

FLA Audit Profile

Factory Code	400015848G
Country	China
FLA Affiliate	Asics
Monitor	SGS
Audit Date	September 22 – 25, 2008
Products	Sport shoes
Processes	Cutting, sewing, gluing, silk-screen, assembly, inspection, packing
Number of Workers	800



FAIR LABOR
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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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation:

Finding1: The factory did not pay piece rate workers for their statutory holidays. This violated 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 did not provide social security to all employees. Only 710 out 1500 employees were provided with social security. 710 employees were provided all 5 types (unemployment, retirement, injury, medical and maternity) of insurances based on their own will. According to local requirement, employer needs to pay all 5 insurances for all employees. This violated China Labor Law, Article 72 and 73: 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. 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:

Finding1: Factory is required to pay all workers for their statutory holidays.
 Finding2: Factory is required to increase the rate of the participation of social security gradually, and provide it to all employees at last.
 Finding 1: Deadline 2009
 Finding 2: Deadline 2011

Deadline Date:

01/01/2011

Supplier CAP:

Finding 1. Factory will start from Jan.1, 2010.
 Finding 2. Factory will start from Jan.1, 2010.

Supplier CAP Date:

01/01/2010

Action Taken:

Finding 1: Factory has established a Paid Leave system; however it is not yet effective. Finding 2: 650 out 1550 employees were provided with social security. They were provided all 5 types (unemployment, retirement, injury, medical and maternity) of insurances based on their own will. Other employees were only provided injury insurances. The reason why this figure/rate is lower than the number of the audit result (700 out of 1500) is that some workers entered and some leave. Current number of labor force working at factory is 1,550, and 650 workers are provided insurance at this moment.

Plan Complete:

Plan Complete Date:
Action Verified:
Action Verified Text:
Action Verified Date:
Comments:

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Minimum wage was not guaranteed to around 10% of workers before April 2008. But since April 2008, the entire workforce was guaranteed with local minimum wage. Since the employees were paid by piece rate before April 2008, some new hires were not experienced; therefore their piece rate earnings might be lower than minimum wage.

The varied amount was about 20~100RMB lower. Before Oct. 2007, about 10% of employees were paid 520~600RMB which was lower than the minimum wage of 620RMB per month. From Oct. 2007 to Mar. 2008, about 10% of employees were paid 600~680RMB which was lower than the minimum wage of 700RMB per month. From April 2008, the factory improved the wage system. According to the payrolls, all employees were paid at least the minimum wage, i.e. RMB 700 per month. This violated Chinese Labor Law, Article 48: Wages paid to laborers by the employing unit shall not be lower than the local standards of minimum wages.

Plan Of Action: Factory is required to pay at least minimum wage to all of the workers based on the latest notice of local labor bureau.

Deadline Date: 01/01/2009

Supplier CAP: Factory has restructured wage and attendance system from April 2008 to ensure workers' minimum wage.

Supplier CAP Date: 01/01/2009

Action Taken: Wage calculation will become accurate and clear.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: G. Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

400015848G – China: Asics

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on the interview with management & workers and review of the payrolls from Aug. 2007 to July 2008, the factory did not sufficiently pay workforce for their overtime before April 2008 due to wrong calculation. 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: Factory is required to keep accurate and clear working hours and pay overtime benefits in accordance with the law.

Deadline Date: 01/01/2009

Supplier CAP: Factory has restructured wage and attendance system from April 2008. Wage calculation will become accurate and clear.

Supplier CAP Date: 09/25/2008

Action Taken: Factory pays overtime premium according to the law.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on the interview with management & workers and review of the payrolls, since April 2008, the factory did not pay workers for their off-clock overtime due to management failure. 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: Factory is not allowed to force worker to perform off-clock overtime work. Factory is required to fully record accurate and clear working hours. Overtime benefits should be paid to workers, in accordance with the law.

Deadline Date: 01/01/2009

Supplier CAP: Factory has restructured wage and attendance system from April 2008 to ensure the overtime benefit.

Supplier CAP Date: 09/25/2008

Action Taken: Factory are requires overtime to be finished by 7 PM. Factory pays for overtime premium.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: R. Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on workers' interview, the factory did not train its workforce on wages and benefits and workers appeared to have little knowledge on their wage calculation.

