FLA Audit Profile

Country Vietnam

Factory name 36038480D

IEM Global Standards Vietnam

Date(s) in facility Jul 29-30, 2005

PC(s) PUMA, Reebok International, Ltd., Twins Enterprise, Inc.

Number of workers 2,094

Product(s) CAP

Production processes Cutting, Sewing, Packing

FLA Code/ Compliance issue Reference FLA Benchmark Non-compliance Non-compliance (uncorrobot ed)	of If not corroborat ed, used for used for explain why Sources/ Notable PC Remediation plan Features implement ed by Factory Management	Remediation Target Factory Response (Optional) Company follow up (September 29, 2005) n Date	Documenta tion (March 15, 2006) Documentat ion (September 22 and October 03, 2006) Documentation (Superage 22 and October 03, 2006)	Updates Documentation Target Completion Date Status External Verification (Date)	Company Verification Follow up enta Company Follow up (Cite date of planned or follow up visit, if appropriate) Documentati on	Status Company Verification Follow up April 23, 2009 Company Follow up Documentation December 29, 2009 Company Follow up Documentation December 29, 2009
1. Code Awareness Confidential non- compliance reporting channel FLA Principle of Monitoring, Obligation of Companies: 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. Only Reebok has put in place direct communications channel but other PCs do not have such a system.	Visual inspection, Management interview Puma will place sticker label on every copy of Code of Conduct indicating the contact information for confidential reporting of cases non-compliance	given a copy of the Puma S.A.F.E.	One group of workers and another group of supervisors who were interviewed were also given each a copy of the Puma S.A.F.E. Pocket Guide	Completed		
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise 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. Legal compliance for juvenile workers under 18 years of age (Art.119 - Labor Code). -Treatment for juvenile workers not to exceed 7 hrs/day with full pay and no overtime work (Art.122 - Labor Code); 14 days for annual leave (Art.74 - Labor Code) There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded the country of manufacture will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than 15. 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 hirring, working or oditions, types of work, hours of work, proof of age documentation, and overtime overtime work (Art.122 - Labor Code); 14 days for annual leave (Art.74 - Labor Code)	Record review. Mgt & HR staff interview (1) Factory to develop a special policy for juvenile workers as required by law. Juvenile workers can be recruited for simple work for 7 hrs per day with full pay and no overtime. (2) Factory to improve its recruitment procedure to require the human resources staff to ensure the no juvenile workers are recruited for heavy/dangerous work. The human resources manager shall review monthly reports concerni juvenile laborers. (3) Recruitment staff and HR manager shall be disciplined in case of infractions.	labor policy that complies with legal requirements. Factory has also developed its recruitment procedure, but the procedure needs to be improved. The recruitment policy and procedure were communicated to human resources staff, but not to the production staff.	monitors representatives and another with 46 supervisors and line leaders) were held on Sept. 30, 2005, the day after the first follow up visit, to discuss the juvenile new policies and procedures, labor labor policy and are female workers, factory rules and	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 of abuse. Progressive Discipline Article 84 & 85 of Labor Code. Decree 41/CP dated Jul 6th 1995. Employers will utilize progressive discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers. Monitors found several discipline cases for issues not specified in work rules and/or which did not follow proper discipline procedures in compliance with local law.	No documentation Discipline records review. Mgt & HR interview. No documentation Discipline records review. Training records and material is to be submitted and maintained on file. Any infraction (arbitrary decision of discipline) shall be disciplined.	discipline system for personnel staff. However, the discipline	Penalties are now specified for each of the three classifications of offenses. Briefing of supervisors and line leaders was done on Sept. 30, 2005. Aside from the regular orientation of new workers, the factory also an annual reinforcement training every September. Before the scheduled retraining, new rules or policies are announced to workers by supervisors and a copy of such are posted on the bulletin boards.	Completed		
Training of Management in Disciplinary Practices Employers will provide training to managers and supervisors in appropriate disciplinary practices Facility has no training on progressive discipline system for workers, supervisors and managers to maintain compliance with code and law.	No documentation. Mgt, supervisors & for supervisors, managers and personnel staff Training records and material is to be submitted and maintained on file. Any infraction (arbitrary decision of discipline) shall be disciplined.	discipline system for personnel staff. However, the discipline	Penalties are now specified for each of the three classifications of offenses. Briefing of supervisors and line leaders was done on Sept. 30, 2005. Aside from the regular orientation of new workers, the factory also an annual reinforcement training every September. Before the scheduled retraining, new rules or policies are announced to workers by supervisors and a copy of such are posted on the bulletin boards.	Completed		
