



COMPANY: Nike, Inc
COUNTRY: United States
ASSESSMENT DATE: 10/22/12
MONITOR: FLA Assessor Team (Americas)
PRODUCTS: Apparel
PROCESSES: Embroidery, Screen Printing/Printing
NUMBER OF WORKERS: 600
ASSESSMENT NUMBER: AA000000017

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

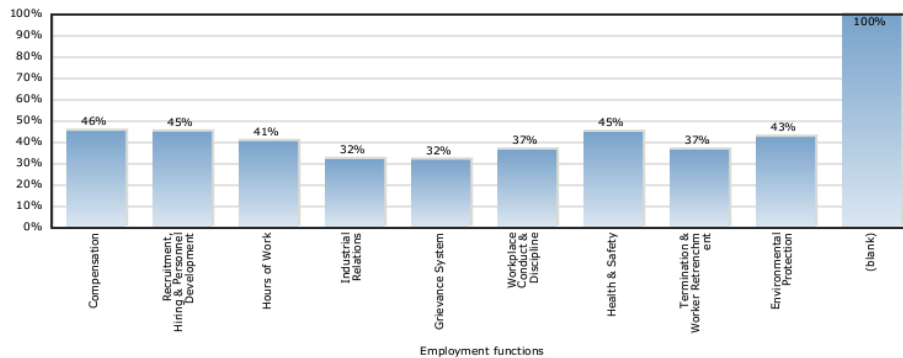
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.

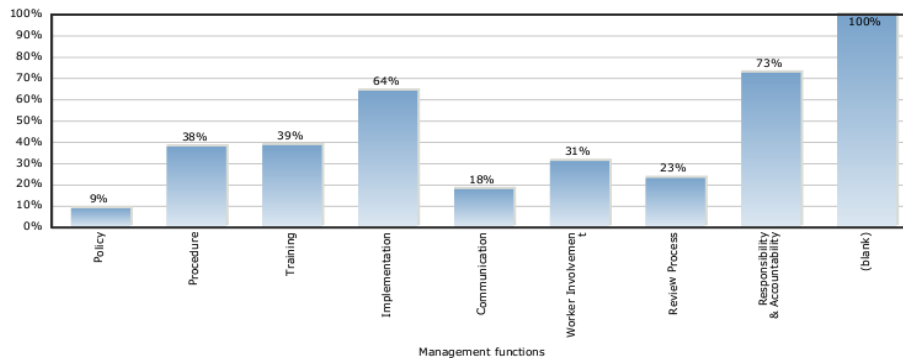
Average Score



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.

Average Score



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	0%	0%	0%	0%	0%	5.56%	0%	0%	25%	3.4%
Procedure	87.5%	33.33%	5.56%	0%	15%	29.17%	50%	28.16%	65.63%	34.93%
Responsibility & Accountability	30.67%	43.4%	59.57%	43.4%	43.4%	43.4%	43.4%	52.83%	43.4%	44.83%
Review Process	35%	40%	35%	35%	31.82%	35%	38.89%	35%	46.43%	36.9%
Training	28.26%	37.5%	50%	16.67%	0%	18.75%	0%	63.52%	0%	23.85%
Implementation	71.33%	62.29%	65.63%	42.86%	71.43%	88.89%	74.71%	61.57%	58.44%	66.35%
Communication	0%	60%	28.57%	0%	0%	0%	0%	33.33%	0%	13.54%
Worker Involvement	66.67%	N/A	N/A	0%	0%	N/A	N/A	37.5%	0%	20.83%
Aggregate Score	39.93%	39.5%	34.9%	17.24%	20.21%	31.54%	29.57%	38.99%	29.86%	

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Compensation
Employment Relationship
Freedom of Association and Collective Bargaining
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) Factory has neither created nor implemented policies and procedures related to hiring, recruitment, and personnel development, which include the requirement of periodic performance reviews and information on how these reviews are linked to promotions;
- ii) In-depth interviews revealed that workers are neither aware of the existence of any mechanisms related to performance evaluations/reviews nor of the opportunity to request salary increases based on such evaluations/reviews.
- iii) Workers reported the need to have a formal and detailed personnel development program that includes performance evaluations and feedback on quality of work, salary increases, and promotion opportunities.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.30.1 ER.1, ER.1.1, and ER.28)

Root Causes

- i) Management does not appreciate the need for or the benefits of a formal hiring policy and procedures on hiring, recruitment, and personnel development;
- ii) There is no communication with workers (aside from announcing job vacancies to workers in order to encourage them to recommend applicants);
- iii) There are no channels of communication that workers can use to apply for promotions or higher salaries;

- iv) There is a general lack of awareness of FLA Employment Relationship Benchmarks; v) For most workers on the production floor, promotion and personnel development opportunities are either very limited or not available at all;
- vi) The local labor law does not mandate such policies and procedures, and management does not see the need for them;

