

FLA Audit Profile	
Country	China
Factory name	07001585C
IEM Organization	Societe General Surveillance (SGS)
Date(s) in facility	September 23-24, 2004
PC(s)	Nike
Number of workers	1103
Product(s)	Equipment (Balls)
Production processes	Cutting, Lamination, Printing, Sewing, Packing

		Findings						Remediation					Updates		
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation (If finding corroborated/verified via multiple sources, list all)	Was Finding Corroborated? Yes or No	If Not Corroborated, Explain Why	Best Practice	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (February 3, 2005)	Documentation	Company Follow Up (March 23, 2005)	Documentation	
1. Code Awareness															
Confidential Noncompliance Reporting Channel	Nil	FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	There was no secure communications channel for the workers to report to the Company on noncompliance with the workplace standards, such as posting the complaint phone number on site.	Interview with workers and management; On-site observation of the posted codes.	Yes			Factory should set up an effective and confidential grievance system, which provides a secure communication channel for employees. According to Nike Code Leadership Standards, regarding grievance system, factory should (1) install confidential grievance boxes in private areas and (2) appoint a neutral grievance contact person/counselor responsible for resolving grievances.	October 22, 2004	Please find factory Grievance Committee Organization Chart, photos of Grievance boxes, and Grievance box regulation in attachments. In our system, there are 6 grievance boxes in different restrooms. [Employee name] is responsible for receiving workers' complaints /suggestion letters weekly. If issues involve lower management, [Employee name] will work with [Employee name], [Employee name] or [Employee name] depending on department. If issues involve higher management, [Employee name] will report to [Employee name] directly. Normally, it takes 1 to 2 weeks to solve issues, then factory will reply to these letters on the notice board.	Factory has provided a) photos of suggestion boxes in restrooms and b) an overview of a basic grievance system. Additional guidance and documentation requests have been provided to factory.	Photos of grievance boxes and simple documentation on the grievance system received.	Follow-up documentation review. Someone has been designated as the grievance contact person.	Training documentation reviewed.	
Worker/Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	According to interview with workers, all workers didn't know their rights on freedom of association.	Worker interviews.				Factory directed to a) communicate legally-required employment terms to its employees and b) establish and announce a formal communication channel between management and workers, in order to allow workers to voice workplace grievances and to investigate and resolve such grievances in good faith.	October 22, 2004	Please find "training course list" in attachment and take Nike Code of Conduct training record as an example. Factory has set up a training series and kept all training records. At same time, factory posts related training documents on notice board ("Training documents on notice board" attachment). Workers have access to all policy, rights and entitled benefits if they want to know. However, still not guaranteed how much workers could learn. We plan to have a quiz after every training in future. In meantime, we review our training course and organize an improved training course list. Please refer to "New training course list" attachment.	Factory has provided a general list of training topics, but no specific information providing supporting proof of training implementation or the training impact was provided. Documentation has been requested from factory.	Some training planning documentation provided.	Follow-up documentation review of training attendance records. This item is considered complete.	Training documentation reviewed.	
2. Forced Labor															
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.															
3. Child Labor															
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.															
Age Verification		In those cases where proof of age documentation is not readily available, employers will take precautions to ensure that all workers are at least the minimum working age, including medical or religious records, or other means considered reliable in the local context.	Age identification of worker C-887's birth date is November 4, 1985; Interview with worker found her birth date is June 5, 1985. It indicated that factory has no effective procedure to verify workers' ages when hiring.	During interview with worker found she was not sure about birth date. She cross checked her personal file and found the date is different.	Yes			Factory should 1) hire or appoint someone responsible for obtaining and completing employee personnel file documentation and verifying age documents and 2) factory should require at least 2 out of 3 methods of age verification instead of just 1.	October 22, 2004	Factory comments: It is common for most residents of factory region to not apply for IDs when they do not have intentions to move to other areas/cities. However, to ensure accurate identities of our workers and to specifically ensure there is no child labor, we request our employees to present at least 1 of the following 3 documents: 1) ID, 2) Family Residency Booklet, and 3) Age-verification paper issued by their local police station. If this practice is not sufficient, we will request them to present at least 1) or 2) AND 3) together. We have collected necessary documents as described above for all workers.	Factory has provided a list of documents they will collect. Additional supporting evidence has been requested from the factory.	Please provide documentation.	Follow-up documentation review showed factory is now collecting copies of ID verification documents. This item is considered complete.	Age verification documentation reviewed.	
