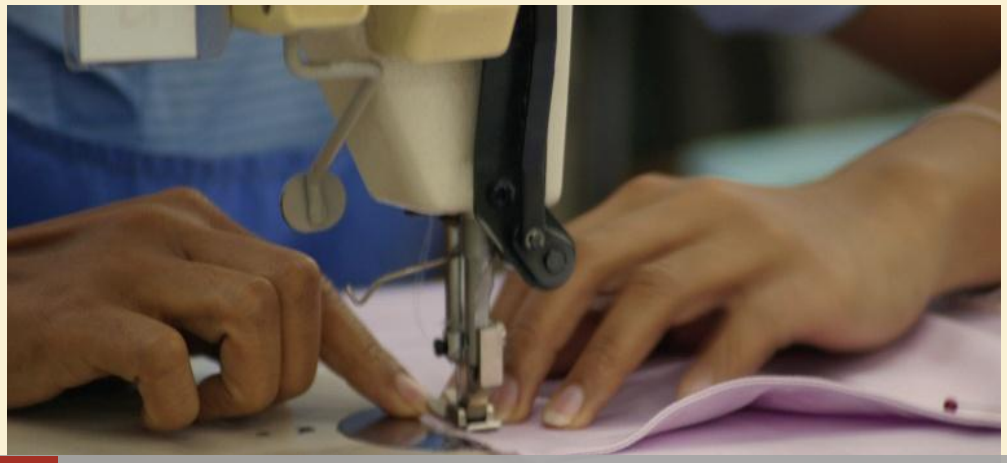

2010

Fair Labor Association
Independent External Monitoring Report

COMPANY: Nike, Inc.
COUNTRY: Vietnam
FACTORY CODE: 0700841229I
MONITOR: Global Standards
AUDIT DATE: December 7 – 8, 2010
PRODUCTS: Garments
PROCESSES: Cutting, Sewing, Finishing
NUMBER OF WORKERS: 400

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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FAIR LABOR ASSOCIATION

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: **FLA Comment:** Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association (FOA) and, as such, all factories in Vietnam fail to comply with the FLA Code standard on FOA.

Plan Of Action: This is a national issue that cannot be solved at factory level. Factory follows the law on this: employees are free to join Trade Union and not treated different from other non-Trade Union members; trade union organizes many activities for members: birthday gifts, sport events, music shows, financial support in the event of accidents and/or poverty. Trade Union Executive Committee represents employee's representatives from different departments, including HR Manager, who is the union leader and considered an employee according to Vietnam labor law. Any Trade Union decisions are agreed upon by Trade Union Executive Committee members. Next Trade Union election will be held March 30, 2012. There are also EHS and Labor Dispute Committees at factory.

Deadline Date: 06/30/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date:

FAIR LABOR ASSOCIATION

Code Awareness:

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

Explanation: Code of Conduct (COC) posters are available in factory for Nike in the local language. Codes posted for other brands as well, including brands which have ceased production. Nike has set up a hotline for workers to call; factory has an announcement about this, but no information was posted or communicated to workers at time of audit.

Sources: visual inspection, management interview

Plan Of Action: Factory should:

1. Repost Nike hotline throughout factory and communicate it all workers by announcement for their awareness.

2. Provide refresh COC training periodically to all employees. Guide workers on how to use the hotline effectively, as well as encourage them to use this system in any cases where they have concerns or questions.

3. Review the effectiveness of training monthly by percentage of raised concern through this system/grievance system.

4. Labor Conciliation Council is responsible for maintaining and following up the checking and posting of information.

Deadline Date: 06/30/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (posting of evacuation plans; installation and maintenance of employee alarm and emergency lighting systems; ensuring aisles/exits not blocked and workers not blocked within workstations; employee education; evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: Both main exits in sewing factory are sliding doors and partially open at time of audit; however, they have signs asking to keep them closed. Sliding doors should be kept open for use as emergency exits. Some fabric warehouse aisles blocked at time of audit.

Source: visual inspection

Plan Of Action: Factory should:

1. Remove signs on sliding doors immediately.

2. Provide fire prevention training to all workers and conduct specified training for fire prevention team yearly.

3. Rearrange warehouse to make sure that material is orderly. Remind warehouse workers to keep warehouse and exit routes clean and tidy.

4. Assign fire prevention team in charge of all facilities and equipment related to fire fighting. Team should conduct fire prevention inspection: check exit doors and routes daily; make sure all exit routes, fire extinguishers and exit doors are ready in case of emergency.