COMPANY ACTION PLANS

1. 1. Develop policy and procedure on personnel development for the periodic review of individual performance that provides employees with clear guidelines on promotion opportunities. 2. Train all workers, supervisors, and managerial staff regularly on the new policy and procedure on personnel development. 3. Ensure communication to and active participation of workers on the new policy and procedure; provide for continuous training; and develop mechanisms for workers to express their views and opinions. 4. Evaluation and review of policy and procedure.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.2

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) The factory lacks written policy and procedure on compensation;
- ii) There are wage disparities among workers with the same or similar responsibilities; male supervisors earn more than female supervisors;

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER 1.1; Non-discrimination benchmarks ND.3.1 and ND.3.1.2)

Root Causes

- i) Lack of job descriptions and wage structures to objectively explain gender wage differentials. Female supervisors with at least 8 years of supervisory experience and more than 15 years of factory experience are earning an hourly wage that is approximately 10% higher than minimum wage, whereas their male counterparts are earning at least 50% more than minimum wage for hourly pay. When management was asked to explain the wage differentials between male and female supervisors, it was attributed to the fact that the tasks assigned to male supervisors were more onerous than those assigned to female supervisors. The only differences that could be observed by the assessors were that female supervisors were in charge of quality control processes, whereas the male supervisors were in charge of operational processes (that is the supervision of workers who operate machinery). Also noticeable was that throughout the assessment, management referred to female supervisors as “the girls;”
- ii) Lack of awareness on the part of management of the benefits of formal policies and procedures on compensation and the importance of workers’ awareness of such information;
- iii) Lack of job descriptions, periodic reviews, evaluations, and wage adjustments based on performance evaluations;
- iv) Lack of job opportunities in the area where the factory is located inhibits worker demands for salary increases;
- v) Absence of a wage structure in the factory that would enable workers to progressively achieve a wage level that meets basic needs.

COMPANY ACTION PLANS

1. 1. Development and implementation of a policy and procedure on compensation that includes a commitment to gender wage non-discrimination and a commitment to periodically review wages. Ensure consistency of benefits within departments or levels and review requirements for wage differentials and ensure gender is not a factor in wage discrepancy. Additionally, this program will ensure adequate opportunities for pay and position advancements are available. 2. Communicate the new policy and procedures to all workers, and emphasize workers’ freedom to express their interest in promotional opportunities, plus put in place a program for periodic review of wages for both management and workers. 3. Regularly provide training to all workers, supervisors and those occupying managerial positions on the new policies and procedures.

Action plan status: Planned

Planned completion date: 08/03/14

FINDING NO.3

POLICY AND PROCEDURE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) No policies and procedures on loans, repayment plans or maximum deductions from workers' salaries.
- ii) Factory provides loans to workers at the discretion of management. No written documentation of loan and payment commitment on part of workers exists, and, as a result, there is no way to determine if repayment exceeds a mutually agreed upon repayment schedule or the legal limit for the maximum amount of deduction (30% of salary).

Local Law or Code Requirement

FLA Workplace Code (Compensation benchmark C.11.1)

Root Causes

- i) Lack of knowledge of FLA Workplace Code and Benchmarks on the part of management;
- ii) Management follows an informal approach towards loans and deductions;
- iii) No previous audit results had recommended establishment of formal loan policy and procedure.

COMPANY ACTION PLANS

1. 1. Development of loan policy and procedure with details on wage deduction limit, including a provision to comply with mutually agreed upon repayment schedule. 2. Provide training to all workers, supervisors, and managers on the new policy and procedure. 3. Communicate the new loan procedure to workers. 4. Designate a responsible HR person to administer the loan process.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.4

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

- i) All interviewed workers reported that take-home wages do not meet all their basic needs. Workers reported that they have to share accommodation, food expenses, and transportation with other families or friends in order to be able cover all their monthly expenses.

Local Law or Code Requirement

FLA Workplace Code (Compensation benchmark C.1.3)

Root Causes

- i) California's Minimum Wage has not increased since 2008;
- ii) No job evaluations were performed; consequently, no salary adjustments were made;
- iii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iv) Absence of an incentive production program deprives workers of the opportunity to increase their wages;
- v) Lack of worker communication and integration deprives workers of the opportunity to raise opinions and concerns regarding deficiencies in this area;
- vi) The textile industry's culture of paying minimum (or slightly higher) wages for most production floor jobs.

COMPANY ACTION PLANS

1. 1. Management will complete job evaluations throughout each department and review performance results-related salary options that line up with industry and geography standards. 2. Management will review multiple incentive programs and chose one that will provide their workers an opportunity to earn more money to take home. This would be a production related incentive program. 3. Management will develop a strategy based on the results of their job evaluations. 4. On a continuous basis, Massive will work with the local department of labor to create strategies that would progressively ensure workers a wage level that covers their basic needs.

Action plan status: Planned

Planned completion date: 08/30/14

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) Supervisors and maintenance employees work more than 60 hours per week throughout the year;
- ii) Formal, written policy and procedure on hours of work are nonexistent.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work benchmarks HOW1.3, HOW 8.2, and HOW 8.3)

Root Causes

- i) Absence of a production plan and regular analysis of work hours;
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) No policy and procedure on hours of work and the voluntary nature of overtime work;
- iv) Insufficient supervisory and maintenance personnel results in extended shift work (average of 12 hours per day);
- v) Given the cost of living in the area, supervisors and maintenance personnel accept overtime work on a regular basis for additional income. All interviewed workers reported that they would work as much overtime as possible to be able to meet basic expenses.

