

FLA Audit Profile	
Country	Vietnam
Factory name	01028472D
IEA	Global Standards
Date(s) in facility	December 5-6, 2006
PC(s)	adidas AG; Reebok International, Ltd.
Number of workers	918
Product(s)	Clothes
Production processes	Cutting, Stitching, Assembly, Inspection, Packing

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	IEM Findings			Remediation				Update		Update		Update				
					Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/ Documentation Used for Corroborating	Notable Features Implemented by Management or Company	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (May 2006)	Documentation	Completed/ Pending/ Ongoing	Company Follow Up (September 2006)	Documentation	Completed/ Pending/ Ongoing	Company Follow Up (July 16, 2007)	Documentation	Completed/ Pending/ Ongoing
1. Code Awareness																				
Code Posting/Information		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	The factory has not communicated Company's code requirements to all of its subcontractors (printing, stitching, security, waste collection).			Record review Worker interview	Factory has already communicated with subcontractors (Proof-Cover, Printing workshop and Security service) to disseminate the Company's Code. Factory to document that it has communicated the code to subcontractors.	1-Apr-06		Factory has already communicated & trained the subcontractors (security food carrier, printing on Feb 7, 2006 and subcontractors had signed in the Company code).	Meeting minute with signatures of participants on training sheet & pictures attached- Feb 7, 2006.	Completed								
Work/Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	The factory posted PC codes but no Code training provided to workers. Interviewed workers were not aware of the standards.			Record review Worker interview	Factory provided periodic training on the PC code via the speaker system to all workers. Worker interview confirms that the policy was announced. Ongoing training to be conducted for all workers and records of the training kept on file.	1-Apr-06		Factory provided periodic training on the PC code via the speaker system to all workers. Worker interview confirmed that the policy was announced. Training group by group with test from Feb 20 to Feb 21, 2006.	Training material, with the participants signature on training sheet with pictures attached	Completed								
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.																				
Freedom of Movement		If factory entrances are locked or guarded to prevent non-employee access to the premises for security reasons, employees will have free egress at all times.	The factory has not communicated its policy on freedom of movement to security guards. Interviewed security affirm that workers must have exit pass to leave during regular hours, a practice that conflicts with written factory policy.			Worker interview	Factory has communicated the policy on freedom of movement and received commitment from subcontractors, including printing, canteen, and security on compliance with the policy. Factory to provide training on Freedom of Movement policy and procedures to all subcontractors, including security guards, and maintain documentation of training provided on file.	1-Apr-06		Training on freedom of movement to all the company supervisors and security guards February 11, 2006.	Participants had signed on the training sheet with pictures attached. Training material is the "Pass request procedure" (Factory policy, 20051117)	Completed								
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.																				
Age Documentation		Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	1/55 reviewed personnel file did not contain age documentation.			Record review	Factory must establish a system for assessing the age of employees and new recruits. Factory to verify age documentation prior to hiring and retain a copy of age documentation in each employee's file. Factory to list the documents required when applying for employment (identification documentation required should comply with PC codes and local law) and inform candidates of documentation required. Obtain a copy of age documentation of existing employees and maintain in personnel file.	1-Apr-06		Recruitment policy mentioned clearly the ID card is obligated in the recruitment file. Since January 2006, all personnel files strictly checked by HR Dept. The copies of worker's IDs are kept in each personal file.	Policy #20050124; reviewed all the employment files since January 2006.	Completed								
