



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Nike, Inc
COUNTRY: China
ASSESSMENT DATE: 10/12/16
ASSESSOR: Social Compliance Services Asia
PRODUCTS: Apparel
NUMBER OF WORKERS: 597

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: Training (Macro)

Finding Explanation

1. The factory does not provide specific training for the relevant supervisors or ongoing training for workers on Retrenchment.
2. The factory has not provided specific training on Workplace Conduct & Discipline for the relevant HR personnel and administrative staff or the relevant managers and supervisors.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.17.1, and ER.27.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. After the retrenchment procedures coming out, HR will provide in-class training to all employees in batches in Aug. 2017. And also add this content into the yearly training plan.
2. HR has provided the training on workplace conduct and discipline to HR personnel and administrative staff and relevant supervisors in Feb. 2017.

Planned completion date

04/12/17

Company Action Plan Update

The action plan mentioned have been completed in Oct 2017

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory has not enrolled any workers in the Housing Provident Fund, as legally required.

Local Law or Code Requirement

Regulation on the Housing Provident Fund Management (2002); FLA Workplace Code (Employment Relationship Benchmark ER.22.1; Compensation Benchmarks C.1 and C.10)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory had implemented the housing provident fund for all employees from November 2016. It's based on worker's actual wage.

Planned completion date

04/12/17

Company Action Plan Update

04/17/17 : Factory had implemented the housing provident fund for all employees from November 2016. It's based on worker's actual wage

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not have written policies or procedures on Retrenchment.
2. As the factory does not have written policies or procedures on Retrenchment, there is no periodic review process and the factory does not communicate with the general workforce regarding Retrenchment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.3, ER.16, ER.19.1, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1.Factory HR will based on related laws and consult with worker representatives as well as management to make the written procedures of retrenchment. Estimated to complete by June, 2017.
- 2.After the new retrenchment procedures is launched, HR will post notice on bulletin board and provide training to all employees.
3. All policies and procedures will be reviewed yearly for most latest update.

Planned completion date

04/12/17

Company Action Plan Update

The action plans mentioned have been completed.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

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.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmark FOA.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Since employees do not require the set-up of trade union, factory did not have trade union. Factory has the mechanism of worker representatives. Worker representatives are elected fully by employees each year and they have meeting with SMP regularly to play the role as a bridge between employees and management for expressing employee's opinion and suggestion. Worker representatives also take part in factory's policy decision. Their role and responsibilities are same as the trade union representatives. If employees propose the needs of setting up trade union in future, factory will set up the trade union.

Planned completion date

04/12/17

Company Action Plan Update

04/17/17 : Since employees do not require the set-up of trade union, factory did not have trade union. Factory has the mechanism of worker representatives. Worker representatives are elected fully by employees each year and they have meeting with SMP regularly to play the role as a bridge between employees and management for expressing employee's opinion and suggestion. Worker representatives also take part in factory's policy decision. Their role and responsibilities are same as the trade union representatives. If employees propose the needs of setting up trade union in future, factory will set up the trade union.

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

The factory has procedures on Workplace Conduct & Discipline, but they do not include a procedure for employees to appeal disciplinary actions taken against them or require the presence of a third party witness during the imposition of disciplinary actions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.27.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory HR has revised the procedure of discipline to include the procedure for employees to appeal disciplinary actions taken against them in Dec. 2016. And any significant disciplinary actions will involve worker representatives to witness the imposition of disciplinary actions.

Factory HR has posted the updates on bulletin boards and sent notification email to internal mail groups. And HR will provide training to all employees in the annual training.

Planned completion date

04/12/17

Company Action Plan Update

04/17/17 : Factory HR has revised the procedure of discipline to include the procedure for employees to appeal disciplinary actions taken against them in Dec. 2016. And any significant disciplinary actions will involve worker representatives to witness the

imposition of disciplinary actions. Factory HR has posted the updates on bulletin boards and sent notification email to internal mail groups. And HR will provide training to all employees in the annual training.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

According to the environmental impact appraisal conducted by the local environmental bureau, the factory does not have a permit to discharge industrial wastewater (wastewater generated during the silk printing process) and air emissions. However, factory management has not yet obtained the environmental impact appraisal report or discharge permit from the bureau.

Local Law or Code Requirement

Law of the People's Republic of China on Appraising of Environment Impacts, Article 16; Law of the People's Republic of China on Prevention and Control of Water Pollution, Article 20; Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Article 15; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

Establish and implement policies and procedures to address the results of the environmental impact appraisal. Obtain a valid discharge permit and environmental report from the local environmental bureau.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory has established and implement policies and procedures to address the results of the environmental impact appraisal. HSE department is working on the final stage of environmental impact appraisal and has sent all documents to environment company for submitting to environmental bureau in March. After environmental bureau finalize the environmental impact appraisal report, factory will then get the discharge permit. Estimated to complete by June, 30, 2017.

