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A CASE STUDY: ADIDAS AND YUEYUEN

Focusing on the Corporate Code of Conduct of International Corporations

by China Labor Watch

October, 2010

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OVERVIEW

China Labor Watch (CLW)[1] is a New-York based non-governmental organization. CLW views Chinese workers' rights as inalienable human rights and is dedicated to promoting workers' fair redistribution of wealth under globalization. Since 2000, CLW has conducted hundreds of independent investigations on brand companies' supplier factories in China, including suppliers of Wal-Mart, IKEA, Carrefour, Dollar General, BestBuy and Target in the retail area, and Nike, Adidas, Puma, Timberland, New Balance, and Reebok in the sportswear area. More than fifty reports have been published on CLW's website, and are frequently cited by researchers and national and international media outlets.

Accompanied by the "anti-sweatshop campaigns", "no sweatshop campaign" and "clean clothes campaign" in the 1990s, the miserable life of Chinese laborers has attracted the attention of the Western press. Under pressure from customers, the media and labor organizations, western multinationals devised corporate codes of conduct, setting a floor for labor standards. According to many international companies, they have been seeking to enforce these codes in the Chinese factories manufacturing the products bearing their brand since the start of the 21st century. At the end of 2001, China became a member of WTO. In 2002, the first Corporation Social Responsibility (CSR) forum, "China International Forum on Work Safety," was held by the Chinese government and the International Labour Organization (ILO). In 2005, the "Beijing Declaration on Corporate Social Responsibility" was issued. Many scholars and organizations were optimistic about the future of Chinese factories.

In the years since, most corporations have established a comprehensive system to enforce their codes of conduct, including designating special departments, assigning supervisors to factories, conducting internal and external audits, and devising supplier rankings. Many corporations, including Wal-Mart, Dollar General, Carrefour and Adidas denied that their suppliers were sweatshops. However, after numerous independent investigations conducted in supplier factories by CLW, while some improvements were observed, excessive working hours and extremely low wages remain.

In addition, in 2010 alone, 13 employees committed suicide at the Foxconn Shenzhen plant, a major supplier of Apple, HP and Dell. Between July and October 2008, four workers committed suicide in Yue Yuen industrial Holdings (YY), a major manufacturer of Adidas products. We believe that even with current corporate codes of conduct, legal enforcement and government policies, something important is still missing in the process to end sweatshop manufacturing.

In this study, CLW focuses on the two following issues:

1. Can corporate codes of conduct be effectively enforced by the multinational corporations themselves? Are external powers necessary in this process?
2. Although public pressure led to the improvement of facilities and wage increases, why are laborers still working for extremely low wages without dignity and protection? What caused the suicides of Chinese laborers?

[1] More information about China Labor Watch is available at www.chinalaborwatch.org.

In this report, CLW selected the Adidas-Salomon Group (Adidas) and its supplier, Yue Yuen Industrial Group (YY) for a case study. They were selected for the following reasons:

1. Adidas is a leader in the footwear industry, which is a classic labor intensive industry. The company is the largest sportswear manufacturer in Europe and the second largest sportswear manufacturer in the world. The company's revenue for 2009 was listed at €10.38 billion, and €10.80 billion for 2008[2].

2. Most suppliers of Adidas are located in China. In 2000, 227 out of 267 suppliers of Adidas were located in Asia, with most of them in China.[3] After moving many factories in search of lower costs, in 2009, 308 out of 775 (27%) of Adidas suppliers were still located in China.[4] YY group alone employs 208,000 laborers.[5] In 2008, Adidas confirmed that YYII-S6, an affiliated plant of YY, employed 14,543 laborers for Adidas production.[6]

3. Adidas has demonstrated a positive attitude towards improving labor conditions. As a leader in this industry, Adidas published its Standards of Engagement in 1998. Subsequently, Adidas claimed to continue efforts to enforce its corporate codes of conduct. During these years, Adidas has worked cooperatively with many NGOs and governmental organizations to audit and improve labor conditions at its supplier factories. In addition, Adidas publishes a sustainability report every year, providing an excellent resource for research. In 2006, Report on Business magazine and Jantzi Research Inc. published a report that ranked Adidas in first place in the footwear industry for corporate social responsibility performance.[7] At the 2010 China Corporate Social Responsibility (CSR) Forum, Adidas was rewarded as an outstanding company in CSR performance.[8]

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[2] Data is collected from Adidas Group Official Website. Available: http://www.adidas-group.com/en/investorrelations/financial_data/default.aspx (Last retrieved on September 15, 2010.)

[3] Adidas Group. "2000 Social & Environmental Report - Our World." *Adidas Group Official Website Sustainability Section*. Available: http://www.adidas-group.com/en/sustainability/assets/social_environmental_report_2000_e.pdf (Last retrieved on September 15, 2010.)

[4] Adidas Group. "Sustainability Performance Review 2009." *Adidas Group Official Website Sustainability Section*. Available: http://ser2009.adidas-group.com (Last retrieved on September 15, 2010.)

[5] "Employee." *Yue Yuen Industrial (Holdings) Limited Official Website*. Available: http://www.yueyuen.com/hk/bOverview_productionFacilities.htm (Last retrieved on September 15, 2010.)

[6] See Appendix VI: Response of Adidas in 2008.

[7] "Corporate Social Responsibility Ranking." Friday's Globe and Mail. Feb 23, 2006. Available: http://www.theglobeandmail.com/report-on-business/article813500.ece (Last retrieved on September 15, 2010.)

[8] "2010 List of Outstanding Companies in CSR Performance." (*2010 Zhongguo Qiye Shehuizerenbang Huojiang Mingdan*.) June 22, 2010. *Money.163.com*. Available:

4. CLW has focused on suppliers of Adidas since 1998, and has followed them for more than ten years. Furthermore, CLW has engaged in many conversations and meetings with Adidas regarding labor conditions. More than ten different factories of Adidas have been investigated by CLW at different periods of time. CLW has released four official reports and a number of press releases. We believe that comparative research is a useful tool for this study.

5. Labor conditions in suppliers of Adidas are still far from satisfactory. The *Sunday Times* of the United Kingdom published an article titled "Adidas workers on £11 a week in China"[9] on March 30, 2008 stating that, "an investigation by The *Sunday Times* into the workers' pay and conditions has found apparent violations of China's labour laws and Adidas' own code of workplace standards. Workers at the factories in Fuzhou accused the management of cheating on pay, discriminating against young men and stifling a pioneering attempt to set up a trade union. They have provided documents which appear to prove that they must work for more than 70 hours a week to earn a living wage, even though Chinese law limits the average working week, including overtime, to 49 hours." On August 19th, 2010, the German-based research institution SÜDWIND published an investigative report[10] stating that, "Excessive overtime hours also constitute a major problem in two of Adidas shoe-suppliers in the Fujian province: The peak of 92 overtime hours per month, recorded by the SÜDWIND investigators, exceeds the legal limit by 150%. Although wages comply with the legal minimum, they do not secure the well-being of the workers, who are forced to work as much overtime as possible." In addition, two serious accidents recently occurred at Adidas suppliers. On June 5th, because a security guard physically beat an employee, a strike occurred at Jiujiang Smartball Factory, which is a major supplier of Adidas and the manufacturer of JABULANI, the official match ball of the 2010 FIFA World Cup.[11] Not long afterwards, according to Sina News, Zhao Jianju, a male worker at the YYIIC1-IP factory, died of heat stroke at 4 a.m. on July 8th.[12] These incidents remind us that although the working conditions in Adidas suppliers are better than many other factories, serious problems remain.

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http://money.163.com/10/0622/10/69PDIVPV00254CJS.html. (Last retrieved on September 15, 2010.)

[9] Michael Sheridan and Claire Newell. "Adidas workers on £11 a week in China." *The Sunday Times*. March 30, 2008. Available: http://www.timesonline.co.uk/tol/news/world/asia/article3646424.ece. (Last retrieved on September 15, 2010.)

[10] "New Study: Labour protection – a subject of German-Chinese partnership agreements? China business by Adidas, Metro and Aldi." *SÜDWIND in English*. July 9, 2010. Available: http://www.suedwind-institut.de/0eng_sw-start-fs.htm. (Last retrieved on September 15, 2010.)

[11] "After accidents of Foxconn, Another Security Guard Beating Accident Happened at Jiujiang Smartball Factory." (*Jiujiang Xingzixian Simaibo Ji Shenzhen Fushikang Youyi Baoan Daren Shijian.*) *BBS.163.com*. June, 7, 2010. Available: http://bbs.news.163.com/bbs/photo/179150726.html. (Last retrieved on September 15, 2010.) Adidas confirmed that two workers were beat by a security guard, but denied that all employees were involved in this strike. Adidas stated, "it was the management of the factory who decided to give all employees a two-day leave after the strike, and employees were paid during this leave."

[12] "A Worker of a Dongguan Adidas Footwear Factory died of heat stroke." (*Guangdong Dongguan yi xiechang yuangong zhongshu siwang, zhuanzuo adi xiedi*.) *Dongguan Daily*.

From this study, we can reasonably draw the conclusion that:

1. External supervision is necessary for enforcing corporate codes of conduct. In the present anti-sweatshop process, most international companies have established self-regulated social responsibility systems, enforcing their corporate codes of conduct. However, our investigation shows that these codes are ineffective without supervision. Due to political reasons, the official trade union, All-China Federation of Trade Union (ACFTU), is not able to play its proper role. Under these circumstances, multinational corporations should accept the supervision of independent labor organizations in order to fundamentally improve the labor conditions in their supplier factories.

2. The multinational corporations should allow workers to take an active role and to develop independent worker organizations. Currently, workers are fully controlled by the top-down international production process, and at this time another top-down moral code system cannot guarantee workers' welfare. Even if the codes are fully enforced, workers are assured only the most basic rights. The codes of conduct function to serve the companies, rather than to serve the workers. What the workers need is a system in which workers and companies can negotiate equally. A worker in this kind of system will think of himself as a stakeholder in the factory, not just an employee. Profits of multinational companies and local factories may be reduced in the short term; however, they will gain more space for sustainable development in the long term.

Available: http://china.huanqiu.com/roll/2010-07/915951.html (Last retrieved on September 15, 2010.)

SECTION I: COMPARISON OF 2008 AND 2010 INVESTIGATION REPORTS

CLW conducted an investigation in 2008 on the YYII-S6 factory. Many violations were found, including discrimination against male workers, inadequate overtime pay, wage arrears, lack of insurance for some workers, lack of safety equipment, difficulties in quitting, and discrimination against regular workers.

After the investigation, CLW concluded a report detailing all of the labor issues discovered, and held a series of dialogues and meetings with Adidas. Adidas responded to the CLW report, admitting most of the violations, and providing their own action plan.[13] Since Adidas showed a positive attitude and willingness to improve, the report was not released at that time. CLW continued to watch these issues the following year, and repeatedly urged Adidas to take actions.

CLW recently conducted another independent investigation, and was pleased to find that most of the violations in the 2008 report have been addressed, with the exception of the long working hours. The following is a comparison between the 2008 and 2010 reports.

Main findings of 2008 investigation[14]	Findings of 2010 investigation[15]
Discrimination against male workers: Because of the factories' firm belief that female workers are obedient and are easily managed, male workers are treated as unwanted. Only male workers with inside connections or the financial power to pay an agent or offer a bribe are able to enter the factory.	Discrimination against male workers is not found. Supervisor would be suspended if found taking a bribe.
Inadequate overtime pay: workers are required to enter the workshop 40 minutes in advance for "meetings", but in reality these meetings are a cover to get workers to start the day working for free.	Wages for overtime work are paid as required by law. Workers are required to attend a 15-minute meeting before regular hours and without payment. Workers who cannot finish their daily quota are required to work overtime without payment.
Wage Arrears: the day that workers receive their pay stub is not the day they actually receive their wages. Workers often receive their payment two or three days later.	Pay stub is distributed on the day before payment.

[13] See Appendix VI: Response of Adidas in 2008.

[14] See Appendix V for the full investigation report.

[15] See Appendix II for the full investigation report.

Not all workers have insurance benefits. Moreover, new workers were not provided with an explanation regarding insurance benefits.	Work injury insurance and a health exam are free to all employees. Endowment insurance is optional to workers.
No safety equipment: Workers who are exposed to chemicals such as glue on a daily basis don't deserve the luxury of safety equipment. These workers are directly exposed to chemicals during their work.	Masks are offered and replaced once a week. Ear plugs are replaced once a month. Health examinations and position rotations are available.
Difficult to quit: female workers are viewed as a more valuable asset since they are believed to be managed more easily than male workers. It is very difficult for them to quit. The only way for female workers to quit is to forfeit ten days pay in order to cover the "inconvenience" that they have caused YYII-S6.	Difficulties are not found for workers to resign within the probation period or for new workers to resign. The factory tries their best to persuade senior workers to stay, but would not force them.
Discrimination against regular workers: in order to give YYII-S6 managers an air of superiority, workers are obligated to sit on the floor during management-worker meetings.	Workers are not obligated to sit on the floor during meetings. Often workers on the day shift will stand, and workers on the night shift will sit on the floor because they are tired.
Suicide occurs frequently at YYII-S6.	Suicides still occur; however, the factory will not release the official number.
Male workers need to be referred by an YY supervisor or above.	This circumstance is not found.
Agency referral fee: male: RMB 180 – 320; female: free.	This circumstance is not found.
About one thousand workers enter and leave the factory each month with some working only for two days before leaving, simply because the treatment by managers is unbearable.	The turnover rate with young workers is still high. However, the rate for senior employees is lower.
YYII-S6 requires a 10 hour work day which includes two hours of mandatory overtime.	Overtime work is optional.[16]
When workers have some free time after lunch, they cannot go back to their dorm room to rest because the factory locks the dormitory entrances at lunch time.	This circumstance is not found.
During the peak season, workers work at least 11 hours a day and have only one rest day a	Workers still need to work 11 hours per day during the peak season.

[16] According a response of Adidas, the overtime work is fully optional to workers. Workers do not need permissions. However, some workers interviewed by China Labor Watch stated that they were required to apply to supervisors if they did not want to work overtime.

week.	
A few workers stated, "I am not sure about the supervisors from other workshops, but the supervisors here are experts when it comes to insults."	Such circumstance is not found. However, some workers still think the administration is rigid. Workers can complain to the Mental Health Center, and the supervisor responsible may be punished.
It is extremely difficult for workers to ask for days off, especially during the peak season, which is ten months out of the year.	Such a circumstance is not common. Applications for leave may take longer to be approved during peak season.
Dormitory and canteen: each dormitory floor has two public restrooms and two shower rooms shared by about one hundred workers. Restrooms and shower rooms are always overcrowded in the morning; it takes about twenty minutes to get close to the toilet.	There are enough shower rooms and restrooms.
Although there are signs near the restroom asking workers to throw trash in the trash can, there are no trash cans in sight.	Trash bins are placed in the dormitories.
In the factory canteen, food distributors often lack an awareness of sanitation procedures, not wearing face masks or gloves when distributing food.	Workers think the taste of the food is not that good, but the condition of the food and hygiene are acceptable. Some workers report that most of the food is too spicy. No strange objects were found.
The food is shared by eight people per table and resembles pig's food: strange and disgusting objects can be found in the food.	
According to a senior worker, the cleaning water she uses at work contains Cyclohexanone and leads to constant sweating, cold limbs, and fatigue. Although each workshop has fans, workers still complain about the extremely high temperature and strong smell.	The workshop is equipped with fans, exhaust fans and air conditioners. The temperature in most areas is acceptable, except in some special work areas, as stated above. Tea and green bean soup are offered at 2:00 p.m. every day.
The union representatives are on the factory's side and rarely do anything for the workers; the mental health center has never solved any of the workers' problems, as evident in the number of worker suicides.	Workers think the Mental Health Center (MHC) is trustworthy. However, workers know little about the trade union.
New workers must themselves find a room in the dormitories.	The administration gives new workers several options, and the workers must double check whether or not there is an empty bed. They can choose by themselves if there are a couple of options.

It is clear that 26 out of the 28 issues CLW pointed out in 2008 have seen improvement. The remaining issues are illegally long working hours and the problem of worker suicides.

The improvements are satisfactory. However, it must be noted that the problems had existed for more than ten years. Adidas declared that "outsourcing supply does not mean outsourcing moral responsibility,"[17] and published their first Standards of Engagement in 1998. When CLW investigated a major supplier of Adidas in 2008, most of the standards set in 1998 had not yet been fulfilled. However, after the investigation and the release of the report, and after a serious meeting between CLW and Adidas, when CLW investigated the factory this year, we found that most of the standards had been met. Simply stated, Adidas did little to nothing besides publishing the moral codes for ten years, and only took action after CLW pointed out the problems and tried release the information to the public. In the ten years from 1998 to 2008, it is not that Adidas *was not able to*, but *did not want to* improve the labor conditions.

While conditions at YY are improving because of public pressure, labor conditions in hundreds of factories in China are still very poor due to a lack of supervision. For example, Jiujiang Smartball Factory is another major supplier of Adidas. While the public focused its attention on the east coast of China, Adidas built this factory in the western, inland part of the country. The Adidas workplace standards were never enforced in this factory until this year, when a strike involving 7,000 workers occurred.[18] This strike attracted the attention of the media and labor organizations. Just as with YY, when we investigated this factory in August, we were surprised to find that most of the issues saw improvement in the two months after the strike.[19]

At this time, there are 308 other Adidas supplier factories in mainland China, besides YY and Smartball. They are neither like YY, under the supervision of labor organizations; nor like Smartball, under pressure from the media. Adidas claims that its corporate code of conduct applies to all its suppliers, but what are the real conditions in these 308 factories? Shingtak Footwear Group (Shingtak) is one of them. CLW conducted an investigation of Shingtak, which employed 3,000 workers in 2008. Many violations were found. However, because of its relatively small size, little attention was given to this factory. In 2010, CLW investigated the same factory again. The number of employees had risen to 7,000. What happened to this factory in the last two years while the conditions in YY have greatly improved?

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[17] Adidas Group. "2000 Social & Environmental Report - Our World." *Adidas Group Official Website Sustainability Section*. Available: http://www.adidas-group.com/en/sustainability/assets/social_environmental_report_2000_e.pdf (Last retrieved on September 15, 2010.)

[18] "After accidents of Foxconn, Another Security Guard Beating Accident Happened at Jiujiang Smartball Factory." (*Jiujiang Xingzixian Simaibo Ji Shenzhen Fushikang Youyi Baoan Daren Shijian.*) *BBS.163.com*. June, 7, 2010. Available: http://bbs.news.163.com/bbs/photo/179150726.html. (Last retrieved on September 15, 2010.) Adidas confirmed that two workers were beat by a security guard, but denied that all employees were involved in this strike. Adidas stated, "it was the management of the factory who decided to give all employees a two-day leave after the strike, and employees were paid during this leave."