Legal Compliance for Juvenile Workers	Article 6, 119-112 of Labor Code Joint Circular No. 08/TT-LB	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 relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.	2 juvenile workers found employed in violation of factory policy on hiring age. No policy or procedure to ensure special treatment of such workers as required by law.			Record review	The factory has developed a recruitment policy and training on the policy and procedures provided to Human Resources Personnel. Factory to develop policy and procedures for juvenile workers according to local law and PC codes. Train all employees, including Human Resources Supervisors, on the policy for juvenile workers.	1-Apr-06		Juvenile Policy issued February 7, 2006. According to recruitment policy, there is no more juvenile labor in factory. However, Juvenile Policy must be amended. Factory must communicate against juvenile workers. Management must ensure that new juvenile policy is in accordance with the legal provisions for juvenile workers' hours of work, working conditions, benefit, training program, etc. It must also be based on local labor Code, Chapter 11, Article 119. Policy must be drafted by June 15.	Announcement 07HR (Factory), 2006 0207	Pending	Factory Management modified Recruitment Policy June 15, 2006. The minimum age for recruitment is 15. Juvenile workers are assigned to do light work, they may not work OT, and only work only 7 hours a day, but still receive full payment of 8 hours. When workers reach 18 years of age, company will orient them and place them in a job that meets their skill level and interest. Training had been conducted for HR and Administration staff September 4, 2006 with 17 participants.	Recruitment policy: (Factory HR-01-dated June 15, 2006) Training Doc. in place	Completed					
Juvenile Worker Identification System		Employers will have a system for identifying workstations and operators that are inappropriate for young workers according to applicable laws.	The factory has no system for tracking, identifying or monitoring juvenile workers.			Management interview Record review	Factory to develop a system for identifying and tracking juvenile workers. Train all supervisors and employees on the policy for juvenile workers.	1-Apr-06		Training for HR staff to follow the recruitment policy (over 18 years old employees only) completed in December 2005. HR to receive additional training once new recruitment policy is drafted in June 2006.	Recruitment policy	Pending	Training had been conducted for HR and Administration staff September 4, 2006 with 17 participants.	Training Doc. in place	Completed					
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 or abuse.																				
Disciplinary Practices	Chapter VIII of labor code Decree 41/CP 1995 Decree 33/2003ND-CP Circular 19/2003/TT-BLĐTBXH	Employers will utilize consistent written disciplinary practices that are applied fairly among all workers	Factory's discipline practices do not comply with its policy or with local law. No union participation per local law.			Record review	1) Disciplinary Process developed and in compliance with Labor Regulation; all disciplinary actions must be reviewed by the disciplinary committee (Trade Union, HR, Witness Social Responsibility, Management representative); any dismissal case must be acknowledged by Trade Union, worker, and approved and signed by General Manager. Disciplinary Form signed by worker, Trade Union, Witnesses, Line Manager and General Manager. 2) Factory to update policy and procedure to include: the objection right of concerned worker; re-structuring of Committee members; right to ask help from 1. detester (if any); if dismissal taken, within 10 days of signing decision. Factory management must send disciplinary decision and minutes to Labor department. 3) Post disciplinary policy and procedures on notice board March 31, 2006. 4) Disciplinary committee meeting for how to implement properly April 5, 2006. 5) Provide training to all supervisors and employees by end of April. Factory management and internal Social Responsibility team to review that disciplinary procedures being implemented as per policy. Ongoing monitoring by PC.	1-Apr-06		Disciplinary policy (dated August 13, 2005) is posted on notice board. The training on this policy conducted for all employees and supervisors February 28, 2006. Latest training conducted May 15, 2006 based on revised policy dated April 2, 2006. However, item mentioned in point 2 is not yet included in this policy. Factory is revising contents of this policy with Trade Union, Management and HR to amend this. Deadline for this amendment will be June 15th. Training will be conducted June 19, 2006 for Supervisors and for all workers in July at the least. This amended policy must also include the disciplinary process with the participation of the Trade Union, the management, the HR and the worker.	Participants' signatures on training sheet. Training pictures	Pending	Factory already re-modified Discipline System and point 2 had been added September 1, 2006.	Revised Disciplinary Policy No. 22, dated Sept. 1, 2006	Completed					