COMPANY ACTION PLANS

1. 1. Develop policies and procedures on hours of work, with a commitment to not work more than 60 hours on a regular basis. 2. Create a production plan for overtime management. 3. Develop mechanisms to ensure that overtime is voluntary. 4. Inform and train all workers, supervisors, and managers on a regular basis on the new policies and procedures. 5. Hire additional supervisory and maintenance personnel, if necessary.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.6

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) There are no written policies and procedures on workplace conduct and discipline that include progressive disciplinary steps (e.g., what merits a verbal or written warning, suspension or termination);
- ii) Informal disciplinary procedures do not provide an opportunity to appeal against a disciplinary action; iii) Informal procedures do not allow for a third-party witness during the process of a disciplinary action.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.16.1, ER.27.1, ER.27.2.1, ER.27.2, ER.27.3.2, and ER.27.4; Harassment or Abuse benchmarks H/A.1 and H/A.6)

Root Causes

- i) Absence of dedicated Human Resources staff to address this issue;
- ii) Management's lack of interest in developing a formal disciplinary procedure;
- iii) Unawareness and/or unwillingness regarding the benefits of formal policy and procedure on workplace conduct and discipline and workers' knowledge thereof;
- iv) Management and workers' lack of knowledge of FLA Workplace Code and Benchmarks;
- v) Industrial culture of disciplinary procedures (formal or informal) without a third-party witness and appeal process options.

COMPANY ACTION PLANS

1. 1. Develop and implement workplace conduct/discipline policies and procedures that include all elements covered under FLA Workplace Code and Benchmarks. 2. Designate staff from HR to handle workplace conduct and discipline issues. 3. Management is to train all workers, supervisory, and those in managerial staff on the newly created policies and procedures related to workplace conduct and discipline. 4. Establish a disciplinary log to register all disciplinary actions, including verbal warnings. Information from this log could be reviewed and analyzed semi-annually to determine patterns of disciplinary issues in the factory and responded to accordingly with more communication, worker integration, training, etc.

Action plan status: Planned

FINDING NO.7

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

There are no grievance policies and procedures. The only anonymous grievance channel is a recently installed suggestion box. Instructions above the suggestion box relate to the reporting of security issues and not grievances in general. Though management reported an informal policy of addressing any complaint on the spot, all interviewed workers reported that they are reluctant to raise any complaints or express any concerns, because they do not want to be seen as troublemakers. (For example, after a microwave oven broke, workers were left with 1 microwave oven, which is not enough for the number of people who bring their own lunch; as a result, some workers have had to consume their lunch cold. They are reluctant to ask for a second microwave for fear of a negative response.)

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.25.1, ER.25.2, ER.25.3.1, and ER.25.3.2)

Root Causes

- i) Management's lack of understanding of how a grievance system functions and implemented.
- ii) Management's lack of knowledge of FLA Workplace Code and Benchmarks.
- iii) Management's lack of interest in providing an effective grievance system that includes policy and procedure, worker communication, integration, review, and evaluation;
- iv) Management's lack of awareness in regards to the benefits of: a) formal grievance policy and procedure and b) worker integration and participation;
- v) Most of the administrative and employment functions and production decisions are the responsibility of 1 or 2 persons. Given this centralized and authoritarian style of management, it is easy to be overwhelmed with the multitude of roles and responsibilities one has to negotiate. This, in turn, affects the overall relationship between management and production workers, as workers do not want to be perceived as overburdening the person in charge or as not being self-sufficient;
- vi) Most workers do not feel free or welcome to voice their concerns or opinions on any topic at the factory. The perception is that their opinions or concerns are not valued or taken into consideration.

COMPANY ACTION PLANS

1. 1. Develop and implement grievance policy and procedure through establishing a grievance log to register all grievances.
2. Inform and train all workers, supervisors, and management on the new policy and procedure.
3. Check the efficacy of trainings and communication procedures periodically to gauge workers' awareness of the grievance system.
4. Management should periodically analyze whether the grievance system is being implemented as intended. Metrics could include: types of grievances, reasons, frequency, etc.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.8

COUNICATION AND WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) Management does not consult with workers and/or their representatives on temporary or permanent layoffs and retrenchment;
- ii) No policies and procedures on termination or retrenchment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.32.4 and ER.32.5)

Root Causes

- i) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- ii) This issue has never been brought to management's attention during previous external audits;

iii) Industry's culture of not involving workers in "management" decision process; iv) Management's top-down style, whereby decisions are made at the ownership/managerial level without the input of those affected.

