



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** adidas-Group  
**COUNTRY:** Vietnam  
**FACTORY CODE:** 500084173H  
**MONITOR:** Global Standards  
**AUDIT DATE:** August 18, 2009  
**PRODUCTS:** Embroidery  
**PROCESSES:** Embroidery  
**NUMBER OF WORKERS:** 115

**FLA Comment:** The initial Independent External Monitoring (IEM) visit for this factory was for Columbia Sportswear. Upon Columbia's exit from this factory in 2010, adidas, who was also working with this factory, took over remediation. As a result, Columbia has added the company plan of action text to this report, and adidas has provided the subsequent remediation.



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## 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 (FOA) 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 and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

**Plan Of Action:** Factory management shall ensure that the workers have the right to FOA, including the right to choose to become a member of the trade union branch at the factory or not, that the trade union representatives are elected by workers from among their peers and that the representatives meet with management on a regular basis with minutes held for verification and follow-up purposes. Factory action plan may include trainings or education, which may help to integrate workers' awareness on freedom of association.

**Action Taken:** [adidas-Group May 2011 Update:](#)

4. At the time of visit, it was verified that with current 131 workers, factory management is conducting internal meetings between Trade Union Committee members on a monthly basis and then shares the meeting results with factory management and workers during quarterly meetings. Meeting minutes review reflected that all work-related issues have been discussed (i.e., increasing salary, new regulations/policies, workers' current issues, outdoor activities) during management-union meetings. All final decisions were made based on majority of agreements and were made public to the entire workforce after that. From January to May 2011, the auditor verified that 4 monthly trade union meetings and 1 quarterly third-party meeting (trade union, factory manager, and worker representatives) were held. All meeting records were available at the time of the visit.

adidas-Group October 2010 Update:

1. Factory established the Provisional Union on July 7, 2008, and the official trade union was elected on January 27, 2010. There are 11 part-time members in the Trade Union Committee, including the Chairman. These members are workers who have gained workers' trust by their personality and communication skills and were elected from many different divisions.

2. The trade union's contribution from each member is 10.000VND per month, which is deducted from workers' monthly salaries. By being a trade union member, workers are supported by valuable gifts or money in case of wedding, sickness, accident or family funeral. In addition to that, one of the main and important roles of the trade union is to act as worker's representative to discuss with top management all related workplace issues (annual leave arrangements, salary increases, disciplinary decisions, labor safety issues in the factory).

3. During the orientation training for new workers, the Trade Union Committee provides a brief introduction on the trade union's functions, responsibilities, rights, and benefits of being trade union members to encourage them join the trade union. Trade union members conducted this introduction. Currently, 84% of the factory's workers have joined the trade union. Workers join the trade union on a voluntary basis by sending a request to the Trade Union Committee.

4. Trade Union Committee members have monthly internal meetings to discuss all work-related issues and then share/work with factory management and workers. However, meeting minutes were not complete during documentation review, due to sometimes some of the worker-management meetings are small internal discussions. All meeting records need to be available at the time of the next visit.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial Company Plan of Action (CAP). However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

**Plan Complete:** Yes

**Plan Complete Date:** 05/19/2011

## Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

### Noncompliance

**Explanation:** From factory walkthrough and worker and management interviews, it was observed that the internal grievance systems were non-functional. There was 1 suggestion box located behind the security guard's desk, which received 1 letter last year and none this year. No detailed written grievance policy or procedure was in place (just a brief mention in factory rules).

**Plan Of Action:** Work with factory to:

1. Follow up on why workers are not using the suggestion box.
2. Move the suggestion box to a more discreet location, where workers can more easily access it.
3. Create a grievance procedure and post in areas that all workers can review.
4. Train all workers on the grievance procedure to ensure their understanding of the process.

**Deadline Date:** 03/31/2010

**Action Taken:** [adidas-Group October 2011 Update:](#)

2, 3. Factory tour verified that the suggestion box was located on the way go to the restroom and far away from the security guard. There is a simple Standard Procedure (in flow chart) posted on the suggestion box with flow chart for workers to see when/how/who will respond to their suggestion. According to the posted procedure, it takes a total of 7 days from when workers file their grievances to when they may receive management's response. [Employee name], SEA Officer is the person in charge of receiving, reviewing, and responding to workers' grievances.