Planned Completion Date

06/30/17

Planned completion date

04/12/17

Company Action Plan Update

Factory conducted the environmental impact appraisal and obtained the pollutant discharge permit

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Paint and solvent containers in the printing workshop are not equipped with secondary containment.
2. The faucets of the eyewash station in the chemical warehouse on the second floor are clogged. As a result, the water pressure is insufficient and the water may not be sanitary.

Local Law or Code Requirement

Article 20 of Regulation for Safety of Hazardous Chemical; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9.1)

Recommendations for Immediate Action

1. Install secondary containers for all chemicals, including the paints and solvents in the printing workshop.
2. Unclog the eyewash station outlets; regularly inspect and maintain the eyewash stations to ensure they are clean and fully functional

at all times.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory HSE has added one secondary containment in printing workshop for temporary use of paints and solvents. HSE department has inspected all chemical areas throughout factory and added secondary containments where needed.
2. Maintenance has maintained the eyewash station in chemical warehouse. HSE department will strengthen the regular inspection of all eye wash and body wash stations to ensure all are in good condition.

Planned completion date

04/12/17

Company Action Plan Update

04/17/17 : 1. Factory HSE has added one secondary containment in printing workshop for temporary use of paints and solvents. HSE department has inspected all chemical areas throughout factory and added secondary containments where needed. 2. Maintenance has maintained the eyewash station in chemical warehouse. HSE department will strengthen the regular inspection of all eye wash and body wash stations to ensure all are in good condition.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Three fire extinguishers (one in the warehouse on the fourth floor of the factory building and two in the canteen) are placed directly on the ground instead of being properly mounted.
2. There are no emergency lights or illuminated exit signs installed for two emergency exits on the fourth floor of the main production building leading to the roof and one emergency exit in the canteen.
3. The factory only conducts a fire drill once per year, although they are legally required to conduct fire drills twice per year.
4. The factory's evacuation procedures do not contain either a) steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated or b) steps to ensure that all special categories of workers are safely evacuated.

Local Law or Code Requirement

Code for Design of Extinguisher Distribution in Buildings, Article 5.1.3; Fire Control Law of the People's Republic of China, Article 28; Code for Design of Building Fire Protection and Prevention, Articles 11.3.1 and 11.3.4; FLA Workplace Code (Employment Relationship Benchmark ER.1.1; Health, Safety & Environment Benchmarks HSE.1, HSE.5.1, and HSE.6.1)

Recommendations for Immediate Action

1. Mount all fire extinguishers so that the tops of the extinguishers are less than 1.50 meters above the floor and the bottoms of the extinguishers are no less than 0.08 meter above the floor.
2. Install illuminated exit signs and emergency lights above all emergency exits.
3. Conduct fire drills twice per year to ensure that employees are familiar with the evacuation routes and techniques.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. During the audit, it happened the hook of the fire extinguishers were broken. HSE has mounted the fire extinguishers in the extinguisher box right away. And SMP will strengthen the training and inspection of fire safety to ensure all abnormal conditions of fire equipment are immediately reported and fixed in time.
2. Maintenance and HSE have installed the exit signs and emergency lights on the floor exit and in the canteen in Nov.
3. Factory will conduct two fire drills in factory every year from 2017.
4. Factory HSE has revised the evacuation procedures to contain steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated and steps to ensure that all special categories of workers are safely evacuated.

Planned completion date

04/12/17

Company Action Plan Update

The action plans mentioned have been completed

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are two cracks on the wall in the warehouse on the fourth floor of the factory building, extending from the ceiling to the floor.
2. Factory management was unable to provide the inspection report for the newly constructed dormitories (one five-story building and two six-story buildings) for assessors to review.
3. The factory has established ergonomics procedures and provides workers with some basic training on ergonomics. However, they have not taken proactive steps to reduce repetitive-motion stress or injuries. Individual workstations are not adjustable to fit individual workers and chairs do not have proper backrests. Additionally, the factory does not provide lifting belts to workers who lift heavy objects.

Local Law or Code Requirement

Construction Law of the People's Republic of China, Article 61; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.17.1, and HSE.17.2)

Recommendations for Immediate Action

1. Regularly inspect and maintain the structural integrity of all factory buildings. Arrange for the cracks on the 4/F warehouse wall to be repaired.
2. Have the newly constructed dormitories inspected and maintain the proper documentation.
3. Provide lifting belts and training on proper lifting techniques to workers who lift heavy objects.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. After inspection by factory's construction team, the wall is not bearing wall, the cracks may happened due to long time of usage. It has been mended by construction team in Jan. 2017. Factory construction team to do regular inspection of structural integrity throughout factory and do maintenance.
 2. Factory has obtained related documents of all structures including dormitories.
 3. Factory HSE provided training on proper lifting techniques to workers who lift heavy objects in Mar.2017.Factory HSE can purchase some adjustable chairs with backrest and lifting belts and evaluate the effectiveness.
- responsible person: GA manager Mr. Hotdog Liu & HSE leader Mr. Zou Shan Yu
And HSE will make an assessment of ergonomics and take actions for improvement accordingly.

Planned completion date

04/12/17

Company Action Plan Update

The action plan mentioned have been completed in Oct 2017