COMPANY ACTION PLANS

1. 1. Develop policy and procedure to ensure that workers and/or their representatives are consulted when layoffs or retrenchments are being considered. 2. Train all workers and all supervisory and managerial staff regularly on the procedure to consult with workers and/or their representatives when layoffs or retrenchments are being considered.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.9

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) No policy and procedures on industrial relations;
- ii) No training on freedom of association;
- iii) Workers' lack of knowledge on freedom of association rights;
- iv) Most workers do not feel free or welcome to voice their concerns or opinions on any topic at the factory.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association benchmarks FOA.10 and FOA.11; Employment Relationship benchmarks ER.16., ER.26, and ER25.2)

Root Causes

- i) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- ii) Communication, participation, and workers' representation in factory's informal industrial relations are not clear or detailed;
- iii) Management does not consider freedom of association important, resulting in lack of training for and effective communication with workers on the topic;
- iv) A misunderstanding of freedom of association rights at the management and worker level;
- v) Lack of awareness about the benefits of an effective industrial relations program for both workers and the factory;
- vi) All interviewed workers have the perception that if they voice their opinions or concerns, they will be seen as troublemakers with the possibility of job termination;
- vii) Industry's culture of non-inclusion of workers in what is considered "management" decisions.

COMPANY ACTION PLANS

1. 1. Create and implement a comprehensive Industrial Relations system that includes a clear commitment to Freedom of Association and enables consultation with workers through appropriate structures (e.g., workers' communication committee). 2. Management is to communicate to workers that they have the right to join organizations of their own choosing and that management will not interfere with their decisions. 3. Human Resources staff to train workers, supervisors, and managerial staff on newly created policies and procedures.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.10

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Posters of semi-naked women in mechanic/maintenance shop;
- ii) During factory walkthrough, assessors noticed an area labeled the "wall of shame." Based on management information, photos of screen-printing mistakes, production order #, and name of person in charge could be placed on this wall to serve as a deterrent. (No photos of production errors or names of responsible workers were on display at the time of the assessment.)

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse H/A.6 and H/A.8,)

Root Causes

- i) Management's lack of knowledge and concern with respect to harassment and factors in the work environment that might contribute to it (photos, posters, music, etc.); ii) Absence of formal policy and procedure on sexual abuse and harassment in the workplace;
- iii) No training on sexual harassment and abuse;
- iv) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- v) Maintenance area has a male-dominated culture of posting inappropriate posters; "Wall of shame" is aimed at decreasing production errors, but regardless of the intent, it is demeaning to workers. Although management reported that it has never been used, it is indicative of a disregard for what is appropriate at the workplace

Recommendations for Immediate Action

- i) All material on display that is demeaning and offensive (sexually or otherwise) should be removed immediately; ii) Repaint "wall of shame" and, instead, place positive encouragement for productivity enhancements.

COMPANY ACTION PLANS

1. All demeaning and offensive (sexually or otherwise) material should be removed immediately. Repaint "wall of shame" and, instead, place positive encouragement for productivity enhancements.
2. Develop and implement a sexual harassment program including policy and procedure training and worker communication and integration.
3. Develop a system of positive incentives to encourage workers to improve productivity.
4. Provide training to workers on production processes and quality issues

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.11

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) No environmental protection policy and procedures;
- ii) Storage of hazardous waste in production area;
- iii) No documented, formal training on any environmental topic.

Local Law or Code Requirement

OSHA 29 CFR 1910.176; CAL OSHA Subchapter 7, General Industry Safety Orders Group 16, Control of Hazardous Substances, Article 109, Hazardous Substances and Processes; FLA Workplace Code (Employment Relations benchmark ER. 31.1)

Root Causes

- i) The revised FLA Workplace Code and Benchmarks now cover environmental protection standards, which are new for Companies and their supplier base;
- ii) Lack of review and update of local environmental laws;
- iii) Absence of a dedicated safety and hygiene officer in charge of environmental issues;

Recommendations for Immediate Action

Ensure that storage of hazardous waste complies with local worker safety and environmental protection laws.

COMPANY ACTION PLANS

1. Develop policy and procedure that include a commitment to minimize the environmental impacts of energy consumption.
2. Procedures should include basic training, worker communication and integration, and an evaluation and review process.
3. Train all workers, supervisors, and managerial staff on the new commitment to minimize environmental impacts of energy consumption.
4. Evaluation of total energy consumption for the year.
5. Replacement of equipment/materials that lead to unnecessary waste, if need be.
6. Procedures should also include responsibilities and accountability for environmental protection activities (e.g., storage/disposal of hazardous waste).
7. Ensure oversight of environmental protection program, including updates on laws.
8. Ensure that storage of hazardous waste complies with local worker safety and environmental protection laws.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.12

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Open containers (thinner, cleaning chemical, used oil);
- ii) Water/soda bottles/cans near chemicals;
- iii) No appropriate vapor (chemical) masks in use;
- iv) No labels on cleaning chemical containers;
- v) Water bottles used to store chemicals;
- vi) No direct outlet to outside (of factory) for chemical vapors; vii) Strong solvent odor throughout the cleaning area; viii) Pregnant women, although not always handling chemicals, work in proximity to chemicals with exposure to odors and vapors;
- ix) Workers have the misconception that the use of personal protective equipment (PPE) is optional or voluntary.