[19] See Appendix IV for a full investigation report.

Findings of 2008 investigation	Findings of 2010 investigation[20]
Employment contracts were fully prepaid by factory. Workers were asked to sign with no opportunity to negotiate.	Problem remains.
The term of employment contract was three years, with one-month probation.	The term of employment contract is three years, with six-month probation.
Workers did not know whether they have insurance benefits, since this kind of information was not listed on the pay stub.	Workers were forced to sign an agreement to give up endowment insurance. Workers do not know whether they have other insurance, (e.g. injury insurance, health insurance, etc.) since this kind of information is not listed on pay stub.
Work time was as following: Morning: 7:20 – 11:20 (workers were required to arrive at 6:55 for morning meetings.) Afternoon: 12:45 – 16:45 Night (counted as overtime work): 17:30 – 21:00	Work time (for framing department on the third floor) is as following: Morning: 7:00 – 11:20 (workers must swipe cards before 7:00 for attendance records.) Afternoon: 12:50 – 16:30 (workers must swipe cards before 12:50 for attendance records.) Night (counted as overtime work): 17:30 – 20:30. May extend to 21:30, or even to 22:30 during the peak season.
Workers worked six days a week. They might be required to work on Sundays during the peak season, but in that instance, they would get one additional day off in the next week.	The regular working time is five days a week. Most workers are required to work overtime for the day time on Saturdays, and to work overtime for half a day on Sundays. However, some workers are required to work for 7 days a week during the peak season.
Working overtime was optional to workers. Anyone who would like to work overtime needed to apply in advance.	Anyone who does not want to work overtime needs to apply in advance, or he will be punished for absence.
After the deductions for dining and rent, most workers received 1100 to 1300 RMB per month. Some workers in Shingtak III could receive up to 1700 RMB per month.	Most workers received about 1700 RMB per month after the deductions for dining and rent.
No pre-job safety training was offered.	Problem remains.
Some workers used chemical materials such as glue during work, but they did not have any protection equipment.	Problem remains.
Only one fountain was provided in the	Multiple fountains are provided. Workers can

[20] See Appendix VIII for a full investigation report.

workshop. Some workers could not get enough water.	get enough water during work.
Workers had no effective channel for making complaints.	Problem remains.

We can see from this chart that although the wages have risen slightly, most labor condition problems remain. Workers still do not have insurance benefits. They still cannot receive safety training or protective equipment. Workers still do not have an effective channel for making complaints. Some situations are getting worse. For example, overtime work was optional to workers in 2008, but is nearly compulsive now. In the two years after 2008, the labor conditions in YY improved, but at Shingtak, the same kind of factory as YY and located in the same area, the labor conditions became worse. CLW believes the reason for this disparity is that there was no pressure and supervision from the media or independent labor organizations exerted on Shingtak. It has been proven again by this example that the corporate code of conduct and the self-regulation systems of multinational corporations are unable to obtain their objectives without independent supervision.

We also need to consider that the labor conditions are not satisfactory, even in the factories where conditions have seen improvements. As stated above, the corporate codes of conduct, like Adidas' workplace standards, only set a base minimum for labor standards. Only the most basic rights of workers are guaranteed, even when the codes of conduct are fully enforced. For example, workers in YY group are paid only the same as, or slightly more than the statutory minimum wage. The following form shows the statutory minimum wage in Dongguan City, where most of the YY plants are located.

Time Period	Monthly Wage (RMB)	Monthly Wage (USD)[21]	Hourly Wage (USD)
Jan 2003 – Feb 2005	450	54.2	0.34
Mar 2005 – Jun 2006	574	70.0	0.44
Jul 2006 – Mar 2008	690	88.5	0.55
Apr 2008 – Apr 2010	770	111.6	0.70
May 2010 and later	920	135.3	0.85

Considering local costs of living, workers' incomes are not enough to live independently. They have to eat and live on-site in the factory. Despite working 11 hours a day, they have little savings. We see corporate social responsibility as an obligation to society. We think the social responsibility of Adidas is far from fulfilled, considering that it has made more than 10 billion dollars in profit and yet pays less than one dollar an hour to its workers, even though the wage is above the statutory minimum.

[21] The exchange rate of USD to RMB was 1:8.3 in 2003; 1:8.2 in 2005; 1:7.8 in 2006; 1:6.9 in 2008 and 1:6.8 in 2010.

Most corporations are profit orientated. Laborers are seen as a resource to make profit, as well as capital. Corporations participate in the anti-sweatshop movement and create moral codes in order to protect their brand reputation, to satisfy the media and customers, and thus to increase their profit. The simple truth is that Adidas invested resources in order to enforce their moral codes and improve the labor conditions in their Chinese suppliers only when they came under pressure from customers, the media and NGOs. As we observed, Adidas did not play an active role in this process as it pronounced its values to the world.

We learned from our investigations that, currently, most corporations have not changed their core values in light of ethical business considerations. The codes of conduct of many multinational brand name companies are no more than a superficial window-dressing. At this time, self-regulatory systems do not work without monitoring by the media and independent NGOs.

SECTION II: COMPARISON OF 2002, 2008 AND 2010 INVESTIGATION REPORTS

CLW has conducted investigations on the YY group three times, in 2002, 2008 and 2010. Although the three investigations were focused on different affiliate plants, we believe a comparative study is possible and helpful for the following reasons: the plants all belong to the YY group; they manufacture similar Adidas products; they are located in the same industrial area of Dongguan Gaobu; and they use the same CSR standard, the Workplace Standards set by Adidas.

Adidas Standards of Engagement (SOE) includes employment standards that address seven issues: forced labor, child labor, discrimination, wages, hours of work, disciplinary practices and freedom of association. In addition, we add a standard of accommodations, as this is also important to Chinese workers. We use a 5 score scale for comparison.

In addition, we use the number of worker suicides as comparison data. We admit that, firstly, although every effort is made, the data we use is not accurate, since YY and Adidas do not reveal the real number to the public; secondly, the reasons for worker suicides are complex and debated. Work pressure and labor conditions are not the only reasons, although we believe that the number of suicides would not be so large if workers felt satisfied and hopeful in their factory life. Nevertheless, we think this comparison, while necessarily imprecise, is still reasonable.

	2002[22]	2008[23]	2009-2010[24]
Forced labor[25]	2	3	4
Child labor	4	4	4
Discrimination	2	2	4
Wages	2	4	4
Hours of work	2	3	3

[22] See Appendix VII for the full investigation report.

[23] See Appendix V for the full investigation report.

[24] See Appendix II for the full investigation report.

[25] According to The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption, forced and compulsory labor is defined as following: “Forced or compulsory labour is any work or service that is exacted from any person under the menace of any penalty, and for which that person has not offered himself or herself voluntarily. Providing wages or other compensation to a worker does not necessarily indicate that the labour is not forced or compulsory. By right, labour should be freely given and employees should be free to leave in accordance with established rules.” Since the definition of forced labor is not uniform, our efforts are guided to enforce labor standards that at least include the following situations: forced overtime; fines for those who will not work overtime; expulsion of those who will not work overtime, or cancelling the eligibility of workers to work overtime if they previously did not agree to work overtime.

Disciplinary practices	2	2	4
Accommodations	2	3	4
Labor association[26]	2	3	3
Suicides	2[27]	3[28]	2[29]
Scoring criteria: 1- Worse than other factories in the same industry; 2- Similar to factories in the same industry, but still below the legal standard; 3- Better than other factories in the same industry, but still below the legal standard; 4- Meets the minimum legal standard; 5- Above the minimum legal standard.			

Over the past ten years, most conditions have improved; however, the number of worker suicides is still high. Although some people have speculated that workers commit suicide due to low wages, no such trend is found in this comparison. What we did find is that the conditions of labor association have never been improved. A trade union exists in this factory, but never fulfills its proper role. The management and operation of the trade union are fully controlled by the factory. The trade union is nothing but a formality, and some workers are not even aware of its existence. As a result, workers cannot negotiate with the factory for their benefits. Workers do not have any room to speak their opinions, or to complain. They are excluded and ignored by the management of this factory. Our line of thinking follows that one of the significant factors contributing to worker suicides is that workers who are denied respect and dignity feel that they have no future.

As stated above, multinational corporations devised the codes of conduct in response to the anti-sweatshop campaigns. On one hand, these codes effectively set a minimum requirement for labor conditions, and workers do benefit from the enforcement of the codes. On the other hand, through

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[26] PRC Trade Union Law, Article 9 states, "Trade union organizations at all levels shall be established in accordance with the principle of democratic centralism. Trade union committees at all levels shall be elected by their general assemblies or representative assemblies." Article 22 states, "If an enterprise or public institution has, in violation of the provisions of labor laws and regulations, infringed, as follows, upon the labor rights and interests of the employees, the trade union shall represent the employees to negotiate with the enterprise or public institution and request the enterprise or public institution to take measures for corrections." According to the two rules stated above and other related regulations, the situation regarding trade union in YY is below the legal standard, although the situation is similar in most Chinese factories.

[27] The number was collected by worker interviews. See Appendix VII for the full investigation report.

[28] This number was collected by CLW by worker interviews. See Appendix V for the full investigation report. Adidas only admitted one of the suicides.

[29] This number wad collected on Internet. See, "A Worker of YY Footwear Factory Commited Suicide after being humiliated." (*Gaobu Yuyuan Xiechang Gongren Zao Xiuru Beifen Zisha*.) October 7, 2009. *Workers' Web*. Available: http://chuizi.net/?action-viewthread-tid-3828. (Last retrieved on September 15, 2010.) See also, "Wang A'mei, a Female Worker of YY Committed suicide by leaping from a building." (*Gaobu Baoyuan Yuyuan Xiechang Tiaolou Nvgong Wang A'mei.*) April, 10, 2010. *Workers' Web*. Available: http://chuizi.net/?action-viewthread-tid-5376. (Last retrieved on September 15, 2010.) Adidas admitted one suicide in 2009.

enforcement of these codes, international corporations like Adidas deliberately limit the power of workers and worker organizations. It appears to the public that the companies are listening to the workers by sending in audit teams and conducting surveys; however, the truth is that workers can only express their *opinion* by filling out the survey forms[30]. All labor issues are defined by the framework set by corporate codes. In addition, workers are told that the investigators and auditors are trying to help them. As a result, workers will no longer be interested in organizing their only associations.

Under the corporate codes of conduct, the freedom of workers is suppressed, even though they are receiving higher wages. The international corporations are both the code makers and executors. These codes are given to workers as a *mercy*. Workers are not involved in making or monitoring the enforcement of the codes. They are totally excluded from the decision making process.

The miserable situations of Chinese workers are created by international companies through the top-down international production process, and at this time another top-down moral code system cannot guarantee workers' welfare. What workers need is a system where workers and companies can negotiate equally.

Li Qiang, Executive Director of CLW stated, "*Most companies will not like trade unions. The improvements of labor conditions will raise the labor cost and reduce the development speed of factories. Although trade unions genuinely representing workers will offer the companies more opportunities for sustainable development, their profits will nevertheless be reduced in short term. However, we must realize that the reducing is caused by the low-margin and high-speed of the international supply chain. This supply chain model should be the first thing to be modified if the international companies try to fulfill their social responsibilities in good faith*." CLW believes that labor conditions will be fundamentally improved only after the reform of this supply chain and the management model of international companies.

[30] This statement is not in particularly referred to Adidas. Adidas told CLW that survey form was not used in their interior auditing.

CONCLUSION

The emergence of contract factories in China is a result of the "race to the bottom" model after the *reform and opening-up policy*. Since then, the state has gradually relaxed economic administration, and the factories have increasingly come under the control of international capital. At the same time, the relationship between factories and workers has evolved into an inequitable relationship, which some scholars have deemed *disorganized despotism*.

Living and working conditions of workers are miserable under the control of factories, with international capital backing them. Child labor and prison labor are used, the lowest possible wages are paid, excessive hours are required, and many work-related injuries and even deaths are reported. International companies have been made accountable in recent years. They devised "corporate codes of conduct" as a response. Our study shows that:

First, if fully enforced, corporate codes of conduct are effective and efficient. The improvements at the YY and Smartball factories stated above are examples. However, in most multinational companies, corporate codes of conduct are treated as a public relation policy, rather than a genuine consideration for decision-making. These companies would not invest resources towards enforcing their codes of conduct without the supervision of the media and NGOs. Labor conditions in thousands of Chinese contract factories, especially small factories, still remain on par with those of the last century, largely due to lack of supervision. The investigation of Shingtak factory stated above is an example of this phenomenon.

External independent supervision is essential in enforcing corporate codes of conduct set by multinational corporations. Independent NGOs would be the most important source of this supervision, relying on their professional resources and networks.

The importance of the independent character of NGOs must be noted. Adidas created an internal auditing system in 1998; however, there was little to no improvement in labor conditions until 2009. It is clear that the most effective supervision is that which is conducted by external, rather than internal agencies. Nowadays, many companies actively cooperate with NGOs, and invite these organizations to participate in the work of their CSR department. Although this is a positive trend, it is important for NGOs to avoid becoming fully controlled by these companies. Only independent NGOs have the power to put pressure on international companies to create a genuine labor condition revolution. The public should realize the importance of these professional, independent labor organizations and offer more opportunities for their growth.

Second, although the corporate codes of conduct are effective and efficient when enforced, they are still insufficient. Pursuing maximum profit is the nature of multinational corporations. The code of conduct system is enforced from the top down – from the international capital to international companies, from international companies to local contract companies, from local companies to factories, and from factories to workers. The situation of workers as the bottom of the supply chain will not be changed unless the top-down system is changed. The only relationship which can guarantee the rights and dignity of workers, while also giving international companies more space for sustainable development, is an equal relationship between workers and brand companies.

In practice, we believe that the emergence of collective bargaining should be the first step in this process. Through collective bargaining, an equal relationship between workers and multinational companies will be built, and the reform of trade unions may become possible. Under this equal relationship, workers' rights will be guaranteed. Wages will be raised to a reasonable level after

collective negotiation. In addition, workers will gain dignity, hope, and a sense of belonging. This relationship will also fulfill the social responsibility of international companies, and provide them with the possibility of sustainable development. Ultimately, a triple bottom line will be honored: people, planet and profit.

In short, multinational companies should enable dialogue for workers and trade unions, and provide them with the opportunity to build an equitable relationship. The public should also support independent labor organizations, since the social responsibilities of companies will not be fulfilled without their supervision. NGOs should exercise due diligence while cooperating with multinational brand companies, and maintain their independence.

APPENDIX I: ADIDAS CODES OF CONDUCT

Adidas Supplier Management System

Standards and Guidelines

We have had a supplier code of conduct for more than ten years – the latest version is our Workplace Standards. Based on extensive experience of applying the Standards, we have produced guidelines for our suppliers, which help us to work together to find solutions to problems in the workplace.

Capacity Building and Outreach

We train our suppliers so they understand the importance of establishing and maintaining management systems and open lines of communication with those concerned about how they operate, such as government officials, local communities or the workers themselves.

Monitoring and Verification

We have a dedicated team of auditors, which monitors suppliers' performance against our Standards. We also value independent monitoring by third parties because it helps us to improve how we work and adds credibility to our programme. So in 1999 we joined the Fair Labor Association (FLA) in the United States, which is a non-profit organisation dedicated to improving working conditions in factories around the world. By working cooperatively with companies, NGOs and universities, the FLA developed a workplace code of conduct based on International Labour Organization standards, and appoints accredited inspectors to conduct unannounced factory visits and check if suppliers are meeting the standards.

Rating

We audit our suppliers against our Standards and rate them according to their performance. We use an innovative way to rate the supplier on its ability to deliver fair, healthy and environmentally sound workplace conditions in an effective manner.

Sourcing decision

Rating results are incorporated in the overall supplier rating that informs our decision of which suppliers to use.

Workplace Standards

GENERAL PRINCIPLE

Business partners must comply fully with all legal requirements relevant to the conduct of their businesses.

EMPLOYMENT STANDARDS

Forced Labour

Business partners must not use forced labour, whether in the form of prison labour, indentured labour, bonded labour or otherwise. No employee may be compelled to work through force or intimidation of any form, or as a means of political coercion or as punishment for holding or expressing political views.

Child Labour

Business partners must not employ children who are less than 15 years old, or less than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

Discrimination

Business partners must not discriminate in recruitment and employment practices. Decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline and termination must be based solely on ability to perform the job, rather than on the basis of personal characteristics or beliefs, such as race, national origin, gender, religion, age, disability, marital status, parental status, association membership, sexual orientation or political opinion. Additionally, business partners must implement effective measures to protect migrant employees against any form of discrimination and to provide appropriate support services that reflect their special status.

Wages & Benefits

Wages must equal or exceed the minimum wage required by law or the prevailing industry wage, whichever is higher, and legally mandated benefits must be provided. In addition to compensation for regular working hours, employees must be compensated for overtime hours at the rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding the regular hourly compensation rate. Wages are essential for meeting the basic needs of employees and reasonable savings and expenditure. We seek business partners who progressively raise employee living standards through improved wage systems, benefits, welfare programmes and other services, which enhance quality of life.

Working Hours

Employees must not be required, except in extraordinary circumstances, to work more than 60 hours per week including overtime or the local legal requirement, whichever is less. Employees must be allowed at least 24 consecutive hours rest within every seven-day period, and must receive paid annual leave.

Freedom of Association & Collective Bargaining

Business partners must recognise and respect the right of employees to join and organise associations of their own choosing and to bargain collectively. Business partners must develop and fully implement mechanisms for resolving industrial disputes, including employee grievances, and ensure effective communication with employees and their representatives.

Disciplinary Practices

Employees must be treated with respect and dignity. No employee may be subjected to any physical, sexual, psychological or verbal harassment or abuse, or to fines or penalties as a disciplinary measure. Business partners must publicise and enforce a non-retaliation policy that permits factory employees to express their concerns about workplace conditions directly to factory management or to us without fear of retribution or losing their jobs.

HEALTH AND SAFETY

A safe and hygienic working environment must be provided, and occupational health and safety practices which prevent accidents and injury must be promoted. This includes protection from fire, accidents and toxic substances. Lighting, heating and ventilation systems must be adequate. Employees must have access at all times to sanitary facilities which should be adequate and clean. Business partners must have health and safety policies which are clearly communicated to employees. Where residential facilities are provided to employees, the same standards apply.

ENVIRONMENTAL REQUIREMENTS

Business partners must make progressive improvement in environmental performance in their own operations and require the same of their partners, suppliers and subcontractors. This includes: integrating principles of sustainability into business decisions; responsible use of natural resources; adoption of cleaner production and pollution prevention measures; and designing and developing products, materials and technologies according to the principles of sustainability.