Deadline Date: 06/30/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: At least 1 fire extinguisher in cutting room was discharged, blocked and not checked since June 2010, despite factory policy that all fire extinguishers are checked monthly with a checking record attached to each.

Sources: visual inspection, management interview

Plan Of Action: Factory should:

1. Review fire prevention policy and provide refresher training to all employees, including fire prevention team, periodically.

2. Remind workers of the importance of a) fire extinguishers and exit routes; b) keeping workplace orderly, especially emergency areas such as fire equipment area, first aid box area, and electrical panels, which should not be locked by products or materials.

3. Map fire equipment of factory and set up a charging (fire extinguisher) monitoring plan with quantity of equipment, date of charging/maintaining, person in charge.

4. Strengthen fire prevention team by daily inspection and cooperate with production leaders on maintaining the fire fighting system in good condition.

Deadline Date: 06/30/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in local language and the language(s) spoken by workers, if different from local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: In spot cleaning room, workers use acetone from spray bottles without any personal protective equipment (PPE), sink or eye wash station. Material Safety Data Sheets (MSDS) posted; training apparently conducted, but awareness of proper precautions for safe handling of chemicals is lacking. 2 cans of Sprayway Solvent De-greaser C60 found in pressing with no MSDS.

Source: visual inspection

Plan Of Action: Factory should:

1. Install eye wash station in spot cleaning room immediately.

2. Define spot cleaning room as area for authorized employees only. Persons in charge are responsible for making sure eye wash station and ventilation system in this room are in good condition by checking them daily.

3. Provide chemical safety training periodically on items including usage, handling and storing chemicals in the proper way. Guide workers on how to read and understand MSDS and use PPE properly.

4. Regularly update chemical inventory list and MSDS; post MSDS in spot cleaning area.

5. HSE Committee members are responsible for inspecting and maintaining the following-up practices in this area.

Deadline Date: 06/30/2011

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: Unsafe metal-blade fan found balanced on a milk crate in material warehouse, with improper loose electrical wiring across 1 exit, posing a hazard.

Source: visual inspection

Plan Of Action: Factory should:

1. Remove unsafe electrical wires at this equipment.

2. Review and check whole electrical system of factory by inviting licensed 3rd party to assess, then correct, all unsafe points based on assessment results and 3rd party consulting.

3. Send all maintenance team members to licensed party for electrical safety training. They will be the individuals to retrain all employees regarding general electrical safety for their protection and to enhance awareness.

4. Maintenance team is assigned to maintain and inspect electrical system by checklist and to make sure all issues needed to be reported to management for improvement are done regularly.

Deadline Date: 07/30/2011

Action Taken:

Plan Complete: No

FAIR LABOR ASSOCIATION

Plan Complete Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple timekeeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate work hours. Time records maintained shall be authentic and accurate. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Inconsistencies exist between off-site interview reports of excess overtime until 10pm and recent factory records, which show work until 8pm at the latest. Some monthly OT tracking reports show excess OT exceeding 72 hours a week in a few cases; however, these numbers do not agree with factory time records shown to monitors. Such irregularities suggest there may be undocumented OT issues, which could not be verified in records shown to monitors. Individual workers' piece rate records were not available for review, because they were reportedly kept “at home.”☐

Plan Of Action: Work with production department to:

1. Review and revise a production plan to make sure factory's capacity is balanced with factory workforce.

2. Create a multi-skill line to raise productivity (apply lean manufacturing). This line will be the model line and trained to remaining workers group by group.

3. Organize a "stitching skill test" to classify workers by skill level (from 1 to 5), then re-arrange their positions, and to improve quality of products.

4. Set up allowance system to encourage employees to increase their productivity.

5. Set up Machines Maintenance Plan to make sure there is no time lost or interruption due to machine issues during working hours.

Work with buyers to:

1. Define material delivery plan with accurate dates. Negotiate with buyers on moving delivery dates in cases where material delivery is not exact and synchronous.

2. Calculate factory capability, including consideration of overtime (in the limit of 300 hours or less), before receiving orders from buyers.

Factory commits to have 1 timekeeping system to record work time and calculate associated compensation and benefits. Factory will communicate work time policy to all employees via training, to make sure they understand and follow the policy strictly. Also, due to a misunderstanding between factory and FLA monitor, it was reported that some workers worked OT in excess of 72 hours a week, where in fact it was in excess of 72 hours a month.

Deadline Date: 08/30/2011

Action Taken:

Plan Complete: No

Plan Complete Date: