

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	07001517C
IEM	SGS
Date(s) in facility	13-15 December 2004
PC(s)	Nike, Inc.
Number of workers	2915
Product(s)	Footwear
Production processes	Cutting-Sewing-Stockfitting-Outsole-Spray painting-Shape-Packing

		Findings						Remediation			
FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings	Documentation (If finding was corroborated/verified)	Was Finding Corroborated? Yes or No	If not corroborated, explain why	Best Practice	PC Remediation plan	Target Completion Date	Company follow up (1/17/05, 5/27/05)	Documentation
1. Code Awareness											
Confidential non-compliance reporting channel		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 not a secure communications channel for the workers to report to the Company on noncompliance 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 employee 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 9,000 factory	2/1/2005	01/17/2005 - Factory has posted compliance phone numbers in the workplace. Records of complaints were kept on file.	Grievance policy posted on the bulletin. Photo on file with PC.
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											
Employment Records	moved from wages & benefits w/ a new benchmark	Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision	As explained by management and via review recruitment notice posted at factory gate during the audit, the factory once hired casual laborers and hiring of casual laborers was in process. There was no casual labor contracts signed between factory and casual laborers. And the factory did not maintain any information about casual laborers, such as, ID card copy, entered date, working department, wages records and working hours records and etc.	1. Management interview. 2. Recruitment notice check. Found no such documents	Yes			The factory needs to sign labor contracts will all workers including casual laborers, and keep related documents (labor contracts, personnel files) for at least 1 year for auditing.	2/1/2005	01/17/2005 Per the factory management explaining, the total 5 casual workers were hired from Dec 13 to 17, a whole week, piece rate. As the corrective action, they will: 1. Sign the casual labor contract with the casual workers when there is extra work that casual workers are hired for; 2. to set up personnel files for those casual workers; and 3. to pay those casual workers in compliance with the labor law. During walk thru, there were no casual workers found on 1/17/05, and the casual worker contract manuscript has been ready and would be verified by the local labor bureau. 05/27/05 The factory is not employing casual	The copy of casual contract has been filed in CR.
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.											
Legal compliance for juvenile workers	The clause 9 of China Juvenile Person Protection Law, employment of teenager labor should be under registration.	Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relation to hiring, working conditions, types of work, hours of work, proof of age documentation.	One young worker was identified and the factory did not obtain registration from local labor bureau for this young worker.	Interview with management and review the personnel file. Found no registration for young worker.	Yes			Factory should improve HR management system to verify that no juvenile workers are hired by footwear. Nike standard does not allow for hiring workers younger than 18 yrs old.	2/1/2005	01/17/2005 The juvenile worker is now registered. 05/27/05 Verified the juvenile worker was registered with the local authority.	Copy of juvenile worker registration in the local labor bureau is on file with PC.
Lack of protection of under-age workers	The clause 3 of China Juvenile Person Protection Law, Employer should not arrange the juvenile employees to work involving exposure to airborne particles at or above the grade I of the state standards stipulated in the Classifications of Risk from Airborne Particles in Production-related Work.	Employers will ensure that, all workers engaged in operating or working close to hazardous equipment, working at dangerous heights job lifting heavy loads, or exposed to hazardous substances, are above the legal age for such work.	The young worker was engaged in the work of polishing.	On-site observation and worker interview.	Yes			Factory should follow local juvenile employees protective laws.	2/18/2005	01/17/2005 Factory management decided to switch this young worker to assembly line starting from Jan, 2005.	Job switch notice for the juvenile worker from the buffing section to the packing section. Photo on file with PC.