APPENDIX II: 2010 INVESTIGATION REPORT ON YY-G3

By China Labor Watch

August, 2010

Background and History

Between January 1999 and October 2002, CLW conducted a series of independent investigations on the plants of Dongguan Yue Yuen Industrial (Holdings) Limited (YY), which is the main manufacturer and supplier of world famous brands, such as Adidas. The investigation discovered many violations of PRC labor laws and local policies. An investigation report was published on the CLW website on October 25, 2002. After the release of the report, CLW had several conversations with Adidas, and some solutions have been put into place.

In 2008, CLW conducted another investigation of the YYII-S6 factory, an affiliated factory of the YY group. Many issues regarding living and working conditions were found. From 2008 to 2009, CLW held several conversations with Adidas Social and Environmental Affairs and YY group again, urging and helping them on these issues. Some actions have been put into practice.

Zhao Jianju, a male worker of YYIIC1-IP factory, died of heat stroke at 4 a.m. on July 8, 2010.[31] We are more concerned with workers' conditions in YY under the high temperatures of this summer. Recently, CLW has conducted another independent investigation of the YY-G3 factory. The investigations were focused on the aspects of recruitment and resignation procedures, employment contracts, working hours, wages and benefits, accommodation conditions, safety protections, disciplinary practices and complaint mechanisms.

This investigation shows that most of the problems that we found in our previous investigation have been resolved, although overtime working hours still exceed the statutory maximum, especially during the peak season. After the fatal accident in July, the factory has put in place some measures for heat stroke prevention, such as offering tea and green bean soup.

In general, conditions in this factory are acceptable. We believe this is at least in part due to the attention and supervision of CLW and the media. We hope Adidas, and other brand companies can make additional efforts to improve the labor conditions in their suppliers, especially before media exposure forces them to do so, to fulfill their social responsibilities.

Recruitment and Resignation Procedures

Recruitment is offered on-site. There are recruitment posts at the factory entrance. No sex, religion, race or geography discrimination is found. The age requirement is 18 to 35, unless the candidate has current employee references. Candidates need to bring Resident IDs, which will be

[31] "A Worker of a Dongguan Adidas Footwear Factory died of heat stroke." (*Guangdong Dongguan yi xiechang yuangong zhongshu siwang, zhuanzuo adi xiedi*.) *Dongguan Daily*. Available: http://china.huanqiu.com/roll/2010-07/915951.html (Last retrieved on September 15, 2010.)

returned after verification by the HR department. Applicants are required to participate in physical examinations at a specified hospital. The cost for an exam is 38 RMB and needs to be paid by the workers; however, workers receive a full refund from the factory after they have worked for three months. After the exam, two copies of IDs are required for the purpose of direct deposit and archive. No security deposit is required.

A three-day training is offered to new employees. The training includes introduction to the factory, regulations, safety knowledge, occupational disease prevention, rewards and discipline practices, procedures of application and resignation, ESH related knowledge, AIDS and HBV prevention and complaint mechanisms.

The probation period is three months. Within the probation period, workers who resign are required to notify the factory three days in advance. After the probationary period ends, workers who resign need to apply thirty days in advance. Resignation applications may take a long time to gain approval in peak season, but the situation is still acceptable. All wages are paid on the day of leaving.

Our investigation shows that most job applicants are male or married females, since most young females prefer electronic manufactures, which they believe can provide better working conditions.

Employment Contracts

Employment contracts are to be signed on the first day of pre-job training. Clauses of contracts are prepared by the factory, but workers are allowed ten minutes to read and understand before signing. The term of the contract is three years, with a three-month probation. Wages, benefits, insurances and procedures of resigning are included in the contract. The place of work is not included as specified by law.

Working Hours

The regular hours are 8 hours per day, 5 days per week and 22 days per month. The overtime working hours are 2 hours per day and 60 hours per month on average. In peak season (September to November), the overtime hours are 3 hours per day, 8 hours on Saturday and 90 hours per month on average. The overtime work is optional. Workers can refuse to work overtime with submission of an application in writing, and will not be punished. All working hours are recorded by electronic cards.

Workers can get one to four days off every other week, and can get 24 hours off between two shifts. The dining time is one hour each for lunch and dinner, and half an hour for night meals. All workers can get at least 10 hours off per day.

This factory imposes product quotas for employees, although most workers meet them easily. Nevertheless, workers who cannot finish daily quotas on time are required to work overtime without payment.

Wages and Benefits

Wages are paid by direct deposit on the 10th every month, and may be paid in advance if the 10th is a statutory holiday.

The base wage is RMB 920 per month. All employees are paid by the hour. The hourly rate is RMB 5.29. Overtime work is paid by 150 percent on weekdays (RMB 7.93 per hour), by 200 percent on weekends (RMB 10.58 per hour) and by 300 percent on statutory holidays (15.87 per hour).

Before payment, wages are deducted: 190 RMB for dining expenses (if applicable), 55 RMB for rent (if applicable), 90 RMB for endowment insurance (if applicable), 5 RMB for medical insurance and a percent for income tax (if applicable).

Workers receive pay stubs the day before payment, with working hours and deductions listed. Most workers reported that their pay stubs were clear and easy to understand. And most importantly, the amount they actually received was the same as that listed.

Social insurances were offered in the factory, including pension insurance, medical insurance and work injury insurance. Wages would be deducted for medical insurance (5 RMB), and for pension insurance (90 RMB), which were optional to workers. The work injury insurance was free.

It is not difficult to apply for sick leave with certification from a hospital. Workers who become seriously ill can leave first and submit a sick leave application later. Workers are paid during sick leave. Paid leaves are also offered on statutory holidays. Moreover, workers are paid during maternity leave and marriage leave, as long as they can submit the appropriate certifications. Workers who have been working for more than one year can get paid annual leave of five days each year. Annual leaves are encouraged to be arranged in the non-peak season.

Accommodation Conditions

• Pic 1 A restroom in dormitory building. Photographed by CLW.

On-site dining is offered at the price of 190 RMB per month, including three meals per day. Workers thought the taste of the food was not that good, but the conditions of food and hygiene were acceptable. Workers on night shifts can get bread at 4:30 a.m. Workers have some options to pay the dining expenses. For example, they can choose to pay for only lunch or for only meals on weekdays, etc. However, the dining cost is paid month by the month, and they cannot get a refund if they change their mind later that month. Workers also can choose to eat off-site without compensation.

Conditions of the dormitories are acceptable. Five to eight people share one room with ten beds, two fans, one closet, some desks and chairs. On each floor, there are four public shower rooms with eleven showers in each room, and four public restrooms with ten toilets in each room. There are enough showers and toilets, because workers are divided into two shifts.

Workers can apply for dormitories on any day between 1st and 25st. The rent is 55 RMB per month. They can choose to live off-site with no compensation. Rent in the nearby area is about 150 RMB per month.

Safety and protection

There is an ESH department on-site. All new employees are required to participate in ESH trainings, introducing cases of frequent injuries and safety knowledge.

No uniforms are offered. Workers work in their own clothing. Some protective equipment is offered, including ear plugs and active carbon filter masks, which are replaced once per week. The noise was very loud. Workers have to shout to speak to each other. The voices of some workers became hoarse. Most workers have no contact with poisonous chemical materials, except workers in the adhesion department, who use chemical glue. The smell of the glue is pungent, and can make new employees feel sick. The safety protection regulations are not seriously enforced. Supervisors check the use of protective equipment only once, in the morning. Our investigator found that some workers were not using masks while working, which is very dangerous. Manufacturing equipment is maintained daily and checked monthly.

Routine health exams and exit health exams are offered to workers engaged in work with occupational hazards. Furthermore, workers engaged in work with heavy dust are offered lung lavage surgery once a year. The cost of exams and surgeries are paid by the factory.

• Pic 2 Photographed by CLW.

The workshop is equipped with fans, exhaust fans and air conditioners. However, workers in some positions still have to work in temperatures up to 40 degrees (104°F), such as the forming and boiler positions. Workers in the forming department need to melt aluminum at high temperatures to make models, and then to form shoe soles. Fans are useless there. They reported that they worried a lot about their health and were planning to resign from the department as soon as possible.

After the heat stroke accident stated at the start of this report, the management began to pay greater attention to heat stroke prevention. Every morning, supervisors remind the workers to drink more water.

There are lots of posts introducing heat stroke prevention knowledge, both on the notice boards and on the walls of the dormitory building. Cold water, hot water and tea are offered all day. Green bean soup is offered at 2:00 p.m. every day. Moreover, green bean soup and red bean soup are offered during lunch and dinner.

Investigators did not find first-aid kits in the workshop. Some workers also reported first-aid kits were not properly equipped. Kits were found on the first floor of the dormitory, but they were empty.

In the workshop and dormitory buildings, emergency aisles and exits are clear and well-indicated. The emergency exits are not locked. The cement floor has been damaged for a long time, which is a potential hazard to workers, especially to workers on the night shift.

Rewards and Disciplinary Practices

There are four levels of punishment: warning, minor infraction, serious offense and discharge. Rewards include three levels: honor, merit and great merit. All rewards and punishments are explained in the employee handbook. The handbooks are distributed to employees upon entry, and withdrawn upon leaving. Workers who lose this handbook are subject to a fine of 20 RMB.

Other Issues

There are trade union and employee representatives in this factory. A mental health center is available and responsible for ESH and labor care issues. The factory has comprehensive complaint mechanisms, including telephone, face-to-face, letter complaint and discussion session.

Workers will not be frisked when entering or leaving. Only some large containers are subject to security check. No insult, assault or sexual harassment was found.

Workers have two opportunities for promotion every year. Employees who have worked for three months in the factory are eligible to receive a one-time cash reward of RMB 200, and have the opportunity to study in Yuyuan Technical School for free or for a very low tuition cost.

Some entertainment facilities are offered on-site, such as a basketball court, table tennis room, TV room and library. The factory holds some entertainment activities. For example, there is a lottery on the Lantern Festival, some sports activities between May and August, and a party during Spring Festival.

Overall, most workers interviewed thought conditions in this factory were not satisfactory, but acceptable among similar factories.

APPENDIX III: CONCLUSION OF A SURVEY CONDUCTED AT YY PLANTS IN DONGGUAN

The above investigation report in Appendix II is finished by an employee of CLW, who was hired by YY-G3 factory. All the information was collected by him in the two weeks when he worked in YY-G3 as a labor worker.

CLW believes the workers' opinions are more important than the simple facts. As a result, a survey was conducted. Responses from about 50 workers were collected. Participants include workers of YY-G3, YY-I, YY-VI, YY-VIII and YY-IP plant. The following information is concluded from this survey. All original data of this survey is available for download at www.chinalaborwatch.org for your reference.

Note: Since this part of the report is a conclusion of responses from workers, not all information is guaranteed to be accurate. For example, 6 workers responded that there was no trade union. However, as we know, trade unions exist in all YY group plants. However, we believe the answers of workers are meaningful even if they may be wrong. As is the case with the trade union example, the workers' answers revealed that the trade union is not operative, although it does exist.

Background Information

	Reponses	Minimum	Maximum	Average
How long have you worked in this factory? (Month)	44	1	67	13.84
How long have you worked in all factories? (Month)	47	.1	14.0	5.353
How much was your basic wage when entering this factory? (RMB/month)	46	430	1000	802.65
How much is your basic wage now? (RMB/month)	45	850	2100	1000.27
How much was your overtime work paid when entering this factory? (RMB/hour)	28	1.50	8.68	5.8921
How much is your overtime work paid now? (RMB/hour)	28	4.00	10.86	7.2357
How much time do you work per day? (Hour)	44	8.00	11.00	8.9318
How many days do you work per month?	43	20.50	30.00	24.9535
How many is the maximum hours you have worked in a day in this factory?	48	8	16	10.66
How many hours are you willing to work per day?	37	3.00	12.00	9.0270
How many days are you willing to work per month?	37	20.00	27.00	24.0811
On average, how much is your wage? (RMB/month)	43	1200	2500	1712.79

How much do you pay for on-site dining? (RMB/month)	24	68.00	190.00	174.8750
How much do you pay for on-site accommodation? (RMB/month)	23	20.00	60.00	50.3913
How much of your wage is deducted for social insurance? (RMB/month)	27	5.00	107.00	90.7037
What are your expectations for wages? (RMB/month)	44	1500	7500	2463.64
On average, how much do you spend per month? (RMB/month)	43	60	3000	1026.98
If living off-site, how much do you pay for rent (including utilities)? (RMB/month)	35	10.00	500.00	222.1429
If living off-site, how much do you pay for food? (RMB/month)	35	200.00	1500.00	481.4286
If living off-site, how much do you pay for transportation? (RMB/month)	7	10.00	200.00	97.1429
If you have a child, how much do you pay for her/his education? (RMB/month)	2	500.00	1000.00	750.0000
How much do you pay for the daily necessities (excluding food)? (RMB/month)	25	40.00	150.00	87.6000
How much do you spend on your monthly telephone/cell phone bill? (RMB/month)	31	30.00	300.00	104.3548
How much do you spend on clothing? (RMB/month)	14	20.00	400.00	157.1429
How much money will you transfer to your home for your parents/children? (RMB/month)	12	500.0	1000.0	770.833
How much money will you save? (RMB/month)	7	500.00	1400.00	885.7143
How much do you spend on entertainment? (RMB/month)	15	20.00	500.00	171.3333

In general, are you satisfied with the conditions of this factory?

	Repo senses	Percentage	Cumulative
Yes, I'll continue working here.	3	6.5	6.5
Yes, but I'll leave if you have better opportunity.	32	69.6	76.1
No, I'll leave as soon as I can.	11	23.9	100.0

Total	46	100.0

What is your gender?

	Responses	Percentage	Cumulative
Male	39	78.0	78.0
Female	11	22.0	100.0
Total	50	100.0	

What is your Education Background?

	Responses	Percentage	Cumulative
Primary School	1	2.2	2.2
Junior High School	23	50.0	52.2
High School/Secondary School	21	45.7	97.8
College or Above	1	2.2	100.0
Total	46	100.0	

How long have you worked in this factory? (Months)

	Responses	Percentage	Cumulative
1	7	15.9	15.9
2	4	9.1	25.0
3	6	13.6	38.6
4	1	2.3	40.9
5	2	4.5	45.5
6	4	9.1	54.5
7	1	2.3	56.8
8	3	6.8	63.6
10	1	2.3	65.9
16	1	2.3	68.2
21	1	2.3	70.5
22	1	2.3	72.7
24	4	9.1	81.8
28	1	2.3	84.1

35	1	2.3	86.4
38	1	2.3	88.6
39	1	2.3	90.9
42	1	2.3	93.2
46	1	2.3	95.5
47	1	2.3	97.7
67	1	2.3	100.0
Total	44	100.0	

How were you hired by this factory?

	Responses	Percentage	Cumulative
On-site recruitment	11	21.6	21.6
References	35	68.6	90.2
Job agency	3	5.9	96.1
Job market	1	2.0	98.0
Others	1	2.0	100.0
Total	51	100.0	

Were you required to undergo a health exam during recruitment?

	Responses	Percentage	Cumulative
Yes, and paid by the factory.	21	46.7	46.7
Yes, and I paid.	22	48.9	95.6
Yes, but it's waived since I have health certificate.	1	2.2	97.8
No.	1	2.2	100.0
Total	45	100.0	

Are you offered any opportunity for safety training by this factory?

	Responses	Percentage	Cumulative
No.	9	19.6	19.6
Yes.	37	80.4	100.0
Total	46	100.0	

Are you offered any opportunity for professional training?			
	Responses	Percentage	Cumulative
No.	21	46.7	46.7
Yes.	24	53.3	100.0
Total	45	100.0	

How much was your base wage when entering this factory? (RMB/month)			
	Responses	Percentage	Cumulative
430	1	2.2	2.2
450	4	8.7	10.9
690	2	4.3	15.2
700	1	2.2	17.4
720	1	2.2	19.6
740	1	2.2	21.7
750	1	2.2	23.9
770	12	26.1	50.0
780	1	2.2	52.2
870	1	2.2	54.3
920	18	39.1	93.5
952	1	2.2	95.7
1000	2	4.3	100.0
Total	46	100.0	

How much is your current base wage? (RMB/month)			
	Responses	Percentage	Cumulative
430	1	2.2	2.2
450	4	8.7	10.9
690	2	4.3	15.2
700	1	2.2	17.4
720	1	2.2	19.6
740	1	2.2	21.7
750	1	2.2	23.9

770	12	26.1	50.0
780	1	2.2	52.2
870	1	2.2	54.3
920	18	39.1	93.5
952	1	2.2	95.7
1000	2	4.3	100.0
Total	46	100.0	

On average, how many hours do you work per day?

	Responses	Percentage	Cumulative
8.00	20	45.5	45.5
9.00	8	18.2	63.6
10.00	15	34.1	97.7
11.00	1	2.3	100.0
Total	44	100.0	

On average, how many days do you work per month?

	Responses	Percentage	Cumulative
20.50	1	2.3	2.3
21.50	1	2.3	4.7
22.00	5	11.6	16.3
24.00	9	20.9	37.2
25.00	3	7.0	44.2
25.50	1	2.3	46.5
26.00	19	44.2	90.7
26.50	1	2.3	93.0
27.00	2	4.7	97.7
30.00	1	2.3	100.0
Total	43	100.0	

Are you satisfied with your current working schedule?

	Responses	Percentage	Cumulative

Very satisfied.	5	10.4	10.4
Satisfied.	6	12.5	22.9
Average	28	58.3	81.3
Not satisfied	4	8.3	89.6
Very Unsatisfied	5	10.4	100.0
Total	48	100.0	

How many days do you expect to work each month?

	Responses	Percentage	Cumulative
20.00	2	5.4	5.4
22.00	11	29.7	35.1
23.00	1	2.7	37.8
24.00	7	18.9	56.8
26.00	14	37.8	94.6
27.00	2	5.4	100.0
Total	37	100.0	

Including overtime pay, on average how much are your monthly wages? (RMB/month)

	Responses	Percentage	Cumulative
1200	1	2.3	2.3
1300	2	4.7	7.0
1350	2	4.7	11.6
1400	1	2.3	14.0
1500	11	25.6	39.5
1600	4	9.3	48.8
1650	1	2.3	51.2
1700	4	9.3	60.5
1800	4	9.3	69.8
1850	2	4.7	74.4
1900	1	2.3	76.7
2000	5	11.6	88.4
2100	1	2.3	90.7

2200	1	2.3	93.0
2400	2	4.7	97.7
2500	1	2.3	100.0
Total	43	100.0	

Are you satisfied with your current wages?

