

*The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.*

### **What is a Tracking Chart?**

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

### **What a Tracking Chart is NOT -**

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

**Note on Language**

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

**Instructions for Printing**

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

<b>FLA Audit Profile</b>	
Country	Vietnam
Factory Code	01008408A
IEM	Global Standards
Date of audit	15 May 2002
PC(s)	adidas
Number of workers	1014
Product(s)	bags & accessories

FLA Code/ Compliance Issue	FLA Benchmark and/or Legal Reference	Findings		Remediation		
		Global Standards Finding	PC Internal Audit Findings	PC CAP Follow Up Result and Comments	Target Completion Date	PC Updates/Follow-up Comments
<b>1. Code Awareness</b>						
<b>Informed Workplace</b>	<b>FLA Code Principles of Monitoring, Obligations of Companies: Create An Informed Workplace.</b> 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.	Foreign Mgt is generally aware of FLA code and its provisions and has posted the FLA and SOE codes in local language and Mgt language. There is no evidence documenting code training for supervisors. Workers show little awareness or understanding of code provisions and their legal rights and benefits.		Factory required to amend factory rules so that they comply with the SOE and set out legal requirements relating to terms & conditions of employment. Handbook to be distributed to workers. Ongoing training of supervisors and workers in various areas should be provided.	30 September 2002	SOE Team has been conducting training sessions throughout Asia since November 2001, which aim to familiarise factory management with the SOE, local legal provisions and expectations regarding compliance and cooperation. adidas wrote to all its suppliers before the first year of monitoring began, to explain the FLA process, the fact that their factories may be visited unannounced, and that the FLA IEM would require full cooperation. We have also worked with our internal production and sourcing staff to stress the importance of our participation in the FLA, and the fact that it must be supported in front of the factories by adidas production staff.
<b>2. Forced Labor</b>						
<b>Freedom of Movement</b>	<b>FLA Code Benchmark I. Forced Labor:</b> 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.	Reports from workers and external sources also indicate past incidents where workers were not allowed to leave the factory during OT, including one case before the Tet New Years holidays this year when the police were called in and the factory fined for keeping workers working late against their will before the holidays. Under normal circumstances, exit passes are required to leave the factory gate. For personal leave, workers must apply for permit to leave the factory gate, which must have all 3 signatures of the line supervisor, chief department and foreign manager. Sick workers who apply for leave permit to exit the gate are required to obtain 4 signatures from line supervisors, chief department, foreign manager & nurse. In interviews, [some] employees confirmed the system of exit passes/ permits, and complained these were difficult to get, requiring 3 signatures from supervisors and a foreign manager.  They also confirmed that leave permits are required to exit the factory gate during working hours and also during overtime hours. [It was reported in worker interviews that] to apply for a leave permit would take at least couple hours...[ ] it took 1 afternoon for a sick leave as the permit requires 1 extra signature from the nurse.	Unlawful detention – workers are not permitted to leave the factory grounds during work hours. Factory must not restrict freedom of movement.	Management must not restrict freedom of movement. Workers must be allowed to exit the factory with OR without supervisor's permission. Factory required to amend the rule of free exit. Security guards not to block workers from exiting factory. Clearly explain and distribute the regulation to workers. <b>Note:</b> we have repeatedly told our factory partners that while freedom of movement is a basic right, it is reasonable to have a proper system of notification when people leave the factory grounds. Eg: - workers should only be required to notify their supervisors that they are leaving the factory; - supervisors must not withhold permission; - if a person leaves the factory grounds without having notified a supervisor, ie security has not been informed that the person is leaving the factory grounds, then security may take down the person's name or ID number; - HRD or the supervisor to check to found out why the person left the workplace, and the factory should offer assistance if there is some serious problem, eg a family illness; - if the person leaves the factory grounds for no apparent reason, then it is reasonable to provide a warning where this behaviour is repeated.	20 September 2002	As at December 2002, this item resolved and system in place to track freedom of movement in and out of factory. This issue requires ongoing monitoring.