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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	1. The clause 10 of China Fire Prevention Law: The completed construction project must comply with fire protection design following to the state construction fire protection technical standards and must be delivered for acceptance inspection by Fire Protection Bureau, those which are not inspected or fail to pass the inspection may not be delivered for use. 2. The clause 61 of China Construction Law: A completed construction project delivered for acceptance inspection shall conform to the quality standards specified for the project, there shall be available a whole series of technical and economic data as well as a signed warranty, and the project shall meet other requirements of the State for completion of a construction project. Construction project shall be delivered for use only after pass the acceptance inspection; those which are not inspected or fail to pass the inspection may not be delivered for use. 3.The clause 27 of China Food Hygiene Law: establishment of food manufacturer must apply for certificate of hygiene from Hygiene administrative department. 4. The clause 55 of China Labor Law: laborers to be engaged in specialized operations must receive specialized training and acquire qualifications for such special operations."	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	1. The factory could not provide Building Fire Safety Certificate from local government during the audit. 2. The factory could not provide Building Structure Safety Inspection Approval during the audit. 3. The hygiene license of the canteen was expired on 31st of March 2004. 4. The forklift operator did not obtain qualification certificate.	Document check and management interview found no such certificates.	Yes	Fty feedback: We applied the "Canteen hygiene license of 2005" on Dec.22 and the license will be issued by Mar.7,05. As to the "Building Structure Safety Inspection Approval", "Building Fire Safety Certificate", here I would like to explain as below, our factory bought the land of the building in 2002 but because of some tax problem in our district that we didn't get the the original land certificate until January in 2005 but we began to apply for the building certificate in end of 2004 and haven't got it. As we lack of the building certificate, we are difficult to get the Building Structure Safety Inspection Approval", "Building Fire Safety Certificate" which we are trying our best to apply for it.		Factory need to get "Building Structure Safety Inspection Approval", "Building Fire Safety Certificate", "Canteen hygiene license of 2005", and qualification certificate of that FLT".	4/1/2005	01/17/2005 1. The fire safety certificates for the buildings of canteen/dorm have been obtained from the local fire bureau. But for the other main manufacturing buildings e.g. A.B.C., due to the conflict of earth property between the government bureau and the factory, Building Fire Safety Certificate and Building Structure Safety Inspection Approval were not obtained from local government. 2. The hygiene certificate for the canteen was under application.	On file with PC: 1/ The fire safety certificate for the buildings of the canteen/dorm, issued by the local fire safety bureau. 2/ The hygiene certificate
Chemical Management	The clause 4.6 of General Code on Dangerous Chemicals Storage: The Chemical in using should have identification, the dangerous chemicals should have safety tag, the using units should provide safety technical manual to the operators.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	There was no label on the containers of chemical goods that were used in spraying painting workshop.	Visual inspection found	Yes			Set up effective Environmental/Safety/Health (ESH) management system, appoint CR staff to inspect ESH in workshops on a regular basis.	3/18/2005	01/17/2005 During auditor walk thru, labels have been pasted to all the chemical containers in the spraying painting workshop.	Photos on file with PC.
Other	The clause 26 of Code on Health and Safety at Factory:factory shall provide employees with sufficient and clean drinkable water.		There was no drinking water equipment installed in the production building No.X.	Visual inspection found	Yes			Add drinking water in the new building.	3/18/2005	01/17/2005 The factory has provided two clean drinking water devices in building X, in which about 250 workers were doing work. These fountains are adequate and accessible.	Photos on file with PC.
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: <i>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</i>									

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		<p><i>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></p>									

