



## **Independent Assessment of Football Production in the Supply Chain Of Shanghai Wande Sporting Goods Company**

### **Issue**

Shanghai Wande Sporting Goods Company (hereinafter Wande) supplies machine-stitched and hand-stitched soccer and volley balls and molded soccer balls with no stitching to a dozen sports equipment brands from the United States, Europe, and Japan. In the fall of 2009, three brands affiliated with the FLA that source footballs from Wande -- Nike, New Balance, and Puma -- requested that the FLA conduct an assessment of such production. In particular, the brands were interested in ascertaining if there were subcontracting activities (either authorized or unauthorized) in Wande's supply chain that might give rise to the use of home workers, underage workers, or even prison labor in the production of footballs.

### **Assessment**

To conduct the assessment, the FLA engaged an Assessment Team consisting of independent monitors from three FLA-accredited firms in China. The Assessment Team conducted field work from November 30 through December 3, 2009, at Wande and at two subcontractors, Jia Shang Double Cloud and Shanghai Pu Xiang. Prior to making unannounced visits to the facilities, the Assessment Team consulted with civil society organizations (CSO) and conducted research on football production in the area/region to learn about (1) the existence of industry-wide subcontracting and homework; and (2) the possibility of unauthorized or hidden subcontracting, home workers, child labor, prison labor, and production of counterfeited goods. The assessment team also met with an academic knowledgeable about labor-management relations, with representatives of the brands, and with a former Wande management employee who had publicly criticized Wande for allegedly engaging in unauthorized subcontracting, prior to 2007, to factories where labor rights violations were rampant.

The Assessment Team encountered difficulties in conducting its work at the Shanghai Pu Xiang factory, where the Team found no work was being conducted at the time of the visit, management personnel were not available for interview, and the Team was not given access to some areas of the factory. The Assessment Team, joined by an FLA staff member, returned to the factory for a second unannounced visit on April 7-8, 2010. During this visit, the Assessment Team was able to interview managers and workers, visit the production areas, and gain access to records.

### **Findings**

- Subcontracting in the ball manufacturing industry is common in China. Ball factories in the Shanghai area frequently subcontract orders to small workshops as a way to meet large orders and/or reduce costs.

- Puma and Brine (New Balance) balls were subcontracted by Wande to the Shanghai Pu Xiang Printing Factory at some time in 2008-2009. There was no evidence that balls for Puma and Brine were subcontracted to Jia Shan Double Cloud.
- Interviews with Nike field staff and Wande management confirmed that Nike authorized hand-stitched balls to be subcontracted by Wande to various factories in the region before 2007. It was further stated that, during that period, Nike staff audited all authorized subcontractors. There was no evidence that Wande subcontracted Nike balls to Jia Shan Double Cloud or to Shanghai Pu Xiang after 2007.
- While Puma, New Balance, and Nike conducted audits of Wande, management of Jia Shan Double Cloud and Shanghai Pu Xiang reported that the brands did not conduct labor compliance audits while the brands' subcontracted product was being processed. This is potentially a serious problem given the high risk of noncompliances in the subcontracted factories.
- In its follow-up visit to Shanghai Pu Xiang, the Assessment Team found a Brine (New Balance) sample dated December 2008 as well as product specs in the machine stitching section for Brine soccer balls. Two Nike soccer ball product sheets were also found in the printing section. Shanghai Pu Xiang management reported that there had been production of Brine balls recently but could not explain why Nike product sheets were in the workshop. The Assessment Team surmised that Nike product might have been subcontracted only for printing purposes, as the specs were located in the printing section.
- Wande informed the Assessment Team during the follow-up visit that it had recently begun to subcontract production of hand-stitched volley balls to a factory in Jiangsu.

## Recommendations

Brands should:

- Enhance their ability to detect unauthorized subcontracting in their supply chains, inter alia, by engaging CSOs to conduct thorough assessments of supply chains prone to subcontracting, conducting confidential surveillance in factories believed to be conducting unauthorized subcontracting, analyzing output and production capacity of each section of factories, and interviewing key persons in factories and outside who might be able to provide information on such practices. Collaboration by brands can also be helpful in identifying and dealing with unauthorized subcontracting.
- Establish proper systems and policies regarding labor compliance by subcontractors and conduct assessments on a regular basis to identify risks in subcontracted factories. Improving assessment protocols and the skill sets of auditors can contribute to this objective.
- Set up remediation programs to support contractors in addressing noncompliance issues at subcontracted facilities.
- Pursue with Wande the possible unauthorized subcontracting, even at the level of screen printing, to Shanghai Pu Xiang and subcontracting of hand-stitching to a factory in Jiangsu, about which Wande informed the Assessment Team during the follow-up visit.