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	The factory did not provide training to managers and supervisors in legal and appropriate disciplinary practices.			Record review	Now is in process of completing the discipline policy. Plan to train all the supervisors March 31, 2006.	1-Apr-06		Factory already developed the disciplinary process. There is a disciplinary committee formed by Trade Union, HR, SR, Management. Training on disciplinary procedure for supervisors and workers completed on February 28, 2006. Training for revised policy will be conducted June 19 for all supervisors and in July for all workers. Disciplinary policy is part of orientation program that all employees receive before signing their contract. A list of the orientation training program is available for verification.	Participants' signatures on training sheets, pictures of training	Pending	Training course for all factory staff conducted in 2006: 1. August 16: 20 supervisors (including August 23: 17 workers (lines 2, 13, 11, 15, 18) 2. September 23: 43 office staff 3. September 26: 26 workers (Dimple Room) 4. October 8: November, (expect for 700 workers). Last training for the rest of all workers will be conducted at the end of November 2006.	Training materials including signing sheet, pictures, reading exercise in place	Ongoing	Last training for the rest of all workers conducted in December 25, 2006 and continue throughout the year for new workers. As of July 2007, another 627 new workers had been hired.	Training Documents in place for checking	Completed and Ongoing		
Record Maintenance	Chapter VIII of labor code Decree 41/CP 1995 Decree 33/2003ND-CP Circular 19/2003/TT-BLĐTBXH	Employers will maintain written records of disciplinary actions taken.	Written disciplinary records are incomplete. Written disciplinary decisions must be issued and signed in accordance with local laws with Union participation.			Record review	Factory should develop a procedure for maintaining disciplinary records. All disciplinary records should be complete. Disciplinary decision is issued and signed by General Manager, and based on disciplinary report. However, workers should also be informed and acknowledge their agreement on the content of this Disciplinary Decision. Union representatives should also participate in the disciplinary practice. Factory to include in disciplinary policy and procedures that worker and a union representative should be offered to sign the disciplinary report.	1-Apr-06		Factory already developed the disciplinary process. There is a disciplinary committee formed by Trade Union, HR, SR, Management). Training for all the supervisors and employees about the disciplinary policy was conducted February 28, 2006.	Participants' signatures on training sheets, pictures of training	Completed								

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1. Non-discrimination																			
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.																			
2. 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.																			
Chemical Management	Decree No. 168/2005ND-CP dated May 20, 2005	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.	Chemicals (Acetone) used for spot cleaning were found in containers without proper labels.	Visual inspection				All chemical containers have been labeled and MSDS posted in the working area. Factory should conduct training for all workers handling chemicals. Training record should be accurate and kept on file (number of workers in attendance should be recorded).	1-Apr-06		Training for all workers handling chemicals conducted February 28, 2006. This training is conducted multiple times a year. Last training was conducted March 2006; next training will be conducted in September 2006. Chemical training focus on chemical handling, MSDS, PPE. Trainings also cover accident/incident reporting, first aid, chemical transferring methods, proper chemical storage, chemical labeling and warning signs.	Participants' signatures on training sheet. Pictures of training.	Completed						
Record Maintenance	Joint Circular No. 14/2005/TT-LT-BLD/BA-BYT-TL/DL/DN dated 08/2005	All safety and accident reports shall be maintained for at least one year, or longer if required by law.		Record review				SOP for accident/incident investigation have been set up, recorded and reported to management monthly (documentation available in place for checking). All accidents should be investigated, reported and analyzed on a monthly basis.	1-Apr-06		SOP for accident/incident investigation have been set up, recorded and reported to management monthly (documentation available in place for checking). All accidents are investigated, reported and analyzed on a monthly basis.	Accident investigation report, monthly report	Completed						
Sanitation in Dining Area	Decision No. 4128/BYT	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.		Visual inspection				SOP for taking and recording food samples (dated December 10, 2005) has been developed and is available for checking. Factory should also conduct a spot check on the sources of food provider and working conditions of food catering workers to make sure that they are in line with subcontractor standards of Company's Code.	1-Apr-06		SOP developed December 10, 2005 for food sample. Food caterer also signed agreement to follow Factory's code. Factory conducts monthly spot checks on caterer, using address Labor & HRSE Guidelines. Spot check conducted with participation of factory management Compliance team, Nurse, HR. The latest audit conducted April 22, 2006. Picture and Action plan of all noncompliance issues sent to food caterer service for remediation (Action Plan on file). In addition, local Reserved First Aid Center audited food caterer service May 11, 2006. Factory management plans to do next follow-up audit June 10, 2006. In addition to Food Sample SOP created in December 2005, factory management has also created a food poisoning procedure (No: 01/NDTP/Factory) SB20060108, in which each process clearly states responsibility of each party involved in investigation, as well as requirements for worker's compensation, etc.	Food sample SOP	Completed						