Local Law or Code Requirement

CAL OSHA Subchapter 7 General Industry Safety Orders Group 2, Safe Practices and Personal Protection, Article 10 Personal Safety Devices and Safeguards, OSHA 1910.94(a)(4)(i); FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.7, HSE.2, HSE.9.1, HSE.9.1.1, and HSE.10.1)

Root Causes

- i) No formal training on chemical handling to workers;
- ii) No properly trained, effective, Health and Safety Committee;
- iii) Management's lack of knowledge on appropriate PPE for chemical vapor exposure; iv) Lack of adequate staff resources to manage all of the health and safety and environmental needs of the different workstations and departments in the factory;
- v) Factory has not considered the need for dedicated health and safety personnel to implement a comprehensive health and safety and hygiene program;
- vi) No risk analysis for different departments and jobs to ensure proper chemical safety;
- vii) Lack of a comprehensive safety program.

Recommendations for Immediate Action

- i) Pregnant women should be moved from the production area where chemicals are used, until an exhaust system is installed;
- ii) All chemical containers should be appropriately labeled;
- iii) No drinks or food in open containers should be allowed in production areas;
- iv) Exhaust system for chemical vapors (cleaning area) should be installed directly to the outside of factory.

COMPANY ACTION PLANS

1. 1. Pregnant women should be moved from the production area where chemicals are used until an exhaust system is installed. 2. All chemical containers should be appropriately labeled. 3. No drinks or food in open containers should be allowed in production areas. 4. Exhaust system for chemical vapors (cleaning area) should be installed directly to the outside of factory. 5. A dedicated safety and hygiene officer is to develop and implement a comprehensive safety program that includes health and safety policies and procedures, job/department specific chemical management training program; implementation, documented inspections, worker communication and integration, and evaluations and reviews (for assistance with development and implementation of an injury and illness prevention program, factory may use available resources). 6. Ongoing, documented training on use of PPE in chemical areas. 7. The factory should establish a monitoring system to ensure chemicals are handled and stored properly. 8. Improve the H&S Committee's knowledge of duties and activities. 9. Conduct risk analysis in each department that includes chemical management and mandatory use of appropriate PPE.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.13

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Blocked electrical panels in several areas of production floor;
- ii) No "Authorized Persons Only" signs posted by panels;
- iii) Electrical panel close to water spill (screen cleaning);
- iv) Panels without labels;
- v) Water bottles on machines (near wiring);
- vi) Electrical extensions as permanent outlets;
- vii) Extremely dirty machines that pose a short circuit risk; viii) Junction electrical boxes without covers;
- ix) Cables across floors and walk paths.

Local Law or Code Requirement

CAL OSHA Subchapter 5 Electrical Safety Orders Group 1, Low-Voltage Electrical Safety Orders, Article 48.1, Enclosures for Damp or Wet Locations, Article 49, Flexible Cords and Cables, Subchapter 5, Electrical Safety Orders, Group 2 High-Voltage Electrical Safety Orders, Article 17, Enclosures for Electrical Installations 2811 Warning Signs; FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.13, HSE.2, HSE.9.1 and HSE.10.1),

Root Causes

- i) No comprehensive safety program that covers electrical risks;
- ii) Lack of adequate staff resources to manage all health and safety and environmental needs of different workstations and departments in the factory;
- iii) Factory has not considered the need for a dedicated health and safety manager to implement a comprehensive health and safety and hygiene program;
- iv) Production is a priority over all other needs at the factory;
- v) A centralized and authoritarian style of management that is not attuned to the needs for additional personnel to carry out an effective safety and hygiene program.

Recommendations for Immediate Action

- i) Keep machines clean at all times;
- ii) Remove extension cords from the floors and do not use them on a permanent basis; iii) Drinks in open containers should be prohibited from the production area; iv) Ensure all electrical equipment is properly labeled, with correct warning signs, covers, and marked and is free of obstacles.

COMPANY ACTION PLANS

1. 1. Keep machines clean at all times. 2. Remove extension cords from the floors and do not use them on a permanent basis. 3. Drinks in open containers should be prohibited from the production area. 4. Ensure that all electrical equipment is properly labeled, with correct warning signs, and covers. Make sure that all equipment is marked and unobstructed. 5. A dedicated safety and hygiene officer is to develop and implement a comprehensive safety program that includes health and safety policies and procedures, job/department specific electrical risk management training programs, implementation, documented inspections, worker communication and integration, evaluations, and reviews. 6. Conduct risk analysis (by department/post) that includes electrical risk management, and mandatory use of appropriate PPE. 7. Establish a monitoring and inspection program.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.14

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Several sewing machines did not have needle guards; ii) 1 sewing machine did not have a belt guard.

Local Law or Code Requirement

OSHA guarding 29 CFR 1910.212 and belts 29 CFR 1910.219; FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.14.1, HSE.14.2, and HSE.14.3)

Root Causes

- i) Lack of systematic maintenance and inspection program for sewing machine safety; ii) Lack of oversight with respect to needle guards, eye guards, and belt covers on all machines;
- iii) No training to maintenance personnel to ensure machines guards are in place at all times.
- iv) Inadequate training to workers on machine guarding and its correct use.