5. Nondiscrimination 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.						
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 Fire Safety Health and Safety Health and Safety Health and Safety legal compliance Article 96 of the Labor Code: "Machinery, equipment, materials, and items which have strict requirements for occupational safety and hygiene must be registered and verified in accordance with regulations of the Government" Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	Visual inspection. Factory to verify that fire extinguishers are not blocked in all areas of the factory. To make this sustainable, factory to develop a health and safety system that covers all H&S aspects (Fir safety, work safety, health and hygiene, food supply, PPE policy, training, etc). A H&S committee should be established and a senior staff member designated accountable for all aspects.	re r	Inspection of production areas showed that a) access to all fire extinguishers were well-inspection, extinguishers were clear. b) The production area was cluttered and workers were not following the safety signs. c) There is a functioning Health and Safety Committee but it should be more active in enforcing and sustaining the health and safety system. Further follow up needed. All fire extinguishers were well-maintained and not obstructed. Health and Safety Committee developed inspection checklist and has designated staff member to ensure that all extinguishers and production areas are maintained obstruction free.	Completed		
All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language. Emergency evacuation plan is not posted in the factory and does not clearly show aisles for egress, exit path and assembly area outside.	Visual inspection, records review. Factory posted evacuation plans at workshop gates, but not inside production floors. Factory post fire evacuation plans on production floors and train workers again in evacuation procedures. To make this sustainable, factory develop a health and safety system that covers all H&S aspects (Fire safety, work safety, heal and hygiene, food supply, PPE policy, training etc). A H&S committee should be established and a senior staff member designated accountable for all aspects.	y to s to s lth	Evacuation plans with color codes for each line/area are now posted at the production sections, and are easily visible. Evacuation plans are included in the general safety inspection checklist.	Completed		
Evacuation Procedure Article 102 of labor code, Circular No.08/LDTBXH-TT dated 11 Apr 1995 & Circular No.23/LDTBXH-TT dated 19 Sept 1995 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures Arrows and markings for aisles to emergency exits are lacking or unclear in cutting and finishing sections of factories 1 and 2. Marked aisles are not consistently kept clear of materials, boxes and product crates.	Visual inspection. Factory to improve arrows and demarcation for aisles in cutting & packing sections, and make sure that aisles are also kept clear of boxes are products. In addition, factory to develop a heal and safety system as described above.	e nd	Directional arrows and demarcation lines for aisles are now clear. However, aisles in most sections are however, aisles in most sections are obstructed by crates and material. Exit aisles in most sections are kept clear, but directional arrows and demarcation lines faded in some production sections. Exit aisles in most sections are kept clear, but directional arrows and demarcation lines faded in some production sections. Chapter of the production improved. However, some aisles are still obstructed by fabric and materials and exit arrows are scratched, as workers used to drag the materials container over the arrow sign. Factory has committed to change the painted arrow with ceramic tile based on adidas color coding standard to solve the recurrent issues.	Observation and site inspection (picture) 30-Sep-08	- Factory has planned to renovate all exit aisles in the premise, the renovation proposal has been approved by Factory Top Mgmt and will be started on Sep 20, 2008. - All directional arrows (totally 107 arrows) will be made of stone following safety color standards. - Construction materials were ready at the factory at the time of visit Written plan, construction proposal approved by Factory Top Mgmt, budget forecast	1. The renovation started on Sep 20, 2008 and finished in late December 2008. Factory walkthrough reflected all exit aisles are kept clear with directional arrows made of stone. Currently all directional arrows in the production lines are demarcation painted and factory has planned to replace by stone by Jun 2009 1. The renovation started on Sep 20, 2008 and finished in late December 2008. Factory walkthrough reflected all exit aisles are kept clear with directional arrows made of stone. Currently all directional arrows in the production lines have been replaced by stone arrows, the replacement was carried out from July to early Sep 2009 with a total of approved budget allocated for this renovation Mgmt, budget forecast On-going Construction construction proposal approved by factory Top Mgmt, budget forecast Completed. Construction construction proposal approved by factory Top Mgmt, budget forecast Completed.
