

FLA Audit Profile		
Country	China	
Name of Factory	630015730F	
Independent External Monitoring Organization	Level Works Limited	
Date(s) in Facility	November 26 - 27, 2007	
FLA Affiliated Compan(ies)	Umbro	
Number of Workers	182	
Product(s)	Socks	
Production Processes	Knitting, Linking, Heat Setting, Inspection a	
FLA Code/Benchmark	Compliance Status	[Status] Completed, Pending, Ongoing
GEN 3: 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.	Noncompliance	
H&S.8 Permits and Certificates	Noncompliance	Completed
H&S.9 Evacuation Requirements and Procedure	Noncompliance	Completed
H&S.18 Machinery Maintenance and Worker Training		

FOA.2 Right to Freely Associate	Noncompliance	
HOW.1 General Compliance Hours of Work	Noncompliance	Completed
HOW.2 Rest Day	Noncompliance	Completed

HOW.6 Time Recording System	Noncompliance	Completed
WBOT.1 General Compliance Wages, Benefits and Overtime Compensation	Noncompliance	Completed
WBOT.2 Minimum Wage	Noncompliance	Completed
WBOT.7 Payment for All Hours Worked	Noncompliance	Completed

WBOT.8 Calculation Basis for Overtime Payments	Noncompliance	Completed
WBOT.10 Premium/Overtime Compensation	Noncompliance	Completed
WBOT.17 Accurate Calculation and Recording of Wage Compensation	Noncompliance	Completed
WBOT.19 False Payroll Records	Noncompliance	Completed

nd Packing

Description of Noncompliance, Risk of Noncompliance or Uncorroborated Evidence of Noncompliance
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As per documentation review and management interview there is no noncompliance reporting mechanism in place for workers to contact the company directly with violations of the Code. As per management interview it was noted Umbro did not communicate its association with the FLA to the factory.

As per documents review, it was noted that no fire service inspection certificate for 2 blocks of 1-story production building and 1 block of 3-story office building was provided by the factory.

As per factory tour, it was noted that the evacuation aisle in semi-finished product warehouse was blocked by goods.

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See FLA comment on China situation.

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IEV Profile
China
630015730FV
Verité China
September 22-23, 2011
Nike, Inc.
233
Socks

Updates (Cite Date of Follow Up)	
Company Follow Up	Documentation

Third-Party Verification

External Verification (September 22-23, 2011)

Complete Management interviewed and noncompliance reporting procedure reviewed show that employees were aware of Umbro's association with the FLA, and there is a noncompliance reporting mechanism in the facility.

Complete Based on on-site observation, there is 1 office building with 4 stories, 1 production building with 6 stories, 1 production building with 7 stories, 1 production building with 1 story and 1 dormitory building with 7 stories in the factory. The factory obtained fire service inspection certificates issued by the local authority bureau in 2006 and 2008 for for all these buildings.

Complete It was noted that all evacuation aisles in the factory are now unblocked.

New Finding Three electrical fans are not installed protection ground wire in heat setting workshop of the factory. Legal Reference: The construction and acceptance standards of grounding device for Electrical Equipments Installation Project, Article 3.3.1

Interviews with workers and management show that employees can associate according to local law and can also legally express their opinions. However, the facility has no worker representatives or collective bargaining agreement with workers. **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); 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 FOA, 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. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates 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. Trade unions also have an enhanced role in dispute resolution. In Dec. 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.

Pending The attendance records from August 2010 to August 2011 indicated that the facility complies with laws concerning hours of work; the weekly working hours for each worker is no more than 60 hours and workers are provided with one day off per seven during this period. However, inconsistencies are noted in August 2011. Checking the production records for the packaging workshop showed that some workers worked on August 7, 14, 21, and 28 (Sundays) in 2011, while the provided attendance records indicated that all workers rested on all Sundays in August. Management did not give explanation for the inconsistency. As a result, the auditor could not verify whether the workers' working hours comply with laws concerning hours of work.

Pending The time records from Aug. 2010 to Aug. 2011 indicated each worker was provided with 1 day off per 7 and always rested on Sunday. However, inconsistencies are noted in Aug. 2011, As per the manual production records for packaging workshop, there are workers who worked on Aug. 7, 14, 21, 28 (Sundays) in 2011, but provided attendance records indicate that all workers rested on all Sundays in Aug. Management did not give explanation for the inconsistency. So, auditor could not verify whether the factory provided 1 day off per 7 days to workers.