Recommendations for Immediate Action

All sewing machines should be installed with needle and belt guards.

COMPANY ACTION PLANS

1. 1. All sewing machines should be fitted with needle and belt guards. 2. Provide ongoing training to workers and mechanics to raise awareness of the importance of machine guards and safety devices. 3. Develop and implement an effective maintenance and inspection program to ensure safety devices are available in all machines.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.15

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

i) Workers carrying or moving boxes without a safety belt; ii) Workers exposed to chemical vapors in production area have the misconception that PPE use is optional or voluntary; iii) Not all workers handling chemicals use gloves; iv) No use of rubber boots in wet area; v) Workers in wet area do not have aprons to prevent contamination of personal clothes; vi) Lack of PPE (vapor masks) for workers in chemical handling areas; vii) No anti-fatigue mats for any workers; viii) Factory had workers on their stomach for 2-3 hours at a time to assist with proper placement of t-shirts on a dryer conveyor belt. Such a position put the workers at risk of neck aches/injuries; ix) Pregnant workers do not have the opportunity to choose to sit/stand.

Local Law or Code Requirement

1910.132(a-g) http://www.osha.gov/dcsp/products/etools/printing/screenprinting/screenprinting_index.html; OSHA 1910.94 Ventilation; FLA Workplace Code (Health & Safety benchmarks HSE.17.1 and HSE.17.2

Root Causes

- i) Provide safety belt to workers;
- ii) Pregnant women should not be in production areas where chemicals are used (until exhaust vapor mechanism is installed);
- iii) Pregnant women should be allowed the option to sit/stand, as needed.

Recommendations for Immediate Action

- i) Provide safety belt to workers;
- ii) Pregnant women should not be in production areas where chemicals are used (until exhaust vapor mechanism is installed);
- iii) Pregnant women should be allowed the option to sit/stand, as needed.

COMPANY ACTION PLANS

1. 1. Provide safety belts to workers. 2. Pregnant women should not be in production areas where chemicals are used until the exhaust vapor mechanism is installed. 3. Pregnant women should be allowed the option to sit/stand, as needed. 4. Recommendations for Sustainable Improvement a. A dedicated safety and hygiene officer is to develop and implement a comprehensive safety program that includes PPE safety and health policies, and a PPE and ergonomic program that includes, identification of PPE needs per post/department, training program, implementation, documented inspections; worker communication and integration, evaluations and reviews; b. Conduct risk analysis in each department to identify ergonomic needs; c. Develop an internal inspection and monitoring process to ensure proper PPE usage; d. Create and implement positive incentives to encourage workers to use PPE; e. Conduct risk analysis in each department and a PPE program based on risk analysis; f. Provide and maintain ergonomic equipment; g. Develop and implement a prevention program for accident and repetitive movement injuries; h. Provide and document training for workers and supervisory personnel's proper use of ergonomic equipment.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.16

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) No clearly marked evacuation routes;
- ii) Paint on floors/walk paths; iii) Electrical wires across floors;
- iv) Materials carried and placed at heights with a risk of falling (at an approximately 7-8 ft. height and without restraint);
- v) No speed signs or designated paths for forklifts throughout factory;
- vi) No alert signal used consistently while forklifts are in use.

Local Law or Code Requirement

California Code of Regulations, Title 8, Section 3272 Aisles, Walkways, and Crawlways; FLA Workplace Code (Health & Safety benchmarks HSE.5.1 and HSE.13.);

Root Causes

- i) Lack of a comprehensive safety program that includes an accident prevention program with an emphasis on mechanical risks and a production layout (identifying potential for falls, bumps, bruises, etc.);
- ii) Lack of adequate staff resources to manage all health, safety, and environmental needs of the different workstations and/or departments in the factory;
- iii) Factory has not considered the need for dedicated health and safety personnel to implement a comprehensive health and safety and hygiene program;
- iv) No systematic communication with or integration of workers in any safety-related process;
- v) Lack of risk assessment by department/post;
- vi) Lack of evaluation and review of on-the-job accident history;
- vii) No permanent, organized production layout.

COMPANY ACTION PLANS

1. 1. A dedicated safety and hygiene officer is to develop and implement a comprehensive safety program that includes an accident and repetitive movement injuries prevention and ergonomic program with a mechanical risks and production layout component (e.g., falls, bumps, bruises). 2. Develop an internal inspection and monitoring process to ensure that risks are identified and corrected on a timely basis . 3. Create and implement positive incentives to encourage workers to participate in the identification and remediation of accident and injury risks. 4. Risk assessment by department/job post and corresponding accident prevention program. 5. Annual analyses of the factory's accident history can assist with implementation of accident prevention programs.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.17

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) No documented fire drills;
- ii) No delineated evacuation lanes;
- iii) No smoke detectors;
- iv) No signs on outside of emergency doors;
- v) No (outside) marked evacuation meeting area;
- vi) Blocked fire extinguishers;
- vii) Expired fire extinguishers (replaced while SCI assessment was taking place);
- viii) Twisted hose on fire extinguishers;
- ix) Lack of documentation on evaluation or observation of appropriate illumination level for emergency evacuation purposes;
- x) No documented, formal, hands-on fire extinguisher management training;
- xi) Disorganized production areas;
- xii) Extremely dirty conditions throughout most of factory;
- xiii) No formal emergency response plan; xiv) Evacuation plan with wrong orientation to viewer, blocked, and small size; xv) Cutting subcontractor area with only 1 emergency exit and no evacuation aisles.