Plan Of Action: Wage calculation shall be posted on the bulletin board. Factory is required to orally explain the wage calculation to all workers.

Deadline Date: 12/31/2008

Supplier CAP: Factory will post the labor related laws and information. At the same time, the wage calculation will be put up on the notice board.

Supplier CAP Date: 10/08/2008

Action Taken: For the current workers, factory has posted the labor related laws and information. At the same time, the wage calculation will be put up on the notice board. For the new workers, factory has to explain the laws, factory rules and wage calculation at orientation.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	2 (out of 5)

Explanation: The factory did not establish a policy on the pre-payment practice to prevent workers from being in-debt to the factory. Although they had a limit (one month wage) on the wages pre-paid to workers.

Plan Of Action: Factory should establish a policy on pre-payment practices. Factory should not force any workers to go into debt to the factory.

Deadline Date: 12/31/2008

Supplier CAP: Factory will review the system.

Supplier CAP Date: 10/08/2008

Action Taken: Factory has reviewed the system and established a policy on pre-payment practice.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: According to China 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 were legally prohibited in Chinese factories. There was a trade union representing workers established in the factory. But the union was led by management and local official ACFTU. The H.R manager, xxx, was chairperson of the union.

Plan Of Action: Factory is required to explain to workers that they support the Freedom of Association. At the same time, factory should orally explain to workers about the workers rights.

Deadline Date: 12/31/2008

Supplier CAP:

Supplier CAP Date:

Action Taken: ASICS are shifting to train the factory for effective grievance channel to set up inside factory. ASICS thinks that setting up the grievance system inside factory may help workers and factory in the long run. ASICS are encourage factory to conduct fair election for workers' representatives by workers.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Freedom of Association: V. Right to Collective Bargaining/Compliance with Collective Bargaining Agreement

FOA.22 Employers, unions and workers shall honor in good faith, for the term of the agreement, the terms of any collective bargaining agreement they have agreed to and signed. Worker representatives and workers shall be able to raise issues regarding compliance with a collective bargaining agreement by the employer without retaliation or any negative effect on their employment status. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: There was no collective bargaining agreement available in the factory.

Plan Of Action: Factory shall start negotiation with labor union about Collective Bargaining Agreement.

Deadline Date: 12/31/2008

Supplier CAP: Factory will negotiate with labor union and conclude Collective Bargaining Agreement.

Supplier CAP Date: 10/15/2008

Action Taken: Factory has concluded Collective Bargaining Agreement with labor union.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on the discipline policy and workers interview, the factory was deducting wages (RMB 30-200) of workers who broke the factory rules.

Plan Of Action: Factory is required to apply progress disciplinary practice instead of monetary fines.

Deadline Date: 12/31/2008

Supplier CAP: Factory will set up a discipline committee according to the advise of ASICS.

Supplier CAP Date: 12/31/2008

Action Taken: Factory has set up a discipline committee and stopped the monitory fine.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Child Labor: G. Hazardous Work for Young Workers

CL.7 No person under the age of 18 shall undertake hazardous work, i.e., work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of persons under the age of 18. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: The factory had young worker protection policy and procedure. But, it appeared that the factory did not carry out the policy seriously. Based on workers interview, it was identified at least one juvenile worker was exposed to hazardous working conditions, in gluing the workshop. This violated China Labor Law, Article 64. No juvenile workers shall be engaged in work down the pit of mines, work that is poisonous or harmful, work with Grade IV physical labor intensity as stipulated by the State, or other work that they should avoid.

Plan Of Action: Factory shall not appoint juvenile workers on hazardous works according to the law. Factory should state clearly on their internal handbook about what kind of work juvenile worker can do. Factory should train supervisors to understand what kind of work juvenile workers are not allowed to do.

Deadline Date: 10/15/2008

Supplier CAP: Factory will check all the juvenile workers and transfer them to appropriate work.

Supplier CAP Date: 09/26/2008

Action Taken: Factory has defined the types of work for juvenile workers.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Miscellaneous: A. Code Awareness

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

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

Plan Of Action: ASICS will provide direct contact person's phone number to the factory. Factory shall attach the contact information to the CoC poster.

Deadline Date: 01/01/2009

Supplier CAP: Factory will consider about posting ASICS direct contact information for the workers' awareness.

