules which have been communicated to workers. Advances must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: The factory did not establish a policy on prepayment of wages in order to prevent workers from being in-debt to the factory.
Plan Of Action: Please establish a policy and communicate to all workers.
Deadline Date:
Supplier CAP: The code will establish a clear policy on prepayment, and the factory will train based on it for the management staff.
Supplier CAP Date:
Action Taken:
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Forced Labor: I. Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on document review and interview with management and journey workers, it was noted that personnel records of 8 journey workers were not

maintained. It violated Regulation on Banning Child Labor (2002), Article 4: When employing personnel, the employers must verify the identification cards of the personnel to be employed; and may not employ any minor under 16 years old. The employers shall appropriately keep their employment registration and verification files of the personnel employed.

Plan Of Action: Please maintain the personnel records of 8 journey workers.
Deadline Date: 11/30/2008
Supplier CAP: The personnel records of those 8 journey workers have been maintained.
Supplier CAP Date: 11/29/2008
Action Taken: The personnel records of those 8 journey workers have been maintained.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Forced Labor: R. Other - Forced Labor

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on contract review and interview with sampled workers and management staffs, the factory did not sign labor contracts with 96 out of 315 employees including 8 journey workers. The factory had signed labor contracts with 219 out of 315 employees. The contracts were of standard format and contents which were approved by the local labor bureaus. Copy of labor contract was given to 219 out of 315 employees. This violated Labor Contract Law of the People's Republic of China, Article 10: A written labor contract shall be concluded in the establishment of an employment relationship. Where an employment relationship has already been established with an employee but no written labor contract has been entered simultaneously, a written labor contract shall be concluded within one month from the date when the employee begins to work. Where an employer and an employee conclude a labor contract prior to the employment, the employment relationship is established from the date when the employee begins to work.

Plan Of Action: Please sign the labor contracts for the entire workforce.
Deadline Date:
Supplier CAP: The factory has already signed contracts with all workers.
Supplier CAP Date:
Action Taken: The factory has already signed contracts with all workers.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Freedom of Association: B. Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall 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 that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: According to Chinese Law, 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). Independent unions are prohibited in Chinese factories. One trade union was established in the factory. Most workers participated in the trade union. Main leaders were selected by the workers. But the union was led by management and local official ACFTU. The chairman of the trade union is finance manager of the factory. No independent trade union was established in the factory.

Plan Of Action: Please establish the policy about the representative of workforce and the collective bargaining.

Deadline Date: 11/30/2008

Supplier CAP: The factory has concluded that the labor agreement with the trade union and the policy has been mentioned in Article 2. The written agreement is held by both of them.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has concluded the labor agreement with the trade union and the policy has been mentioned in article 2. The written agreement is held by both of them.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Freedom of Association: ZB. Other - Freedom of Association and Collective Bargaining

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on an interview with management staff and sampled workers, the factory did not establish a policy on freedom of association and collective bargaining.

Plan Of Action: Please establish a clear policy about the representative of workforce and the role of collective bargaining.

Deadline Date: 11/30/2008

Supplier CAP: The factory has concluded the labor agreement with the trade union and

the policy has been mentioned in Article 2. The written agreement is held by both of them.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has concluded the labor agreement with the trade union and the policy has been mentioned in Article 2. The written agreement is held by both of them.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Harassment or Abuse: B. Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on document review and interview with management staffs and sampled workers, although the factory had a written discipline policy, only two disciplinary actions including fine and termination was used, no written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination) was established.

Plan Of Action: Please establish the harassment and abuse policy or procedure, and please train the management staff on it. Please explain the detail of the punishment to the workforce involved and keep the records of them in accordance with the established rules.

Deadline Date: 11/30/2008

Supplier CAP: The policy has been established and posted on the notice board. The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The policy has been established and posted on the notice board. The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Harassment or Abuse: C. Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on document review, the factory's policy did not include the appeal procedure. But the management stated they were quite cautious to fire a worker before the case was investigated thoroughly, even if he/she made a huge mistake.