	Responses	Percentage	Cumulative
Satisfied	3	6.8	6.8
Average	20	45.5	52.3
Not Satisfied	16	36.4	88.6
Very Unsatisfied	5	11.4	100.0
Total	44	100.0	

What are your expectations for a monthly wage?（RMB/Month）

	Responses	Percentage	Cumulative
1500	1	2.3	2.3
1700	1	2.3	4.5
1800	2	4.5	9.1
2000	21	47.7	56.8
2200	1	2.3	59.1
2400	1	2.3	61.4
2500	7	15.9	77.3
3000	6	13.6	90.9
3500	2	4.5	95.5
5000	1	2.3	97.7
7500	1	2.3	100.0
Total	44	100.0	

How much are your average monthly expenses? (RMB)

	Responses	Percentage	Cumulative
60	1	2.3	2.3
500	3	7.0	9.3

600	5	11.6	20.9
700	2	4.7	25.6
750	1	2.3	27.9
800	2	4.7	32.6
850	1	2.3	34.9
1000	16	37.2	72.1
1200	2	4.7	76.7
1300	2	4.7	81.4
1400	1	2.3	83.7
1500	4	9.3	93.0
1600	1	2.3	95.3
2000	1	2.3	97.7
3000	1	2.3	100.0
Total	43	100.0	

Do you think signing an employment contract is useful?

	Responses	Percentage	Cumulative
No	7	17.1	17.1
Yes	34	82.9	100.0
Total	41	100.0	

Did you read the employment contract carefully?

	Responses	Percentage	Cumulative
No	9	20.9	20.9
Yes	34	79.1	100.0
Total	43	100.0	

Do you believe that the factory upholds the employment contract?

	Responses	Percentage	Cumulative
No	5	13.2	13.2
Yes	33	86.8	100.0
Total	38	100.0	

Do you often voluntarily work overtime?			
	Responses	Percentage	Cumulative
No	11	26.8	26.8
Yes	30	73.2	100.0
Total	41	100.0	

Under normal circumstances, do you want to work overtime?			
	Responses	Percentage	Cumulative
No	16	39.0	39.0
Yes	25	61.0	100.0
Total	41	100.0	

Do you buy social insurance?			
	Responses	Percentage	Cumulative
No	10	23.8	23.8
Yes	32	76.2	100.0
Total	42	100.0	

Do you think there is a problem of delayed resignation?			
	Responses	Percentage	Cumulative
No	25	61.0	61.0
Yes	16	39.0	100.0
Total	41	100.0	

Do you think the factory is concerned with individual workers' development?			
	Responses	Percentage	Cumulative
Very concerned	2	4.2	4.2
Relatively concerned	4	8.3	12.5
Average	16	33.3	45.8
Not concerned.	16	33.3	79.2
Very unconcerned	10	20.8	100.0
Total	48	100.0	

In the next five years, what is your plan?			
	Responses	Percentage	Cumulative
Continue to work in the factory	4	8.7	8.7
Return home to farm	1	2.2	10.9
Become a technician	5	10.9	21.7
Start own business	26	56.5	78.3
Become administrative	5	10.9	89.1
No opinion	3	6.5	95.7
	2	4.3	100.0
Total	46	100.0	

Do you want to live inside the factory?			
	Responses	Percentage	Cumulative
Yes	10	20.4	20.4
No	18	36.7	57.1
No Opinion	21	42.9	100.0
Total	49	100.0	

Are you satisfied with the current accommodations in the factory?			
	Responses	Percentage	Cumulative
Very satisfied	3	6.5	6.5
Relatively satisfied	7	15.2	21.7
Average	24	52.2	73.9
Unsatisfied	6	13.0	87.0
Very unsatisfied	6	13.0	100.0
Total	46	100.0	

Do you want to eat in the factory?			
	Responses	Percentage	Cumulative
Yes	11	24.4	24.4
No	20	44.4	68.9
No Opinion	14	31.1	100.0
Total	45	100.0	

Are you satisfied with the quality of the food served at the factory?			
	Responses	Percentage	Cumulative
Satisfied	3	6.4	6.4
Not Satisfied	40	85.1	91.5
No Opinion	4	8.5	100.0
Total	47	100.0	

During work hours, do you feel constrained to go to the bathroom and drink water?			
	Responses	Percentage	Cumulative
Yes, I do feel that way	12	26.1	26.1
Yes, I feel that way, but I think it's necessary.	14	30.4	56.5
No, don't feel that way	20	43.5	100.0
Total	46	100.0	

Do you worry about not meeting production requirements?			
	Responses	Percentage	Cumulative
Yes	16	38.1	38.1
No	14	33.3	71.4
Sometimes	12	28.6	100.0
Total	42	100.0	

Does the factory you work at have a trade union?			
	Responses	Percentage	Cumulative
Yes	30	63.8	63.8
No	6	12.8	76.6
Unclear	11	23.4	100.0
Total	47	100.0	

Do you know who the union president is?			
	Responses	Percentage	Cumulative
Yes	12	26.1	26.1
No	34	73.9	100.0
Total	46	100.0	

Have you ever participated in the union?			
	Responses	Percentage	Cumulative
Yes	2	4.3	4.3
No	44	95.7	100.0
Total	46	100.0	
Total	51		

What is your view of the union?			
	Responses	Percentage	Cumulative
The union is able to represent the interests of the workers	9	22.5	22.5
The union can resolve problems	4	10.0	32.5
The union helps to speak for the factory owner	5	12.5	45.0
Unions just charge a membership fee	1	2.5	47.5
I have no knowledge of the union, and unable to make an evaluation	21	52.5	100.0
Total	40	100.0	

APPENDIX IV: 2010 INVESTIGATION REPORT OF JIUJIANG SMARTBALL FACTORY

By China Labor Watch

August, 2010

• Pic 3 The strike at Jiujiang Smartball Factory. Picture collected from the Internet.

Jiujiang Smartball Sports Equipment Corporation is one of the largest sports equipment manufacturers in the world. It is a major supplier of Adidas and the manufacturer of JABULANI, the official match ball of the 2010 FIFA World Cup. According to media reports, a large-scale strike erupted in this Taiwan-invested factory on June 5, 2010. Approximately 8,000 workers were involved in this strike regarding the beating of a female worker by security personnel, as well as poor working conditions and low wages. This information is not confirmed by China Labor Watch. However, we sent an investigation team to the factory not long after the strike. The following are the detailed findings of our investigators.

Hiring and Termination

On-site recruitment takes place every day between 8:30-10:30 a.m. All job candidates must be above 18 years old. There are no restrictions on applicants' sex, religion, ethnicity, or region of origin.

Applicants must submit two copies of their resident ID and eight ID photos, and fill out an application before an interview. Those who pass the interview must undergo a physical examination, for which candidates have to pay 30 RMB. After passing the physical examination, candidates are able to start working right away.

New employees receive orientation training, which is usually a half day and covers topics ranging from factory introduction, factory policies and regulations to workshop work environment, workplace safety and fire safety training. New employees are paid during the training period.

Employees will receive uniforms and work badges from the factory at no charge. Usually new employees work on probation for one month. However, some workers reported that it did not make much difference whether they were on probation or not: If a worker wants to resign, he or she must simply provide an advance notice to the supervisor; it is up to the supervisor's mood whether or not the resignation will be approved. It is okay for a worker to resign within the first month of employment and s/he will be paid by cash for the hours worked.

Employment Contract

Some workers reported that they signed the contract with the factory immediately after they started working. Others reported that the contract was signed after the first month of employment. Workers are able to decide the length of employment in the contract. Usually the length of time is between one and three years. Factory staff will explain the terms of the contract to all prospective employees. However, workers reported that they did not understand whether the factory was actually complying with the contract.

Working hours

In addition to five eight-hour work days, employees work two overtime hours every day and 10 hours on weekends. Overtime hours during peak season are at least 84 hours per week. Overtime work is mandated during peak season. Workers taking time off during peak season would lose compensation for the whole day. During the off season, workers are allowed to request time off, and will not be disciplined if they do not work overtime.

	Morning	Afternoon	Overtime
One-shift system	7:00-12:00	13:00-16:00	16:00-18:00
Two-shift system	19:00-23:00	23:00-24:00(rest time) 00:00-7:00	
Three-shift system	N/A		

Peak season is between October and June. Workers on the two-shift system can take 24 hours off between shifts. Workers need to swipe their electronic staff ID before and after work, in order to record their working time accurately.

Workers take one hour lunch breaks during workdays and get one day off every seven days. Workers on the two-shift system work 11 hours, and the night shift workers have a one hour meal break. Night shift workers get 12 RMB compensation each night, including 7 RMB night shift compensation and 5 RMB living expenses compensation. Workers getting piece rate are usually able to complete their production quotas. Those who fail to accomplish their required quotas must report to their supervisors and get paid for the piecework they have processed.

Wages and Benefits

Pay day is the 10th of each month. Workers will receive pay stubs one or two days before they get paid. On the pay stub, the information about monthly wages, working hours, deductions such as dormitory fees, utilities fees, health insurance and retirement insurance are listed in detail. If employees discover any errors with regards to their working hours or wages, they may report it immediately to the department manager and administration department to verify the information.

The salary is deposited into workers' personal bank accounts. The monthly base salary is 1081 RMB, including the monthly base pay of 550 RMB and overtime compensation. Dormitory fees would be deducted if the worker lives in the factory dormitory. If a worker does not live in the factory dormitory, only health insurance and retirement insurance would be deducted, totaling 97.8 RMB.

Workers receive hourly wages when beginning employment. After a period of time as the workers gain skills, they can apply to receive a piece rate. In *fapao* department, the piece rate is 0.08 RMB. On average, a worker can process 1000 pieces per day.

• Pic 4 The library for workers. Photographed by CLW.

Workers have sick leave (unpaid), marriage leave (max. 7 days, unpaid), maternity leave (max. 90 days, unpaid), and paid annual leave (max. 5 days, paid). Workers should send requests for leave to their department managers and the administration department. The request must be approved by the vice president of the company. Workers are paid three times the regular hourly wage on legal holidays; they are not paid if they do not work on statutory holidays.

The factory built facilities for employees including a library, an activity center, a basketball court, mobile phone service centers, employee stores, a bank, and a hospital.

The local minimum wage has been increased from 450 RMB to 550 RMB since July 2010. Workers' monthly living expenses are about 150 RMB.

Living Conditions

Workers have the option of taking meals in two different canteens. The meal prices range from 3 to 5 RMB. The fee for dormitory accommodation is 30 RMB/person/month, and the rate of a one bedroom apartment for couples is 120 RMB/household/month. The utilities fee is shared by those sharing each room. Usually up to four people share one dormitory room with an electric fan, closet and bathroom included. Housekeepers are

hired to clean the dormitory.

• Pic 5 Workers having lunch. Photographed by CLW.

Work Safety and Protection

No ESH committee exists in this factory. However, the factory has set up a CSR department responsible for occupational safety.

Each worker is provided with two pairs of gloves and masks every month, and a work apron. Workers at the painting department have stains all over their work apron, but they do not get an extra apron.

Electric fans and exhaust fans are installed in the workshop. However, the temperature in the workshop remains very high.

The investigation team met a girl working as a quality inspector, whose feet were so swollen from excessive standing and walking that it had become difficult for her to move around.

Another machine operator's hands were injured by the heat released from the machine. He reported that the injury had occurred while he was wearing two pairs of gloves.

Some workers at the painting department reported they had allergy symptoms to the paint. Workers at the painting department are allowed to transfer to another department if they do not feel physically comfortable.

Workers must pass a physical examination when they begin employment, but not at the end of employment. Workers leave the factory without knowing if they contracted occupational diseases. There is a factory clinic. First aid kits are accessible in the workshop, but not in the dormitory. However, nothing other than bandages are available in the first aid kits.

The dustmen are responsible for classification process of hazard materials. Trash will be sent to the waste transfer station, where no fire extinguisher or other fire protection devices are installed.

Fire Safety

Emergency exit routes are labeled and accessible in the workshop and dormitory. The workshop and dormitory are free of flammable materials, and fire protection devices are installed. The factory held a fire drill in July 2010, in which the entire staff was required to participate.

Rewards and Discipline Measures

Workers are rewarded for full attendance.

Those who do not follow factory regulations will be scolded by the supervisor. The supervisor's mood may determine whether a worker will gain approval for sick leave, or if a worker can be paid at a higher piece rate. For these reasons, the turnover rate is very high during off season. During the peak season, the maximum number of workers can reach 10,000, while the number is currently approximately 4,000.

Workers are permitted to drink water or use bathrooms at any time they need to. Workers may enter or leave the factory at any time after work hours, there is no curfew.

Other Issues

• Pic 6 A post introducing the worker hotline of this factory.

The labor union and employee representatives are active in the factory. The factory holds regular meetings with the employee representatives and randomly selects workers to attend the meetings. A complaint box is accessible in the factory, through which workers can submit any suggestions and complaints. Once a week, the factory checks the complaint box and goes through workers' complaints and feedback. We found that there is a worker's hotline service available to all the employees. Calls will be transferred to the workshop human resource manager. However, workers reported that they were not aware of the hotline program in their factory.

According to on-site worker interviews, 70% of the respondents were not aware of the existence of the labor union or employee representatives, nor did they understand the function of the labor union and employee representatives.

In July 2010, a security guard beat an employee in the factory. Before this incident was revealed, there had been several incidences of security guards beating or insulting workers. In most cases, the reasons were that workers did not wear badges or wear the appropriate uniform.

About 60% of the respondents are local residents. According to a worker, fewer people have been engaged in gambling or card games since the factory was built in the town. Most women in the town are working in this factory. Workers in the factory generally feel happy about their work and income. All of the respondents believed that the factory follows the labor law and employment contract law. They reported that the factory has been better managed and public safety has improved.

Workers reported that inspectors from the client companies visit the factory regularly to conduct audits. The factory would notify the workers in advance and coach the workers not to reveal anything to the inspectors.

From the interviews, we found that the factory is doing a good job in terms of providing facilities like a basketball court, library and activity center, and setting up complaint boxes, a workers' hotline, and factory bulletins. However, the majority of the workers do not utilize these facilities and services.

APPENDIX V: 2008 INVESTIGATION REPORT OF YYII-S6 FACTORY

By China Labor Watch

November 2008

Yue Yuen Industrial Corporation, a major shoe supplier to Adidas, can best describe the conditions of Adidas' general treatment of workers: ***discrimination against workers especially male workers, inadequate overtime premium, arrear wages, no insurances, no safety equipments, difficult to quit, inedible food, frequent suicides and more…***

Yue Yuen Industrial Corporation (YY), a Taiwanese owned group, operates in Dongguan City, Guangdong Province (YY II Factory), Vietnam, (PYV Factory) and Indonesia (PCI Factory). The YY II in Dongguan consists of eight sector factories: YYII-C1, YYII-S1, YYII-S3, YYII-S6, YYII-S8, YYII-ADC, YYII-SDC, and YYII-YDC.

In 2004, the corporation was reported by CLW for its poor treatment of workers. Adidas, as its major client, has proposed a formal response in attempt to find "explanations" for the problems at YY. Among the problems, workers suicide was one of the major concerns. Although Adidas claimed that the suicide rate at YY is ***relatively low*** compare to China's overall suicide rate, nevertheless, it agreed that the problem will not be overlooked. However, the issue continues to plague the factory till this day. To Adidas, a worker's death is merely an integer that can simply be replaced by another migrant worker traveling hundreds of miles in an overcrowded bus from her rural village where she had never left.

In order to obtain solid information regarding the labor conditions at YY, a CLW investigator entered YYII-S6 as a regular worker and discovered that suicide is not the only existing issue.

"The Adidas auditors do come here (YYII-S6) regularly. But you know how it is; they come here to put up a show. They don't care about us (workers); they come in just to fill out the paper work". Said couple interviewed workers.

As Adidas only cares for its products rather than the workers producing them, drastic issues have emerged and long disturbed the factory's fifteen thousand workers. These issues have ultimately led to suicides.

From the period of July to October 2008, due to pressure at work, three workers have chosen to end their lives by jumping off the building in the factory to show remonstration towards the poor treatment. In their belief, sacrificing themselves was an effective way, possibly the only way to gain the factory's attention and hopefully to wake its consciousness to improve its labor practice and begin to present other workers a fairer work environment, something they will never have the opportunity to see. Regrettably, the workers who committed suicide have overestimated their value, at least their value from the YY management's perspective. Their deaths are nothing but additional number contributing to the factory's existing suicide rate. YY could careless, because the epidemic of workers struggle does not fall into its major client, Adidas' best interest. As a traditional profiteer, Adidas puts workers as its optional priority. Shamelessly, year after year, the German-based multinational continues to produce social sustainability report with doubtful information and uses it to praise itself to be one of the few companies that is on workers' side. Yet when a case of poor labor practice occurs, similar to its response to CLW in 2004, it either tactfully shifts its responsibility onto other entity, from workers to another company or to the

local government, or simply states that problem would be improved except it would not take action, just wait for the problem slowly fade away as time progresses.

The honorable idea of corporate social responsibility has been twisted by Adidas to a different level. It has essentially becomes a powerful instrument for its public relation to titivate its image.

By using this report, CLW hopes that it would serves as a signal to Adidas. Only when action and implementation are measured in suppliers such as YY would Adidas be able to represent the title of socially responsible entity.

YYII-S6 Profile

Year Established	**November 1997**
Location	東莞市高步鎮上江城工業大道旁 Shang Jiang Industrial Avenue, Gao Bu Town, Dongguan City,523287
Number/Fax	**88876718-2150/0769-88876724**
Factory Area	171786.27 Square Meter
Number of Workers	**Over 15,000 workers**
Major Client	Adidas

During the investigation, CLW investigator found the following issues at YYII-S6:

- Discrimination against male workers; Because of the factory's firm belief that female workers are obedient and can be easily managed, male workers are treated as the unwanted. Only ones that knows people or have the financial power to pay an agent or to bribe are able to enter the factory.
- Inadequate overtime premium; workers are required to enter the workshop 40 minutes in advance for "meetings", but in reality such meeting ultimately spells out factory's intention: you (workers) will start the day by working for us for free.
- Wage Arrears; The day that workers receive pay stub is actually not the day they actually receive the wages. Workers often receive their payment two or three days later.
- Not all workers have insurances. Moreover, new workers were not provided with explanation regarding insurances.
- No safety equipments; To YYII-S6, workers who are exposed to chemicals such as glue daily don't deserve the luxury of safety equipments. These workers are working while directly exposed to the chemicals.
- Difficult to quit; as female workers are viewed as a more valuable asset since they can be controlled much easier than male, it is very difficult for them to quit. The only for female

workers to quit is to forfeit ten days worth of wage in order to cover the "inconvenience" that they have caused for YYII-S6.

- Discrimination against regular workers; in order to strengthen YYII-S6 management's level of superiority, when management-workers meeting takes place, workers are obligated to sit on the floor.
- Suicides occur frequently at YYII-S6.

Contract and Hire

"It's very easy for female to find a job since they are female. I make money from male workers because they have very limited job choice" Said a headhunting agency agent.

YYII-S6 has two hiring practices:

- Direct Hire: Accepting application at the front gate

Directions:

Hours: Monday ~ Saturday, 8 to 9AM, 1:30 to 3PM

Female workers only. Male workers need a referrer who is a YY supervisor or above.