4. Training on grievance policy and procedure as well as Guidance of Grievance was conducted October 2, 2010, by [Employee name], Factory SEA Manager for 198 workers and 3 supervisors, and 4 office staff. All training records were kept on file. 7 out of 7 workers interviewed reported that they know and understand the grievance procedure; 2 of the workers interviewed indicated that they used the grievance procedure to send their question via this suggestion box. Grievance documents review indicated that from January 2011 to now, the factory received 12 suggestion letters from workers; 3 of them are about worker's meal quality, 4 are questions about Social Insurance payment, and the rest are regarding personal cases. All of them received a timely response within 7 days after the grievance was filed, especially for common issues; the answers from top management were published on the notice board. All records were kept on file.

adidas-Group October 2010 Update:

1. At the time of the visit, the suggestion box was located on the way go to the restroom and far away from the security guard. There is a simple Standard Procedure posted on the suggestion box with a flow chart for workers to see when/how/who will respond to their suggestion.

2. Grievance documents review indicated that from January 2010 to now, the factory received 9 suggestion letters from workers; 5 of them are about worker canteen quality, the rest are regarding personal cases. All of them received a timely response within 7 days after the grievance was filed, especially for common issues; the answer from top management was published on the notice board.

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October 24, 2009: Move the suggestion box to a more discreet location (toilet area) where workers can more easily access it.

October 30, 2009: Create a grievance procedure and post it in an area that all workers can review (next to the suggestion box).

**Plan** Yes

**Complete:**

**Plan** 10/26/2011

**Complete**

**Date:**

## Non-Discrimination: Marital Discrimination

D.5 Employers shall not discriminate on the basis of marital status. (S)

### Noncompliance

**Explanation:** From record review and interviews with workers and management, it was noted that application forms included information on marital status, as well as religion and ethnicity. Management explained that this information was copied from standard Vietnamese CV submitted by applicants. Management did not intend to discriminate and informed that they will remove this information from future forms. However, the brand should follow up with the factory to see that management has made a sustainable improvement.

**Plan Of Action:** Work with factory to:

1. Remove all information regarding marital status, religion, and ethnicity off of the application form.
2. Establish a non-discrimination policy.
3. Train all HR staff and workers on the new policy.
4. Develop a procedure to communicate noncompliance and disciplinary actions for noncompliance.

**Deadline Date:** 03/31/2010

**Action Taken:** adidas-Group October 2010 Update:

1. All information regarding marital status, religion, ethnicity, pregnancy status were removed from the application form.
2. Non-discrimination policy and procedure was developed and approved by Factory Manager on October 1, 2010. The policy clearly mentions that any violation on discrimination will be subjected to a disciplinary action.
3. [Employee name], Factory SEA Manager conducted training on non-discrimination policy on October 2, 2010, by for 198 workers, 3 supervisors, and 4 office staff. All training records, pictures, and signature lists were available.



adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

August 30, 2009: Remove all information regarding marital status, religion, ethnicity, and pregnancy status off of the application form.

November 1, 2009: Establish a non-discrimination policy.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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### **Non-Discrimination: Possible Marriage or Pregnancy**

D.7 Employers shall not threaten female workers with dismissal or any other employment decision that negatively affects their employment status in order to prevent them from getting married or becoming pregnant. (S)

#### **Noncompliance**

**Explanation:** According to record review, application forms included pregnancy status (2 months or less, 3 months or more). According to worker and HR officer interviews, workers found to be pregnant soon after hiring and who falsely declared their status were subject to dismissal according to the policy. This has apparently never been put into practice.

**Plan Of Action:** Work with factory to:

1. Remove all information regarding pregnancy status from the application form.
2. Establish a non-discrimination policy.
3. Train all HR staff and workers on the new policy.
4. Develop a procedure to communicate noncompliances and disciplinary actions for noncompliances.



