COMPANIES: Nike, Inc
COUNTRY: China
ASSESSMENT DATE: 09/21/16
ASSESSOR: Social Compliance Services Asia
PRODUCTS: Apparel
NUMBER OF WORKERS: 472
Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies’ action plans.

Findings and Action Plans

FINDING NO. 1
SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Recruitment, Hiring & Personnel Development
Finding Explanation
1. The factory does not conduct performance reviews for any of its employees, including new employees during their probation period.
2. The factory has not provided any orientation for employees hired after September 15, 2016. Furthermore, the orientation that workers received prior to September 15, 2016 does not cover Industrial Relations practices or Health & Safety.
3. The factory does not provide specific training for the relevant supervisors on the following Employment Functions: Personnel Development, Termination & Retrenchment, Industrial Relations, and Environmental Protection.
4. Workers do not receive written documentation of the information covered during orientation training, including a copy of the workplace rules. In addition, the orientation training was last updated in January 2014 and is not regularly updated.

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, ER.15, ER.16.1, ER.17)

Local Law or Code Requirement
Regulation on the Employment of Disabled (2007), Article 8; Regulation on the Employment of the Disabled of Zhejiang Province (2009), Article 30; FLA Workplace Code (Employment Relationship Benchmark ER.29.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

COMPANY ACTION PLANS
Action Plan no 1. Description
1. The factory has updated the procedure which includes the appraisal procedure, and general manager is in charge of the final performance result. Training regarding performance review process has been communicated to all employees in March 2017.
2. The factory has identified the position for diverse disabled workers. The factory has posted the identified position on the recruitment advertisement. If disabled person come for job application, the factory will identify the risk and try to arrange suitable job for them.

Planned completion date
03/22/17

Previous Progress Update
06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.

New Progress update
06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.

FINDING NO. 2
SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Training (Macro)
Finding Explanation
1. The factory does not provide specific training for the relevant supervisors on the following Employment Functions: Personnel Development, Termination & Retrenchment, Industrial Relations, and Environmental Protection.
2. The factory does not provide ongoing training for workers on the following Employment Functions: Personnel Development, and Retrenchment training has been conducted to employees.
3. The factory has not provided any orientation for workers who were hired from September 15, 2016 onwards. Furthermore, the orientation that workers received prior to September 15, 2016 does not cover Industrial Relations practices or Health & Safety.
4. Workers do not receive written documentation of the information communicated during orientation training, including a copy of the workplace rules. In addition, the orientation training was last updated in January 2014 and is not regularly updated.

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, ER.15, ER.16.1, ER.17)

Local Law or Code Requirement
Regulation on the Employment of Disabled (2007), Article 8; Regulation on the Employment of the Disabled of Zhejiang Province (2009), Article 30; FLA Workplace Code (Employment Relationship Benchmark ER.29.1; Non-Discrimination Benchmarks ND.1 and ND.2.1)

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06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.

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06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.

FINDING NO. 3
SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Communication & Worker Involvement (Macro)
Finding Explanation
1. The factory does not communicate its policies and procedures and their updates to the general workforce for any of the Employment Functions.
2. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers’ input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making process.

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, ER.15, ER.25.1, ER.27.2, ER.29.1.1, ER.30.2, and ER.32.5; Compensation Benchmark C.17)

COMPANY ACTION PLANS
Action Plan no 1. Description
1. The factory has updated the procedure which includes the appraisal procedure, and general manager is in charge of the final performance result. Training regarding performance review process has been communicated to all employees in March 2017.
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New Progress update
06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.

FINDING NO. 4
SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Review Process (Macro)
Finding Explanation
1. The factory has posted the bulletin board and employees could raise their voice through talk to line supervisor directly, call HR department or using suggestion box.

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, ER.15, ER.25.1, ER.27.2, ER.29.1.1, ER.30.2, and ER.32.5; Compensation Benchmark C.17)

COMPANY ACTION PLANS
Action Plan no 1. Description
1. The factory has updated the procedure which includes the appraisal procedure, and general manager is in charge of the final performance result. Training regarding performance review process has been communicated to all employees in March 2017.
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New Progress update
06/12/17: The factory implements the performance review process according to the procedure closely. During the recruitment interview, factory would pay attention to the disable worker's hiring. Currently, one disabled worker worked in the factory as cleaner.
COMPANY ACTION PLANS

Action Plan no 1
Description
Update policies periodically
Details
1. The factory will update the local law, local regulation update and policy of factory on annual basis.