Provide three photos, a copy of ID, and go through a health examination that costs RMB 40

- Agency Referral

Directions:

Agency Referral fee: Male- RMB 180 ~ 320 (About USD 26.5 to USD 47.1), Female- Free

Provide three photos, a copy of ID, and go through a health examination that costs RMB 40

Most of the workers recruited are between the age of 18 and 40. There are also small number workers under the age of 18 working at posts that don't involve heavy lifting or chemical exposure.

Although the health examination is mandatory, since some workers use someone else's ID to enter the factory, they have to use that person's examination result.

Due to YYII-S6's management practice, the factory has a very high turnover rate. About 40 to 100 workers enter and leave the factory and about one thousand workers enter and leave the factory each month with **some worked only for two days and left simply because the management's treatment is unbearable**.

Before assigned to a work post, new workers are provided with a training lasting one and a half day. The training on the first day describes the conditions of workshops, work hours, dormitories, canteen, Adidas' code of conduct. The second day the training explains factory's regulation, mind health center (center that supposedly provides assistance to workers who have emotional problems) and educational video. Moreover, workers are provided a workers handbook and ID, given a test to take, a contract to sign.

The contract includes information such as the eight daily work hours, five weekly regular work days with at least one off day a week, minimum wage of RMB 770, and payment before the tenth of each month. The contract also promises that the factory participates in all required insurances.

Despite the term was agreed on the contract, only a few workers have social insurances. A senior worker said she has been working for over ten years and does not have pension until this year. A few workers have also raised complaints regarding the same issue as they have worked at YYII-S6 for over two years and still don't have pension.

Upon signing the contract, worker will receive a copy of the contract to preserve.

Work Hours

"They (the management), ask us to come in 30 minutes earlier to have a morning meeting except it's not really a meeting. Besides receiving management's order of the day, we are also asked to clean the workshop and in the afternoon we have to come back to work at least ten minutes earlier." Provided a few regular workers.

At YYII-S6, each workshop building has a different work hours, below is each workshop building's work hours:

Building A	**7:00AM to 11:30AM**	**12:30PM to 6:00PM**
Building B	7:40AM to 12:10PM	1:10PM to 6:40PM
Building C	**8:00AM to 12:30PM**	**1:30PM to 7:00PM**
Office	7:30AM to 11:30AM	1:00PM to 5:00PM

YYII-S6 regulates a 10 hour work day which includes a two hour mandatory overtime. At workshop, workers clock in/out with a swipe card, and for office workers, they clock/in and out by finger print scanning. For both regular and office workers, they need to clock in within15 minutes before work begins and clock out within 15 minutes after work ends in order to be paid correctly.

All workers have one hour to finish lunch. It takes about ten minutes to walk to the canteen from the workshop, about at least ten minutes waiting in line, including the time needed to walk back to the workshop, workers have about less than 30 minutes to eat. Moreover, even when workers have some free time in hand after lunch, they cannot go back to their dorm room to rest because the factory locks the dormitory entrances at lunch time. Hence, they have no choice but to return to the workshop.

The factory has slow season in June and July. During the slow season, workers have no overtime and two days to rest a week. During the peak season, workers begin to work at least 11 hours a day and have one rest day a week.

Each workshop has different quota depending on the type of work. Generally a production line that consists of 34 workers in the textile workshop has to manufacture 800 to 1,000 shoes a day. When the question of management's attitude was brought to textile workers' attention, few workers said, "I am not sure about supervisors from other workshops, but supervisors here (textile workshop), are experts when it comes to insults".

Wages & Remuneration

Workers are paid by the hour and as of April first, 2008, they are paid by the minimum monthly wage of RMB 770, the most recent minimum wage in Dongguan City.

A regular worker's pay includes:

- RMB 770 minimum wage that covers five work days a week, eight hours a day. (RMB 4.33/hour).
- Weekday overtime: RMB 6.65/Hour
- Weekend overtime: RMB 8.86/Hour
- Holiday overtime: RMB 13.29/Hour

A worker receives an average salary between RMB 1,200 to 1,400 (including overtime and bonuses). Although the pay stub is given on time, the salary is not, workers always receive wages about two days later.

Besides regular salary, workers are also entitled to bonuses depending on their progress. Each day, supervisor will evaluate each worker's performance with a point system and the points will determine the amount of the worker's bonus at the end of the month. On average, each worker receives about RMB 150 to 200.

In terms of benefits, workers at YYII-S6 are entitled to paid sick days, relative visit days, maternal period, annual vacation and other government stipulated holidays. However, ***it is extremely difficult for workers to ask for days off especially during the peak season, which is ten months of a year.***

On the factory campus, there is a workers activity center, library, soccer field, ping pong table, dancing room and other entertainment facilities open to all workers.

Dormitory and Canteen

The factory offers dormitory to workers charging RMB 55 per month. On site, there are six dormitory buildings, each building have eight floors, two rolls on each floor, 12 rooms on each roll and ten beds in each room housing the average of eight workers. Some dormitory floors have TV while some do not. Each dormitory floor has two public restrooms and two shower rooms shared by about one hundred workers.

Since the factory regulates workers from the same workshop to share the rooms on the same floor, restrooms and shower rooms are always overcrowded in the morning, it takes about twenty minutes to get close to the toilet. Because of this, many workers choose to dispose waste in the shower room which later resulted in dormitory supervisor insulting workers on the whole floor.

Although near the restrooms there are signs asking workers to throw trash in the trash can, there are no trash cans in sight.

• Pic 7 The hall way of a dormitory building. Photographed by CLW.

• Pic 8 Food offered by the factory. Photographed by CLW.

In the factory canteen, food distributors often lack of sanitation awareness, not wearing face masks or gloves when distributing food. Although canteens are separated by regular workers section and management section, both regular workers and supervisors complain that the food is disgusting.

Although workers have to pay RMB 165 every month for food, they can choose not to eat breakfast or dinner in exchange for refund. Many rather spend more money outside (about RMB 6 to RMB 10 per meal) and not eat the food in the factory. From the interviews, we were informed that those workers who choose eat outside spends about RMB 400 a month, thus one third of the salary of an average worker. In terms of the food conditions, according to regular workers, the food shared by eight people a table is like pig food, disgusting and sometimes weird objects can be found in food.

Although there are dormitories onsite, more than half of workers live offsite because of family issues. For a worker living offsite, her monthly cost will range from RMB 700 to 800. The cost includes rent (RMB 170 to 250), food cost (vegetable RMB 4 per pound and meat RMB 14 per pound).

Safety Conditions

"On my first day, I puke twice in the morning. When I asked the supervisor to reassign me to a different position, he said, "What can you do? You are so old it's going to be the same for you no matter where I put you". Afterwards, I quit." Described an ex worker.

The factory offers safety equipments to some workers. Only workers using paint and raw materials are offered face masks and gloves. Workers who are exposed to cleaning water do not have the luxury of safety equipments.

According to a senior worker, the cleaning water she uses at work consists of Cyclohexanone that leads to constant sweat, cold limbs, and fatigue. She will be quitting soon, because the factory doesn't provide safety equipments that ensure her safety and she doesn't want to sacrifice her own health for just a few pennies.

Most of the older workers or new workers with limited experience are often assigned to high risk work posts.

• Pic 9 Chemical materials. Photographed by CLW.

Although each workshop has fans, workers still complain about the extreme high temperature

and strong smell.

Award and Penalty

The factory has both award system and penalty systems. The award system is categorized by complimentary, small accomplishment and major accomplishment. The award is given according to worker's personal performance or contribution that enhances factory's operation andetc.

The penalty system has four levels of penalties: warning, small penalty, Major penalty, lay off, and contract termination.

- Warning: Doing none work-related activities at work, damaging sanitation at work, wasting company resources, leaving early, coming to work late.
- Small Penalty: Using company property for personal use, arguing at work, violating company's confidentiality agreement.
- Major Penalty: Causing company huge financial loss, absent to work without proper consent
- Lay off: Workers going on strike, engage theft, fight, joining illegal organizations will be laid off and not hired by the factory.
- Contract termination: Workers who are fired through this procedure will never be hired by any entity owned by Yue Yuen Industrial Corporation.

Resignation

"I have been trying to quit for four years now. After all the talks with supervisors and the manager, I finally got to quit. There were two of my colleagues that couldn't quit properly so they just left without getting paid!"

The factory requires that workers need to file the resignation notice one month in advance. However, in reality, the process is much more difficult. First, the worker needs to receive the team leader's consent, then supervisor's, then the manager's. After acquiring all their consents, will the worker receive a resignation application. The worker then will need to ask for the signatures from the team leader, supervisor, the manager and the factory supervisor. Since all signatures are mandatory, it's very difficult for workers to quit, many often choose to simply forfeit days of wages and leave.

Other Condition

"Suicides happen all the time here, I work for over ten years and seen countless of them. But who cares?" said a senior worker.

Although the factory has a union branch and a mental health center, most of the interviewed workers said those are useless decoration. The union representatives is on the factory's side and has rarely don't anything for the workers and mental health center has never solve any workers' problems, otherwise, there wouldn't have been so many workers committing suicide.

In the summer of 2008, two female workers ended their lives from the eighth floor of a building. Few months later on October 10th, a male worker committed suicide after he was insulted by a supervisor. He died two days later.

"The dormitory management here is so chaotic. I have worked for over ten factories and have not seen anything like this."

Under the dormitory regulation, it states that all new workers who wish to live onsite need to follow the dormitory supervisor's arrangement for a temporary room, then wait for the assistant to workshop to arrange for a permanent room. The reality, however, differs from the regulation statement. The assistant to workshop assigns the new worker to a building and the new worker's search begins. The new worker has to find a room herself in dormitories where workers resent additional roommate due to the minimum living space.

When CLW investigator mentioned the problem to few workers, a new worker shared her story when she first entered the factory.

The dormitory management is so chaotic here. I have worked for over ten factories and have not seen anything like this. When I first came here (YYII-S6), I had to walk from floor to floor looking for a room to stay. I was rejected eight times, so I went back to the supervisor, and he said, "Try again, let me know who won't let you in and give me his/her room and ID number". When I found a fellow villager on the 7th floor, she told me she experienced the same thing when she first entered the factory. She felt bad for me and let me into her room and that was when I finally got to settle down.

My Day at YYII-S6

Contributed by a YYII-S6 worker

6:30AM

I had to wake up because everyone else is up. My fingers still hurt from the work yesterday. My roommates and I can't wash up in our room because our sink is plugged and no one ever comes to fix it, so we had to go to the public shower room. As soon as I walk out I was tripped by a banana peel. I was so careless and I should have known better, there are no trash cans here so there are litters everywhere. I can only blame myself, I am not the only person tripped by litters anyway.

Because of the pain, I walked to the washroom slowly and found myself at the end of an endless line so I gave up on washing up. I then walked to the canteen for breakfast, there's fried rice, fried noodle, buns, soy milk and congee. Although the food is nasty, I still have to force myself to eat, otherwise I would have no energy to work or tolerate supervisor's attitude.

7:10AM

Although I start working at 7:40AM, we have to come to work at least 30 minutes earlier for the meeting. First, I cleaned the workshop and after cleaning all workers gather up and shout our usual slogan, "dedicate to work, loyalty, creativity and service!". Then, the supervisor gave us our quota of the day. My team has 24 people, and generally we have to manufacture 160 to over 300 pairs of shoes per hour.

My job is cleaning shoes which I am given a chemical water to clean the shoes. The chemical water smells very strong, but I am used to it now. When I get older I won't become ill because of this water. Today's work is not too busy because we are working on the same shoe model. Maybe I won't have to use my lunch hour to work today.

12:10PM

• Pic 10 "I walked back to the workshop to take a quick snap." Photographed by CLW.

Finally its lunch time! At lunch we are already assigned to a table, and there is a person designated to get food. Still, he has to hurry up, because if he doesn't, we won't be getting our food that easily when the workers from the other shift come in. Today's food is cabbage and bean sprouts. The food is disgusting as usual, except today I found a piece of newspaper in my soup. There's nothing that I could do except hoping that it's today's newspaper. Other colleagues at my table only grabbed a few bites and left. Since the food was so disgusting, I went to the convenient store and bought a piece of bread for RMB 2. After that, since we are not allowed to return to our rooms during lunch hour, I walked back to the workshop to take a quick nap.

1:00PM

Work became a bit more chaotic. Piles of shoes are in front of me and I am still trying to build up a momentum in washing them. Nevertheless, my fingers hurt from cleaning the paint.

There's a girl next to me with a huge pile of shoes sitting in front of her. Her liver was hurting and couldn't find a person to substitute for her so she went to the restroom without supervisor's approval. After she came back, she was seriously insulted by our group leader. She cried for a long time after that.

6:35PM

Finally work is over. We have to line up and wait for supervisors to count heads, then we can clock out.

Not that many people are at the canteen at night, because dinner is more disgusting than lunch. Today, as usual, we are having cabbage, dried tofu, melon and sour cabbage. I took a couple bites and went back to the dorm.

First thing to do when everyone's back to the dormitory is fighting over shower room. Since we only have eight shower heads, we always have to wait for a long time. To save water, at 9PM the dormitory management shuts off hot water and won't turn it on until after 10PM.

10:30PM

After shower and laundry, I felt hungry again. I asked a roommate to come and share a bowl of noodle with me. The noodle was RMB 5, quite a luxury for people like us.

After the bowl of noodle, there was a huge argument going on in the dorm. The new worker who came in last night was scolded by a senior worker sleeping next to her. The new worker was blamed for making too much noise and the senior workers could not sleep well hence the argument begins. In the end the new worker was lectured to never sleep near that senior worker again.

APPENDIX VI: RESPONSE OF ADIDAS IN 2008

Preliminary Investigation Summary on CLW Report about YYII-S6

对 CLW 针对 YYII-S6 报告的初步调查概要

Major Issues: 主要问题

Issues Addressed in CLW Report CLW 报告中的问题点	**Result of adidas Investigation** Adidas 的调查结果	**YY's Action Plan** YY 的行动计划	**Remarks** 备注
1. Discrimination against male workers; Because of the factory's firm belief that female workers are obedient and can be easily managed; male workers are treated as the unwanted. Only ones that know people or have the financial power to pay an agent or to bribe are able to enter the factory. (page 3)	During our investigation we could not find any evidence of a preference of female workers. The investigation covered both worker and management interviews as well as document checking. 在我们的调查中没有证据显示工厂更愿意招用女工。这一调查包括了与员工及管理层的访谈和文件查阅。 *Additional Information:* The breakdown of gender is as follows: ▪ YYII-S6 currently has 14,543 workers. The percentage of male vs. female worker is 3:7. ▪ Out of the 1030 workers YYII-S6 hired in Sept 2008, 50.87% were male while 49.13% were female. ▪ Out of the 1556 workers YYII-S6 hired in Oct 2008, 57.90% were male while 42.10% are female. YYII-S6 is using three channels to hire workers – • 85% are hired through internal referral, free of charge • 10% are hired through the labour market which is run by local government. Applicants need to pay a referral fee to the Market, but not to YYII-S6. The fee is between 130-180 RMB.	Management has committed to reinforce the non-discrimination policy and train the supervisors and HR staffs again. 管理层答应强调不歧视政策并对主管和人力资源的人员进行在教育。	adidas SEA team will continue to monitor adidas SEA 团队将继续跟进

	• 5% are hired on a walk-in basis, throughan advert on the gate. This is for free.		
2. Inadequate overtime premium; workers are required to enter the workshop 40 minutes in advance for "meetings", but in reality such meeting ultimately spells out factory's intention: you (workers) will start the day by working for us for free. (page 3)	When adidas went to investigate we found that YYII-S6 have done a internal investigation and found that this problem of "coming 40 minutes in advance for Meetings" did not happen with the 1st shift which starts working at 7:20am, but it did happen with the 2nd shift which is scheduled to start working 7:40am. We found that the current factory policy does not include any language on when the workers are expected to show up for work. The SEA team also found that some line supervisors asked their staff to come earlier for meetings, though it is not a factory wide practice. 我们发现目前工厂的政策没有明文规定工人何时应出现在生产现场。 虽然不是全厂的现象，我们还是发现有部分主管要求员工提前到厂开会。	YY is committed to eliminating this practice and to require supervisors to arrange meetings only during working hours. YY 答应取消这种做法并要求主管只在上班时间安排会议。	adidas SEA team will continue to monitor adidas SEA 团队将继续跟进
3. Wage Arrears; The day that workers receive pay stub is actually not the day they actually receive the wages. Workers often receive their payment two or three days later. (page 3)	According to factory records adidas SEA team found that YYII pay workers on the 10th of each month through bank account. This is within the adidas standard and is stricter than local legal requirements. 工厂每月十日通过银行向工人发放工资，这符合 adidas 的标准并且比中国的要求更高。 There is however an issue with the bank transfers for workers. We found that it typically takes the bank 2 to 3 days to complete the whole payment process, transferring the wages to workers' individual accounts. Normally YYII transfer workers' wage to the bank on 8th of each month. 但从银行转的时候有个问题。我们发现银行需要两到三天才能完成将工资转到全厂员工的个人账户。通常工厂	YY's internal compliance Manager has committed to discuss and follow-up with YY management on how to solve the delay in the bank's transfer of wage payments to the workers. YY 内部的 SEA 团队同意与管理层讨论如何解决银行转账的问题。	**Further follow up needed**: adidas SEA 团队将继续与工厂管理层讨论如何减少转账的时间。 The adidas SEA team will continue to monitor and follow-up with the Senior Management at YYII, and discuss options to reduce the time of payment further.