Plan Of Action: Please establish this rule and inform it to the workforce.

Deadline Date: 11/30/2008

Supplier CAP: The factory has concluded the labor agreement with the trade union. The written agreement is held by both of them.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has concluded the labor agreement with the trade union. The written agreement is held by both of them.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Harassment or Abuse: E. Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on interview with sampled workers and management staffs, the factory had no harassment and abuse policy or procedure in place.

Plan Of Action: Please establish the harassment and abuse policy or procedure, and please train the management staff on it.

Deadline Date: 11/30/2008

Supplier CAP: The policy has been established and posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The policy has been established and posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Harassment or Abuse: F. Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on records review, disciplinary records in the whole past year were kept. But there were no employee signatures in the disciplinary records.

Plan Of Action: Please explain the detail of the punishment to the workforce involved and keep the records of them in accordance with the established rules.

Deadline Date: 11/30/2008

Supplier CAP: The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Harassment or Abuse: G. Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on document review and interview with management staffs, the factory did not specially train the management staff on how to use the discipline properly.

Plan Of Action: Please establish the harassment and abuse policy or procedure, and please train the management staff on it.

Deadline Date:

Supplier CAP: The policy has been established and posted on the notice board. Training

for management staff will be conducted.
Supplier CAP Date: 11/29/2008
Action Taken: The policy has been established and posted on the notice board.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Harassment or Abuse: H. Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on review the discipline policy, discipline policy stipulated that fine of RMB5~300 may be deducted if the worker violated the factory rule. One fine record showed that one worker was fined RMB250 because she was absent from work for five days in Oct 2008.

Plan Of Action: Please explain the detail of the punishment to the workforce involved and keep the records of them in accordance with the established rules.

Deadline Date: 11/30/2008

Supplier CAP: The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has repealed the fine and established the new regulation of reward and punishment excluding the fine. That new regulation has been posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Child Labor: H. Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: No written young worker protection policy or procedure was available.

Based on the findings from this interview, the management had limited knowledge on juvenile worker protection. Based on document review and an interview with management staff, the factory did not establish a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.

Plan Of Action: Please post the rules regarding juvenile workers OR make the training available in order to establish compliance.

Deadline Date: 11/30/2008

Supplier CAP: The code & policy have been established, and the factory has trained on this matter by the management staff.

Supplier CAP Date: 11/29/2008

Action Taken: The code & policy have been established, and the factory has trained on this matter by the management staff.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Non-Discrimination: K. Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	2 (out of 5)

Explanation: Health examination records showed that all candidates needed to take an HIV test during recruitment. The factory claimed that all health examination items were defined by the hospital, they did not specially require that HIV test should be conducted; the factory did not reject the candidate who failed in HIV test. It was confirmed by interview with sampled workers.

Plan Of Action: Please post this rule OR provide training in order to establish compliance. Please establish the harassment and abuse policy or procedure, and please train the management staff on it.

Deadline Date: 11/30/2008

Supplier CAP: The code & policy have been established, and the factory has trained on this issue by the management staff. The policy has been established and posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The code & policy have been established, and the factory has trained on this issue by the management staff. The policy has been established and posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Non-Discrimination: O. Other - Non-Discrimination

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on document review and an interview with sampled workers and management staffs, no such a non-discrimination policy was established; Workers appeared to have little knowledge on discrimination. No training was ever conducted. The management appeared to have certain knowledge on this field.

Plan Of Action: Please establish the harassment and abuse policy/procedure, and please train the management staff on it.

Deadline Date: 11/30/2008

Supplier CAP: The policy has been established and posted on the notice board.

Supplier CAP Date: 11/29/2008

Action Taken: The policy has been established and posted on the notice board.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Miscellaneous: A. Code Awareness

GEN.2 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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: The company did not train factory's workforce on the Code obligations.