<b>Employment Contracts</b>	<b>FLA Code Benchmark I. Forced Labor:</b> Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	Workers at the factory do not receive a copy of their contract and a significant number of workers at the factory at any given time are working without contract. This includes both workers who have joined the factory and not yet under contract and seasonal workers who may never sign contracts. The probation period was not indicated in contracts, but in fact local Mgt confirms that workers work "probation" without contract for anywhere from 2 to 6 months before signing contract. [X ] reviewed records had no labor contracts in files for workers who had been working in factory since Sept. Oct 2001. Factory does not have any contract, personnel files, name list of seasonal (short term) workers in files. [Some] workers confirmed that they never received a copy of their labor contract.  Many of them don't remember the terms or wage rate in the signed contract. Mgt acknowledged that most workers did not receive copies of contracts and explained that many did not want them, but left them with the factory for safekeeping. If this is the case, workers did not seem to understand this arrangement. In closing, Mgt agreed that the probation without contract situation needed review and improvement.	Based on internal audit, agree that contracts are not issued properly and in accordance with local legal standards. The employment status of some workers (as probationary, temporary or permanent workers) is also not clear. Recruitment process not properly managed or tracked by Personnel department; and generally poor record keeping in respect of worker files.	Every worker must sign and be given a copy of the individual labour contract as soon as the legal probationary period is finished and confirmed to the worker. The contents of the contracts must include all main provisions as requested by law and be clearly explained to workers. Personnel Department required to keep track of all new recruits to ensure that they are hired under contract following the successful completion of probation which must not exceed 60 days in respect of highly specialized work, 30 days in respect of other work. Every worker must be given a copy of the signed contract which goes on file.	20 September 2002	As at December 2002, this item resolved and proper admin/personnel system in place.
<b>3. Child Labor</b>						
<b>Age documentation</b>	<b>FLA Code Benchmark II. Child Labor:</b> Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth. 1) 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) Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.	Worker interviews, external information and Mgt interviews indicate that the factory has had cases of Juvenile Workers (15-18) who have been hired after presenting false ID and who were "encouraged to leave" once they were discovered with a promise they would be hired back upon turning 18. The factory lacks policies to protect such workers and discover. Age checks performed by the factory appear insufficient to prevent such problems from continuing and Monitors were denied access to important files and records to document this issue. The [ . . . ] Company's social security office confirmed that there have been up to 100 workers with fake ID files applying to change to new files since 2001 (in order to receive their social security benefits) and that many of them were under 18 years of age.		Previous audits by the adidas SOE Team have not revealed any problems in the child labour area in this factory. However, based on the information provided by Global Standards, we will monitor this issue much more closely on an ongoing basis. SOE Team will attempt to obtain a copy of the quarterly recruitment and termination report to verify whether any juvenile or child workers have been dismissed, and the reasons cited. Will follow-up on this issue following next factory visit, scheduled for October 2002. We will also monitor on an ongoing basis whether management applies the same, proper record keeping in relation to short-term workers.  Where any juvenile workers are identified in future, we will require standard actions to be taken.  Specifically, juvenile workers must be clearly identified by a colour coded ID tag or some other visible form. This will make it easier to spot whether they are working over time ("OT") or located in areas dangerous to the health and development of young people. Where any child workers are identified in future, we will work with local NGO groups who have assisted us in establishing child and juvenile labour education programmes in factories previously. Note: In each of the core labour areas under the SOE, best practices have been identified. One such practice is to make it a policy to hire juvenile workers, and provide work to young people in the community, while ensuring that the local legal limitations and protections are observed. However, we are not able to enforce the recruitment of juvenile workers where management exercises its discretion not to employ persons below 18 years old.		Ongoing monitoring of this issue.
<b>4. Harassment or Abuse</b>						
<b>Grievance Procedures</b>		Workers do not understand or trust suggestion box system. [It was reported in worker interviews ] that putting a complaint letter in the box is not a good idea as the box is in a visible location and the supervisor collects the letters.		The factory is required to provide suggestion boxes and place them in convenient places (eg in bathrooms) with clear instructions: - who has access; - how and when will suggestions be answered; - workers should not be required to give their names or other identifying information; and - no workers will be penalized for making a suggestion, i.e. "non-retaliation" policy. Use of the suggestion box system must be properly implemented and explained to workers.	30 September 2002	As at December 2002, suggestion boxes have been installed in convenient places with clear instructions regarding their use. The worker handbook sets out the appeal system applying to internal communications. The factory now also has an SOE coordinator.