PPE Article 101 of the Labor Code Circular No. 10/1998/TT- BLDTBXH dated May 28th, 1998 Workers shall wear appropriate protection, learing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste. Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste. Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, buttoning areas. Embroidery workers generally wear hearing protection, but buttoning workers do not have/wear PPE	Record review & Factory to provide PPEs for buttoning workers and post signs and instructions at every work station. In addition, factory to develop a health and safety system as described above.	4/28/05, and policies including PPE	and The remediation is completed. check	Completed		
Chemical Management 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 Workers should receive training, appropriate to their job responsibilities, in the production workshop, offices, storage etc. without proper labels or warnings. Spot cleaning stations with exhaust ventilation and PPE available, but no signs or instructions for use of PPE or chemicals. MSDS posted in	Visual inspection, records review. Factory to provide chemical labels and MSDS Vietnamese in all workplaces and the warehouse. In addition, factory to develop a health and safety system as described above.	labels and MSDS in Vietnamese in all workplaces and training on use		Completed		
Sanitation in Dining Area Decision 4128/2001/QD-BYT dated October 3, 2001 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. English only. Workers eat all at once and complain portions are small & service is disorderly resulting in a rush to get food. Lack of system, order, or lines is a potential safety hazard and cause of conflict among workers.	Worker interview & visual inspection Factory to discuss ways to improve the food service and quality with the union and the food contractor. In addition, the factory should separate cantee floors by department. If this is still not sufficient especially for departments with a large number of workers, the factory should consider having staggered meal breaks. Furthermore, the fact should arrange a queue system for workers in the canteen and arrange food trays such that there will be a smooth flow as workers pick up food trays, obtain food and move out of the line	trolleys and designated areas for the trolleys in the canteen. Further observation required concerning additional action.	Visual inspection The cost of meal is increased from VND 6,800 to 8,000. Aside from the main counter for food distribution, satellite stations for food trays have been designated to make food distribution faster. The auditors asked the factory to install directional arrows to guide the flow of traffic for workers when getting food trays. Unlike in previous interviews when workers complained about the food, no complaints were made about the food quantity or quality. Food distribution, as observed during mealtime, was relatively orderly.	Completed		
7. Freedom of Association and Collective Bargaining Employers will recognize and respect the right of employees to freedom of association and collective bargaining 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 Employers 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 Sensitive" bonus for workers. Bonus is based on productivity attendance and other factors, but system appears arbitrary and open to abuse. It is neither clear nor comprehensible to workers.	Records review. HR & workers interview It is 'performance bonus' with ABC grades. Workers are aware of productivity standards, It the bonus is subject to conditions of no warning and full attendance (no absence without notice allowed absence not over 1 day, no lateness). Since workers do not fully understand the system, factory must re-communicate it to all workers and post the standards on production floors. The bonus system must provide the namo of accountable person so that workers can repany unfair treatment.	indicate the amount of bonus for every type of work. There is no rule regarding the impact of leaves taken by the bonus earner. Factory management did not communicate with workers concerning how the bonus is computed or how it is	(9/29/2005) Revised system (effective Oct. 7, 2005) now indicates the amount of bonus that can be earned; effect of one day leave had been removed. However, the bonus system in Embroidery Section limits the number of persons entitled to the bonus to only 10 per shift. Factory was advised to adjust this policy to ensure that all workers are eligible for the bonus. Newdeadline: April 20, 2006. Bonus scheme for Embroidery Section was revised and workers are well aware of it. All workers may avail of bonuses depending on their performance. Performance standards are relatively clear.	Completed		

