

The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.

What is a Tracking Chart?

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

What a Tracking Chart is NOT -

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

Note on Language

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

Instructions for Printing

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

FLA Audit Profile	
Country	China
Factory name	07001590C
IEM	SGS
Date(s) in facility	September 26-28, 2004
PC(s)	Nike, Inc.
Number of	1200
Product(s)	Equipment-Watches
Production processes	Cutting-Molding-SMT-Electronic Plating-Spray painting-Assembly-Inspection-Packing

FLA Code/ Compliance	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation (if finding was corroborated/verified through)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	PC Remediation plan	Remediation		Company follow up (01/05/2005)	Documentation	Updates	
									Target	Factory Response			Company Follow up (05/25/2005 & 07/29/2005)	Documentation
1. Code Awareness														
Confidential non-compliance reporting channel	NI	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 non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	There was no a secure communications channel for the workers to report to the Company on non-compliance with the workplace standards, such as post the complaint phone number on site.	Interview with workers and management; On-site observation of the posted codes.	Yes			Nike's objective is to strengthen contract manufacturers' internal grievance systems, so that direct involvement by Nike in their employees' grievances should be considered a last resort. In alignment with Nike's objective to strengthen contract manufacturers' internal grievance processes, two pilot educational programs facilitated by local Non-Governmental Organizations are underway currently in Indonesia and China. In addition, Nike Compliance staff spend time listening to factory employees during one-on-one confidential interviews during in-depth Management Audits. More than 5,000 factory employees were confidentially interviewed by Nike Compliance staff from August 1, 2002 through end of May 2004.	12/29/2004	Follow-up audit on 01/05/2005. Factory hadn't set up a complete grievance system and also did not keep the original complaint letters or record the complaint calls. Workers only talk to their team leaders when there is a grievance. As per the factory's application for ISO14000, Factory opened grievance channel as installing one grievance box, contact number of HR person and posted a relevant memo to the public board in December, 2004. Factory scheduled to conduct the management-worker communication meeting next month, which workers can talk to the top management face to face.	Documents & workers interview	05/25/2005: Factory set up a monthly staff meeting system to open a channel to communicate with workers. The first meeting will be held on June 4, 2005. Prior to the meeting the factory conducted a survey to workers asking them for more ideas and suggestions for this meeting. The factory has made great progress to strengthen worker-management communication.	*** photos attached***	
Workers awareness of Code	NI	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.	Most workers haven't knowledge of freedom of association and collective bargaining.	workers interview				Factory must communicate legally stipulated employment terms to its employees. Factory must also establish a formal system of dialog between the management and workers in order to allow workers to voice workplace grievances, and the management must investigate and resolve such grievances in good faith.	12/29/2004	Follow-up audit on 01/05/2005. Factory will schedule and implement worker-management communication meetings regularly in order to provide a channel of communication for employees to share thoughts and concerns.	Documents & workers interview	05/25/2005: The monthly staff meeting system mentioned above allows workers to express their grievances, thoughts and concerns to the factory management. There are also several suggestion boxes equipped in the factory and from the interview results, workers know about the location of suggestion boxes. The grievance policy is documented but the policy is being further developed.	07/29/05 Factory setup the grievance policy and conducted meetings to inform the workers about it.	*** photos attached***