**Deadline Date:** 03/31/2010

**Action Taken:** [adidas-Group October 2010 Update:](#)

1. Factory removed all information about pregnancy status in the application form.
2. Non-discrimination policy and procedures were developed and approved by factory manager on October 1, 2010. The policy clearly mentions that female workers are recruited for their ability. There is no testing or any questions about pregnancy status during the recruitment process; it will not impact decisions on employment.
3. [Employee name], Factory SEA Manager, conducted training on the non-discrimination policy on October 2, 2010 for 198 workers, 3 supervisors, and 4 office staff. It was emphasized to supervisors and HR staff that the factory strictly prohibits any occurrence of penalizing female workers for their pregnancy status soon after hire; any violation will be subject to a disciplinary action.
4. Disciplinary records found that there have been no cases of female workers being penalized for their pregnancy status soon after hire. In fact, there is 1 QC worker who was pregnant after 3 months of hire; she still worked at the company at the time of the visit, without been given any fine.
5. 5 out of 5 interviewed workers affirmed that this has never been practiced in the factory and now it has been also completely removed from the company policy.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

August 30, 2009: Remove all information regarding marital status, religion, ethnicity, and pregnancy status from the application form.

November 1, 2009: Establish a non-discrimination policy.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

**Code Awareness:**

GEN.2 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.

**Noncompliance**

**Explanation:** According to interviews with workers and staff, code awareness among staff and workers was generally low. According to factory walkthrough, Columbia's Code of Conduct (COC) is posted in English and Vietnamese on the stairway, in a location where it is hard for workers to see or read. According to management interview and training records review, Columbia trained staff on the code in January 2007; the factory provides some basic training to workers, but no details of code training were available for review.

**Plan Of  
Action:**

Work with factory to:

1. Move Columbia SMP posters to an area where they can be more easily seen and reviewed.
2. Include 2 copies of the SMP Poster (1 in English, 1 in Vietnamese).
3. Establish a clear policy and procedure for training workers on the factory's COC. Training should take place upon initial hire, then refresher trainings should be provided on an annual basis. Training will be a peer-to-peer model, so that Columbia Sportswear will provide training to management, who will then be able to train workers.
4. Develop a procedure to document and record details of code training.

**Deadline  
Date:** 03/31/2010

**Action  
Taken:** [adidas-Group October 2010 Update:](#)

1. During the factory tour, it has been verified that all needed code information was posted on the notice board, such as the adidas Workplace Standards, Workers' Hotline Poster and company policies. 5 out of 5 workers interviewed reported that they are aware of adidas' Workplace Standards, the hotline for workers, and company regulations.
2. During the 1-day orientation training, new workers were trained for 3 hours about company regulations and adidas' Workplace Standards. Factory also provides refresher training for employees one time a year, training documents reflected that last refresher training was conducted for 202 employees on January 8, 2010 by [Employee name], SEA Officer. All records are available.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

October 28, 2009: Move Columbia SMP posters to an area (at the wall next to the entrance) where they can be more easily seen and reviewed. Include 2 copies of the SMP Poster (1 in English, 1 in Vietnamese).

**Plan** Yes  
**Complete:**

**Plan** 10/12/2010  
**Complete**  
**Date:**

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### 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:** Based on management interviews and record review, there was no reporting mechanism (phone, address, email) which would allow workers to contact the Participating Company (Columbia) directly.

**Plan Of Action:** The factory management shall ensure that all needed code information is posted on notice boards. Workers shall be trained on the company's workplace standards upon recruitment and through regular refreshment trainings. Training records shall be kept for verification.

**Deadline** 10/28/2009  
**Date:**

**Action Taken:** [adidas-Group October 2010 Update:](#)

1. During the factory tour, it was verified that adidas' Workplace Standards, Workers' Hotline Poster were posted on public notice boards. 5 out of 5 workers interviewed reported that they are aware of adidas' Workplace Standards and SEA Hotline for workers, and that there are many ways (email, letter, calling) to contact with field team SEA in case of an emergency.

2. In addition, after interviewing, SEA auditor gave business cards to these workers so they can directly contact adidas' SEA for help.

[adidas-Group Note:](#) Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

[October 12, 2009:](#)

1. Columbia Sportswear's internal auditors gave business cards with contact information to workers interviewed during Columbia's audit. The company will continue to provide this contact information to interviewed workers, so that they may contact the company confidentially, to report issues in the factory.

2. The factory added the CR specialist's contact information from their business card (name, company, website, HQ address, VNLO address, phone, and fax number) to the corner of the SMP poster.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2009

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## Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

### Noncompliance

**Explanation:** Based on document review, workers do not participate in HSE. Safety Committee was formed on paper in June 2009, but has never held a meeting.