<b>Management intimidation</b>	<b>FLA Code Benchmarks III. Harassment or Abuse:</b> Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse. Employers will utilize consistent written disciplinary practices that are applied fairly among all workers. Employers will provide training to managers and supervisors in appropriate disciplinary practices. Employers will maintain written records of disciplinary actions taken.	[Worker interviews revealed :] intimidation from supervisors or Mgt about speaking to auditors. [ ] a supervisor not to tell monitors about working long OT hours, otherwise customer would not place more orders. [ ] that some workers in factory [ . . . ] were disciplined/intimidated for talking with the adidas audit team in March. They reported that the interviewed workers were called into the [ . . . ] office to write a report describing what they had told the adidas audit team about the factory. Union also required workers to write self-criticism letters to report what they had told adidas about the Union. These incidents did not involve foreign Mgt, but local Mgt and Union.		If the auditors are able to provide us with evidence or greater details of the retaliation by the management, following the adidas SOE audit in March, then we will issue a warning letter. The letter would set out the non-retaliation policy, and require a full explanation as to why workers have been intimidated in this fashion. We would also request that disciplinary action be taken against management or supervisors who "coach" workers in their responses during an audit. <b>Note : Please also see the notes below in our response to the issues set out under "Disciplinary Procedures".</b>		
<b>Access to toilets</b>	<b>FLA Code Benchmark III. Harassment or Abuse:</b> Employers will not unreasonably restrain freedom of movement of workers, including movement in canteen, during breaks using toilets, accessing water, or to access necessary medical attention.	Bathroom visits no longer require passes, but limits are placed in the form of a schedule of allowed times to limit visits to the toilets. Discipline records show workers have been disciplined for leaving OT and for visiting the toilet outside permitted times.		This issue was not covered in our internal action plan, but it will be monitored on an ongoing basis. In particular, we will check during our subsequent visits to the factory whether management educates supervisors and middle managers on the policies regarding freedom of movement, and unrestricted access to drinking water and toilets.		As at December 2002, no restrictions on toilet use or access to drinking water.
<b>Disciplinary procedures</b>	<b>FLA Code Benchmark III. Harassment or Abuse:</b> Employers will utilize progressive discipline, e.g., escalating 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.	Many workers complained of unfair, uneven and biased discipline practices by supervisors. Mgt reports that a workforce handbook is being drafted which should address this issue. A significant sample of interviewed workers complained of inconsistent discipline practices, policies applied unevenly/unfairly, unfair disciplines, scolding workers, forcing workers to write self-criticism letters, shouting unreasonably, letting workers go without reason. Checking 60 disciplinary records, monitors found inappropriate disciplinary practices for "mistakes" such as leaving OT, not working Sunday OT, etc. Workers confirmed such practices including numerous disciplines for toilet violations.	Based on internal audit, agree that there are significant problems in respect of disciplinary practices - current practices are not all legal, reasonable and/or effective, and discipline is dealt out by supervisors in an arbitrary fashion without reference to a progressive disciplinary system or in accordance with level of authority.	Factory is required to establish detailed disciplinary practices for workers that are legal, reasonable and effective. These should be set out in the factory regulations and distributed to workers. Specifically: (1) Monetary penalties are prohibited under the SOE - the factory regulation must clearly state that no fines will be imposed under any circumstances; (2) Any psychological, physical or verbal abuse and used violence to workers must be eliminated - this includes "public announcements" and posting workers' names and disciplinary actions taken against them on notice boards.  All warnings issued, written or verbal, and other records of discipline must be kept on the relevant worker's file. Workers must be given a right of appeal against improperly imposed disciplinary practices. Management to devise a system of appeal. The right of appeal must be documented in the factory regulations. The factory must conduct training with supervisors throughout the year to set out the factory's expectation in relation to treatment of workers. The management's policy on this must be documented and used as the basis of training and where any necessary action must be taken against supervisors for abusive behaviour. Develop a plan of on-going training for supervisors.	30 September 2002	This item will require ongoing monitoring. However, as at 20 December, the worker handbook with grievance procedures and factory regulations set out had been circulated; there was evidence of proper disciplinary records being kept on file; and no evidence of continued use of self-criticism letters, monetary fines, or public announcements of any "wrongdoing" by workers.
<b>Sexual harassment</b>	<b>FLA Code Benchmark III. Harassment or Abuse:</b> A. Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse. 3) Employers shall not offer preferential work assignments or other preferential treatment of any kind in actual or implied exchange for a sexual relationship, nor subject employees to prejudicial treatment of any kind in retaliation for refused sexual advances.	A large number of workers in Factory . . . complained of harassment of a sexual nature under the previous supervisor . . . who regularly patted and flirted with female workers. Mgt explained it had dealt with the problem by terminating [previous supervisor] after several warnings. Workers seemed to appreciate appointment of the new manager, but were not informed of the reasons for [previous supervisor's] departure.		Factory required to establish a proper grievance system, so that workers may register their complaints with human resources or a suitable factory based counsellor. SOE action plan calls for ongoing training of supervisors and workers in various areas. Please see notes above regarding training of supervisors in relation to proper treatment of workers.	30 September 2002	This issue requires further/ongoing investigation, through workers interviews.
<b>5. Nondiscrimination</b>						

