



COMPANIES: Nike, Inc

COUNTRY: China

ASSESSMENT DATE: 11/17/16

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Apparel

NUMBER OF WORKERS: 4268

FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding the probation period have not been agreed on or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

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: Policies & Procedures (Macro)

Finding Explanation

1. The factory's Workplace Conduct & Discipline Policy and Procedures does not require a third party witness to be present during the imposition of disciplinary actions.
2. The factory's Grievance System procedures do not specify how management should handle anonymous grievances.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25, and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

ER director revised related grievance SOP and monitor following up procedure implementation. Labor committee member as third party will witness during imposition of disciplinary actions.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : ER director revised related grievance SOP and monitor following up procedure implementation. Labor committee member as third party will witness during imposition of disciplinary actions.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide specific training for relevant supervisors on Retrenchment.

2. The factory does not provide ongoing training for employees for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; and Workplace Conduct & Discipline.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, and ER.17; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Revised training plan, provide specific training and record. HRM director already trained 285 supervisors in Jan. including T/L & G/L & Director & VGM by face to face train.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1. Revised training plan, provide specific training and record. HRM director already trained 285 supervisors in Jan. including T/L & G/L & Director & VGM by face to face train. 2.Revised training plan, provide specific training and record. HRM director already trained 4072 employees in Jan. for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; and Workplace Conduct & Discipline. Will keep ongoing train.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

There are five disabled workers employed in the factory (around 0.11% of employees), which is a violation of legal requirements which state that at least 1.6% of the total workforce should be composed of disabled workers. The factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under local law, however, this practice poses a risk of discrimination.

Local Law or Code Requirement

Regulation on the Employment of Disabled (2007), Article 8; Regulation on the Employment of the Disabled of Fujian Province (2010), Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.3; Non-Discrimination Benchmarks ND.1 and ND.2.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Our factory is open to recruit disable workers and this is always defined into recruitment policy. Base on current insufficient disabled workers we already contacted with local Disabled Employment Security Center to find suitable candidates. If there's not enough disabled workers on the market, we'll continue contribute to security fund as before.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1.1 Our factory is open to recruit disable workers and this is always defined into recruitment policy. 1.2 EHS team also worked with HR team to identify positions suitable for disabled workers, and include those positions in the job advertisement. 1.3 Base on current insufficient disabled workers we already contacted with local Disabled Employment Security Center to find suitable candidates. If there's not enough disabled workers on the market, we'll continue contribute to security fund as before.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not contribute to the legally required Housing Provident Fund for 98.7% of employees.
2. All new workers have a six month probation period, which is in violation of FLA benchmarks that state that the probation period shall not be longer than three months.

Local Law or Code Requirement

Regulation on the Housing Provident Fund Management (2002), Articles 15, 19, and 20; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1 and C.3)

Recommendations for Immediate Action

Reduce the probation period to three months, as required by FLA benchmarks.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory already contributed to the legally required Housing Provident Fund for 100% of employees in Dec.2016. There is defined in China labor law no longer than 6 months probation period for those who signed 3 and above 3 years contract. Factory current practice totally consistent with labor law. But we may consider possibility of FLA suggestion - 3 months probation period.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1. Factory already contributed to the legally required Housing Provident Fund for 100% of employees in Dec.2016. 2.1 There is defined in China labor law no longer than 6 months probation period for those who signed 3 and above 3 years contract. Factory is following the labor law without any deviation 2.2 Most of our employees are from rural background & elementary education, they are not technically qualified. , so they need time to understand and adopt process/standards/company regulations. Hence this time period is essential to train the people on various skills which is also important elevation of work. 2.3 6 months is more flexible for operators to observe and choose if this factory is best choice for he/she, if he/she wants to resign, only need apply for that 3 days in advance. 2.4 Salary within and after probation period are the same which assures workers' right. 2.5 Therefore we don't plan to change probation period.