Pending The facility provided time records from Aug. 2010 to Aug. 2011 during the audit, and time cards record all working hours from Aug. 2010 to Aug. 2011. The attendance records show all workers normally worked 5 days, 40 hours per week. Overtime work did not exceed 36 hours per month, and occasionally employees worked overtime on Saturdays, but always rested on Sundays. All interviewed workers stated that they always rested on Sundays, occasionally worked overtime on Saturdays, and normally worked from Monday to Friday. However, inconsistencies are noted in Aug. 2011. As per the manual production records for the packaging workshop, there were workers who worked on August 7, 14, 21, and 28 (Sundays) in 2011, but the attendance records provided indicated that all workers rested on all Sundays in Aug. Management did not give an explanation for the inconsistency.

Complete The payroll records from Aug. 2010 to July 2011 indicated that all workers are paid the legal rate for all working hours including overtime. All workers are paid by hourly rate. The wage structure is "basic wage + overtime wage - deduction." The basic wage is no less than local minimum wage, basic hourly wage is basic monthly wage / 20.83 days / 8 hours, and the overtime wage is calculated as 150%, 200% and 300% of basic hourly wage when workers overtime worked on weekdays, weekend days and holidays respectively.

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Complete The payroll records from Aug. 2010 to July 2011 indicated that all workers are paid a legal rate for all working hours including overtime. All interviewed workers reported that overtime hours are recorded using the time cards and that they are paid an overtime rate according to legal requirement. The interviewed workers reported that they do not work on Sundays.

Documentation
Management interview, noncompliance reporting procedure
Photos of factory buildings and fire service inspection certificate
Photos of aisles in the factory
Photos of electrical fans heat setting workshop.

Worker interview and
management interview

Attendance records and
production records

Attendance records and
production records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records

Attendance records, payroll records, worker interview

Company Verification Follow Up

**Company Follow Up
(January 7, 2012)**

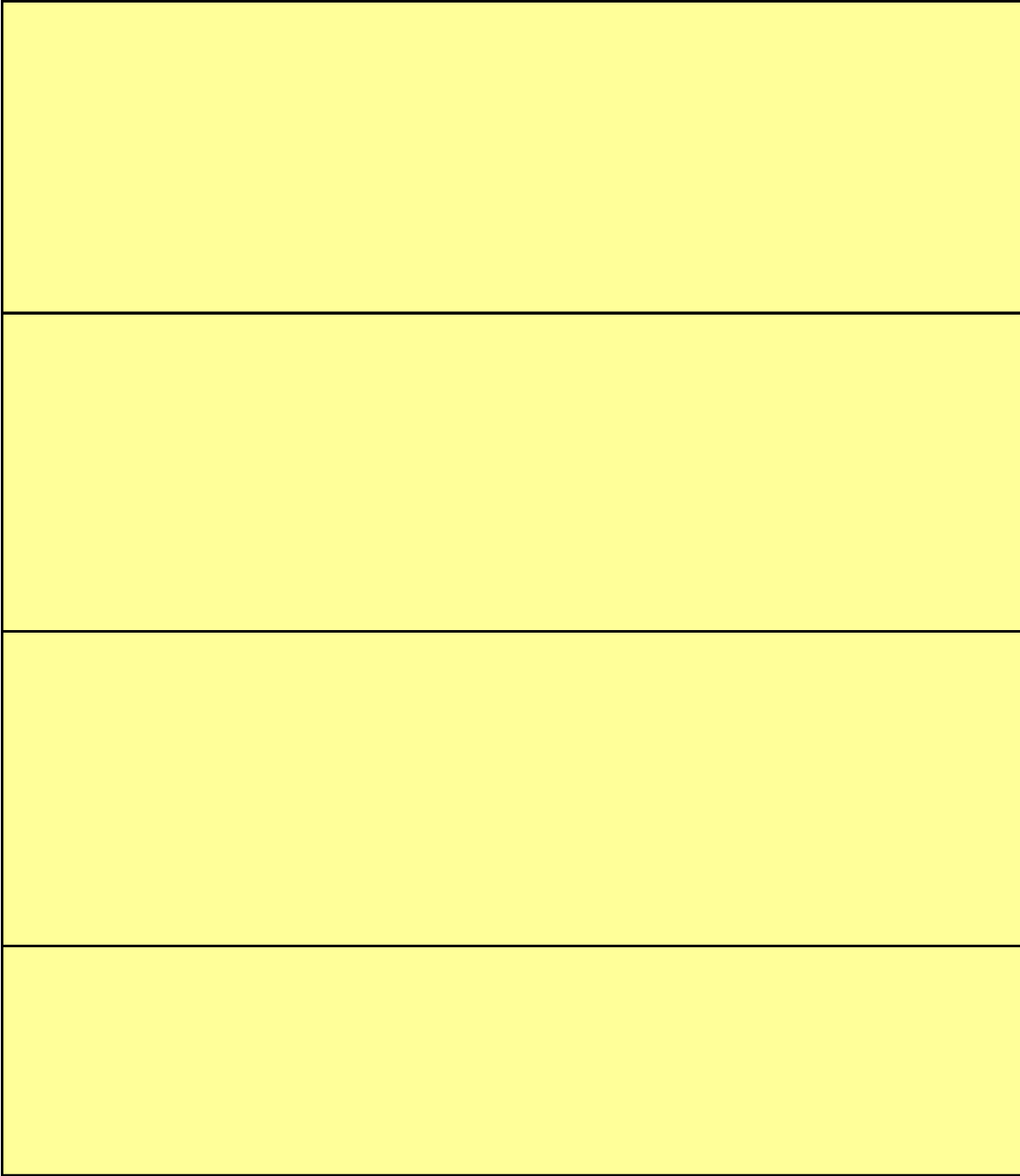
Umbro ordered the factory to install all electrical fans in the heat setting workshop with ground wire. Target to be completed on Feb. 29, 2012.