Plan Of Action: Please explain COC of Asics to factory workers, and train workers accordingly. (Revised on 5th March 2009)

Deadline Date: 11/30/2008

Supplier CAP: The code & policy has established and the factory has trained managements and all workers.

Supplier CAP Date: 11/29/2008

Action Taken: The code & policy has established and the factory has trained managements and all workers.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:
Action Verified Date:
Comments:

GEN.3 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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Finding 1. No non-retaliation policy was established. Finding 2. No non-compliance reporting mechanism was established between the Company and workers.

Plan Of Action: 1. Please explain COC of Asics to the subcontracting factory, and provide the document that proves the content of COC was approved. 2. ASICS will establish "Hot Line Channel" between factory workers and ASICS. (Revised on 5th March 2009)

Deadline Date:

Supplier CAP: 1. The code & policy will be established and the factory will inform all workers.

Supplier CAP Date:

Action Taken: 1. The code & policy will be established and the factory will inform all workers. 2. ASICS established "Hot Line Channel" and factory will post sticker with contact number in Asics's COC in March 2009. (Revised on 5th March 2009)

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Miscellaneous: B. Illegal Subcontracting

MISC.1 Illegal Subcontracting

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	2 (out of 5)

Explanation: Finding 1: The factory stated that no contracts between the factory and these subcontractors involve the issues of social responsibility or the FLA Code of Conduct. Finding 2: The factory stated that all subcontractors were approved by ASICS. But the factory did not provide evidence to prove that these subcontractors had been approved by ASICS company. Finding 3: The factory did not oversee the subcontractors to ensure that their contracts are implemented in compliance with the Code.

Plan Of Action: Please explain COC of Asics to the subcontracting factory, and exchange the document that proves the content of COC was approved.

Deadline Date: 11/29/2008
Supplier CAP: The factory has no subcontractor now. In the future, the president of the factory will explain to and supervise the subcontractors when they subcontract Asics products to the other factories.
Supplier CAP Date: 11/29/2008
Action Taken: The factory has no subcontractor now. In the future, the president of the factory will explain the nature of subcontracting Asics products to the other factories.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Health and Safety: F. Communication to Workers

H&S.6 The health and safety policy shall be communicated to all workers in the local language or language(s) spoken by workers if different from the local language. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on records review and interviews with sampled workers and management staffs, health and safety training was not conducted to educate its workforce. It violated Article 52 of China Labor Law: The employing unit must establish and perfect the system for occupational safety and health, strictly implement the rules and standards of the State on occupational safety and health, educate laborers on occupational safety and health, prevent accidents in the process of work, and reduce occupational hazards.

Plan Of Action: Please post PPE signs or diagrams to remind the workers and let them wear PPE habitually. And please educate the workers regarding safety and health.

Deadline Date:
Supplier CAP: Factory will provide training to workforce about heath and safety.
Supplier CAP Date: 11/29/2008
Action Taken:
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Health and Safety: H. Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

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Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Finding 1: Based on document review, the elevator operator and the boiler operator of the factory did not obtain operator permit. It violated Article 23 of Production Safety Law of the People's Republic of China: Workers operating at special posts in production and business units shall, in accordance with relevant State regulations, receive special training in safe operation, and they shall only be assigned to such posts after obtaining qualification certificate for operation at special posts. Finding 2: Based on document review, the certificate of one electrician was expired in September 2008. It violated Article 55 of China Labor Law: Laborers to be engaged in specialized operations must receive specialized training and acquire qualifications for such special operations.

Plan Of Action: Please obtain the latest certification for those operators.

Deadline Date: 03/31/2009

Supplier CAP: The certification for the operators of boiler and elevator has been obtained. Regarding the certification of the electrician, the factory has applied to electrical local office by December, and factory will obtain certification around March 2009.