Other	Circular No. 13/BYT-TT dated October 24th, 1996: "1.3. Undernagings shall ensure that harmful elements of working environment be checked and measured at least once a year."		The factory has not conducted internal air/environment testing annually as required by law. SR staff regularly conduct temperature and noise tests monthly, but no records kept.	Record review				Internal testing on noise, air has been conducted January 16, 2006 (record in place for checking).	Completed		Noise levels tested monthly. All results meet TCVN standard. Results for last 3 months can be found below: - Sewing line: 74 db; 74db; 74 db - Cutting: 69 db; 72 db; 74 db - Store: 58 db; 57 db; 57 db - 4th floor: 61 db; 60 db - Office: 57 db; 62 db; 64 db Test records for Noise and lighting lighting meet Address AGI standards are kept in place for checking.	Monthly environment testing reports	Completed						
Other			Government fire inspection in July found 5 violation issues. Factory lacks a documented action plan to address these issues. Monitors found 3 issues corrected, 1 under consideration and another 1 disputed by factory management (emergency fire pump runs on gas, not electric).	Record review				5 issues found by fire station: 3 issues fixed immediately upon receipt of report. 1) Form Fire fighting team (60 members, certified by Local Brigade Dept. August 2005) 2) Lighting kilometer checked by Safety Valuation Center No. 2. 3) Dormitory fire safety violation by fire brigade department is approved. 4) Brick wall to replace the plywood partition between Material Warehouse and Cutting area will be finished by March 2006. 5) local Electric fire pump (Completed February 10, 2006).	Ongoing and Completed in February 10, 2006		1) Fire pump installed in February 2006 based on instruction of local Fire Brigade Department. Installation has been checked and approved by Fire Brigade Department (February 13, 2006). 2) Brick wall was completed in March 2006. The Fire Brigade Department will check on 4 June 1, 2006.	Visual inspection 2/1 Document No: 241-11702005 3/ Document No: 3-PCCCANT-13/72005	Completed						
7. Freedom of Association and Collective Bargaining																			
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																			
Compliance to Local Collective Bargaining Laws	Chapter V of labor code, Decree No. 18/CP, Decree No. 93/2002/ND-CP	Employees will comply with all national and local laws and regulations concerning collective bargaining and free association. Where conflicts are known to exist, employees will use the standard that provides the greatest protection for workers.		Management interview				Based on the schedule, election of the official Trade Union Committee will be conducted in March 2006 and CBA will be established thereafter.	1-Apr-06		New Official Trade union committee was established on March 22, 2006. The CBA was signed and approved on April 12, 2006.	CBA	Completed						
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.																			
Wage Benefits Awareness	Article 57 of the Labor Code, Decree No. 14/2003/CP and Circular No. 14/2003/TT-BLD/BA-BYT	Employees will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.	The factory has not set up wage scale system or submitted one for government approval as per local law. No clear written policy exists.	Record review				Policy had been drafted and sent to HQ in Taiwan for approval. However, new salary scale will be applied February 1, 2006. After being approved by HQ, the new salary scale will be submitted to the local labor department for validation and approval. Approval duration may last until April 2006. Factory should brief workers and provide training on new salary policy and establish an efficient communication channel to timely respond to any questions from workers regarding the new salary scheme.	1-Apr-06		Salary scale was approved by HQ in April 2006 and by local labor Dept. in May 2006.	Salary scale approvals	Completed						
Time-recording System		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	Time records from the computer wage card system took an unreasonably long time to print (more than 1 day) and contained a number of inconsistencies w/ information used to calculate payroll.	Completed				Factory has directly linked time records to computer system which eliminated errors in manual data entry (which produced inconsistencies in past). Time records can be tracked via Excel file which records payroll, overtime, Social Insurance, and other deductions. Time for printing reduced considerably (20 minutes/worker data/month before vs 1 hr per worker data/month).	Completed		The time record is now automatically linked to the HR computerized system. Manual time record keeping is no longer being used. This new computerized system can assist Factory HR & Compliance team, as well as the SEA Team, to better track on the spot the monthly OT and leave records.	Computer system	Completed						
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.																			