Local Law or Code Requirement

CAL OSHA Subchapter 7, General Industry Safety Orders Group 1, General Physical Conditions and Structures Orders Article 2, Standard Specifications; FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.1, HSE.2, HSE.3, HSE.4, and HSE.5.1)

Root Causes

- i) Lack of fire prevention policy and procedure;
- ii) Lack of a dedicated safety team to develop and implement a fire prevention program;

- iii) No effective oversight system to implement fire safety guidelines on a regular basis; iv) No formal emergency response plan that includes identification of responsible parties and procedures in case of fire, earthquake, accident, etc.;
- v) A culture of prioritizing production needs over all else. As management repeatedly stated: "At the end of the day what matters is that we have work."
- vi) Lack of understanding and appreciation of the benefits for the factory and work of worker participation in the implementation of safety and hygiene practices;
- vii) A complacent attitude regarding the way factory handles needs or problems.

Recommendations for Immediate Action

- i) Delineate evacuation aisles and dedicated forklift routes;
- ii) Conduct and document fire drills (for day and night shifts);
- iii) Keep all machines clean and implement a regular cleaning schedule;
- iv) Install smoke detectors throughout the factory;
- v) Ensure fire extinguishers are unblocked at all times;
- vi) Untwist all fire extinguisher hoses; vii) Ensure proper orientation of posted evacuation plans.

COMPANY ACTION PLANS

1. 1. Delineate evacuation aisles and dedicated forklift routes 2. Conduct and document fire drills (for day and night shifts) 3. Keep all machines clean and implement a regular cleaning schedule 4. Install smoke detectors throughout the factory 5. Ensure fire extinguishers are unblocked at all times 6. Untwist all fire extinguisher hoses 7. Ensure proper orientation of posted evacuation plans. 8. Recommendations for Sustainable Improvement a. Develop and implement a fire prevention program that includes policy and procedure; emergency response plan; training; worker communication and integration; and an evaluation and review process b. Develop a formal emergency response plan that includes identification of responsible parties and procedures in case of fire, earthquake, accident, etc. c. Train all workers on emergency response plan and procedures and ensure that workers can easily identify a process and contact person in case of a fire, earthquake, accident, etc. d. Implement a periodic and effective internal review process to ensure compliance with all elements of an adequate fire fighting and safe evacuation process

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.18

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Broken sewing needles in water bottle;
- ii) No written policy or procedure on biohazard management;
- iii) No biohazard training or communication to workers.

Local Law or Code Requirement

CAL OSHA Subchapter 7, General Industry Safety Orders Group, 16 Control of Hazardous Substances, Article 109, Hazardous Substances and Processes; FLA Workplace Code (Health & Safety benchmarks HSE.14 1, 2 3, HSE.15);

Root Causes

- i) Lack of a comprehensive safety program that includes a biohazard component;
- ii) Lack of adequate staff resources to manage all health, safety, and environmental needs of the different workstations and/or departments in the factory;
- iii) Factory has not considered the need for a dedicated safety and health personnel to implement a comprehensive safety and health/hygiene program, including a biohazard component.

Recommendations for Immediate Action

Install appropriate storage and disposal equipment for biohazardous (needle) materials.

COMPANY ACTION PLANS

1. 1. Install appropriate storage and disposal equipment for biohazardous materials, such as needles. 2. Develop and implement a comprehensive safety program that includes a biohazard program component, with policy and procedures, worker communication and integration, and an evaluation and review process.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.19

CANTEEN HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) There is no wall separation between the eating area and the production area;
- ii) Not enough water dispensers throughout the factory;
- iii) Workers consume beverages in work areas (open bottles, cans, cups of soda, coffee).

Local Law or Code Requirement

CAL OSHA Subchapter 7. General Industry Safety Orders Group 2 Safe Practices and Personal Protection, Article 9, Sanitation; FLA Workplace Code (Health & Safety benchmarks HSE.19 and HSE.23)

Root Causes

- i) Safety and hygiene, including sanitation, is not a priority for management;
- ii) Workers do not feel welcome to express their views and opinions to management;
- iii) No formal rules regarding drinking (and leaving containers open) in work areas.

COMPANY ACTION PLANS

1. 1. Install a wall between canteen and production areas 2. Develop and implement a hygiene policy and procedure.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.20

MANAGEMENT FUNCTION- TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Based on a review of factory training documents and in-depth worker interviews, it was noted that with the exception of some safety and hygiene training, no formal training is provided on any of the employment functions (e.g., disciplinary policies and procedures; grievance; termination, etc.).