Supplier CAP Date: 01/01/2009

Action Taken: ASICS direct contact phone number is posted beside the ASICS code of conduct poster in workplace.

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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Finding 1. The factory's buildings did not pass the fire safety acceptance check by local authority. This violated Fire Prevention Law of the People's Republic of China, Article 10: At the time of completion of a construction project the fire prevention design of which is worked out pursuant to the state technical standards for fire prevention of engineering construction, acceptance checks for fire prevention must be carried out by a public security fire-fighting department; a project without completing acceptance checks or failing to qualify in acceptance checks must not be put into use.

Finding 2. The factory did not obtain the waste water emission permit. This violated Environmental Protection Law of the People's Republic of China, Article 27: Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the

provisions of the competent department of environmental protection administration under the State Council.

Finding 3. The factory did not designate a qualified supplier to dispose the hazardous waste. This violated Law of the Peoples' Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, Article 57: A unit to be engaged in collection, storage and treatment of hazardous waste shall apply to the administrative department for environmental protection of the people's government at or above the county level for a business license; a unit to be engaged in utilization of hazardous waste shall apply for a business license to the administrative department for environmental protection under the State Council or of the people's government of a province, autonomous region, or municipality directly under the Central Government. The specific administrative measures in this regard shall be formulated by the State Council. Engaging in collection, storage, utilization and treatment of hazardous waste without a business license or at variance with the provisions of a business license is prohibited. Supplying or entrusting hazardous waste to a unit that does not have a business license for collection, storage, utilization and treatment of hazardous waste is prohibited.

Plan Of Action: Finding 1: Factory is required to apply for the fire safety acceptance check from local authority. Finding 2: Factory is required to apply for the waste water emission permit. Finding 3: Factory is required to search for a qualified supplier to dispose the hazardous waste.

Deadline Date: 12/31/2008

Supplier CAP: Finding 1: Factory couldn't apply for the fire safety acceptance check from local authority because the building was built before Fire Prevention Law become effective.
Finding 2: Factory will apply for the waste water emission permit.
Finding 3: Factory will appoint a qualified supplier to dispose the hazardous waste.

Supplier CAP Date: 12/31/2008

Action Taken: Finding 1: Factory cannot resolve this finding. Finding 2: Factory has obtained the waste water emission permit. Finding 3: Ongoing.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: No emergency light was installed in packing workshop. This violated Fire

Prevention Law of the People's Republic of China, the sub-paragraph (6) of article 14: 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;

Plan Of Action: Factory should install emergency lights in packing workshop. Factory is required to conduct periodic checks on safety equipments.

Deadline Date: 10/15/2008

Supplier CAP: Factory will improve immediately.

Supplier CAP Date: 09/28/2008

Action Taken: Improved.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: One fires extinguisher in workshop was not functioning. This violated Fire Prevention Law of the People's Republic of China, sub-paragraph (5) of Article 14: Organs, societies, enterprises and institutions should fulfill the following fire prevention safety responsibilities:

(1) working out fire prevention safety rules and fire prevention safety operational procedures;

(2) practicing the fire prevention safety responsibility system and determining the responsible persons for fire prevention safety of the units and their subordinate departments and positions;

(3) conducting fire prevention publicity and education among workers and staff members in the light of the characteristics of the units;

(4) organizing fire prevention inspection to remove the hidden peril of fire in time;

(5) deploying fire-fighting facilities and equipment, putting up fire prevention safety signs pursuant to relevant state provisions, and organizing inspection and maintenance at regular intervals to ensure that fire-fighting facilities and equipment are in perfect condition and effective;

(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; Management units of residential areas for inhabitants should, pursuant to the relevant provisions of the preceding paragraph, fulfill fire prevention safety responsibilities and do a good job in fire prevention safety work in residential areas.

Plan Of Action: Factory should replace the extinguisher with a new one. Factory is required to conduct periodic check of firefighting equipments.

Deadline Date: 10/15/2008
Supplier CAP: Factory will improve immediately.
Supplier CAP Date: 09/25/2008
Action Taken: Improved.
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 hazards, including medical waste. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Some workers in silk-screen workshop did not wear PPE while working although the masks were available. The factory should educate workers to wear PPE. This violated Production Safety Law of the People's Republic of China Article 37: The production and business operation entities shall provide labor protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.