4. Harassment or Abuse															
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.															
5. Nondiscrimination															
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.															

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6. Health and Safety														
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.														
Fire Safety Health and Safety Legal Compliance	Clause 15 of Safe Use of Chemicals at Workplace Provisions: Facility should test and assess the workplace air quality regularly, and make sure the air quality meet legal requirements. Clause 10 of China Fire Prevention Law: All buildings should be inspected by local fire safety bureau and obtain Fire Safety Inspection Permit before in use.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	Factory could not provide air quality test report for printing workplace during audit. Factory could not provide Fire Safety Inspection Permit for factory buildings during audit.	Document check found no air test report. According to interview with management, they said the air tests have been conducted, but the report was not issued in time.	Yes			Air Quality: Factory should 1) contact local Center for Disease Control to implement regular facility air quality tests and 2) maintain records of air quality test reports. Fire Safety: Factory should contact Local Fire Safety Bureau immediately to obtain a Fire Safety Inspection and permit.	Immediately	According to report results, factory has to improve air quality in printing sections. Also, local Fire Safety Bureau suggested us to relocate our soccer printing section. Factory plans to move all printing sections (glove, shin guard, and ball department) to 4th floor and install ventilation system. It is expected to be finished in April, then factory will apply for next air quality check and fire safety inspection.	Factory has a plan to move their printing. However, the immediate risk to employees has not been mitigated. Therefore, additional documentation on personal protective equipment (PPE) and other controls is requested.	Photos of ventilation reviewed.	Follow-up documentation review March 23, 2005 and September 8, 2005 verified fire safety certificate. Now, factory has stopped producing soccer balls and only produce gloves and shin guards. Nike conducted ERA for this factory in December 2009. Factory has CDC conduct air quality test in the glove printing workshop every year and the result meets the standard.	Fire safety certificate reviewed. Air quality testing report reviewed.
Ventilation/Electrical/Facility Maintenance	Clause 41 of Code on Health and Safety at Factory: Electrical wiring and equipment should be maintained in good condition.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Some electrical switches and wiring not in good condition at cutting workplace and repairing room.	Visual inspection found.	Yes			All electric wires should be in maintained in good condition to prevent hazardous conditions. Factory should replace electric wiring and switches where they are deficient in cutting workplace and repairing room.	October 22, 2004	Factory had fixed these electric wires as requested.	No visual documentation presented. Documentation requested.		Follow-up documentation review verified electrical repairs.	Photos of electrical repairs reviewed.
7. Freedom of Association and Collective Bargaining														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.														
FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.														
8. Wages and Benefits														
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.														
Legal Benefits	Clause 72 of China Labor Law: Facility and all employees should join social insurance.	Employers will provide all legally mandated benefits to all eligible workers.	Factory provides injury and unemployment insurance for all workers, but does not provide medical and retirement insurance for workers.	Social insurance invoice and interview with management.	Yes			Factory should provide all legally mandated social insurance to workers according to requirements of local government.	October 22, 2004	Factory comments: Latest government notice given /issued to us regarding this topic states that only injury and unemployment social insurance applies. After double checking with [City Name] Municipal Labor Bureau and local county government, while pension and medical insurance has started this year in region, its implementation method has not been finalized at county level. Consequently, our local government has not yet informed and requested us to provide for such insurance. We had a meeting with local government and push for their implementation method. While we are aiming to have this issue resolved by the end of November, it is expected to be done this month. After we pay for pension and medical insurance, we will report to Nike.	Coverage of 4 out of the 5 insurances was provided to Nike for 1,120 employees. Documentation provided shows coverage through December 2004. Maternity leave insurance is the final outstanding social benefit that needs to be addressed. Follow up requested from factory on this issue.	Receipts for social insurance coverage provided.	Implementation of social insurance coverage is being rolled out in phases at local government level; therefore, labor bureau has issued a maternity leave waiver at this time. PC verified factory has provided all other types of coverage for all factory employees. Follow-up documentation review showed social insurance meets local government requirements. Proper documentation provided from local government.	Verified payment for 4 out of the 5 insurances and maternity leave insurance waiver by local government.