**Plan Of Action:** Work with factory to:

1. Explain the importance of a functional Health and Safety Committee.
2. Provide regular training to workers on the proper use and importance of personal protective equipment (PPE). Also, provide training on factory machinery and how to use the machines safely.
3. Organize a HSE meeting with workers on October 29, 2009 (with meeting minutes). Meeting minutes will be maintained for all upcoming meetings.

**Deadline Date:** 03/31/2010

**Action Taken:** [adidas-Group October 2011 Update:](#)

3. Since June 2011, HSE Committee continued to be conducting monthly meetings. Meeting records reviewed indicated that the committee raised all relevant HSE issues during meetings and proper follow-up activities were completed. Randomly checked issues reviewed were properly addressed by factory management. Example of some of the issues reported during HSE meeting included: a) 2 damaged stalls in women's restrooms, b) some workers do not wear earplugs while operating embroidery machines, c) 2 damaged fans in the workshop, d) tape wirings found in Line 2, and e) 2 expired fire extinguishers in the warehouse. All of these issues were raised in the meeting, and had been fixed, with records on file. The HSE Committee has been newly re-established, and was approved by Factory Manager on June 24, 2011, with 5 members divided into 3 layers: Executive, Management Board, and Support Team. The revised HSE Committee Regulations mention roles and responsibilities, as well as clear operation procedure, and performance targets or Key Performance Indicators for each member (means and replace "appraisal system").

adidas-Group May 2011 Update:

3. Per factory visit, it was verified that since January 2011, the HSE Committee meetings have been held monthly and meeting records were available. However, record review indicated that the contents of the meeting are still general and there were some raised issues that had not been properly followed up. HSE Committee meeting minutes need be more detailed, and all raised issues need to be followed up in a timely fashion. Moreover, the factory needs to define the roles and responsibilities of HSE Committee members and set up targets for them, to make them more active. These roles and responsibilities need to be clearly mentioned in HSE Committee Regulations, which are approved by the top manager.

adidas-Group October 2010 Update:

1. 1 HSE training was provided for 202 employees on January 8, 2010, by [Employee name], the factory's SEA Officer. This training provided information on labor safety and focused on 3 main topics: chemical management, PPE use, and machine safety. All training records are available.

2. The HSE Committee continues to not function properly. There has only been 1 meeting, conducted on October 29, 2009. Per factory walkthrough, a number of HSE-related noncompliances were found. Factory has been suggested to enhance the role of the HSE Committee, conduct the meeting at least once on a quarterly basis, all records should be available for next time reference. In addition, factory should clearly work with HSE Committee to create and establish roles and responsibilities that include HSE risk assessment through their monthly meetings and periodic HSE audits, remediation of any HSE noncompliances, and planning of HSE-related trainings for the rest of the workforce.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

October 29, 2009: Organize a HSE meeting with workers (with meeting minutes).

October 2, 2009: Provide training on factory machinery and how to use the machines safely.

**Plan** Yes  
**Complete:**

**Plan** 10/26/2011

**Complete**

**Date:**

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### **Health and Safety: Evacuation Requirements and Procedure**

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their 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:** According to walkthrough and interviews with management, the main exit door in the workshop lacks an exit sign. The factory's management removed the sign to fix a faulty battery 10 days earlier, but have been unable to replace the battery. 1 maintenance worker was in charge of the inspection of fire extinguishers, emergency lights, and exit signs. The factory has no procedure to track, record or follow up on such issues, once reported to factory management. According to walkthrough and interviews with management, the exit from the canteen lacked emergency lights and an exit sign. Factory staff informed the monitor that the landlord handled installing and fixing emergency lights and exit signs.

Legal Reference: DECREE 35/2003/ND-CP. Fire prevention and fighting safety conditions for establishments: Having regulations, internal rules, ban signals, signboards, diagrams or instruction boards on fire prevention and fighting, escapes, suitable to the characteristics and nature of their operations.

**Plan Of** Work with factory to:

**Action:**

1. Install the exit sign at the main exit door.
2. Install the emergency light and exit sign at the canteen.
3. Created a procedure to check, record, and follow up on issues once reported to management.