In the absence of independent unions, the FLA encourages the formation of worker committees to facilitate dialogue between the workers and the management, including but not confined to grievances. It is important that the representatives of these committees be elected from among the workers by workers themselves and that these committees meet the management on a regular basis with minutes taken for verification and follow-up purposes.

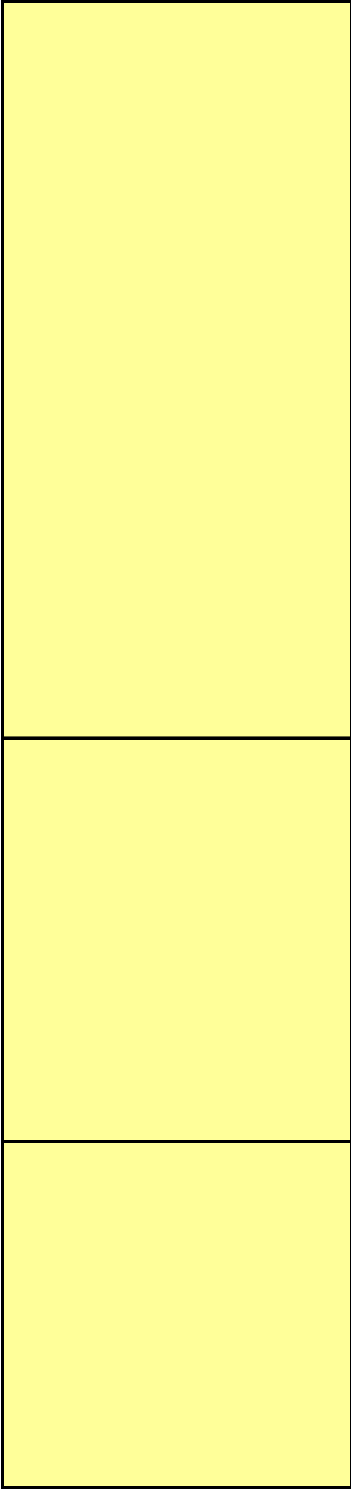
Umbro has requested that the factory 1. Investigate this issue. 2. Set up reliable timekeeping system that accurately records workers' working hours. 3. Provide training to all employees. Target to be completed by May 30, 2012.