Plan Of Action: Factory is required to explain to workers about hazardous of Volatile Organic Compound (VOC). Factory shall encourage workers to wear masks when they are working. Asics suggests the factory to appoint a responsible person or set up a H&S committee to regularly check the H&S conditions in the factory.

Deadline Date: 10/15/2008
Supplier CAP: Factory will improve immediately.
Supplier CAP Date: 09/25/2008
Action Taken: Improved.
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)

400015848G – China: Asics

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on the time records from Sep. 2007 to Sep. 2008 provided by the factory, excessive weekly working hours were conducted before April 2008, with an average number of 65 hours.

Plan Of Action: Factory shall record accurate and clear working hours and practice total working hour control.

Deadline Date: 10/15/2008

Supplier CAP: Factory has restructured wage and attendance system from April 2008. Factory will set overtime to be finished by 7 PM.

Supplier CAP Date: 09/25/2008

Action Taken: Factory are controlling overtime to be finished by 7 PM. Asics is working with our business unit to have more dialogue with factory. The order quantity is increased for some amount to let them easier to tackle with CSR issues. There are some improvements and the dialogue with factory is very good.

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Based on the time records from Sep. 2007 to Sep. 2008 provided by the factory, the factory failed to guarantee employees at least one day off every 7 days before April 2008. It was found that most workers only had 2-3 days off in a month. 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: Factory shall record accurate and clear working hours and practice total rest day management. Factory shall inform ASICS of the rest day taken by workers.

Deadline Date: 01/01/2009

Supplier CAP: Factory has restructured wage and attendance system from April 2008.

Supplier CAP Date: 01/01/2009

Action Taken: One day's rest every 7 days is given to workers according to corrective action plan

Plan Complete:

Plan Complete Date:
 Action Verified:
 Action Verified Text:
 Action Verified Date:
 Comments:

Hours of Work: F. Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: Deficiencies were found on factory's working hours recording from April to September 2008. Extra overtime was off-clock due to the management failure; the estimated weekly working hours might be up to 70 hours. It was a deficiency on its management practices. The top management did not allow OT after 7pm, but the production managers in workshops arranged the OT from 19:00 to 21:00 on Mondays, Wednesdays, Fridays, 16:45 to 18:00 on Saturdays to cope with the production necessity, and the workers were not required to swipe the timecard for these OT hours. The management was not aware of this operation, so the time card record did not cover these OT hours. The top management thought they were cheated. That was a management deficiency. The management was not hiding these extra overtime hours against auditors. Approximately 50% of workers were involved. Anyway, the time records (since April 2008) indicated that weekly working hours were controlled below 60.

Plan Of Action: Factory is required to keep all management and supervisor personnel informed of prohibition of off-clock overtime work. Factory shall eliminate any unfair time recording.

Deadline Date: 10/15/2008

Supplier CAP: Factory has restructured wage and attendance system from April 2008. Factory will control overtime to be finished by 7 PM.

Supplier CAP Date: 09/25/2008

Action Taken: Factory has restructured attendance system. Factory does not force worker for overtime. Factory are managing overtime up to 7 PM and workers clock-out.

Plan Complete:
 Plan Complete Date:
 Action Verified:
 Action Verified Text:
 Action Verified Date:
 Comments:

Hours of Work: N. Annual Leave

400015848G – China: Asics

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
09/22/2008	External	FLA Independent External Monitoring	SGS (Societe General du Serveillance)	1 (out of 5)

Explanation: It was identified that the factory did not provide annual leaves to workers. This violated Regulations on Paid Annual Leave for Employees, Article 3: The annual leave shall be five days for employees who have worked for 1-10 year(s); 10 days for employees who have worked 10-20 years; and 15 days for employees who have worked for 20 years or more. The annual leave shall be additional to national legal holidays and off days.

Plan Of Action: Factory is required to establish paid leave system in accordance with law and communicate it to all workers.

Deadline Date: 08/31/2009

Supplier CAP: Factory will start from Jan.1, 2010.

Supplier CAP Date: 01/01/2010

Action Taken: Factory has established a paid-leave system, however it is not become effective yet.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