Planned completion date
09/15/16

Company Action Plan Update
09/16/16

SUSTAINABLE IMPROVEMENT REQUIRED

IMMEDIATE ACTION REQUIRED

Finding Explanation
The factory does not conduct a periodic review or update of policies and procedures for the following Employment Functions: Recruitment, Hiring, and Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Workplace Conduct, Industrial Relations, Grievance System, and Health & Safety.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)

COMPANY ACTION PLANS

Action Plan no 1
Description
1. Provide workers with the legally required social insurance benefits; base contributions on workers' higher actual earnings. Average earnings are CNY 3,300 (USD 495) and the highest earning was CNY 5,500 (USD 825).

Finding Explanation
The factory provides social insurance for all employees, but the social insurance contribution base is not aligned with workers' actual earnings. The factory calculates the contribution base according to the minimum contribution standard (CNY 2,878 (USD 431)), while 95% of workers' actual earnings are CNY 3,300 (USD 495).

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)

COMPANY ACTION PLANS

Action Plan no 2
Description
1. The factory has updated the receiving and delivering form of the warehouse and the warehouse keeper has to fill the documents according to employees working time, instead of record the time of package arriving at the factory.

Finding Explanation
1, 2. The factory has updated the receiving and delivering form of the warehouse and the warehouse keeper has to fill the documents accordingly.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)

COMPANY ACTION PLANS

Action Plan no 1
Description
1. Provide workers with the legally required social insurance benefits; base contributions on workers' higher actual earnings. Average earnings are CNY 3,300 (USD 495) and the highest earning was CNY 5,500 (USD 825).

Finding Explanation
The factory does not have any updated policies or procedures on personnel development, including a policy and procedures for performance appraisal.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)

COMPANY ACTION PLANS

Action Plan no 1
Description
1. Provide workers with the legally required social insurance benefits; base contributions on workers' higher actual earnings. Average earnings are CNY 3,300 (USD 495) and the highest earning was CNY 5,500 (USD 825).

Finding Explanation
The factory does not have any updated policies or procedures on personnel development, including a policy and procedures for performance appraisal.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)

COMPANY ACTION PLANS

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1. Provide workers with the legally required social insurance benefits; base contributions on workers' higher actual earnings. Average earnings are CNY 3,300 (USD 495) and the highest earning was CNY 5,500 (USD 825).

Finding Explanation
The factory does not have any updated policies or procedures on personnel development, including a policy and procedures for performance appraisal.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks, ER.1.1, ER.29.1.1, ER.30.2 and ER.21.1)
COMPANY ACTION PLANS

FINDING NO. 7

Recommendations for Immediate Action

Projects (2002), Article 10; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1, HSE.3, HSE.4, HSE.5,1, HSE.8, HSE.9.1, and HSE.22)


Recommendations for Immediate Action

Maintain and review all necessary records for outsourced personnel to ensure that they comply with local laws and the FLA Workplace Code of Conduct.

FINDING NO. 8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

FINDING Explanation

1. The factory has a trade union under the AICUT (All-China Federation of Trade Unions) that was established on June 22, 2009. Nine union representatives were elected by all employees in each department. However, only one of these nine union representatives is a worker (otherwise all supervisors and managers). Additionally, two supervisors who were interviewed by assessors did not know that they were union representatives. Although all elected worker representatives are identified in the union records, these records were not readily available to workers or supervisors.

2. According to factory management, all workers are automatically enrolled in the union and are therefore union members; however, this is done without the workers' explicit consent. The factory pays union dues on behalf of all unionized employees. These dues are deducted from the worker's wages, and the amount deducted was not disclosed to workers or supervisors.

3. The factory does not provide the union with a meeting room or designated office with the necessary equipment for the union to conduct day-to-day meetings for the union representatives to perform their functions.

4. The factory has a Collective Bargaining Agreement (CBA) with the union. However, the factory does not post the CBA on a bulletin board or provide copies of it to workers. None of the workers interviewed were aware of the content of the CBA.

5. S.A. 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. 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 mechanism. 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 Directive introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement


FINDING NO. 9

Maintain and review all necessary records for outsourced personnel to ensure that they comply with local laws and the FLA Workplace Code of Conduct.

FINDING TYPE: Compensation

FINDING Explanation

1. Nine workers recommended by workers to be representatives of trade unions out of total of 10 workers' representatives, who were composed of workers from each sector. Management attended the election as observers only. The election of worker representatives was free of management interference.

2. All employees to sign into joining the union application, and do a training for union members, related policies on the unions.

3. Establishing a trade union independent office.

4. Posted on the bulletin board where collective bargaining agreement, and issue a copy to all employees.

FINDING NO. 10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

FINDING Explanation

1. Nine workers recommended by workers to be representatives of trade unions out of total of 10 workers' representatives, who were composed of workers from each sector. Management attended the election as observers only. The election of worker representatives was free of management interference.

2. All employees to sign into joining the union application, and do a training for union members, related policies on the unions.