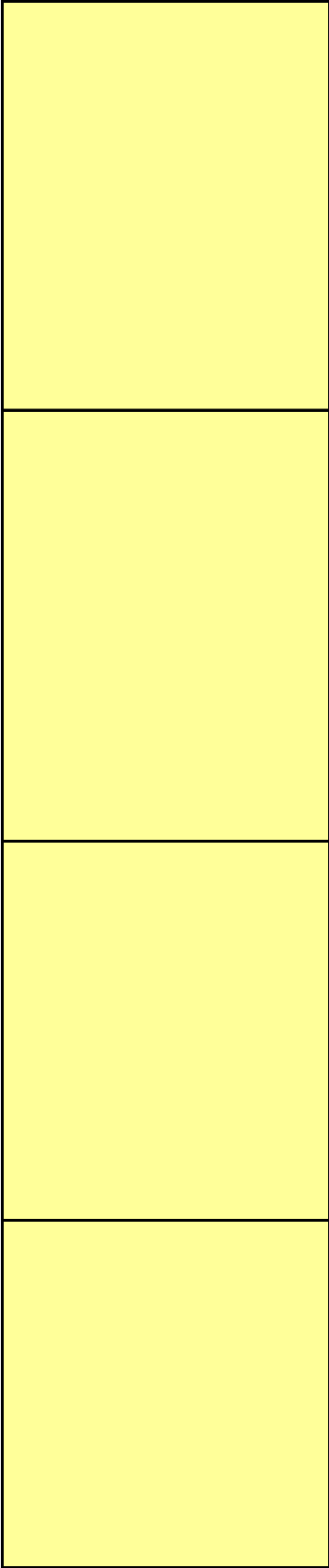
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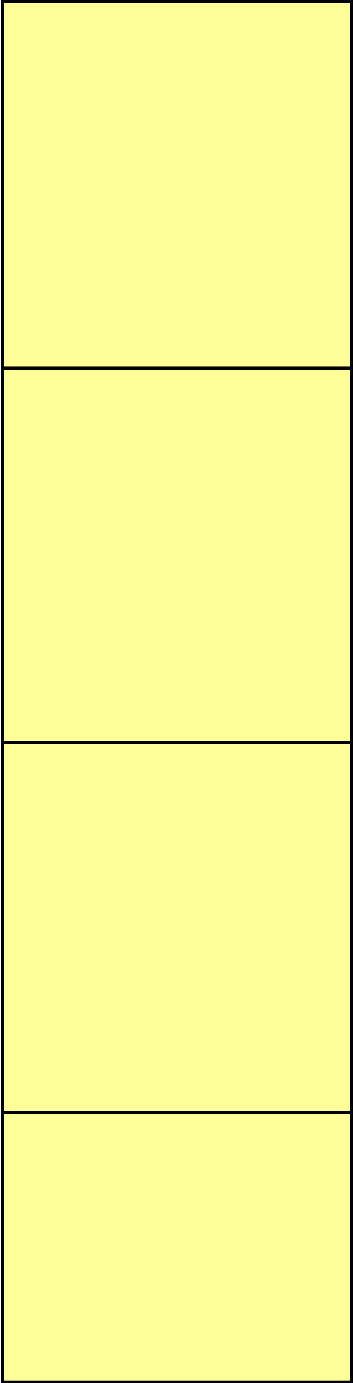