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														
Freedom in Employment		All workers will have the right to enter into and to terminate the employment freely.	No pay for the new workers if they resigned in 7 days' defined on casual laborers employment contracts.	1.Document of casual laborers employment contract review. 2. interview with management.	Yes			Factory should delete the reference on employment contracts "No pay for the new workers if they resigned in 7 days". Factory should pay workers their wages in full no matter how long they work for there.	12/29/2004	Follow-up audit on 1/5/05, Factory had revised the labor contract and deleted the non-compliance statement from October 2004. Reviewed recent employee contracts (total three), which were signed from October until now and there were no such non-compliance statements on the labor contracts.	Labor contract review & Factory management review			
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.														
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 or 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.														
Hiring Discrimination Practices	The clause 12 of China Labor Law. The employment decisions should no discrimination.	Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.	The job advertising indicated that the age requirement: "Age from 18 to 24 is required".	Sampling of job advertising check and interview with management.	Yes			(1) Recruitment process by the Factory should solely be based on the ability to perform the job function and not personal characteristics, such as age. (2) Review all advertisement templates and job application forms to remove discriminatory questions/language. (3) Non-discrimination training should be given to Managers and Supervisors.	12/29/2004	Follow-up audit on 1/5/05. From the review of the last recruitment advertisement, there were no age limitations indicated in the ads, newspaper, or the postings outside the factory. However, the PC Auditor still found some information unrelated to the job stated in the Job Application Form, such as: gender and how long the applicant has been living at their current address and their original citizenship address. Factory has not provided non-discrimination training for the managers and supervisors.	Documents	5/25/2005: Factory revised the job application form, deleting all non-related job information, and put this form into implementation beginning this March. Factory conducted non-discrimination training for the managers and supervisors on May 6, 2005.	*** photos attached***	
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	The clause 15 of Safe Use of Chemicals at Workplace Provisions: The facility should test and assess the workplace air quality regularly, and make sure the air quality meet legal requirements. The clause 61 of China Construction Law: all building should be inspected and obtained the Building Safety Inspection Approval 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	The factory could not provide air quality test report for the spraying painting and electronic plating workplace during the audit. The factory could not provide buildings Structure Safety Inspection Approval during the audit.	Document check and management interview found no such reports.	Yes			(1) Air Quality: The facility should test the workplace air quality regularly to verify the air quality meets legal requirements and maintain test report documents. (2) Building Safety: The factory should obtain the appropriate Building Safety Inspection Approval as required by law and keep it easily assessable for future audits.	12/28/2004	Follow-up audit on 1/5/05. (1) Air quality test report for the spraying painting and electronic plating workplace was provided to the auditor and was verified as valid. (2) Building Structure Safety Inspection Approval was provided to auditor this time but expired on May 14, 2004.	Documents	05/25/2005: (1) According to the air quality test report of March 24, 2005 provided by the factory, concentration of Toluene, xylene, hydrogen cyanide were lower than the GBZ2-2002 limit. (2) Building Structure Safety Inspection Approval provided in this factory was issued by local authority on January 31, 2005.	*** Photos attached***	