FLA Code/ Compliance Issue	FLA Benchmark and/or Legal Reference	Findings		Remediation		Remediation Updates	
		Global Standards Finding	PC Internal Audit Findings	PC CAP Follow Up Result and Comments	Target Completion Date	PC Updates/Follow-up Comments	
<b>Pregnant Workers</b>	<b>FLA Code Benchmark IV. Non-Discrimination:</b> 1) Employers will not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment. Employers will not require pregnancy testing of female employees, except as required by national law. 2) Information arising from pregnancy testing undertaken voluntarily will not be used as a factor in involuntarily reassigning, firing or making any other employment decision that disadvantages a pregnant woman.	Personnel files since 2001 show that female workers have been made to sign a "pledge" to guarantee not to get pregnant for 2 years from first employment. Workers and supervisors are aware of this policy and believe it remains in force. This policy was confirmed by at least [some] female workers. [Some] interviewees (including some supervisors) believed that workers would lose benefits and could be dismissed if they got pregnant. More than a dozen said they knew workers who disappeared/left the factory and did not return after breaking their pledge. This policy is a code and legal violation.		There must be a separate recordlist of pregnant and nursing workers who qualify for special benefits under the VN Labor Law. Workers who are 7 months' pregnant or more and nursing children under 12 months of age must work 7 hours per day, must not work over time and must be assigned to lighter job. Factory must create register of pregnant and nursing a child under 12 months of age.	25 September 2002	As at 20 December 2002, register of pregnant workers was being kept to track benefits paid to workers. Worker handbook also sets out the basic protections for pregnant workers and the treatment they should expect. Regarding the issue of 'pledges', this is a common practice in Vietnam, and is addressed through ongoing training and education of management. Factory has been specifically requested to ensure that no such pledges or other subtle forms of intimidation are used to pressure workers in respect of their reproductive decisions.	
<b>6. Health and Safety</b>							
<b>Chemical Safety</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) 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. 2) 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.	Mgt posts no labels, warnings or instructions in chemical use and has no MSDS sheets anywhere in the factory and conducts no training in chemical handling. Mgt did not provide a list of chemicals, their contents or MSDS. However in production Monitors saw two chemicals in common use: a glue (Hyun Dae Brand) which is solvent based and a cleaning solvent which workers called Sang Thom (lighter fluid) exact contents unknown. Both are used in production in unmarked containers. The cleaner was used from mineral water bottles, which could easily cause confusion and expose workers to the risk of accidental ingestion. Workers showed no understanding of the chemicals they were using or potential risks.	Use of "hazardous" substances. MSDS not provided/displayed where chemicals are used. Lack of training in handling and use of chemicals. Incorrect chemical containers.	* Factory to obtain MSDS from suppliers to verify content of the substances mentioned. If they are found to contain either toluene or benzene they should be replaced with less hazardous materials * MSDS to be obtained from Suppliers and displayed at workplace, and employees instructed on the contents and significance of the MSDS * Factory to provide adequate training to all employees who may handle, use or transport chemicals. Refresher training to be provided every 6 months. * All chemicals to be stored correctly in suitable containers, which are adequately labelled. * Chemicals in use in production areas should be contained in suitable containers and clearly labelled to identify the contents.	Note: Under adidas SOE internal action plans, all HSE items required immediate attention and ongoing remediation.	Note: All HSE items require further physical follow-up. As soon as travel is restored within the region (ie the travel bans due to SARS and war in Iraq are lifted) [Compliance officer] will visit the factory for an HSE update.	
<b>Storage</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 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.	The factory has no chemical storage area. Instead a pallet loaded with cans of glue bond (which are labeled as flammable) was stored together with production materials in the warehouse.					
<b>Chemical Disposal</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 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.	Also no contract or arrangements to dispose of hazardous wastes or containers. Cans of glue bond are regularly reused as trash and water receptacles.	No proper disposal of adhesive cans and containers.	Adequate procedures and systems for the safe disposal of adhesive cans/containers to be implemented.			
<b>Permits</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 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.	Factory has no operating permits for 6 air compressors and 1 generator operating in the factory.		Correct certification to be obtained.			
<b>Hygiene Certificate</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	Factory has no current hygiene certificate for the canteen. Factory provided to monitor the certificate issued on Sept 20, 1997, which stated that "this certificate is valid within 1 year from the signing date. The food canteen needs to apply for an extension 1 month before its expiration."					