	是在每月八号将工资资料交给银行。		
4. Not all workers have insurances. Moreover, new workers were not provided with explanation	We found that YYII currently meets all local government's requirement in terms of social insurance. YYII has bought commercial	According to YYII the local authority set up a quota every year for them to implement social	**Further follow up needed**: adidas SEA 团队 [illegible] regarding insurances. (page 3)
Insurance to cover for those workers who is not covered by the government social insurance scheme. This is understood by workers and was confirmed through worker interviews. 我们发现 YYII 目前符合当地政府对参加社会保险方面的要求。对于没有参加社会保险的那部分员工，YYII 为他们购买了商业保险。员工访谈证实他们了解这一做法。 .	implement social insurance. YYII will achieve such quota accordingly. 根据 YY 的信息，当地政府每年会给工厂设定参加社会保险的定额，YY 相应地完成了每年的定额。	adidas SEA 团队将继续跟进 In 2008 adidas launched a labour campaign, pushing all our Chinese suppliers to close the gap and fully implement the three main components of Social Insurance, injury, medical and maternity. So far YYII has met most of our targets, but has yet to fulfill requirements on maternity insurance that is normally only available to local residents only, rather than migrants.	
SEA confirmed through worker interviews and visual inspection that workers are provided with PPE's (such as masks, gloves, ear plugs, etc) and these are renewed on a weekly basis. Our document review supports this. 根据员工访谈和对生产现场的稽核，工厂每周提供给员工劳动防护用品，（如口罩，手套，耳塞等） 工厂保存有劳动保护用品的发放记录。 *Additional information from our audit:* The government authority (Dongguan CDC) conducts Air Quality Test in YYII-S6 every year. The report of 2006		The SEA team will continue to monitor the development adidas SEA 团队将继续跟进	5. No safety equipments To YYII-S6, workers who are exposed to chemica such as glue daily don't deserve the luxury of safety equipments. The workers are working while directly exposed t the chemicals. (page 4)

	Suicide Prevention Programme that applies factory wide. The programme comprises: 1) A Mission Group to deal with emergency cases. 2) All levels of supervisors are trained by Mental Health Center on how to identify irregular behavior. 3) Line supervisors are trained in the procedure of dealing with emergency cases. 4) All the staff working in Mental Health Center has received training in Suicide Prevention. *Additional Information:* We can confirm that over the last three years there have been 3 reported cases of suicide in YYII-S6 Each case has been reported to the police for their investigation, as required by law. The police findings have been reviewed by the factory compliance team and by the adidas SEA department. The factory must notify adidas SEA of any accidents or fatalities within 24 hours for an independent investigation of the causes. Where accidents are safety related a full safety investigation is conducted. At no time has there been any indication or evidence that the suicides that have taken place have been related to work pressure, or to the poor treatment of the workers involved.	have been trained in observing workers' behavior, trying to identify potential problems. In addition YY is currently participating in a project for migrant workers, a joint project with adidas, the Chinese Government, the Education Development Center of United Nations, and several NGOs . The project aims to help migrant workers to adapt themselves to city life, after they leave their hometown or rural community.	

Other issues:

Issues Addressed in CLW Report	**Result of adidas Investigation**	**YY's Action Plan**	**Remarks**
Contract and Hire: Male workers need a referrer who is a YY supervisor or above. (page 4)	Please refer to our answer in point 1 above. 请参考我们对以上第 1 点的回复。 Based on workers interviews and having cross-checked factory records, we find that 85% of all new workers are hired	Please refer to answer in point 1 above.	The adidas SEA team will continue follow up.

	through the internal referral mechanism. 根据员工访谈并查阅了的相关记录，工厂 85%的新员工是通过工厂内部的推荐机制招聘的。		
Contract and Hire: Agency Referral Fee: Male - RMB180~320, Female – Free (page 4)	As stated above, recruitment through internal channels is free of charge. Applicants who are hired through Labor Market mechanism need to pay a referral fee to the Labor Market. About 10% of YYII-S6 new workers are hired through standard Labor Market mechanism, pay fees ranging from 130 to 180 RMB. 如上所述，内部渠道的招聘是免费的，而通过劳力市场招聘的员工，员工本人需向劳力市场交付 130-180 元的推荐费。这部分员工占新员工的约 10%	Please refer to answer in point 1 above.	The adidas SEA team will continue follow up.
Contract and Hire: About one thousand workers enter and leave the factory each month with some worked only for two days and left simply because the management's treatment is unbearable. (page 5)	According to our investigation we found that the current monthly turnover rate for YYII-S6 is 5-6% which is in line with the average for the footwear industry in Southern China. 根据我们的调查，YYII-S6 现在的月流动率为 5-6%，在南中国的制鞋行业中处于中等水平。 According to the legal regulations, new workers on probation are free to leave the factory without any restriction and some workers do indeed choose to leave after working less than a week. But that is commonplace throughout the manufacturing industry in China and does not necessary indicate that there is an issue with their treatment or workplace conditions. During worker interviews it was stated by the workers that individuals who only stay a short time may leave because they simply did not like the type of job they were assigned to do..		SEA to continue to monitor adidas SEA 团队将继续跟进

Work Hours: YYII-S6 regulates a 10 hour work day which includes a two hour mandatory overtime. (page 6)	During SEA adidas team's investigation we found during worker interviews that even though they can choose to work OT or not, it will affect the workers monthly production bonus if they do not work OT. adidas SEA 的调查结果显示虽然员工可以选择是否加班，但不加班的话可能会影响到员工的月度生产奖金。 Further, according to the workers they will have to give an advance notice to the supervisor if they will not be able to do OT.	The YYII-S6 management committed to re-emphasize the Voluntary Overtime policy to all supervisors. YYII-S6 管理层答应对所有的主管再次强调自愿加班的政策。	**Further follow up needed**: adidas SEA team will follow up this case, and will seek changes to YY's OT procedures. adidas SEA 团队会继续跟进此事，并研讨对加班程序进行改进。
Work Hours: Even when workers have some free time in hand after lunch, they cannot go back to their dorm room to rest because the factory locks the dormitory entrances at lunch time. (page 6)	We can confirm that workers are not allowed to access the dormitory during lunch break. The reason for this is to reduce the risk of theft of the workers' belongings. 我们的调查确认员工在午休期间不得返回宿舍，主要的原因是减少员工物品丢失的风险。 Our worker interviews indicate that the workers are concerned about the safety of their belongings. Another concern they have is that there is not sufficient time for them to go back to dorm for a proper rest, given that they have a standard 1 hour break, a part of which is taken up by eating lunch. .	The YYII-S6 management agreed to change the policy and allow the workers to return to their dorms during the lunch break, with immediate effect. YYII-S6 的管理层同意改变这一制度，即日起允许员工在午休期间返回宿舍。 The security guards will be trained accordingly. 会对宿舍的保安进行相应的培训。 *Additional information:* Currently about 39% of the workers live in the factory dormitory, while 61% live outside. The workers who live outside of the factory premises, tend to go back to their work station to take a nap after lunch; as captured by CLW's photographs. Sleeping at work stations during lunch hours or at desks in the administrative	**Further follow up needed**: adidas SEA team need to discuss with YY management again on how to secure the workers belongings, and to look at the routines for lunch breaks, to create an option for workers who want to go back to the dormitory to rest.. adidas SEA 团队会再次与 YY 的管理层讨论如何保障员工的物品安全，以及如何安排工作以便员工可以选择午休时返回宿舍休息。

		areas is common place in manufacturing facilities throughout in China.	
Work Hours: During the peak season, workers begin to work at least 11 hours a day and have one rest day a week. (page 6)	Based on worker interviews and the cross-checking of documents we could find no evidence of workers having to work more than 60 hours per week, which is compliant with our Workplace Standards. The worker interviews and document reviews confirm that the wages are paid in line with the law and that they receive 1 day off in seven. 根据员工访谈和记录查阅，我们没有发现员工每周工作超过 60 小时的证据，这符合我们的工作场所标准。 员工访谈和记录查阅的结果确认了员工的工资是依法支付的，并且每周都有一天休息。		
Work hours: Few workers said, "I am not sure about supervisors from other workshops, but supervisors here (textile workshop), are experts when it comes to insults". (page 6)	According to 60% workers interviewed during our investigation we found that they were happy with their supervisors, while another 40% were not. Workers complained that no action is taken by management when they receive complaints about verbal abuse. 我们访谈的员工中 60%对他们的主管满意，而 40%的员工不满意。他们抱怨当反映干部口头辱骂员工的时候管理层没有采取行动。	The management of YY claims they encourage workers to report any insult they encounter through internal grievance channels. YYII-S6 management promise to keep the reports confidential and to investigate such cases. Further they committed to step up training of supervisors, as well as reinforce the disciplinary actions listed in the regulation handbook. YY 的管理层说他们鼓励员工通过内部申诉机制报告他们遭到的受辱事件。YYII-S6 的管理层承诺对该类报告予以保密并且会对此进行调查。管理层也答应对主管们进行再培训，重申员工手册中的处罚措施。	**Further follow up needed:** SEA adidas suggest that YY go through their disciplinary actions again, as well as go through their grievance channel and the training centre to validate the effectiveness of these. adidas SEA 团队建议 YY 管理层再次重审内部的处罚措施，申诉机制和培训中心，看这些机制是否有效运转。
Wages & Remuneration: It is extremely difficult	According to our review of factory records 77.1% of the workers who	The YYII-S6 management committed to remind all	

for workers to ask for days off especially during the peak season, which is ten months of a year. (page 7)	are entitled to paid annual leave had used their annual leave for 2008. No evidence demonstrates that YYII-Y6 management is intentionally preventing workers from taking their paid leave. 根据相关记录的审阅，2008 年享有带薪年假的员工中 77.1%已休完年假。没有证据表明 YY 的管理层有意阻挠员工享受带薪假期。 However, through worker interviews we can confirm that workers find its difficult to take their leave during the peak season.	supervisors to better arrange their production schedules and to allow all workers to complete and receive their paid leave entitlement before the end of 2008. YY 的管理层同意提醒所有的主管更好地安排生产以便员工能在 2008 年底前休完他们的带薪假期。	
Dormitory and Canteen: Each dormitory floor has two public restrooms and two shower rooms shared by about one hundred workers... Restrooms and shower rooms are always overcrowded in the morning; it takes about twenty minutes to get close to the toilet. (page 7)	We can confirm that there are 26 rooms on each floor with 8 people per room. Every floor has 40 toilets and 40 shower rooms which is equivalent to about 5 people per toilet or 5 people per shower room. The number of toilets and shower rooms are sufficient and meet applicable standards. During peak periods of usage, for example in the mornings, workers do have to wait their turn and this causes inconvenience We note that , some male workers have complained that there are not enough toilets for them. 我们可以确认宿舍的每一个楼层有 26 个房间，每间可住 8 人。每层有 40 个厕位和 40 间浴室约等于每 5 人共用一个厕位和一间浴室。厕位和浴室的数量是足够的，符合相关标准。	We are still waiting for response from YY management on this issue.	**Further follow up needed:** adidas SEA team will follow up with management the number of toilets on men's dorm and follow up the standard on female dorms. adidas SEA 会继续跟进男女员工宿舍中厕位的数量问题。
Dormitory and Canteen: Although near the restrooms there are signs asking workers to throw trash in the trash can, there are no trash cans in sight. (page 8)	During our worker interviews the workers confirmed that there is full time cleaning staff at the public areas in the dormitory; however they do think more trash bins needs to be placed in the dormitory. 被访谈的员工确认有专职的人员清扫宿舍的公共区域，但他们觉得宿舍内应放置更多的垃圾桶。	The YY management committed to that the routine inspection will be improved in the dormitory so that the broken or missing trash cans are replaced immediately. YY 管理层同意改善在宿舍中的日常检查，损坏和遗失的垃圾桶会立即更换。	**Further follow up needed:** Adidas SEA 团队会继续跟进宿舍的卫生状况。 adidas SEA team will follow up with management the effectiveness of the video on

		YY has made DVD/movie regarding awareness of hygiene standards. The Hygiene awareness movie is shown in the DVD centre, located in the living area.	hygiene and the standards of the dorms.
Dormitory and Canteen: In the factory canteen, food distributors often lack of sanitation awareness, not wearing face masks or gloves when distributing food. (page 8)	According to our investigation we found that nominated administrative staff are on duty everyday during dining time to solve the problems happen in the canteen and also to monitor the sanitary conditions. 我们的调查显示工厂指派行政人员每天在就餐时间在餐厅值班，解决发生的问题并检查卫生状况。 By observation and during worker interviews we verified that before the food providers get their Health Certificate from government authority they have been trained in knowledge of hygiene. Document review and interviews shows that the training will be refreshed when their Health Certificate gets renewed annually.		
Dormitory and Canteen: Both regular workers and supervisors complain that the food is disgusting... The food shared by eight people a table is like pig food, disgusting and sometimes weird objects can be found in food. (page 8)	Complaints about the choice and quality of food is one of the most concerns raised by workers in factories in China. 在中国的工厂，员工抱怨最多的问题之一就是伙食的花样和质量。 It was confirmed during our worker interviews that the workers were not happy with the quality of the food. They were however happy with the quantity of the food.	YY committed to address workers' complaints to their canteen contractor and work with the contractor for improvement. YY 答应把员工的抱怨带给餐厅的承包商，并与承包商一起进行改善。	**Further follow up needed:** The adidas SEA team will follow up with YY management to conduct survey among the workers to learn more about their food habits, preference for food and look into alternative solutions. adidas SEA 将与 YY 的管理层一起了解员工在伙食方面的习惯和偏好，以找出一个折中的解决办

			法。
Safety Condition: According to a senior worker, the cleaning water she uses at work consists of Cyclohexanone that leads to constant sweat, cold limbs, and fatigue. Although each workshop has fans, workers still complain about the extreme high temperature and strong smell. (page 8 and page 9)	Firstly the worker who is reporting her concerns and health issues should immediately report to the YY hospital for a medical check, it is open 24 hours a day.. The symptoms described here are not typically associated with exposure to Cyclohexanone. Short term exposure to Cyclohexanone would normally result in irritation: a cough, sore throat, red eyes and dry, red skin. 首先，抱怨对健康有担心的那位员工应立即到 YY 的医院去就医，医院 24 小时都开门。她所叙述的症状并不是使用环己酮的典型症状。短时接触环己酮会导致的刺激包括：咳嗽，喉咙疼，眼睛发红和皮肤干燥发红。 SEA has, over many years, conducting announced and unannounced visits to production areas and have staff based permanently at this facility. We have observed that workers who are using glues, solvents and other chemicals are provided with the correct protective equipment such as masks, gloves, etc. A ventilation efficiency assessment is conducted in the factory every year. Ventilation systems are maintained regularly with records on file showing these checks. However,	According to YY Management the Health & Safety Committee and the Safety Officers in YYII-S6 will keep on monitoring the ventilation and temperature in the workshop and will keep on checking the usage of the protective equipments. YY 的管理层回应说 YYII-S6 的安全健康委员会和安全主任会继续稽核工作场所的通风和温度以及劳动保护用品的使用情况。	**Further follow up needed:** adidas has requested that YY consider replacing Cyclohexanone in the production process [is this recommendation on a technical assessment?] adidas 已经要求 YY 考虑在生产流程中替代环己酮。

	Cyclohexanone does have a distinctive and strong odour and if workers are complaining about the use of this chemical, and the odour can not be effectively managed through positive extraction systems, then an alternative or replacement chemical must be found.		
Other condition: The union representatives is on the factory's side and has rarely do anything for the workers and mental health center has never solve any workers' problems, otherwise, there wouldn't have been so many workers committing suicide. (page 10)	YYII-S6 Union establishment is in full accordance with the China Union Law. That does not mean of course that workers fully trust, or feel, that the unions members are representing their interests. This is a sentiment commonly expressed by workers and is one of the major drawbacks of a single government-mandated form of representation. To provide workers with alternative means of representation, the factory also established a Welfare Committee with 44 members elected directly by the workers. The committee holds Monthly meetings with the participation of both management and the Committee members. Workers' concerns and ways of improving conditions are discussed during these meetings, but direct feedback to workers is limited. YYII-S6 工会的建立完全符合中国的工会法。这当然不意味着员工们完全相信或感到工会能代表他们的利益。这是员工们普遍表达的，也是政府规定的单一代表形式的主要弊端之一。为了提供给员工其他形式的代表机制，工厂还建立了福利委员会。委员会的44 名代表是员工直接选出的。委员会每月会与管理层开会讨论员工们关注的问题和改善各种条件的措施，但讨论的结果没有直接反馈给所有的员工。 Finally, a mental health center of YYII-S6 was established in 1998 with professional psychological consultants. Being another bridge between the workers and the management. To date, in 2008 the Center dealt with 230 cases.		**Further follow up needed:** YY need to review the effectiveness of the Welfare committee, to help critical worker issues. YY 需要重新审视福利委员会运作的有效性，以帮助员工解决困难。 adidas SEA team to follow up. adidas SEA 团队将继续跟进。

	However during worker interviews we found that the regular line workers know far more about Mental Health Centre than either the activities of the Trade Union or Welfare Committee members. The workers confirmed that they if they needed held they would rely on the staff of the MHC.		
Other condition: The new worker has to find a room herself in dormitories. (page 10)	We did not find any evidence of workers having to look for a room themselves as new hire. During worker interviews we found that the workers are all guided by administration staff to access their dormitory room. This is also supported by the factories handbooks. 我们没有发现新员工要自己找宿舍房间的证据。我们访谈的员工都是由行政人员指点宿舍的房间。员工手册也是这样规定的。	The management in YY claim that the dormitory administrator and/or the mentor will be disciplined if they fail to follow company set regulations for this. YY 的管理层说如果宿舍的行政人员或新员工的导师没有遵守工厂的规定将受到处罚。	

APPENDIX VII: 2002 INVESTIGATION REPORT OF YY GROUP

By China Labor Watch

Background

This report covers the period from January 1999 to October 2002. All the information was gathered by China Labor Watch (CLW) through independent investigations.

The YueYuen Shoes Factory in Dongguan is a giant shoe manufacturer with 50,000 employees and is a branch of the Pou Chen Corp (Chinese name: BaoCheng Group).

Our investigations found the following violations:

- Intense pressure of work is one of the major reasons behind the deaths of 12 female workers since 1994.
- The factory paid the workers 33 cents/hour. The workers wage not enough to support a family.
- Union representatives are appointed by the factory management and do not represent the workers' interests.
- The workers are asked to work 60 hours each week. According to China's laws, workers should not be asked to work more than 40 hours each week with overtime limited to 36 hours per month. The factory violates Chinese laws.
- The workers have no insurance nor pension system and have no access to welfare if they become unemployed.
- The factory only employs female workers aged from 18 to 25.
- The factory uses video monitors to spy on workers on the pretext that it is preventing theft and monitoring production.
- The pace of production is unreasonably high and contributes to exhaustion, stress and accidents.
- Some workers have been unable to visit their hometowns and villages for over six years.
- There is evidence of managers sexually harassing female workers.
- The factory has Human Rights Managers and Social workers but they will often impose rules on workers by deducting their salaries.
- The factory discriminates against female workers.
- The factory still uses toxic glue in certain sections.

Problem One: Contract

The People's Republic of China Labor Law Chapter 3, Article 19 which clearly states the employers shall sign a labor contract with their employees.

Article 19

Labor contracts shall be concluded in written form and contain the following clauses:

(1) Time limit of the labor contract;

(2) Content of work;

(3) Labor protection and labor conditions;

(4) Labor remunerations;

(5) Labor disciplines;

(6) Conditions for the termination of the labor contract;

(7) Liabilities for violations of the labor contract.

(8) Apart from the necessary clauses specified in the preceding clause, the parties involved can include in their labor contracts other contents agreed upon by them through consultation.

Article 98

The employer that revokes labor contracts or purposely delays the conclusion of labor contracts in violation of the conditions specified in this law shall be ordered by labor administrative departments to make corrections and assume responsibility over compensation for any losses that may be sustained by laborers therefrom.