FLA Code/ Compliance	Country Law/Legal Reference	FLA Benchmark	Findings				Remediation				Updates			
			Monitor's Findings	Documentation (if finding was corroborated/verified through)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	PC Remediation plan	Target Date	Factory Response	Company follow up (01/05/2009)	Documentation	Company Follow up (05/25/2009 & 07/29/2009)	Documentation
Ventilation/Electrical/Facility maintenance	The clause 41 of Code on Health and Safety at Factory Electrical wiring and equipment should maintain in good conditions.	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	Most electronic wiring were not in good condition at the dormitory.	Visual inspection found	Yes				All electric wires should be maintained in good condition to prevent hazardous conditions. Factory should replace the electric wiring throughout the dormitory.	12/29/2004	Follow-up audit on 1/5/05, electronic wiring were in good condition at the dormitory during this visit. But there is a TV cable across the path between staircase & dormitory room, which could cause people to stumble easily when passing.	Walk-through	5/25/2005: There are no cables across pathways during this PC follow-up visit. Auditor found good improvement on the management of the dormitory during this visit.	
Evacuation Procedure	The clause 14 of China Fire Prevention Law. The facility should maintain emergency exit unblock and unlock; The clause 7.4.7 of Fire Prevention Code on Building Design. The main exit doors should installed outward.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures	There are two emergency exits at the dormitory (4 floors, the ground floor are shops, 1st to top floor are bedrooms and about 400 workers live inside), one exit was locked at night was identified during the audit. There are some main doors at 2nd factory building and one exit door at dormitory are opening inward instead of outward was found.	According to visual inspection found there was a lock at the door of dormitory at the first day of audit, and verified it was locked at night when 2nd day's morning check and interviews with workers. On site observation found.	Yes			(1) All emergency exits should not be locked (from the inside) to allow people to easily evacuate in the case of an emergency. Factory should verify emergency exits in the dormitory are not locked (from the inside) at all times. (2) All doors should open outward for easy evacuation in the case of an emergency. Factory should verify doors at the 2nd factory building and dormitory exits are	12/28/2004	Follow-up audit on 1/5/05, all exits are accessible. Factory had already removed the mentioned door and all doors at the dormitory "deleted" opened outward.	Walk-through			
7. Freedom of Association and Collective Bargaining														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining														
		<i>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 (AFTU). 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. 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.</i>												
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	The clause 72 of China Labor Law: the facility and all employees should join social insurance.	Employers will provide all legally mandated benefits to all eligible workers	The factory only provide retirement, injury and unemployment insurance for the contract workers, medical and maternity insurance only provide for about 30% of workers. It violated the clause 72 of China Labor Law. There are about 100 casual laborers in the factory, the factory did not provide some benefits (such as annual leave, maternity leave, social insurance) for them	Social insurance invoice check and interview with management	Yes			The factory should contribute all legally mandated insurance to all workers, including casual laborer, according to the requirements of local government.	12/29/2004	Follow-up audit on 1/5/05, The factory provided pension, occupational and unemployment insurance for all the long-term contract workers (one-year or above), but only provided additional medical and maternity insurance for about 30% of workers, which are local citizens. According to the Guangzhou Regulation of Social Insurance, medical and maternity insurance are not provided to workers whom are not local citizens, which is out of the factory's control. The Factory has not contributed social insurance (pension, occupational, unemployment) for the short-term contract workers yet.	Management interview, documents, GZ Insurance Policy	05/25/2005: Factory still had not contributed the social insurance for those short-term contract workers yet. 07/29/05: PC contacted the supervisor of Huangpu District Social Insurance bureau, and received confirmation that the factory is in compliance with the local bureau's request. The current status is in the attached list.	*** Photos attached***	
Legal benefits		Employers will provide all legally mandated benefits to all eligible workers	The factory benefit policy on maternity leave are different: local provide 90 days paid leave with bonus, migrant provide 90 days paid leave without bonus					All workers should be treated as same. They should revise the maternity leave policy.	12/29/2004	Follow-up audit on 1/5/05, According the Guangzhou Insurance Policy, only the Guangzhou Citizen can contribute to the maternity insurance. Local employees of factory are entitled to have 90 days paid leave with bonus. The bonus is provided by GZ government to whom had contributed the maternity insurance, not by the factory. So factory provided same maternity leave to the local and the migrant employees. This is mandatory and should not be regarded as the factory's fault.	Management interview, GZ Insurance Policy			
Other			A casual laborer has been continual employed three times as casual laborer before he be changed as contract labor was identified during the audit.					According to the labor law, there is no so-called temporary workers. All the workers should be treated as formal employees no matter how long they work for the factory. The factory should provide the same benefits to all workers.	12/29/2004	Follow-up audit on 1/5/05, there are still more than 30 workers working for the factory temporary in the peak season or replacement for the workers who are in maternity leave. Factory signed one to three months short-term contract with them, but did not contribute social insurance for them. Those workers are not entitled to have annual leave because they don't consecutively work for the factory for whole year.	Management interview, documents	05/25/2005: Factory still hired some short-term contract workers if those workers perform well and when the factory has the vacancy they will become formal workers immediately. Prior to this, the only benefit they are entitled are very limited, such as sick leave. Factory has not contributed the social insurance. But the local bureau mention it is ok for them. And the current Nike policy is follow the local limits.	The factory provides sick leave for the workers, however does not buy local insurance for the short-term contract workers. Workers "delete" do not want to contribute to insurance because they are not sure they will work for the same factory for 15 years and it is unclear if they can transfer their insurance from another city. Also part of the insurance paid by the factory can not be refunded due to the current limits. There is a central law that requests social insurance for all employees, but due to the local limits, the local social insurance department only requires the factory to buy a percentage of the current factory population. The percentage varies in different locations, some up to 50%, some even less. Current Nike policy is to follow the local requirements, therefore this item is considered completed.	
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.														