Time Recording System		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	There are about 10% of workers' wages calculated monthly, all of them did not punch time cards. There was no documentation or working hours records.	Interview with management, workers and time cards review.	Yes			Factory should set up a reliable time keeping system according to national laws and Nike Code Leadership Standards. Time recording system should 1) record daily work hours for employees with start and stop times; 2) record all work hours in the same system, both regular and overtime hours; 3) calculate and track wages based on hours worked according to this time system; and (4) retain these time cards or work records for a minimum of 12 months.	October 22, 2004	The 10% of persons are either supervisors or administration department staff. They are paid by monthly wages, not hourly rate. Their wages are from RMB 420 to RMB 1200 plus, while local minimum wage is only RMB 290. In the past, they were not requested to punch time cards. From October 2004, all employees need to punch time cards, including monthly wage workers.	Requested follow-up documentation to substantiate changes.	Time card documentation reviewed.	Follow-up documentation review showed time cards are properly tracking times in and out. Continue ongoing follow up to mitigate risk of falsification.	Time cards with clock-in and clock-out times.
9. Hours of Work														
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.														

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Overtime Limitations	Clause 41 of China Labor Law: The overtime working hours cannot exceed 3 hours a day and 36 hours a month; and factory can use Flexible and Consolidated Working Hours after local labor bureau approval, but the total OT hours cannot exceed 432 hours a year. Clause 38 of China Labor Law: Facility should make sure all workers have 1 day off per week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Factory obtained Consolidated Working Hours Approval from local government for 1 year, defining that OT hours cannot exceed 432 hours yearly. January-August 2004 time cards found workers' OT is 20-80 hours monthly, totalling 208-494 hours this year (January to August only), exceeding legal limit of 432 hours/year, violating Clause 41 of China Labor Law. Cross checked production records on site found some discrepancies on workers Sunday work: a) Printing net board application records indicated worker B-1838 worked September 12, 2004, but time cards and interview with him indicate he rested that day; b) Material receive/issue records indicate worker D-166 (warehouse) worked May 1, 2004 (statutory holiday), but payroll indicated no OT that day, and staff had no documented time records, c) Finished goods receive records indicate worker B-749 worked February 8 and May 9, 2004 (Sundays), but time cards indicated had rest days that day and d) Printing net board use records indicated workers B-1845 and B-813 worked on July 18, 2004, but time cards indicated they had rest days.	Consolidated Working Hours Approval, Time cards from January to August 2004, production records, interview with workers and management.	Yes			1) Factory should set up reliable time keeping system as detailed above. Both regular and overtime hours must be recorded on same card or in same system and wages should be calculated based on all hours worked and tracked by system. 2) Factory should obey national laws and Nike OT policy and control work hours accordingly. 3) Factory should, on a regularly scheduled basis, provide employees with 1 day off in 7.	October 22, 2004	Please find revised OT permit from local government.	Faxed permit received. Agreement to OT by workers' representatives government department is missing. Voluntaryness of OT worked is missing. Additional information requested.	OT permit received. Permit not completed.	Follow-up documentation review showed factory is following national laws, Nike OT Policy and Code of Conduct. Continue ongoing follow up to mitigate risk of falsification.	OT permit, time cards, and voluntary signature sheets. Call to the local labor official.
10. Overtime Compensation														
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.														
Miscellaneous														