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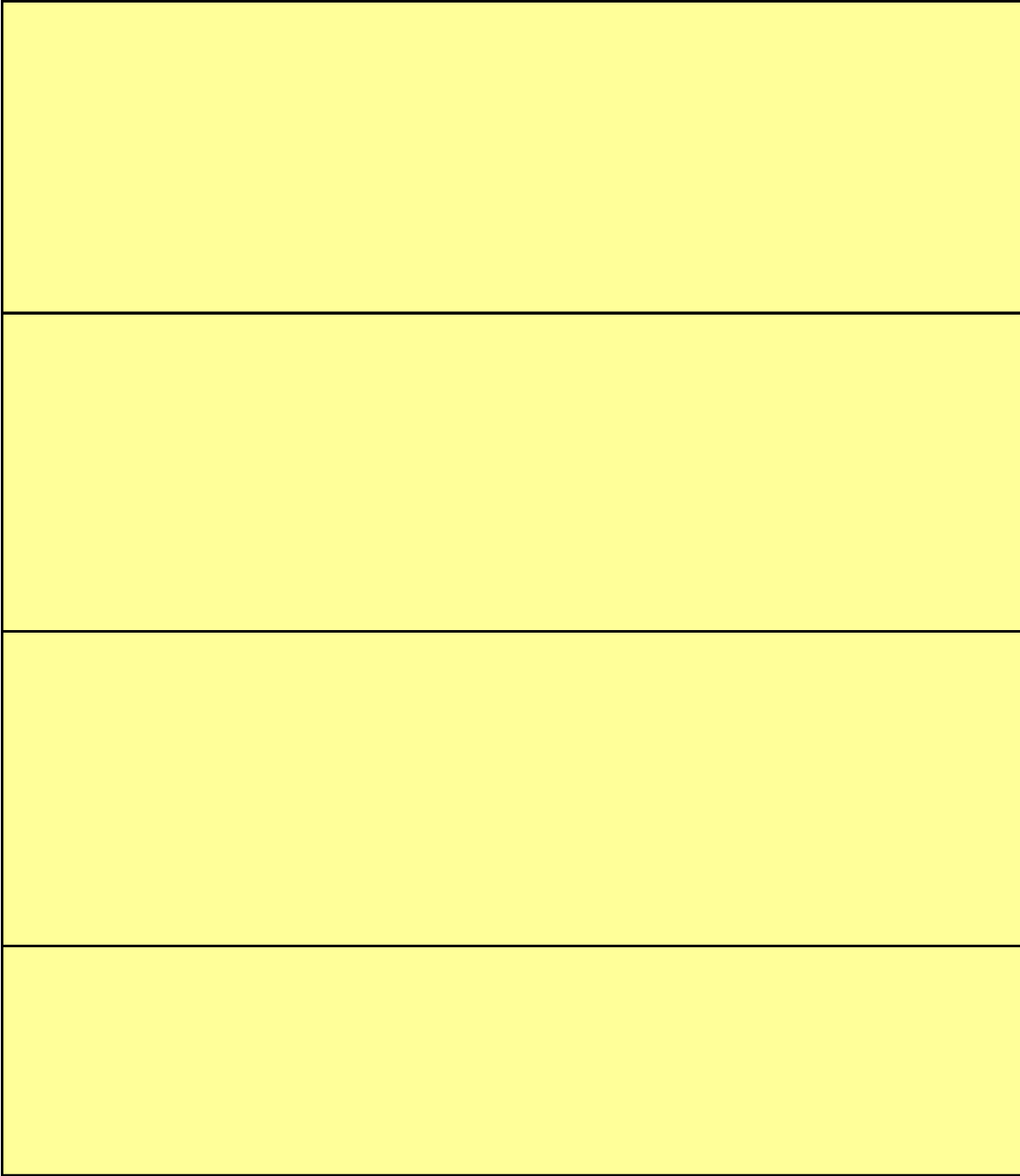
**Company Follow Up
(February 21, 2012)**