FLA Code/ Compliance Country Law/L issue Reference	3-3-1	Non-compliance	Risk of Ex Non-compliance co (un	vidence of Non- ompliance ed, corroborat ed) why	Sources/ No Documentation used for corroborating e Mai	otable atures blement ed by actory nagem	Target Factory Response (Optional n Date		ocumenta Company follow up tion (March 15, 2006)	Documentat Company follow up ion (September 22 and October 03, 2006)	entation Company follow up (June 17-2008)	Updates Documentation	Target Completion Date	Status Exter Verific (Da	cation tion up visit, if appropriate) on	Status Company Verification Follow up Company Follow up April 23, 2009 Documentation	Company Verification Follow up Company Follow up December 29, 2009 December 29, 2009
than the lesser of (a) 48 hours per week and overtime hours allowed by the law of the coucountry will not limit the hours of work, the recovertime; and (ii) be entitled to at least one of																	
Overtime Limitations	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		out		Records review. Workers, HR & Mgt nterview.	Factory must revise the working hours policy and procedures to include a procedure to monitor working hours involving other departments in the process (planning, production). Factory must enforce the compensation for time off in case of overtime hours on a rest day.		New working hours policy is developed and dated 8/1/05. The procedure is that the production units must plan overtime work 4 days in advance and submit the list of workers who agree to work overtime. Human resources must enforce the compensation in cases of overtime hours on a rest day. The working hours policy was communicated to the employees on 8/20, 22, 24.	eebok eview the ew orking ours policy nd training	The OT policy is clearly understood by workers who were interviewed. It is also included in the company handbook distributed to all workers. No excessive OT or work on rest day was found during the visit.			Com	oleted			
Overtime Limitations	reasonable efforts 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	during period covered by aud	·		Records review. Workers, HR & Mgt nterview.	Factory must develop a procedure to monitor working hours that takes into account the activities of other departments (planning, production, Union, etc.). Factory must submit a written plan how to reduce the working hours in particular departments.	9/15/2005	Factory has not developed a procedure to monitor working hours which involves other departments. There is no written plan for how to reduce working hours in particular departments with high working hours; There is only a commitment to comply with 60-hrs requirement.	What the factory did/will do to reduce overtime: a. hired more than 500 new work during the last 4 months b. added 10 more embroidery machines c. One more factory (opposite the existing one) to be operational in April 2006 Further monitoring needed	t interview, document review, visual inspection inspection to the new facility will continue in order interview.	Randomly check on the monthly OT record from Jan to	rill	Com	pleted	OT policy was in place, the commitment to comply with 60hrs/week was made by the factory's top management. - Workers interviews reflected OT is under control, weekly OT is 2-3days/week and 3hrs/day on average. - Weekly OT tracking records are available, any excessive OT will be recorded and reported to Factory Management. However, documentation review found that more than 20 packing workers have worked up to 62.5hrs/week in May 2008 due to late delivery. - Factory conducted monthly internal assessment that covered both HSE and Labor, all findings will be shared among Departments. - Written procedure to monitor working hours which involves all Depts such as planning, production, HR, Trade Union is still pending. Factory to finish the written procedure on how to monitor OT and send to adidas SEA for review (Deadline: Oct 15, 2008) - Factory to provide trainings on working hours monitoring procedures to all Factory Mgmt especially for Supervisors and Line Leaders.	Written procedure to monitor working hours which involves all depts. has been developed in October 2008. Also, the written OT monitoring procedure were developed in October 2008. - Trainings on working hours monitoring procedures have been provided to Mgmt level that includes supervisors and line leaders on Oct 14, 2008. 63 participants in total, training materials and all training records were available at the time of visit - Interview conducted to 10 supervisors and line leaders reflected their full understanding of the OT Policy and of how to monitor OT in a sustainable manner Time in/out and OT tracking records review from Oct 2008 to Apr 2009 reflected OT is under control, no OT violation was found after the last audit in Sep 2008. For sustainability, it is suggested that factory conduct OT Policy and OT monitoring procedure to Mgmt level on a frequent basis	