**Deadline** 03/31/2010

**Date:**

**Action Taken:** [adidas-Group October 2010 Update:](#)

1. Factory tour verified that the exit sign was installed at the main exit door and is properly functioning. In workers' canteen, the emergency exit has already been set up and equipped with emergency light and exit sign.

2. Currently, factory has 1 SEA/Safety Officer in charge of daily inspections of the fire fighting system. The procedure to check, record, and follow up on the issues found and reported to management is clearly mentioned in their job description and in the fire fighting equipment monitoring procedures. During daily inspections, problems found are noted and reported to SEA Manager and Factory Manager once weekly. Any serious or urgent issues can be immediately updated to factory management. The safety office will work with related divisions for remediation (i.e., cooperate with Maintenance, Security or general affair division) after getting approval from factory manager (on time/date and cost for remediation).

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

August 20, 2009: Install the exit sign at the main exit door.

August 30, 2009: Install the emergency light and exit sign at the canteen.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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## 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 the local language and the language(s) spoken by workers, if different from the 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:** According to the walkthrough and interviews with management, the factory lacks adequate policies, procedures, and training for the safe handling and use of chemicals, i.e., spray adhesive.

**Plan Of Action:** Work with factory to:

1. Establish policy and procedure for the safe handling and use of chemicals, specifically for the spray adhesive.
2. Train workers on safe handling and use of chemicals. Health and Safety trainings should be provided to workers in the orientation and on a regularly basis to stress the importance of these issues.
3. Develop a system to ensure that the policy and procedure are posted and updated on a regular basis.

**Deadline Date:** 03/31/2010

**Action Taken:** adidas-Group October 2010 Update:

1. Chemical Safety Management Policy was developed and approved by Factory Manager on January 4, 2010. The policy states that the factory is only allowed to use chemicals with posted material safety data sheets (MSDS)/ chemical safety data sheets (CSDS) from reliable suppliers, workers need to use PPE based on provided MSDS and one-day-use rule is applied for chemicals in production line. The policy also mentions requirements for chemical storage and procedures in case of chemical spillage. Training was provided to 202 workers on January 8, 2010. Also, there was an additional special training on chemical use and management for 31 workers working with spray adhesives on July 2, 2010. These 2 trainings were conducted by the factory's SEA/HSE Officer. 2. Factory's SEA/HSE officer is responsible for chemical safety and use management. This responsibility includes training for workers, daily inspection in chemical storage and spraying room, reminding workers about using proper PPE, reporting noncompliance issues found to SEA Manager and Factory Manager. This is also clearly mentioned in her job description and Chemical Safety Management Policy.

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October 2, 2009: Train the workers on safe handling and use of chemicals, specifically for the spray adhesive.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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### **Health and Safety: Material Safety Data Sheets/Worker Access and Awareness**

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### **Noncompliance**

**Explanation:** According to walkthrough and interviews with management, factory lacks adequate policies, procedures, and training for the safe handling and use of chemicals, i.e., spray adhesive. MSDS are kept in the office, but not posted in production in local language.

**Plan Of Action:** Work with factory to:

1. Provide education on the purpose of posting MSDS and using PPE.
2. Post MSDS on the production floor and in the spray adhesive room both in English and Vietnamese.
3. Develop a system to ensure that policy and procedure are posted and updated on a regular basis.
4. Develop training for the safe handling and use of chemicals. Trainings should be provided to workers in the orientation and on a regular basis, to stress the importance of these issues.

**Deadline Date:** 03/31/2010

**Action Taken:** [adidas-Group October 2010 Update:](#)

1. Chemical Safety Management Policy was developed and approved by Factory Manager on January 4, 2010. The policy clearly mentions the purpose of posting MSDS and of PPE use and requirements. Training was provided for 202 workers on January 8, 2010. Also, there was an additional special training on chemical use and management for 31 workers working with spray adhesives on July 2, 2010. The factory's SEA/HSE Officer conducted these 2 trainings.

2. SEA-conducted on-site visit indicated that CSDS for spray adhesive was posted on the wall near the spray box in Mandarin, English, and Vietnamese. 3. Factory SEA/HSE officer is responsible for chemical safety and management. This responsibility includes training for workers, daily inspection in chemical storage, and spraying room, reminding workers on the proper PPE use, reporting noncompliance issues found to SEA Manager and Factory Manager. This is also clearly mentioned in her job description and Chemical Safety Management Policy.