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

The factory's production plan always includes overtime. The reviewed production plan alternates between 42.5 and 50.5 working hours per week, which includes regular overtime and Saturday overtime, respectively.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmark HOW.1.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Overall overtime control follows Labor law which is also reached agreement with operators and was voted passing through union representatives. Operators signed agreement when they are on board. Overtime arrangement was announced to workers in advance and workers are voluntary to choose overtime or not. But we'll continuously work on decrease overtime by improving efficiency such as taking the way of automation / Lean.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1.1 Production plan will not include overtime on the regular basis. 1.2 Overall overtime control follows Labor law which is also reached agreement with operators and was voted passing through union representatives. 1.3 Operators signed agreement when they are on board. 1.4 Overtime arrangement was announced to workers in advance and workers are voluntary to choose overtime or not. 1.5 But we'll continuously work on decrease overtime by improving efficiency such as taking the way of automation / Lean.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union under the ACFTU (All China Federation of Trade Unions) that was established in August 2014. 220 union representatives were elected by all employees in each department on August 18, 2014. Although 164 of these 220 union representatives are workers (others are all supervisors and managers), the respective workers who were interviewed by assessors did not know if they were representatives nor were they aware of their duties as representatives.
2. The document review and management interviews showed that all workers are consensual union members as each worker is provided with a union membership application form when they first start working at the facility; the factory pays union dues on behalf of these workers (the dues are not deducted from workers' wages, the factory itself pays the dues). However, about 90% of the interviewed workers did not know if they were members of the trade union or were not aware of the union fee arrangement.
3. The factory does not provide the union with a meeting room or designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.
4. The factory has a Collective Bargaining Agreement (CBA) with the union. A copy of the CBA is posted on the bulletin board, but the factory does not provide a copy to workers. None of the workers interviewed were aware of the contents of the CBA.
5. 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.16.2; Freedom of Association Benchmarks FOA.2 and FOA.15)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. All union representatives were trained their duties during election. Already reviewed training method and provided training again in Dec.2016 & did the training effect assessment right after training to make sure all representatives know their duties.
2. All new employees signed union membership application form when they first start working at the facility, they know they are union membership. Already provided training again in Dec.2016.
3. Union fees arrangement was posted onto announcement board and keeps informing half an year.
4. Already provided a copy of CBA to workers and Labor union & ER team are responsible for Q&A.
5. Already provided the labor union with a designated office in Dec.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1. All union representatives were trained their duties during election. Already reviewed training method and provided training again in Dec.2016 & did the training effect assessment right after training to make sure all representatives know their duties. 2. All new employees signed union membership application form when they first start working at the facility, they know they are union membership. Already provided training again in Dec.2016. 3. Union fees arrangement was posted onto

announcement board and keeps informing half an year. Accord to China labor union law, 2% of the total salary for all employee(no matter you are the union membership or not) will be paid to labor union as union dues. We will continue communicate this to the workforce to let them aware that they are responsible for the payment dues and they reserve the right to leave the union, if they so choose. 4. Already provided a copy of CBA to workers and Labor union & ER team are responsible for Q&A. 5. Already provided the labor union with a designated office in Dec.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The evacuation maps in the RB workshop, stock fitting & IP workshops, material warehouse, and the canteen are posted inaccurately in the wrong locations, additionally some have not been updated. During the assessment, the factory replaced these with the correct evacuation maps for these areas.
2. The four emergency exits in the embroidery workshop, finished warehouse, and RB warehouse were not equipped with emergency lights or exit signs. During the assessment, the emergency lights and exit signs were installed in the embroidery workshop and RB warehouse.
3. The eye washing facilities in the EVA workshop and IP workshop did not have the appropriate water pressure. These two eye washing facilities were fixed during the second day of the assessment.
4. There are 60 toilet cubicles provided for 2178 female employees in the factory instead of at least 74 toilet seats as required by law. In addition, the factory only provides 22 water taps for 1685 employees in NOS #1-3 workshop instead of 42 water taps, as required by law.
5. The fire alarm systems in all the workshops, with the exception of the fire alarm system in the fire hydrant box, does not have a backup battery.

Local Law or Code Requirement

Fire Control Law of the People's Republic of China (2009), Article 16; Code for design of building fire protection and prevention (2015), Article 10.3.1 & 10.3.5; Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (2002), Article 26; Code for Design of Automatic Fire Alarm System (2013), Article 10.1.1; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.5.1, HSE.6.1, HSE.19 and HSE.20)

Recommendations for Immediate Action

1. Properly develop and update the evacuation maps at all workshops and carry out regular inspections.
2. Install emergency lights and lighting exit signs at all emergency exits, and carry out regular inspections.
3. Conduct regular inspections to ensure all eye washing facilities have the appropriate water pressure.
4. Provide the sufficient number of toilets and water taps to employees.
5. Provide a backup battery for all fire alarms.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Properly update the evacuation maps at all workshops and Fire safety team carry out regular inspections.
2. Install emergency lights and lighting exit signs at all emergency exits, and HSE team carry out regular inspections to prevent similar case happen again.
3. Workshop maintenance guy weekly conduct regular inspections to ensure all eye washing facilities have the appropriate water pressure and HSE team monthly check it.
4. Base on calculation of current two shifts production, the quantity of water taps and toilets is sufficient.
5. Provide a backup battery for all fire alarms in Feb.

Planned completion date

04/14/17

Company Action Plan Update

07/19/17 : 1. Properly update the evacuation maps at all workshops and Fire safety team carry out regular inspections. 2. Install emergency lights and lighting exit signs at all emergency exits, and HSE team carry out regular inspections to prevent similar case happen again. 3. Workshop maintenance guy weekly conduct regular inspections to ensure all eye washing facilities have the appropriate water pressure and HSE team monthly check it. 4. Base on current factory size gets smaller & two shifts production, the quantity of female in each shift is 1604, water taps and female toilets is sufficient according to Nike CLS & law regulation. 5. Provide a backup battery for all fire alarms in Feb.