The factory will set up the Employee Committee soon after consulting with all the employees. The members of the committee will be workers from all the workshops. The employee representatives will be democratically elected at members' assemblies. (To be completed by end of Mar. 2012)

Factory management team had a meeting and decided to manage the working time more strictly: 1. Workers must punch the working time card when they leave for any reason. 2. Management will train all workers to punch the working time card when they leave for any reason (completed in Oct. 2011.) 3. The workshop director will take full responsibility to supervise the workers' time card punches (updated in factory policy). Nike Affiliate team will conduct the audit to verify on-site in June 2012.

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Company Follow Up
(PC conducted HSE audit May 24-25, 2012)

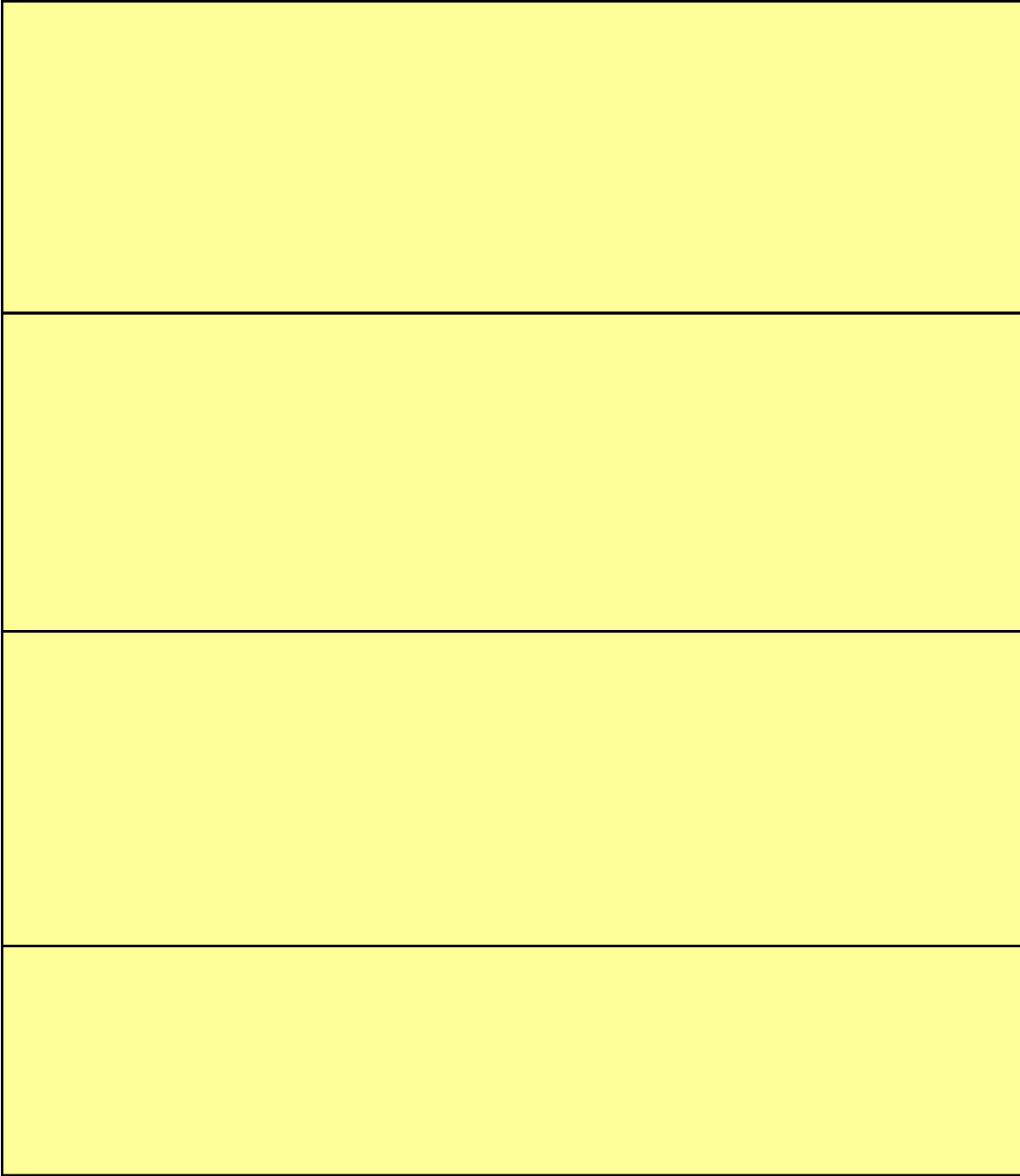
1. Observed the electrical safety condition was well-maintained; switches in junction boxes were enclosed, no exposed wire was found and GFI was installed in the wet areas. 2. The electrical fans have been removed from the heat setting workshop of the factory. The protective ground wire has been installed to connect the equipment to the power.

Factory held an election for the Workers' Representative Committee on Apr. 6. One leader and 10 committee members, representing all departments, were elected and officially announced within the factory on Apr. 10. Roles and responsibilities of committee members have been defined and distributed in a document which was issued on Apr. 10. The first committee meeting was held in early May.

1. Reviewed time records from Jan. to May 2012, and no excessive OT was identified for any workers. 2. Cross-checked with production records and no inconsistency was identified with time records 3. Updated training records on FTY and reviewed the working hours policy. 4. Sampled worker interviews confirmed the reliability of time records.

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ation Follow Up

**Company Follow Up
(PC conducted HSE audit December 26-28, 2012)**

The electrical fans have been removed from the heat setting workshop of the factory. General electrical safety is OK; electrical equipment is equipped with protective ground wire to connect to the power and is well-maintained.

1. Reviewed time records from Nov. 2011 to Oct. 2012, and no excessive OT was identified for any workers. 2. Cross-checked with production records and no inconsistency was identified with time records. 3. Updated training records on FTY and reviewed the working hours policy. 4. Sampled worker interviews confirmed the reliability of time records as well.

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