[adidas-Group Note:](#) Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

[August 20, 2009:](#) Post the MSDS on the production floor and in the spray adhesive room both in English and Vietnamese.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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### **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:** Management reported that required lighting and electrical tests were conducted, but copies of the results were not kept in the office.

Legal Reference: National Standards TCXD 46:2007. Measurement should be conducted regularly, at least every 12 months is best.

**Plan Of  
Action:**

Work with factory to:

1. Obtain the lighting and electrical test results from the government.
2. Develop a procedure for assessing all required documents for operations.
3. Assign a responsible individual to ensure that the factory has all valid tests, certificates, and licenses.

**Deadline  
Date:**

11/30/2009

**Action  
Taken:**

adidas-Group October 2010 Update:

1. At the time of visit, the results of lighting and electrical tests from the government were available. Factory obtained them on February 23, 2010, all criteria meets legal requirements.
- 2, 3. The factory HSE Policy was approved by the Factory Manager on January 4, 2010, which includes procedure to ensure that lighting and electrical connections are tested periodically. Factory SEA/HSE officer, [Employee name], is responsible for it.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

October 12, 2009: The factory was able to obtain the lighting and electrical test results from the government.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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### Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

#### Noncompliance

**Explanation:** Factory staff reported that drinking water was tested regularly, but no recent records of test results were available for monitors to review. The latest test on file was from January 18, 2008.

Legal Reference: DECISION 09/2005/QD-BYT 1. Inspection: a) Level I: Included parameters must be inspected prior use at least every 6 months.

**Plan Of Action:** Work with factory to:

**Action:**

1. Obtain quarterly drinking water test results.
2. Develop a procedure to ensure that water is tested on a quarterly basis and results are kept on file in the office.
3. Assign a responsible individual to ensure that the factory has all valid tests, certificates, and licenses.

**Deadline Date:** 03/31/2010

**Action Taken:** [adidas-Group October 2010 Update:](#)

1. At the time of visit, there were records of 2 separate water test results (1 conducted November 11, 2009; the latest on July 14, 2010). The results are available.

2. The factory HSE Policy was approved by Factory Manager on January 4, 2010, and includes procedure to ensure that water is tested at least 2 times/year and results are kept on file in the office. Factory SEA/HSE officer, [Employee name], is responsible for it.

[adidas-Group Note:](#) Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

[November 19, 2009:](#) Obtain quarterly drinking water test results.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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### Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

#### Noncompliance

**Explanation:** During the review of time records, payrolls and other relevant records for the period of January to July 2009, it was noted that 20% of workers in warehouse and Quality Check (QC) department worked overtime from 15 – 18 hours a week for 1 week in March 2009 and 10% of workers in QC department worked overtime from 14 – 16 hours a week for 1 week in June 2009.

[Legal Reference:](#) Articles 68, 69 of the Labor Code and Circular No. 15/2003/TT-BLDTBXH dated 06/03/2003: The overtime must not exceed 4 hours a day, 16 hours a week, 14 hours in 4 consecutive days and 300 hours a year.

**Plan Of  
Action:**

Work with factory to:

1. Document actual working hours to better understand the real situation, to evaluate the root causes of excessive OT, and find a feasible solution to incrementally reduce hours with end goal to meet regulations.
2. Encourage close communications between different departments and share the same goal of reducing working hours.
3. Create an overtime registration form to document and register workers who chose to work overtime.
4. Conduct a production capacity study. Calculate facility production capacity with a maximum of 4 overtime hours per day, 12 per week, 300 per year, and no rest day work, with the goal to reduce orders, if needed.
5. Establish a policy for a maximum of 4 overtime hours per day, 12 per week, 300 per year, and 1-day rest per week for the workers.
6. Develop procedure to limit daily overtime work, monitor the accumulated overtime hours per week and per year and report immediately to top management when a worker has worked 12 overtime hours per week or 300 overtime hours per year.