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks E.R.1.2, E.R.28.1, and E.R.28.2)

Root Causes

- i) Lack of systematic information on training needs across employment/management functions (e.g., job description and training needs; safety and hygiene risk analysis and training needs; environmental protection; etc.);
- ii) Lack of a comprehensive training program to address all training needs;
- iii) Lack of awareness with respect to the benefits of effective training;
- iv) Factory has not seen the need to expand the list of topics already covered by training;
- v) Absence of a mechanism to balance production needs with training needs.

COMPANY ACTION PLANS

1. 1. Based on FLA's Sustainable Compliance Initiative's (SCI) Employment Functions, create a comprehensive training program. For example, training on all policies and procedures on hiring, compensation, hours of work, grievance system, labor relations, etc 2. Establish mandatory training for all employees in the factory, including administrative staff, supervisors, and managers. 3. Assign a member of the HR staff to lead the implementation of the training program / 4 months.

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.21

MANAGEMENT FUNCTION- COMMUNICATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

i) For almost all employment functions, the factory does not communicate its informal policies and procedures to the general workforce. There is an orientation for new hires, whereby they are given basic information related to salary, work hours, and some safety rules/regulations and disciplinary consequences. ii) Most communication is top-down with very little opportunity or channels for workers to feel welcome to view their opinions or concerns. Most communication is related to production needs.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.16.1, and ER.25.2)

Root Causes

- i) Management's lack of awareness of the benefits of having informed staff and workers;
- ii) Top-down communication without workers' feedback is culturally acceptable for management;
- iii) Lack of knowledge of FLA's SCI methodology that includes "Communication" as a Management Function, which is a new requirement for Companies and their supplier base;
- iv) Management has not seen the need for an ongoing and periodic communication with the workforce beyond orientation/induction and some sporadic training activities.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. 1. Create a communication channels policy that includes: a. a definition of the factory's communication channels and the need for two-way communication between workers and management on factory affairs (e.g., welfare issues, production issues and employment terms and conditions); b. an express commitment to support transparent and ongoing communication between workers and management, including a commitment to the principle of non-retaliation. 2. Create appropriate procedures to: a. describe how each communication channel functions; including how each is used by workers and management, b. show how the information flow is managed; how responses and decisions, if any, are made and conveyed, c. describe how workers and management use a grievance system for investigation and resolution of issues, d. explain how communication channels policies and procedures are conveyed and promoted to relevant parties e. explain who is responsible for each step in the process f. define how communication channels are to be analyzed: i. identify or define what communications channels exist across management levels and departments; how often they are used; with what agenda and result, ii. whether two-way communication channels work, and iii. identify if improvements/updates are needed. Metrics may include: analysis of communication channels' effectiveness (e.g., meeting agenda, minutes, issues received, investigated and resolved)

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.22

MANAGEMENT FUNCTION - WORKER INTEGRATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) The worker integration component is missing throughout all employment functions. There are no formal policies and procedures to receive workers' input/feedback on the creation and updating of its policies and procedures. Workers are not systematically integrated or consulted on the decision-making process on policy and procedure creation, or on any other employment function, for that matter;
- ii) Based on in-depth worker interviews, there is the perception on workers' part that their views and opinions do not matter to the overall correct functioning or improvement of factory processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.25.2)

Root Causes

- i) Lack of management's understanding of what Integration implies and how to implement this management function;
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) Lack of awareness about the benefits of an effective integration worker program for both workers and factory;
- iv) Industry's culture of non-inclusion of workers in what is considered "management" decisions;
- v) A centralized and authoritarian style of management that is not attuned to an active integration of workers and their opinions and suggestions.

COMPANY ACTION PLANS

1. Management is to ensure that the policy/procedure of each Employment Function includes workers participation.
2. Assign HR staff to lead the implementation of the worker integration policy and procedure.
3. Management is to establish a procedure that enables workers to consult with and provide input to management.
4. Management is to train all workers, supervisors, and those in managerial positions on the newly created workers' integration procedure

Action plan status: Planned

Planned completion date: 12/31/13

FINDING NO.23

MANAGEMENT FUNCTION - REVIEW PROCESS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory does not conduct periodic reviews of its policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.3, ER.30.2, and ER>31.2)

Root Causes

- i) Lack of formal policy and procedures on legal reviews and updates;
- ii) Management has not seen the need to have policy and procedure on reviews and legal updates;
- iii) Absence of staff with the specific responsibility of reviewing and updating policies and procedures;
- iv) This issue has never been brought to management's attention during previous external audits before;
- v) Management's lack of awareness of FLA Workplace Code and Benchmarks.

COMPANY ACTION PLANS

1. Establish a periodic review process for policy and procedure:
 - a. to ensure policies and procedures are being updated according to the factory's needs and
 - b. based on whether or not they are functioning properly.
 Facilitate worker participation in this process.
2. Assign staff from the HR Department with the responsibility for leading the implementation of the periodic review process.

Action plan status: Planned

Planned completion date: 12/31/13