3. Establishing a trade union independent office.

4. Posted on the bulletin board where collective bargaining agreement, and issue a copy to all employees.

FINDING TYPE: Industrial Relations

FINDING Explanation

1. The factory has a trade union under the AICUT (All-China Federation of Trade Unions) that was established on June 22, 2009. Nine union representatives were elected by all employees in each department. However, only one of these nine union representatives is a worker (otherwise all supervisors and managers). Additionally, two supervisors who were interviewed by assessors did not know that they were union representatives. Although all elected worker representatives are identified in the union records, these records were not readily available to workers or supervisors.

2. According to factory management, all workers are automatically enrolled in the union and are therefore union members; however, this is done without the workers' explicit consent. The factory pays union dues on behalf of all unionized employees. These dues are deducted from the worker's wages, and the amount deducted was not disclosed to workers or supervisors.

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Local Law or Code Requirement


FINDING TYPE: Compensation

FINDING Explanation

1. Nine workers recommended by workers to be representatives of trade unions out of total of 10 workers' representatives, who were composed of workers from each sector. Management attended the election as observers only. The election of worker representatives was free of management interference.

2. All employees to sign into joining the union application, and do a training for union members, related policies on the unions.

3. Establishing a trade union independent office.

4. Posted on the bulletin board where collective bargaining agreement, and issue a copy to all employees.

FINDING NO. 10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

FINDING Explanation

1. Nine workers recommended by workers to be representatives of trade unions out of total of 10 workers' representatives, who were composed of workers from each sector. Management attended the election as observers only. The election of worker representatives was free of management interference.

2. All employees to sign into joining the union application, and do a training for union members, related policies on the unions.

3. Establishing a trade union independent office.

4. Posted on the bulletin board where collective bargaining agreement, and issue a copy to all employees.

FINDING TYPE: Industrial Relations

FINDING Explanation

1. Nine workers recommended by workers to be representatives of trade unions out of total of 10 workers' representatives, who were composed of workers from each sector. Management attended the election as observers only. The election of worker representatives was free of management interference.

2. All employees to sign into joining the union application, and do a training for union members, related policies on the unions.

3. Establishing a trade union independent office.

4. Posted on the bulletin board where collective bargaining agreement, and issue a copy to all employees.
**Action Plan no 1.**

**Description**
1. Emphasis on security personnel to strengthen the safety training, employees work during emergency exit locked is prohibited.
2. Enhance safety training, ensure that operators must use at protection device.
3. Logistics department to strengthen the daily inspection at the scene of fire control facilities, to make sure all the equipment work.
4. Remove material under fire alarm button, enhance the training to all employees to avoid fire equipment block.
5. A booster pump was installed to ensure sufficient water pressure.
6. Related training conducted, the canteen staff must wear clean clothes or hairnets when selling food.
7. Sample foods are maintained for 48 hours.
8. Factory established disease tracking roster, register for sick leave or sick employees and track condition.
9. Factory will arrange our workshop on the qualified third party a present situation of the occupational disease hazard assessment.

**Planned completion date**
01/15/17

**Company Action Plan Update**

**Previous Progress Update**
03/22/17: 1. Emphasis on security personnel to strengthen the safety training, employees work during emergency exit locked is prohibited. 2. Enhance safety training, ensure that operators must use at protection device. 3. Logistics department to strengthen the daily inspection at the scene of fire control facilities, to make sure all the equipment work. 4. Remove material under fire alarm button, enhance the training to all employees to avoid fire equipment block. 5. A booster pump was installed to ensure sufficient water pressure. 6. Related training conducted, the canteen staff must wear clean clothes or hairnets when selling food. 7. Sample foods are maintained for 48 hours. 8. Factory established disease tracking roster, register for sick leave or sick employees and track condition. 9. Factory will arrange our workshop on the qualified third party a present situation of the occupational disease hazard assessment.

**New Progress update**
06/12/17: The factory would conducted routine walk through to check the situation of emergency exit, emergency aisle, exit sigh, PPE, pressure of eye wash station etc. if issues detected, would remEDIATE immediately. Related training was conducted on regularly base. Sample food in canteen kept for 48 hours as always. Disease tracking roster, register for sick leave or sick employees and track condition were kept well.

Currently, factory is still looking for proper qualified third party to conduct the occupational disease hazard assessment.

11/06/17: During factory internal routine check, factory management always keep eyes on the emergency exit and aisles are free from lock and obstruction. Routine training was conducted to remind the employees wear PPE properly. Sample food in canteen kept for 48 hours as always. Disease tracking roster, register for sick leave or sick employees and track condition were kept well.

In March 2017, the factory has finished the occupational hazard factor inspection regarding noisy in Embroidery section. In November 2017, the factory has finished occupational hazard factor inspection regarding indoor dust and noise in other sections (cutting, sewing, finishing etc.). All the results are in compliance with legal requirement.