**Deadline  
Date:**

03/31/2010

**Action  
Taken:**

adidas-Group October 2011 Update:

6. As per factory visit, annual accumulative Overtime Tracking system is in place. Worker's overtime is being recorded by a software system, and factory management is alerted when they reach 250 total overtime hours. Latest Overtime Tracking report on October 25, 2011, indicated all workers' overtime hours are under the legal limit. In addition to that, since June 2011, the factory's monthly working hours and Overtime Tracking reports have been sent to adidas SEA as requested.

adidas-Group May 2011 Update: There was no excessive OT found during the follow-up audit, daily/weekly working hours are under good control.

4. As required, training materials for capacity study about factory's production ability were developed on December 27, 2010, and revised March 31, 2011 (capacity is revised on a quarterly basis). Training was provided for 2 Taiwanese expats and 7 local line managers on January 4, 2011, by [Employee name], Factory Manager. Training records with attendees' signatures were available during audit. Moreover, these managers were interviewed and they reported that now they are aware that capacity should be based on the regular workweek, not on overtime.

5. Working hour policy was issued on January 2, 2011, and overtime procedure was announced on February 28, 2011, to strictly control the overtime issue. Training on working hour policy, overtime procedure, and payment scheme was provided for 138 workers on March 5, 2011, by the factory SEA/HR Manager, [Employee name]. All training records were available for cross check at the time of visit.

6. However, there is no tracking system in place to control the yearly accumulative overtime limit, which is 300 hours/worker, as stipulated in Vietnamese labor law. Factory is required to create a tracking system that reviews workers' yearly OT. Once a worker hits the 300-hour limit, they should not be allowed/asked to work OT. Also, HR department should revise the computerized system to alert HR when workers reached 250 hours overtime. All these tracking reports must be available for the next visit.

adidas-Group October 2010 Update:

1, 2. Since January 2010, the factory recruited more than 20 workers and rotates workers in different shifts; therefore, the overtime is under control and within the legal limit and adidas' standards. From January to the end of September 2010, workers worked overtime no more than 4 hours/day and 12 hours/week.

3. Factory is using an overtime registration form called Overtime Request to make sure that overtime is on a voluntary basis. On this form, it had been clearly mentioned that overtime should not exceed 4 hours/day, 12 hours/week, and 300 hours/year. Additionally, women over 7 months pregnant and nursing workers do not work overtime. There was 1 worker interviewed who confirmed that they can refuse overtime if it is not convenient for them. In addition to that, the form also clearly mentioned the duration of overtime of each worker in each day (i.e., Worker A requests to work OT from 16:30 – 20:30 November 22), so numbers of hours of work worked by workers is closely tracked.

4. It has been clarified that no capacity study on the factory's production ability was conducted. Factory is required to provide records on next visit.

5, 6. However, there is no overtime policy and procedure in written documents on how to control working hours to within the legal limit, as well as no specific training for workers about working hour management.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

October 1, 2009: Document actual working hours to better understand the real situation (time record keeping and overtime registration form).



**Plan Complete:** Yes

**Plan Complete Date:** 10/26/2011

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### Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

#### Noncompliance

**Explanation:** During the review of time records, payrolls, and other relevant records for the period of January to July 2009 and interviews with workers and management, it is noted that approximately 3% of workers worked on 1 Sunday in January 2009 and 6% of workers worked on 1 Sunday in March 2009 with premium pay, but without compensating day off as per law.

Legal Reference: Article 72 of the Labor Code: 1) Workers shall be entitled to at least 1 day (24 consecutive hours) of rest per week; 2) The employer may fix the regular weekly rest day on Sunday or on any other fixed day of the week; 3) In special cases where the work cycle does not allow a weekly rest to be taken, the employer shall ensure that the worker has at least 4 days of rest each month.

#### Plan Of Action:

Work with factory to:

1. Document actual working hours to better understand the real situation, to evaluate the root causes of excessive OT, and find a feasible solution to incrementally reduce hours with an end goal to meet regulations.
2. Encourage close communication between different departments and share the same goal of reducing working hours.
3. Create an overtime registration form to document and register workers who chose to work overtime.
4. Conduct a production capacity study. Calculate facility production capacity with a maximum of 4 overtime hours per day, 12 per week, 300 per year, and no rest day work, with the goal to reduce orders if needed.

5. Establish a policy for a maximum of 4 overtime hours per day, 12 per week, 300 per year and 1-day rest per week for workers.

6. Develop procedure to limit daily overtime work, monitor the accumulated overtime hours per week and per year, and report immediately to top management when a worker has worked 12 overtime hours per week or 300 overtime hours per year.