We have learned that there are collective contracts between the factory and the workers. However, the contracts are signed by "group leaders" in the name of the workers instead of by the workers themselves. The workers never see the contract. The factory keeps the contract but do not issue copies to the workers. The contract is valid for one year, but the workers are kept uninformed of the contract details including terms, renewals and expirations. According to Article 21 of China's Labor Law's an employee's probation period should not exceed six months. Moreover, if a worker accumulates over ten years service at his or her place of employment the employer is obliged to sign a long term contract with the employee. At present, many workers have been working at the factory for over ten years, but remain employed on annual contracts.

Our goal is for each worker have a copy of the collective contract, and that the factory signs long-term contracts with those qualified.

Problem Two: Discrimination

According to PRC Labor Law Chapter 2, Article 12

Laborers shall not be discriminated against in employment due to their nationality, race, sex, or religious belief.

Since 1999, the factory has adopted a policy of mainly employing female workers. Male workers are only employed with the specific approval of section managers. This has led to a male to female ratio of 1 to 15.

This situation burdens women workers with tasks generally undertaken by male workers. There is also evidence of female workers being sexually harassed by some managers. In China, the average age of a woman getting married is 21, but at the factory more than 60% female workers over 25 years old are still single. According to our investigation, most female workers are anxious

to get married and start a family. These factors give rise to considerable psychological problems for female employees contributing to at least 12 suicides.

Our goal is for the factory to offer equal opportunities for both male and female workers.

Problem Three: Working hours

According to PRC Labor Law Chapter 4, Article 36

The State shall practice a working hour system wherein laborers shall work for no more than eight hours a day and no more than 44 hours a week on the average.

According to PRC Labor Law Chapter 4, Article 41

The employer can extend work hours due to needs of production or businesses after consultation with its trade union and laborers. The work hours to be prolonged, in general, shall be no longer than one hour per day, or no more than three hours a day if such prolonging is called for due to special reasons and under the condition that the physical health of laborers is guaranteed. The extended work hours shall not exceed, however, 36 hours a month.

However, through its private connections, the factory was granted permission by Dongguan Labor Department to have the workers work as many as 86 hours of overtime. Although the factory was offered the privileged policy, the policy itself violates China's labor law. This normalization of prolonged overtime is in violation of China's labor law.

Saturday is the legal off day, but the factory forces the workers to work 8 hours and pays them at standard rates of pay in violation the law which states that work done on rest days must be paid at overtime rates.

A shoe worker's typical working day:

7:30am to 11:30am: working;

11:30am to 13:00pm: lunch hour (each division is different from each other);

1:00pm to 5:00pm: working;

5:00pm to 6:00pm: dinner time (each division is different from each other);

6:00pm to 8:00 or 8:30pm: overtime working.

The workers are kept in the factory for 12 hours and 40 minutes per day clocking up 256 hours each month well over the legal limit of 176 hours.

Following the drop in orders after the September 11 attacks on America, overtime was stopped and many workers were laid off without compensation. In April 2002, the total number of employees had dropped by 10 percent but overtime was reintroduced.

Our goal is that the factories comply with Chinese labor laws and regulations; work hours should not exceed 8 hours per day and overtime working should not exceed 36 hours each month.

Problem Four: Intensity of Work

Since the factory introduced codes of conduct of international companies, the pace of work has increased. For example, now the workers have to finish a job in 10 hours that used to take 12 hours. This in effect increases working intensity.

The 95 workers in the formation group were required to finish producing 2400 pairs of shoes before 9:00 pm. After the codes of conduct were applied, the completion time was changed to 8:00 pm. The yield is the same, but the time is shorter. The factory requests workers to get off work before 8:00 pm. To get around the code's stipulations on working time, management simply increased productivity. If a group can't meet its production target within the required time limit, the group leader and supervisor will be punished, putting further pressure on workers.

Problem Five: Wage Problem

According to PRC Labor Law Chapter 4, Article 49

Standards on minimum wages shall be fixed and readjusted with comprehensive reference to the following factors:

1) The lowest living costs of laborers themselves and the number of family members they support;

2) Average wage level of the society as a whole;

3) Productivity;

4) Situation of employment;

5) Differences between regions in their levels of economic development

The workers are paid piece- rates with each worker's productivity and therefore wage calculated by her team leader. The legal minimum wage in the districts covered in this report is US 33 Cents per hour. (Current official exchange rates are 1USD: 8.2RMB)

The factories pay the workers monthly wage 450 RMB ($54.8/176hour), but 90 RMB is deducted from the salary for living expenses. Before 2000, the deducted amount was 60 RMB. After Dongguan municipal government adjusted the minimum wage standard from 400 RMB to 450 RMB in July 2001, YueYuen factories had to increase the salary to 450 RMB, but the deducted living expenses increased too. Therefore, the real wage of workers hasn’t increased. (The deducted dorm fee increased from 15 RMB to 45 RMB too. Medical fee 15 RMB. Other fee RMB5. The total amount of deducted fees is 155 RMB.)

Generally speaking, a model group that has 95 workers produces 550,000 pairs of shoes per month--it reaches 700-800,000 during busy seasons. On average, a worker's wage is $0.33US/hour. If the cost for food and medicine is deducted, the worker actually gets $0.24US per hour.

Using these figures as a basis, a worker will take home just $2.44 US for a 10-hour shift. This translates to $14.65 US/week, $62.4 US/month and $748.80 US/year.

In a stitching group, which has 57 workers and has a yield of 600 pairs of shoes each day, a worker is paid $0.30 US/ hour, which translates to $3 US/day, $18 US/week, $76.8 US/month, $921.60 US/year.

A worker in the cutting group cut more than 20 pairs of shoes per day, is paid $0.28 US/hour, $2.8 US/day, $16.8 US/week, $71.68 US/month, $861.6 US/year.

According to PRC's Labor Law Chapter 4, Article 44

The employer shall pay laborers more wage remunerations than those for normal work according to the following standards in any one of the following cases:

1) Wage payments to laborers no less than 150 percent of their wages if the laborers are asked to work longer hours;

2) Wage payments to laborers no less than 200 percent of their wages if no rest can be arranged afterwards for the laborers asked to work on days of rest;

3) Wage payments to laborers no less than 300 percent of their wages if the laborers are asked to work on legal holidays.

To count a minimum salary for a worker according to the local law. 450 RMB (that is $54.80 US) is the minimum wage for working 176 hours/month (minimum hourly wage is $0.33 US). Overtime working in Saturdays should be paid two times of minimum wage, $0.66 US/hour. The total overtime working hours in Saturdays are 36 hours, which means the workers should be paid $23.76 US. Overtime working in weekdays should be paid 1.5 times of minimum wage, $0.495 US/hour, which means $24.75 US for workers because they overtime work 50 hours in weekdays. Therefore, $54.80 US plus $23.76, plus $24.75, the total minimum income for a worker should be $103.30 US/month, but the actual wage a model worker is $71.68 US.

A pair of brand named sneakers retails for $130 in the United States. Of this sum, less than $1.50 goes to the workers who made the shoes.

According to Dongguan local authorities, the minimum salary for a worker is 450 RMB per month $54.80 US per month, 33 cents per hour. The factory should take responsibility to purchase workers' health insurance, unemployment insurance and pensions.

According to PRC Labor Law Chapter 9, Article 72

The sources of social insurance funds shall be determined according to the categories of insurance, and the practice of unified accumulation of insurance funds shall be introduced. The employer and individual laborers shall participate in social insurance in accordance with law and pay social insurance costs.

Although the factory reaches the minimum pay level stipulated by the local authorities, they don't buy any insurance for their workers. The problem is, if the workers buy unemployment insurance or pension, she/he will not be able to support her/himself on current wage levels.

A worker at the state run water factory gets $0.76 US per hour, 176 hours per month, so the monthly wage is $146 US. He/she does not work overtime, so his/her total income is $146 US. On top of the $146 the worker receives, the water factory offers medical, retirement and unemployment insurance. The YuYuen factory does not have anything to offer in this respect. Only people at management positions get some form of insurance and they only account for 5% of the total workforce.

Workers doing the same job in some joint-ventures can be paid up to $146 US per month before overtime and with insurance. Workers at the YueYuen Factory get just $60 US. In a state run water factory, if the cost for insurance is deducted, the pay can be over US$200 per month going up to $230 US with over time.

The wages of YueYuen factory workers are 70% less than the workers in Nestle Coffee Factory (Joint venture with Chinese and foreign investment) in Dongguan, which located 3000 meters away.

Our goal is that the factory pays workers wages both legal and sufficient to cover basic needs and to raise their family.

Problem Six: Insurance Problem

The factory doesn't buy the workers pension, unemployment insurance, health insurance, working injury insurance, maternity insurance and so on.

According to China's Labor Law chapter 9

Article 70

The State shall promote the development of the cause of social insurance, establish a social insurance system, and set up social insurance funds so that laborers can receive help and compensation when they become old, suffer diseases or work-related injuries, lose their jobs, and give birth.

Article 72

The sources of social insurance funds shall be determined according to the categories of insurance, and the practice of unified accumulation of insurance funds shall be introduced. The employer and individual laborers shall participate in social insurance in accordance with law and pay social insurance costs.

Article 73

Laborers shall be entitled to social insurance treatment in any one of the following cases:

1) Retire;

2) Suffer diseases or injuries;

3) Become disabled during work or suffer occupational diseases;

4) Become jobless;

5) Give births.

The dependents of the laborer who dies shall enjoy, in accordance with law, subsidies provided to these dependents. The conditions and standards on the eligibility of laborers for social insurance treatment shall be stipulated by laws and regulations. The social insurance funds for laborers shall be paid in due time and in full.

However, the factory only buys partial insurance for the management team. After leaving the factory, even managers only get a very small amount of compensation.

Medical treatment: the factory has a clinic to handle minor illnesses. If workers get seriously sick, he/she has to take unpaid leave from work and go home and the factory takes no responsibility for the cost of medical treatment. In China, if a worker can't afford medical treatment, the hospital will refuse to treat the patient. It’s not uncommon for workers to die because they cannot afford medical treatment.

Unemployment insurance and pensions: Most workers are from 18 to 25 years old as the factory doesn't employ workers over 25 years of age. Generally speaking, because of the high labor intensity and psychological problems caused by work, employee turnover is high. Because other factories don't hire workers over 25 either, it is extremely difficult for a worker to find alternative work. Many are forced to return home and either start a small business or do odd jobs. As the factories do not pay into pension insurance funds and regular work is scarce in their home towns and villages, planning for a secure retirement is simply not on the agenda.

At the same time, China doesn't have an effective social security system, so they can't rely on the government. Looked at from this angle, working in a factory like the YueYuen shoe factory can be a potential disaster in the making for young workers. They contribute the best years of their lives working for the factory without any welfare for their future and when they leave the factory, they are often left with nothing. Chapter 9 Article 72 of China labor law states that employers and workers must take part in social insurance and pay the insurance fee. This is required by law.

Our goal is to see that the factory provide the workers with pensions, unemployment insurance, and health insurance.

Problem Seven: Food

There are three lunch times: 11:00 am, 11:30 am and 12:00 pm. Different sectors take lunch at different times. The workers are required to finish eating their lunch in half an hour. If they take up more than half an hour, they have to stop eating.

Different standards of food is prepared for general workers, line supervisors and managers. For example, the food for a low-level manager costs 13RMB per day and just 7RMB for a worker. The meal fees are 90RMB/month will be deducted from every worker's income. The food is partially subsidized by the factory, and the rest is deducted from the monthly salary. Our goal is that the factory increases the number of dining rooms and allows workers enough time to finish their meals.

We also hope the standard of food for workers is equal to the food prepared for managers.

Problem Eight: Workers cannot get legal vacation time

According to PRC Labor Law Chapter 4, Article 45

The State follows the system of annual leaves with pay.

Laborers shall be entitled to annual leaves with pay after working for more than one year continuously. Specific rules on this shall be worked out by the State Council.

According to the Regulations on Employee's Rights to Reunion with Families, which is officially recognized a labor and administrative law, employees working for the government, organizations, companies and factories for over one year, but not living with their husbands or wives and unable to visit them on weekends or off-days, are entitled vacation to visit their families once a year, for 30 days. The time spent on the travel can be added in certain circumstances.

YueYuen factory is a foreign-invested factory and subject to the above regulation. The Regulations on Labor Issues in Foreign-Invested Companies also states clearly, that workers working in foreign-invested factories have the right to take holidays, weekends and vacations to visit family, get married, or for maternity leave.

However, during Chinese lunar New Year festival, the factory only approves four days holiday. The administrative clause issued by the State Council: If the husband and wife work in different places, they can have vacation time for one month. Most workers in YueYuen factory are from the provinces of Hunan, Sichuan and Jiangxi there are 10,000 workers from Changde city, Hunan province alone). Workers have just two days to get home which may be up to 1,500 kilometres away. Since the factory only allows workers four days leave many choose not to go back home for Chinese New Year. There are workers who haven't gone back home for six years just because the New Year leave granted by the factory is too short. Obviously husband and wife reunions for married workers is very difficult.

Our goal is that the factory grants 30 days vacation for married workers to visit home, 15 days vacation for single workers, so they can have enough time to visit families.

Problem Nine: Labor Unions

Although there is a labor union in the factory most workers are unaware of its existence. The chairperson of the union is a senior manager (name : Huo Canyu) in charge of general affairs at the factory.

The daily routine of the official union are managed by general affair managers in each branch of the factory respectively. Committee members of the union are group leaders of workshops. All union members are at least group-level managers. Ordinary workers do not know if they are members of the union.

We ask that the union officials be elected by workers and represent the interests of the workers. Union representatives should sign the collective contracts with the factory, and negotiate with the factory on issues of wage, welfare and working hours.

Problem Ten: Human Rights

The factory has a Taiwanese in charge of labor and human rights issues named Lin Shunian. However he frequently resorts to heavy demerits to workers when they fail to meet targets and lays off workers for violating regulations a punishment which itself violates Chinese labor law. If a group fails to complete its quota on time, he will punish the group leader with a heavy demerit. This forces the group leader to increase labor intensity to meet the production quota without working going over time. Up to date, there are over 20 incidents of punishing workers and dismissing workers for these reasons each month. There is also a system of fines. 10 RMB for a warning, 30 RMB for a minor infraction and 90RMB for a large infraction.

There are many human rights and labor organizations coming to the factory to monitor the situation but the workers, afraid of losing their jobs, are reluctant to speak candidly and openly.

At present, the workers are still paid below the minimum wage stipulated by local authorities. Female workers suffer from sexual harassment. Mandatory overtime is a regular part of factory life. Obligations to arrange pensions, unemployment insurance and health insurance, all which are required by China's labor laws, are ignored. The factory can and practices arbitrary termination of its workers.

Our requests are: when disputes arise between workers and factory management, all parties including international companies, workers' representatives and factory management should negotiate solutions satisfactory to all parties. It is our hope that international companies will assist in concrete improvements to working conditions including increasing the wage to at least the

legal minimum, shortening work time and reducing the pace of production. We also ask that the factory fulfills its insurance and welfare obligations to the workforce.

Problem Eleven: Video Monitors

The factory installed monitors in workshops in order to prevent workers from stealing shoes and monitor production. When the workers leave the workshops, security guards can arbitrarily rummage through their belongings.

We ask the factories to stop using these monitors.

Problem Twelve: Chemical materials

The factory uses dangerous detergents to clean machinery. Toxic glue is still used in some processes such as 'marking' for the stitching machines and in final shoe-head cleaning procedures. In general, cleaning the shoe heads is undertaken by group leaders. Although they are aware that use of the chemical tolueneis is dangerous to an individual's health, they dare not slow production by using less harmful substitutes. We ask the factory to reduce the use of toxic glue to reduce health risks.

Problem Thirteen: Voluntary Resignation and Dismissal

According to PRC Labor Law Chapter 3,Article 28

The employer shall make economic compensations in accordance with relevant State regulations if it revokes labor contracts according to stipulations in Article 24, Article 26 and Article 27 of this Law.

Article 24

Labor contracts can be revoked with agreement reached between the parties involved through consultation.

Article 27

During the period of statutory consolidation when the employing unit comes to the brink of bankruptcy or runs deep into difficulties in production and management, and if reduction of its personnel becomes really necessary, the unit may make such reduction after it has explained the situation to the trade union or all of its staff and workers 30 days in advance, solicit opinions from them and reported to the labor administrative department. Where the employing unit is to recruit personnel six months after the personnel reduction effected according to the stipulations of this Article, the reduced personnel shall have the priority to be re-employed.

In the months before and after Chinese New Year, over 2 percent of the workers quit their jobs. According to the labor law, when a worker leaves his/her job, he/she should be awarded a bonus calculated on years' service at the rate of one month salary for one year’s working. Some workers worked for six years before leaving but did not receive this bonus. Moreover, management often refuses to issue employees' final month's salary.

The factories do not provide the legally mandated any unemployment and medical insurance, or pension for workers. They do not pay workers basic wage in the dull season, which forces the

workers to quit their jobs, and the workers don't get any compensation after leaving the factories. See above.

We request the factory compensate the workers, according to Chinese law, when they leave the factory. The factory also should compensate those workers without medical/unemployment insurance and pension, according to Chinese law.

We request that management fulfill all their legal obligations to workers who leave the factory, including years of service bonus and various labor insurance obligations.

Problem Fourteen: Dormitory Accommodation

Security staff are stationed at the entrances to all the dormitories. Whenever the workers enter the dorm, they have to show their IDs. For low level managers, four persons live in one room; for group leaders, six in one room; for ordinary workers, twelve or fifteen in one room. The room for workers is 25 square meters with one restroom.

We ask the factory to provide ordinary workers with the same level of accommodations given to group leaders - six people to one room. Rooms with 12 to 15 people are over-crowded.

Conclusion

It is obvious that Adidas suppliers are in constant violation of Chinese law and its Code of Conduct.

APPENDIX VIII: 2008 INVESTIGATION REPORT OF SHINGTAK FACTORY

By China Labor Watch

August, 2008

Background

Chengda is a Taiwanese invested factory established in 2004. Besides shoes, the corporation also invests in real estates and etc. Chengda has three branch factories; Chengda #1, #2 and #3.

Below are a few points that needed to be brought to attention:

- It is very difficult for workers to quit during probationary period. Most of them have no choice but to leave without permission and forfeit their wages.
- Workers work about 10 to 12 hours daily. In addition, workers are paid inadequately for the overtimes they worked.
- Majority of workers are paid from 1,100 to 1,300 RMB per month.
- Factory deducts 160 RMB from all workers' wage as dining expense, no matter whether they dine at factory canteen or not.
- No safety training. The factory does not have a regulation or explanation towards workers' safety equipments or supplies.