overtime hours at such premium rate as is le	hours of work, employees will be compensated for egally required in the country of manufacture or, in st, at a rate at least equal to their regular hourly																
Accurate recording of OT hours worked	hours worked must include all time that the employer allows or requires the worker to work	records are used instead for calculating payroll resulting in cases of OT paid incorrectly. Correct payment of OT pay cannot be verified in the absence of clear and reliable time records.		i l	Records review. Mgt, HR & workers nterview.	Factory to enforce the use of electronic system to produce electronic reports that must include dail time in & out of every individual. Manual records should only be used in case of inconsistency, and each case of inconsistency must receive the signature of the human resources manager. Workers shall be trained monthly on the electronic system, including swipe card instruction. Swipe card instruction is to be posted on bulletin boards and close to swiping machines. The HR manager shall be accountable for maintaining accurate time records.	were posted on the bulletin board and at the time machinon 8/1/2005. Verbal communication to employees was conducted on 08/20, 22, The computer software is to brevised so it produces electroreports of working hours and payroll records. New Deadline 11/1/05	Pu Re rev ca 24. sw ins an int wo	to payroll preparation was completed and applied in the Fe 2006 payroll. Some redundant d were placed in wrong column as noted in the February 2006 payr Factory to review the system, an ensure that the payroll is free from any error, whether mathematical otherwise. New deadline: April 20, 2006	t interview, document review b. ata oll. data or or delay at a document review swiping and timing difference in the payment of leaves taken due to late submission of necessary documents. But time reports match working hours in payroll records and back wages were paid as shown on subsequent payroll and confirmed by workers.	ent workers signature on the payroll record.	Documentation check and available in place for verification			- Monthly Payroll records reviewed from Jan to Sept 2008 compared with payslips and leave request approval forms showed accurate record and wage calculation - Randomly checked time in/out, payrolls, payslips compared with leave request approval forms of 7 workers (3 embroidery workers, 2 sewing workers and 2 packing workers) from May to Aug 2008 showed accurate time recording and correct wage calculation - On-site interview with 7 workers reflected that the time keeping system is effective, all their working hours and leave information were recorded and paid properly It is suggested that factory come up with a written Leave Request approval process which clearly mentions timeline for having leave request approved, due date for submitting these requests to all relevant Dept (Supervisor/HR) and next steps to communicate to ensure info of Leave will be timely updated and won't impact the worker payment - Factory to provide trainings on the leave request approval process to all workers and related Dept to ensure their fully understanding and consistent implementation	developed on Oct 10, 2009 which clearly states that leave requests should be submitted 3 days in advance and will be approved within 1 day of submit. Afterwards HR staff will notify and keep track of all approved leave requests for payment follow-up. - Training on this new leave request approval process has been provided to 63 Supervisors and Line Leaders on Oct 15, 2008. Trainings for workers have been conducted on Oct 14, 16, 21 and 23, 2008. All training materials and records were available at the time of audit. - Interview conducted with 10 randomly selected Supervisors and Line Leaders reflected their full understanding of the leave request approval procedure - Worker interviews reflected that leave request were implemented in compliance with the leave approval procedure.	