FLA Code/ Compliance	Country Law/Legal Reference	FLA Benchmark	Findings				Remediation				Updates					
			Monitor's Findings	Documentation (if finding was corroborated/verified through)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	PC Remediation plan	Target Completion	Factory Response	Company follow up (01/05/2005)	Documentation	Company Follow up (05/25/2005 & 07/29/2005)	Documentation		
Over-time Limitations	The clause 41 of China Labor Law: The overtime working hour can not exceed 3 hours a day and 36 hours month; and factory can use Flexible and Consolidated Working Hours after local labor bureau approval, but the total OT hours can not exceed 432 hours a year. The clause 38 of China Labor Law: The factory should make sure all workers have one day off per week.	Except in extraordinary business circumstances, employees will 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 (i) 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.	1. Time cards indicated that some workers have continued worked 13 days during June to Aug 2004, no one day off per week, it violated the clause 38 of China Labor Law. 2. Cross checked the production records on site, found there are some discrepancies on workers Sunday works. Production records indicated worker X have overtime worked on 20 June 2004 (Sunday), but his time card shows he was rest at that day. The working hours recorded by hand was found at workshop, it indicated that worker X have overtime worked 8 hours on 19 Sept 2004, but the time cards indicated her was rest at that day. c. Electronic plating records indicated that	Time cards from June to Sept 2004, cross check on site production records and time hour records. According to interview with management and workers, they said some are record mistake.	Yes				(1) The factory should strictly follow Nike OT policy. Factory should on a regularly scheduled basis provide employees with one day off to seven. The factory should also control work hours to not exceed 60 hours of work per week, including normal work hours and overtime. (2) Factory must keep accurate time records at all times. Both regular and overtime hours must be recorded on the same card or in the same system and wages should be calculated based on all hours worked tracked by the system. During follow up visit Nike will investigate work hour discrepancies.	12/28/2004	Follow-up audit on 1/5/05, (1) All line workers had Sunday off, but PC found special positions like customs affair, PM, etc. are working on Sundays sometimes. (2) From the payroll and timecards review for the past three months and workers interview, all the work hours are accurately marked in the timecards, as same as the manual timekeeping records by supervisor, which are for workload and production arrangement, not for wage calculations. (3) Worker X, total OT hours reached to 84 hours in September 2004. Factory got the OT approval from local government of Comprehensive Work Hours, stating total OT hours could reached 216 from July to December 2004. From the timecards review, total OT hours of worker X had already reached 223.5 from July to November, 2004. It violated the local requirement. Moreover, Nike did not accept the comprehensive work hours policy. Monthly OT hours of worker X were over 36 hrs in July, September and October 2004, which violated Nike OT policy. (4) Daily OT hours of Worker X were over 3 hours, reaching to 4 hours in September 2004.	Timecards, workers interview	05/25/2005: (1) Workers are still not receiving one day off in seven. (2) Total weekly work hours exceed 80 hours/week per the Nike Code of Conduct without any voluntary OT sheets signed by workers. (3) Total monthly OT hours of 28 workers from [one department] exceeded 80 hours, which is the limit of OT approval.	**photo attached**		
16. Overtime Compensation																
OT Compensation	The clause 44 of China Labor Law: workers' OT compensation should be paid at rate of wage 150%, 200% and 300% on normally days, rest days and statutory holidays.	The factory shall comply with applicable law for premium rates for overtime compensation	The workers' wage included basic salary and fixed bonus, but all workers' OT compensation only calculate based at rate of basic salary (if the basic salary less than legal minimum wage standard, then based on the legal minimum wage), not included the fixed bonus.	Payrolls checked from June to Aug 2004, and interview with workers and management, it was confirmed.	Yes				Factory should revise the payroll system to comply with Nike Wage policy. According to Nike Wage clarification, the OT compensation should be based on the normal wage, which include base wage and employment based bonuses (such as a length of service bonus or a "job-skill allowance"). The factory should verify that all employees' base wage should not be less than the local minimum wage.	12/28/2004	Follow-up audit on 1/5/05, the factory's OT premium compensation is based on the base wage of employees, which was verified by PC Staff to be equal or higher than the local minimum wage. However, the factory disagrees with the Nike China Wage Policy, which requires OT compensation be based on the normal working wage, defined as base wage + bonuses. (A bonus that is based on a person's employment and is not related to individual performance. An example would be a length of service bonus or a "job-skill" allowance.)	Management interview, documents	05/25/2005: The OT premium compensation system still the same in the factory. But according to the updated XX Provincial Wage Policy effective from May 1, 2005, if both factory and worker agree with the monthly standard wages, which should be higher than the local minimum wage, and state in the labor contract, OT premium compensation can be based on this wage. Nike China wage policy will also follow XX Provincial Wage policy. Factory has signed the revised contract with workers and stated their wages on it. Factory calculated the OT premiums based on the wage in the labor contract. Since factory is following the recently issued local wage policy, it will no longer be a Non Compliance issue.			
Miscellaneous																
Unauthorized subcontracting																
Possible homework																