Contract and Hire

Chengda signs contract with workers and gives them a copy. The term of the contract is three years, with one month probation. The contract is fully prepared by the factory without consent of workers. All key matters, such as contract duration, probationary period, work details, work hours, pay and etc., are decided by the factory. Workers are simply asked to fill out their personal information and sign the contract. During training, workers were told by a trainer that, “You work eight regular hours a day in addition to two to three hours of overtime and you won't be paid for these overtime hours.”

Towards the insurance of medical, work injury pension which are all mandatory according to Chinese labor laws, most interviewed workers do not know whether they are insured or not. Such situation may be contributed by lack of management-workers communication.

It is very difficult for workers to quit during probationary period and the only way is to leave voluntarily and forfeit a great proportion of their wage. Chengda clearly regulates that workers who leave without permission will never be hired by Chengda again. For workers who wish to resign after probation, they will be required to fill out a resignation application at the Human Resource office and wait for it to be processed and approved by the Director and Business department's assistant manager. The process may cost a long time.

Working Hours

Take Chengda #1 first floor's production line as example, the work schedule is as following:

- Morning meeting 6:55AM ~ 7:20AM
- Morning 7:20AM ~ 11:20AM
- Afternoon 12:45PM ~ 4:45PM
- Overtime 5:30PM ~ 9:00PM

Workers work six days a week. However, in peak season, workers may be asked to work on Sunday. In this case, workers are not paid as twice as regular hours, as required by law. Instead, the factory will give them one day off in the next week as a reimbursement.

Workers are required to clock in and out 15 minutes before work begins or within 15 minutes after work ends. Overtime is voluntary at Chengda, workers who request to work overtime need to fill out an overtime application form.

Workers are able to use the restroom or drink water freely at work.

There is a daily quota set for each production line. The amount of current production is shown on the monitor, so the workers can see their progress and accommodate their work paste.

Wage and Remuneration

Majority of workers' wages are paid by piecework. However, the rate is fully decided by the factory. None of the workers interviewed knew the rate for each item. As mentioned above, there is no overtime premium in this factory. Workers are still paid by the regular piece-rate when working overtime.

Chengda generally distributes wages in the period of 28th to the end of each month. Though there is a pay stub attached with the payment, workers are still unfamiliar with the wage calculation details. According to our survey, a regular worker's average monthly wage ranges from 1,100 to 1,300 RMB. There have been some workers from Chengda #3 paid 1,700 RMB a month for their advance work paste.

Workers at Chengda are able to enjoy paid maternity period (90days), marriage leave, and mourning leave.

Canteen and Dormitory Conditions

Chengda provides dormitory to workers and deducts 40 RMB from each worker's monthly wage. In addition to the monthly dormitory fee, workers are financially responsible for the ir utility bill. For those who choose not to live in the dormitory do not need to pay the fee. New workers who choose to live in the dormitory need to submit an application, show factory ID and personal luggage to the dormitory supervisor after 5PM.

There are rooms housing six persons and rooms housing eight persons. Workers are assigned to the rooms according to the area they work. For example, workers at Chengda #1 and #3 are assigned to the six - person s room and workers at Chengda #2 are assigned to the eight - person s room Male and female workers are separated by each floor. Inside each room are bunk beds, two

storages for each person, an air conditioner, a TV stand, AC outlets, an independent shower room and restroom, and a balcony with two faucets for washing and drying clothes. Workers often complain about lack of sunlight in the rooms. Workers have to take turns on a weekly basis to clean the room. Before entering the room, workers would generally take off their shoes and enter the room with sandals.

There are drinking water distributors installed in the hallways. The dormitory has a curfew; workers who do not return to the dormitory by 11PM will be written down by the securities.

There is a workers canteen onsite; Chengda deducts a 160 RMB monthly meal fee from all workers disregard whether or not they choose to dine in the workers canteen . Below is the canteen schedule:

Canteen Schedule is as following:

Breakfast: 6:30AM ~ 7:40AM; Fried noodles and etc. (Free rice and soup)

Lunch: 10:20AM ~ 11:30AM; Two vegetable entrees and one meat entrée (Free rice and soup)

Dinner: 3:40PM ~ 5:30PM; Two vegetable entrees and one meat entrée (Free rice and soup)

Although rice is free, Chengda gives a minor warning to those who did not finish their rice. A minor warning leads to a 10 RMB bonus deduction.

Work Conditions

There are about more than ten production lines at Chengda #1's textile workshop on the first floor and each production line has about 20 workers. There are no air conditioners installed at the workshop, only fans are available to workers. Chengda does not provide safety training to workers, instead, workers could only depend on their own experience in figuring out the safest way to work.

Moreover, many workers engage in manual labor do not have any safety equipments and have to apply glue by hands on a daily basis . According to workers, only when audits are taking place would Chengda begin to distribute face masks and gloves. Supervisors often emphasize the importance of quality control. Since workers are paid by the piece-rate, they are more concerned about their production speed.

There is only one drinking water distributor in the entire workshop and it's shared by both the workers and office employees. Since one distributor is not enough for everyone, some supervisors would ask workers to put in some money to buy water.

Bonuses and Penalties Chengda has a list of bonuses and penalties (See below). When a penalty occurs, Chengda will deduct a certain amount from the worker's bonus depending on the types of penalty. Bonuses and penalties are awarded and deducted on a monthly basis.

- Types of bonuses:
    - Small Award: 10 RMB Bonuses
    - Small Accomplishment: 30 RMB B onuses
    - Major Accomplishment: 90 RMB B onuses
- Types of Penalties:

- Warning: 10 RMB B onus Deductions
- Small Penalty: 30 RMB B onus Deductions
    - Mistake that leads to a company loss ranging from 100 to 500 RMB; leave early or late for work for more than three times within one month timeframe ; intentionally fail to clock in or out.
- Major Penalty: 90 RMB Bonus Deductions
    - Fail to shut down machinerie s or workshop's power after work; asks others to clock in or out; clock in or out for others . Clock in for others as well as for themselves is considering a violation.
- Contract Termination:
    - Absence to work for more than three consecutive days, absence to work for seven days within one month timeframe , or 15 days within one year timeframe ; impose physical violence or public insults against co - workers, superiors or family members.

Other Conditions

Workers can file complaints and have possible solutions through workers representatives, complaint boxes, meetings and etc.

Workers need to swipe in and out before entering or exiting the factory site. Securities will also search their belongings, if any.

If there is a conflict between a worker and a security, and if the situation is serious, the worker would be fired. There was a case of a worker got into an argument with the canteen securities and was beaten up and fired.

In order to work for Chengda, workers would need to open a bank account at the local agricultural bank, pass a health examination and acquire a temporary housing ID. The bank account fee is 15 RMB, the health examination fee is 30 RMB, and the housing ID is 35 RMB.

APPENDIX VIIII: LETTER FROM ADIDAS, RE: CLW 2002 REPORT

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adidas-Salomon International Sourcing Limited
Suite 05, 10/F, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

Date: 21 November 2002

Mr Li Qiang
Executive Director,
China Labor Watch
P.O. Box 4134
Grand Central Station
New York, NY 10163-4134
U.S.A.

Your reference	Our reference	Phone No.	Fax No.
		(852) 2302-8735	(852) 2302-8862

Dear Mr Li

Thank you for your letter of 24 October 2002, which outlines your concerns over working conditions in our suppliers' factories in China. Thank you also for directing us to the CLW web page, where you have posted a report on the YueYuen (YY) footwear factory in Southern China. We have carefully read through the report, which we believe contains a number of inaccuracies and conjecture, based on a misinterpretation of the facts. Although your letter has posed a number of general questions, in answering these questions I have taken the opportunity to address some of the specific points that appear in your report, assuming these are basis for your queries.

In your letter you have asked adidas-Salomon to do more to guarantee the basic rights and provide "humane, dignified working and living conditions" for those workers. We share with you these ideals - they are the cornerstone of the Standards of Engagement (SOE), our company code of conduct. The SOE aims to ensure that our suppliers' factories are safe, fair places to work and we are working hard to achieve this. How? The primary mechanisms are through *monitoring* factories for their compliance against our standards, and where necessary taking action to safeguard worker rights where there is a breach of those standards, and providing *training* – building the capacity of our suppliers, so that they to make SOE part of their everyday operations.

The SOE programme is managed by a very committed team of individuals within adidas-Salomon's Social and Environmental Affairs (SEA) Department. The SEA team, which operates independently of our sourcing organisation, conducts many hundreds of factory audits and training sessions each year. Here in Asia we have 19 SEA compliance staff, six of whom are dedicated to monitoring and working with our suppliers in China. The China team comprises staff with engineering, environmental, accountancy and teaching experience, as well as extensive knowledge of the footwear and garment industry.

For your information and interest I have enclosed a copy of our 2001 Social & Environmental Report, which describes the SOE programme and our progress over the past year. I would draw your attention in particular to pages 31and 32, where we have

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highlighted some of the major challenges in achieving social and environmental compliance in China, and to pages 14 and 33, which describe relevant training projects in China.

Turning to the questions you have posed, I trust the following goes some way towards answering your concerns.

Q1. Why have more than 12 workers committed suicide at the YuYuan factory (YY) plant in Dongguan since 1994.

The YY factory complex in GaoBu, Dongguan produces shoes for a number of major brands, including adidas-Salomon. The part of the YY complex which produces adidas shoes is called YYII (YY Two) and comprises one chemical plant (C1) and three shoe making factories (S3, S6&7 and S8). Together, these factories employee around 35,000 workers, or approximately 40% of the employees in the entire YY complex in GaoBu, Dongguan.

Based on available records, we are able to confirm that over the past five years there have been three reported suicides by workers who are employed within the adidas-designated YY factories in GaoBu. Two of these suicides occurred in 1998, and further suicide took place in 2001.

Both adidas and YY management have been concerned over the fact that there have been worker suicides. In every case where a suicide has occurred, the local authorities have been notified and a full investigation has been undertaken. Based on police reports, and our own inquiries and worker interviews, the suicides appear to have been a result of stress from family separation, or emotional stress over family issues – sometimes financial and often emotional. As you will appreciate, many of the workers are migrants, living away from home, without the support of extended family networks. YY has introduced counseling and attempted to educate workers to look for stress in their co-workers and encourage workers to seek counseling.

While we are very concerned about the possibility of even one suicide, and dedicated to attempting to eliminate all, the reality of society today is that these tragedies do occur. The World Health Organisation reports[1] that suicide is the leading cause of death for Chinese women aged between 20 and 34. The Chinese government tallies that female suicide is responsible for 18 of every 100,000 deaths, a rate five times higher than other countries. Overall rates of suicide in China are also high: 27.2 in rural areas and 9.4 per 100,000 in cities[2]. If we consider YY in this context, we see that for the 30,000 or so workers accommodated onsite, the number who have committed suicide is many times smaller than the national average for an equivalent urban population.

We would welcome further suggestions you may have on ways of addressing the issue of suicides in China.

Q2. Why do factories revealed in the media as having poor working conditions have their orders reduced or cancelled by adidas as punishment? These

[1] *In the most recent year for which data are available, overall suicide rates in China were 14.0 per 100,000. World Health Organsiation 'World Health Report 2001'.*
[2] *Department of Social Medicine, Harvard Medical School, Newsletter of the World Mental Health Project Vol. 3, No 1 June 1999.*

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measures simply lead to workers being made unemployed.

Media coverage – be it positive, or negative - has absolutely no bearing on adidas-Salomon's sourcing decisions.

We make our sourcing decisions primarily on the basis of the quality of the work, delivery and price – in that order. As a given we expect our factories to be in compliance with our Social and Labour standards. Not all factories perform up to our standards in all areas at all times. In those situations we have to make a decision as to whether to continue production or not. Generally if we feel a factory can achieve higher standards within a reasonable amount of time, and is seriously working towards achieving those standards then we will continue to place orders with them. However, if we believe that a factory lacks the ability or the commitment to achieve standards then we may make the decision to look elsewhere. It is only then, when we have exhausted the possibility of bringing the factory into compliance, that we look to end the business relationship. In those instances we generally provide the supplier six months prior notice to give them time to find other customers.

Q3. adidas has a Code of Conduct. Why to factories subcontracted by Adidas still fail to observe the standards in the code? Why has the code not been fully implemented?

We expect all factories to adhere to our Standards of Engagement. Not all factories achieve 100% compliance all of the time. In cases where factories are falling short of our standards we work with them on detailed action plans to achieve compliance within a reasonable amount of time. See also the response to Q2.

Q4. Why are the workers' wages still below the legal minimum set by the Chinese authorities? Why are they under thirty three US cents an hour?

All factories are required to pay legal minimum wages and many pay well above the minimum. Wages vary in different areas according to local law but to our knowledge our factories pay above the rate you are suggesting. If you are aware of specific instances where the law is not being adhered to we will be happy to take immediate action to correct the wages.

Q5. Why are union officials at the factories not elected by the workers? Why do the trade unions fail to represent the interests of the workers?

While true worker advocacy by unions is at a very early stage in China, we believe that worker representation and the election of union officials can have a positive influence in factories. In the case of the YY factory cited in your report, free elections were conducted in March 2002 at the YS8 plant and 24 worker representatives elected. These worker representatives meet each month with management to discuss issues at the factory.

In addition to the state-controlled official unions, there are many other ways worker-management communication can be improved in a factory setting. We encourage our suppliers for instance, to consider the use of worker consultative committees, quality circles and other measures such as newsletters and suggestion boxes, to obtain feedback on issues from their employees. YY has adopted many of these measures and last year participated in a training project - supported by local NGOs - to improve

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worker health and safety and establish Health & Safety Committees in each of its factories in Dongguan.

For further information on this health and safety project, please refer to the Maquiladora network website: www.igc.org/mhssn//China3.htm.

Q6. Why do the factories fail to observe legal limits on working hours which are set at forty hours a week by China's national labour law?

Chinese law allows for a maximum of 40 hours at regular pay, but does allow for some additional working hours with overtime pay. It is adidas-Salomon's policy to limit the maximum hours worked to 60 per week with a minimum of one day off in seven. Overtime work is voluntary. Even with overtime pay being voluntary, it has not always been easy to keep working hours below 60 per week – and we are aware that some factories have violated this limit. In cases such as those we work to get the factories committed to reducing excessive overtime and compensatory rest days for workers. In footwear, we have made significant progress in reducing working hours. Even in a year where we experienced dramatic growth in our footwear factories, the mean working hours has come down to levels approaching 46 hours per week including overtime. We believe that this represents progress and we intend to continue to reduce the amount of overtime. Eliminating overtime work completely is probably too restrictive to be practical in the footwear and apparel industries which are seasonal.

Q7. Why do workers not have pensions? They are left with nothing after they leave or lose their jobs.

Many of our factories have limited savings and pension plans. The situation is complicated due to the confusing and incomplete government pension schemes currently in place in various parts of China. We continue to work with the factories to try to ensure that either a government pension scheme is applied or that a private scheme is provided.

In the case of YY, the local government has stipulated the level of pension coverage, with priority being given to longer-term employees. All workers are covered by work-related accident insurance.

Q8. Why does the factory only employ women workers between the ages of eighteen and twenty-five?

Our Standards of Engagement prohibit age discrimination. We allow factories to hire workers as young as the legal working age in China which is 16 - as long as they follow the laws for restricted work for "juvenile" workers under the age of 18. There is no upper limit for hiring and while the majority of job applicants are young, there are instances of workers who are well over the age of 25 in our factories.

Q9. Why does the factory have video monitors filming employees at work?

adidas-Salomon suppliers generally do not have video monitors filming employees – nor do we have specific policies governing the use of monitors. Occasional videotaping of some operations – especially new operations – in factories is sometimes used to analyze a business process. If you are implying that workers privacy is being violated through the use of video surveillance, then we do not believe this to be the case. At YY video monitors are only installed in the main passages and in the warehouse areas for

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security purposes. Video cameras are not found within the production areas, nor are they located in any other area that would infringe on worker privacy.

Q10. Why have some workers been unable to return home for over six years?

Most workers employed in our factories receive allowances to return home for annual holidays such as Lunar New Year, and some even have transportation provided. Smaller factories may not have such allowances but time off would be given.

At YY workers receive 5 days paid leave a year, which increases with length of service.

Q11. Why do factory managers sexually harass women workers?

Sexual harassment is a serious issue and will not be tolerated. Since this is a very sensitive issue, it is sometimes difficult for our monitors to get information about where there are problems. Our better factories, such as YY, have programmes in place that train workers that they should report any kind of sexual harassment to labour monitors or appropriate contacts in the factory. While in reality this is a difficult issue to identify, we believe that we have made progress in this area and the problem is being reduced and will eventually be eliminated.

Q12. Why does the factory discriminate against women workers?

The Standards of Engagement does not tolerate discrimination of any kind. While our suppliers are not perfect, we believe we have made progress and are continuing to make progress against sexual discrimination. Should we find instances of discrimination against women, or other groups and individuals, we take immediate action to address the problem. With discrimination – as with other aspects of the standards – it sometimes takes time to change the mindsets of the factory management. adidas does not own the factories and can not dictate peoples thoughts. While we can -and do - require compliance, ultimately what we want is true commitment to the SOE principles. That often takes time and education – which is a major part of what our Social and Environmental Affairs team does.

In your report on YY, you state that the ratio of male to female workers is 1:15. Based on the statistics available to us, we believe the ratio is in 1:4.

Q13. The factories employ human rights managers and social workers. Why does the factory deduct workers wages as part of its "human rights management?"

We are not aware of a deduction from workers wages for "human rights management" and this is not an adidas policy. Most factories do not have such a policy.

Q14. Why do some workshops at the factories still use toxic glue in the production process?

Great progress has been made in the past five years in reducing or eliminating toxic solvents in footwear. However, some trace amounts of toxic solvents still are used for some applications where non-toxic, water-based, cement has not been developed. At YY the amounts of solvents are closely monitored and can clearly be shown not to be a hazard to workers. In addition, YY has taken steps to ensure that Personal Protection is in place, which includes ventilation and extraction systems and masks to be sure that any danger to the worker is at an absolute minimum. Workers are also educated about

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the materials they are working with and what first aid measures might be necessary in the case of an accident. We do not believe that workers are being required to work with solvents that present a serious hazard to them.

At adidas-Salomon we have a policy of listening to our stakeholders. We welcome all ideas, views and observations, where these helps us strengthen and improve the effectiveness of our compliance programme. We are therefore happy to work with CLW, or its local representatives in China, to address the issues you feel exist in the YY factory. In many instances we believe that the findings presented in your report to be inaccurate, or misconstrued, based perhaps on limited, or out-of-date, information. It is important that we set the record straight and I would encourage you to contact me in Hong Kong to discuss this further. My contract details are as follows: Tel. 852-23028735 (office), email william.anderson@adidas.com.hk.

I look forward to hearing from you.

Sincerely,
adidas-Salomon International Sourcing Limited

William Anderson
Head of Social & Environmental Affairs,
Asia Pacific