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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												
Minimum Wage	The clause 48 of China Labor Law: Government and reported to the State Council for the record. Wages paid to workers by the employing unit shall not be lower than the local standards on minimum wages.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	Some inconsistencies were among IC card records, "in" and "out" records at security guard post of workshop # machining 3, daily output records of S1-S15 and C5 workshops. Leave application records, QC inspection records. Such as: (1) IC card records indicated that all workers had rest on 1st, 2nd, 3rd, 4th and 5th of May 2004, but the Leave application records indicated that worker# 2039, #2016, #2003 applied for leave on 2nd and 3rd of May 2004 which means other workers worked on these dates; (2) IC card records indicated that all workers had rest on 1st, 2nd, 3rd, 4th and 5th of Oct 2004, but the "in" and "out" records at security guard post of workshop # machining 3, daily output records of S1-S15 and C5 workshop indicated that some workers worked on 4th of Oct 2004. (3) IC card records indicated that all workers had rest on 5th and 7th of Dec of Dec 2004; (4) IC card records indicated that all workers had rest on 12th, 19th, 26th of July 2004 (all were Monday that turn rest to Sunday as local electric power bureau required), but the "in" and "out" record at security guard post of workshop # machining 3, daily output records of S1-S15 and C5 workshop indicated that workers had work on 12th, 19th, 26th of July 2004; (5) IC card records indicated that all workers had rest on 31st of July 2004, but A notice posted at the workshop which stipulated that workers worked on 31st of July 2004 were not required to punch IC card. (6) IC card records indicated that all workers had rest on 8th of Aug 2004, 10th of Oct 2004 and 28th of Nov 2004 (All were Sunday), but the "in" and "out" records at security guard post of workshop # machining 3, daily and output records of S1-S15 and C5 workshop indicated that some workers So no evidence to demonstrate workers minimum wage, overtime wage, working hours and overtime hours were in line with the legal law.	1. Management interview. 2. IC card records. 3. "in" and "out" record at security guard post of workshop # machining 3. 4. daily output records of S1-S15 and C5 workshop. 5. Leave application records. 6. Notices posted at workshops. Found inconsistencies and managements also confirmed it.	Yes			1. Factory provide PC with original payrolls and time records. 2. Factory must keep accurate time records for all working hours in one time keeping system at all times	2/18/2005	01/17/2005	Management provided PC with actual OT compensation documents for the Sunday work. Review of the last three production months shows that OT hours is between 70hrs to 80hrs per month and OT compensation meets the local minimum wage requirement.	
Legal benefits	The clause 72 & 73 of China Labor Law: the employing unit and workers must participate in social insurance and pay social insurance premiums in accordance with the law; labors shall enjoy social insurance benefits under the following circumstances: a) retirement, b) medical, c) injury d) unemployment; and e) maternity.	Employers will provide all legally mandated benefits to all eligible workers	The factory only provide retirement and unemployment insurance for 227 out of 2915 employees, no medical, injury and maternity insurance for any workers.	Social insurance invoice check and interview with management	Yes			Factory needs to provide social insurance to workers according to local requirement, and get the written waiver from local government proving factory is compliant with local requirement.	3/18/2005	01/17/2005 No update. Factory is going to provide all insurance to workers starting from Feb., 05'. 05/27/05 The factory got the compliance waiver dated on March 1st, 2005 from the local authority indicating they are in compliance with the local requirements of the law.	Copy of waiver on file with PC.	
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	The clause 41 of China Labor Law: The overtime working hour can not 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 totally OT hours can not exceed 432 hours a year; The clause 38 of China Labor Law: The facility should make sure all workers have one 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.	Overtime hours could not be verified, refer to "Minimum Wage" of section 8 wages and benefits.	1. Management interview. 2. IC card records. 3. "in" and "our" record at security guard post of workshop # machining 3. 4. daily output records of S1-S15 and C5 workshop. 5. Leave application records. 6. Notices posted at workshops. Found inconsistencies and managements also	Yes			Factory should follow local labor law, which is a maximum overtime of 3hrs/day with a total 60 working hours/week. The factory should apply for an additional OT approval from local labor bureau, which will allow for max. OT 80hrs/month for peak season. Factory should provide 1 day off in 7 for all employees.	3/1/2005	01/17/2005 Management provided PC with actual OT compensation documents for the Sunday work. Review of the last three production months shows that OT hours is between 70hrs to 80hrs per month and OT compensation meets the local minimum wage requirement.	Copy of OT approval on file with PC.
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.											
OT Compensation	The clause 44 of China Labor Law: worker's 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	Overtime Wage could not be verified, refer to "Minimum Wage" of section 8 wages and benefits.	1. Management interview. 2. IC card records. 3. "in" and "our" record at security guard post of workshop # machining 3. 4. daily output records of S1-S15 and C5 workshop. 5. Leave application records. 6. Notices posted at workshops. Found inconsistencies and managements also	Yes	No, factory management can provide another original payrolls and payslips, it can proof that all OT were paid correctly.		1. Factory provide PC with original payrolls and time records. 2. Factory must keep accurate time records for all working hours in one time keeping system at all times.	2/18/2005	01/17/2005 Management provided PC with actual OT compensation documents for the Sunday work. Review of the last three production months shows that OT hours is between 70hrs to 80hrs per month and OT compensation meets the local minimum wage requirement.	Samples of real payroll/timecards on file with PC.
Miscellaneous											