Supplier CAP Date: 11/29/2008

Action Taken: The certification for the operators of boiler and elevator has been obtained. Regarding the certification of the electrician, the factory has applied to electrical local office by December, and factory will obtain certification around March 2009.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: I. Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Finding 1: According to on site observation, no evacuation plan and exit sign was posted in the knitting workshops. It violated the sub-paragraph (6) of article 14 of Fire Prevention Law of the People's Republic of China: Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities: (6) Ensuring that evacuation channels and safety exits are unblocked and putting up signs for fire prevention safety evacuation in keeping with the state provisions. Finding 2: According to on site observation, no fire alarms were available in the factory.

Plan Of Action: Please post the evacuation plan and exit sign in Chinese. Please set the fire alarms in the factory.

Deadline Date: 12/31/2008

Supplier CAP: The evacuation plan and exit sign have been posted in the knitting workshops. The factory plans to have the fire alarms installed and set by the end of December.

Supplier CAP Date: 11/29/2008

Action Taken: The evacuation plan and exit sign have been posted in the knitting workshops. The factory plans to have the fire alarms installed and set by the end of December.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: J. Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: According to on-site observation, about 25% fire extinguishers and hydrants were blocked by raw materials or products in the raw material warehouse and finished goods warehouse. It violated Article 5.1.1 of Code for Design of Extinguisher Distribution in Buildings (50140-2005): Fire extinguishers shall be installed in a distinct and easily accessible location, and shall not hinder safe evacuation.

Plan Of Action: Please draw line around the fire extinguishers and a fire hydrant. Do not leave any objects in front of them.

Deadline Date: 11/30/2008

Supplier CAP: The factory has moved those objects.

Supplier CAP Date: 11/29/2008

Action Taken: The factory has moved those objects.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: K. Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety

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hazards, including medical waste. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: According to on site observation, the workers who used cleanser did not wear active carbon masks during the audit. Actually, the active carbon masks were prepared for the workers who used cleanser and there was only quite little of cleansers used in the factory. It violated Article 54 of China Labor Law: The employing unit must provide laborers with safe and healthy working environment conforming to the provisions of the State and necessary articles of labor protection, and provide regular health examination for laborers engaged in work with occupational hazards.

Plan Of Action: Please post PPE signs or diagrams to remind the workers and let them wear PPE while working. And please educate the workers regarding safety and health.

Deadline Date: 11/30/2008

Supplier CAP: In the cutting area, the factory has posted PPE signs, and the workers are wearing the metal mesh gloves now. Regarding the cleanser, the factory has posted MSDS and the detail of the chemical materials and the worker are wearing the gloves, goggles and carbon masks.

Supplier CAP Date: 11/29/2008

Action Taken: In the cutting area, the factory has posted PPE signs, and the workers are wearing the metal mesh gloves now. Regarding the cleanser, the factory has posted MSDS and the detail of the chemical materials and the worker are wearing the gloves, goggles and carbon masks.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: M. Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: According to on site observation, cleanser containers in the workshop were not labeled. It violated Article 12 of Regulations on Safety in Workplaces Where Chemicals Are Used: The chemicals used by the employing units shall have the labels, and the dangerous chemicals should be attached with safety labels. Also, the safety and technical instructions of the chemicals shall be available for operators engaged in the use of the chemical.

Plan Of Action: Please label the containers to indicate the presence of chemical materials.