**Deadline** 03/31/2010

**Date:**

**Action** adidas-Group October 2011 Update:

**Taken:**

6. As per factory visit, annual accumulative Overtime Tracking system is in place. Worker's overtime is being recorded by a software system, and factory management is alerted when they reach 250 total overtime hours. Latest Overtime Tracking report on October 25, 2011, indicated all workers' overtime hours are under legal limit. In addition to that, since June 2011, factory's monthly working hours and Overtime Tracking reports have been sent to adidas SEA as requested.

adidas-Group May 2011 Update: There was no excessive OT found during the follow-up audit, daily/weekly working hours are under good control.

4. As required, training materials for capacity study about factory's production ability were developed on December 27, 2010, and revised March 31, 2011 (capacity is revised on a quarterly basis). Training was provided for 2 Taiwanese expats and 7 local line managers on January 4, 2011, by [Employee name], Factory Manager. Training records with attendees' signatures were available during audit. Moreover, these managers were interviewed and they reported that now they are aware that capacity should be based on the regular workweek, not on overtime.

5. Working hour policy was issued on January 2, 2011, and overtime procedure was announced on February 28, 2011, to strictly control overtime issue. Training on working hour policy, overtime procedure as well as payment scheme, was provided for 138 workers on March 5, 2011, by the factory's SEA/HR Manager, [Employee name]. All training records were available for cross check at the time of visit.

6. However, there is no tracking system in place to control yearly accumulative overtime limit, which is 300 hours/worker, as stipulated in Vietnamese labor law. Factory is required to create a tracking system that reviews workers' yearly OT. Once a worker hits 300 hours limit, they should not be allowed/asked to work OT. Also, HR department should revise the computerized system to alert HR when workers reached 250 hours overtime. All these tracking reports must be available for the next visit.

adidas-Group October 2010 Update: Time in/out checks indicate that even though there is no excessive daily and weekly overtime, Sunday work is not monitored in a sustainable way. On May 30, 2010, 26 out of 198 workers worked without a compensation day off within next 12 days. There is no overtime policy and procedure in written documents on how to control working hours and how to compensate them as per legal requirements. Additionally, there is no specific training for workers and management about working hours management.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

October 1, 2009: Document actual working hours to better understand the real situation.

**Plan Complete:** Yes

**Plan Complete Date:** 10/26/2011

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### **Hours of Work: Meal and Rest Breaks**

HOW.3 Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with local laws. (S)

#### **Noncompliance**

**Explanation:** During the review of time records, payrolls and other relevant records for the period of January to July 2009 and interviews with workers and management, it is noted that workers were working 2 – 3 hours overtime a day and did not receive a 30-minute break paid at overtime rate as per law.

Legal Reference: Circular No.15/2003/LBTBXH-TT from 06/03/2003: In cases where laborers work overtime for more than 2 hours a day, before the overtime work, employers must arrange for them an additional rest time of least 30 minutes which shall be counted into the overtime.

**Plan Of Action:** Work with factory to:

1. Develop a policy on providing a 30-minute break for workers working OT lasting more than 2 hours per day. Communicate the policy to supervisors and workers.
2. Indicate clearly a 30-minute break period on the overtime sheet (workers will take turns to have this break) and create a procedure to monitor the implementation.
3. Develop a method to communicate noncompliances and disciplinary actions for noncompliances.

**Deadline Date:** 03/31/2010

**Action Taken:** adidas-Group October 2010 Update:

1. Time in/out record checks indicated that factory provided a 30-minute rest time for workers when working more than 2 hours/day of OT. This 30-minute break was counted as overtime working hour and paid at OT rate.
2. This new regulation had been communicated with the workforce through an announcement on December 28, 2009, and was added in orientation training for new workers.

adidas-Group Note: Please note that this IEM originally was not conducted for the adidas-Group. As a result, the adidas-Group Social and Environmental Affairs Team (SEA) did not participate in the creation of this IEM's initial CAP. However, in 2010, the SEA Team took over the remediation efforts after the original licensee responsible for this IEM ceased working with this factory. Therefore, the comments above reflect the remediation efforts created and completed by the adidas-Group.

**Plan Complete:** Yes

**Plan Complete Date:** 10/12/2010

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