Overtime Limitations	Article 68, 69 of the Labor Code, Circular No. 19/2002/TT-BLD/BA-BYT dated Jan 3rd 2003	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.	Over time worked in excess of code limits (60 hrs/week) by many workers during October and November.	Record review				Over time policy and procedure (No: 017 signed March 12, 2006, is based on local labor regulations, which is limited to 12 hrs/week or 12 hrs/week) has been established/signed by Management board, in which overtime scheduling is planned on a weekly basis to have a better tracking system for overtime done by HR department. Voluntary overtime policy has been also posted and training provided continuously for existing employees and orientation program for new worker (record in place for checking).	Ongoing		1) According to Address AG SEA requirement, all Address AG suppliers must send monthly OT report to SEA Team for monitoring and updating Address AG reporting department. In this form, all OT hours worked throughout other are accounted. This OT report can help factory management and SEA Team follow up and maintain annual OT within 300 hour limit established by local labor regulation. 2) Factory Management also completes a Weekly Working OT Hours Report, which is also reviewed. 3) Factory Production Team also submits to Factory Management a weekly OT schedule prior to each week. Weekly OT schedule must be signed and approved by Factory Management and Compliance Team and later forwards to HR for follow up. SEA has recommended Factory Management to send this weekly OT to SEA weekly for checking as well.	Completed and Ongoing							

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Legal Compliance with Protected Workers	Art.115 of labor code and Art.122 of labor code: - Workers with 7th month of pregnancy or nursing a child under 12 months of age will be entitled 7 hrs/day with full pay, no OT work, no night work. - Juvenile workers will be entitled 7 hrs/day with full pay, work suitable to the health, separated personnel file to follow-up.	The factory will comply with all applicable laws governing work hours, including those regulating or limiting the nature and volume of work performed by women or workers under the age of 18	The factory lacks adequate systems to track pregnant workers and nursing mothers to provide legally required benefits. Some nursing mothers found working OT contrary to local law.			Record review	1) The policy related to pregnant workers is mentioned in Factory Human Right policy No.025 signed May 20, 2005, which clearly states the benefit for pregnant workers as well as nursing mothers based on local law, including that working mothers will not work overtime as per law. Training for supervisors had been conducted December 7, 2005, as well as orientation training for new workers (record in place and worker interview). 2) Factory should develop a system for tracking pregnant workers ensuring that they are not working overtime; maintain records of pregnant workers; overtime shall not be assigned to those employees as per law.			Factory has assigned one staff to work closely with the production team to monitor this item. Training has been provided to new workers and policy announcement has been conducted and posted in the prominent area. Workers' interviews also indicated that workers were aware of this policy.	Pregnant & nursing baby tracking flowchart in place	Completed and Ongoing	Pregnant worker SOP has stated clearly that workers should inform their pregnancy status to HR through Pregnant Confirmation Sheet. HR staff will then create list of pregnant workers in order to inform Production, so workers are then transferred to an appropriate job and their hours of work do not violate local law.	Woman Worker Policy No: 20/06; (Factory)20050906 Pregnant Confirmation Sheet (HR Form_22) Pregnant Worker Registration SOP: (Factory) HR_FC_02	Completed and ongoing	Factory has the record system to track down all pregnant workers in the production lines. For example, in July 2006 there are 26 pregnant workers (pregnant from 4 to 6 months). Record by female workers having baby under 12 months also available for verification.	List of pregnant workers and pregnant notification sheets, list of female workers with baby under 12 months in place for checking	Completed				
16. 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.																					