Deadline Date: 11/30/2008

Supplier CAP: The factory has labeled the containers clearly.
Supplier CAP Date: 11/29/2008
Action Taken: The factory has labeled the containers clearly.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Hours of Work: A. General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Finding 1: The factory had provided the working hour records from September 2007 to August 2008 for review. During the audit, it indicated that workers' overtime hours were not in compliance with the legal requirement from Sep.2007 to Aug. 2008. Based on the working hour records and payrolls of workers in July, August and September of 2008 (peak season), about 90% workers had worked 100-190 hours' overtime per month; Also, most workers (90%) often worked 4 hours of overtime per day / night in July, August and September of 2008. Some workers (30%) worked up to 14.5 hour shifts in August 2008 due to urgent business condition (like rush orders). This violated China Labor Law, Article 41: The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours. Remark: Based on the working hour records provided by factory from Sep.2007 to Aug. 2008 during the audit, it indicated that employees had worked more than 60 hours in one week. Especially, based on the working hour records and payrolls of workers in July, August and Sep of 2008 (peak season), about 90% workers had worked 61-79 hours' overtimes per week in July, August and Sep of 2008. The workshops of knitting, sewing, ironing and packing all have excessive hours. The average weekly working hours were 75.5 hours throughout the whole month in Aug 2008. The minimum working hours were 67 from Aug 3, 2008 to Aug. 9, 2008 and maximum weekly working hours were 79 hours from Aug 17, 2008 to Aug 23, 2008. Finding 2: Based on working hours review and interview with management staffs, it was identified that the normal working hour system of 8 hours a day, 48 hours a week, 6 days a week is carried out at the factory. This violated State Council's Revised Regulation Regarding Worker's Work Time (1995.5.1), Article 3: Employee work 8 hours per day, 40 hours per week.

Plan Of Action: Please keep the statutory working hour.
Deadline Date: 11/30/2008
Supplier CAP: The factory has been working on the records for working hours in November. Factory reduced working hours from 48hrs to 40hrs.

Supplier CAP Date: 11/29/2008
Action Taken: The factory has been working on the records for working hours in November. Factory reduced working hours from 48hrs to 40hrs.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Hours of Work: B. Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: The factory had provided the working hour records from Sep.2007 to Aug. 2008 for review during the audit. These records indicated that the employees did not receive one day off per every seven-day period. Based on the working hour records and payrolls of workers in July, August and September of 2008 (peak season) provided by the factory, about 90% workers had worked 7 - 24 days continuously per month in July, August and September of 2008. The workshops of knitting, sewing, ironing and packing all have such case. For example, one worker had worked 24 days continuously from Aug 4 to 27 of August 2008. This violated China Labor Law, Article 38: The employing unit shall guarantee that its staff and workers have at least one day off in a week.

Plan Of Action: Please provide at least one day off in every seven day period.
Deadline Date: 11/30/2008
Supplier CAP: The factory has been working on the records for working hours in November.
Supplier CAP Date: 11/29/2008
Action Taken: The factory has been working on the records for working hours in November.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Hours of Work: J. Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such

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calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: The factory had provided the working hour records from Sep.2007 to Aug. 2008 for review during the audit; it indicated that employees had worked more than 60 hours or the legal maximum in one week. Based on the working hour records and payrolls of workers in July, August and Sep of 2008 (peak season), about 90% workers had worked 61-79 hours per week in July, August and Sep of 2008. The workshops of knitting, sewing, ironing and packing all have excessive hours. The average weekly working hours were 75.5 hours throughout the whole month in Aug 2008. The minimum working hours were 67 from Aug 3, 2008 to Aug. 9, 2008 and maximum weekly working hours were 79 hours from Aug 17, 2008 to Aug 23, 2008.

Plan Of Action: Please keep the statutory working hour.
Deadline Date: 11/30/2008
Supplier CAP: The factory has been working on the records for working hours in November.
Supplier CAP Date: 11/29/2008
Action Taken: The factory has been working on the records for working hours in November.
Plan Complete:
Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

Hours of Work: N. Annual Leave

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
10/13/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on working hours review and interview with management staffs, it was identified that no paid annual leave were provided for workers. This violated Regulations on Paid Annual Leave for Employees, Article 3: The annual leave shall be five days for employees who have accumulatively worked for 1-10 year(s); 10 days for employees who have accumulatively worked 10-20 years; and 15 days for employees who have accumulatively worked for 20 years or more. The annual leave shall be additional to national legal holidays and off days.

Plan Of Action: Please pay the workers for annual leave.
Deadline Date: 11/30/2008
Supplier CAP: Factory established rule.

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Supplier CAP Date: 11/29/2008

Action Taken: Factory established rule.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