<b>Sanitation</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws. 2) 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.	Hygiene in the canteen, kitchen and food preparation areas was poor. Food is prepared on the floor near the drain and trays and cooking utensils are washed in this area as well. Workers complained not just about the quality of the food, but about foreign substances, including insects, worms and vermin in the food.	All knives seen appeared to be "home made", rusty and dirty. Rice steamers were extremely dirty. No systems in place to ensure food prepared in canteen is fresh / hygienic. Dry foods not correctly stored and clear of the floor.	System of inspection by nurse to be established. * Suitable knives should be purchased and stored correctly * Rice steamers need to be cleaned and kept clean after each use. Damaged door seals to be replaced. * Kitchens need to be thoroughly cleaned before they can really be considered hygienic. * Correct storage required. * Canteens to be cleaned and maintained in suitable condition. Adequate hygienic preparation tables to be installed and used. Good hygiene standards to be maintained at all times. Food quality and hygiene to be improved. Note: as this item appears as hearsay and was not verified by FLA auditor this is the only action comment possible.			
<b>Improper Maintenance of Water Tank</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility. 2) 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.	Monitors noted that the water tank is left open during the day when the pumps are running and it is being refilled. This creates a hazard. It also allows for contamination by dirt, animals or foreign substances going into the tank. Monitors saw mossy growths inside the tank. With the tank and pumps located in the canteen, the pumps are switched off when the canteen staff lock up and go home in the afternoon, usually by 3pm. This system causes regular shortages of both drinking and wash water when workers work OT. Such a system does not comply with code requirements. (See also associated fire risk) Toilets were generally acceptable during monitoring visits, except when water was unavailable due to supply problems noted above.		Tanks to be kept closed at all times.			
<b>Blocked Exits/Pathways</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Evacuation plans are in place and exits well marked, but some exit doors were padlocked, some roller doors partially closed. Aisles were not always kept clear, especially in cutting department and the warehouse, where no aisles were left at all.		Verify which doors are designated "Emergency Exits" and mark appropriately, these doors to be kept unlocked whenever work is in progress. Roller doors used as emergency exits should be kept open at a minimum height of 2 metres.			
<b>Poor Fire Safety</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. 2) All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	The warehouse has a smoke detector, but no records of its testing or effectiveness. Factory production areas have good fire extinguishers, alarms and fire safety equipment, but these are not properly maintained. One fire extinguisher near the generator was discharged and inoperable.		Records of testing and maintenance to be maintained. Fire equipment to be inspected monthly and maintenance carried out as required. Discharged extinguishers to be replaced immediately after use.			
<b>Non-Functional Lights</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures. 2) All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Several emergency lights were non-functional when tested.		Emergency lights to be tested monthly, defects to be corrected immediately.			
<b>Poor Electrical System Maintenance</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Electrical systems are not well kept and electrical hazards are not always marked. High voltage electrical wires run along the wall behind the canteen around to the generator area within arms reach without adequate warning signs. The panel to the mains switch for factory 1 was insufficiently marked and left open. Stacks of cardboard boxes were stored nearby.					
<b>Improper Hose System</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	The factory does not have or did not produce its official fire plans and permits, preventing monitors from conducting a full assessment. The factory has no separate water supply or pump system for its fire hydrants.		Records of testing and maintenance to be maintained. Note: The lack of records, or the fact the auditors were not shown records, does not mean the system does not work. There is no reference to say if the water supply was from the factory or from the town mains system.			
<b>Inadequate Medical Care</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	Factory medical facilities are inadequate. The clinic is small, poorly organized and equipped and lacking privacy. The clinic is staffed by 2 nurses, one of whose license is not in order. A factory this size (1000 workers) is required by law to have at least one doctor on staff. Clinic staff do not work OT with workers, so no clinic staff are on duty during OT.		Clinic to be improved to comply with required standards. * Medical staff to be suitably qualified. * Services of a doctor to be obtained for the clinic. * Medical staff should be available whenever work is being conducted in the factory.			
<b>No Canteen Worker Health Checks</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) 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. 2) All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws. 3) 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.	The canteen staff did not have health checks as required by law, twice a year. Some were checked in March and others not since May 2001.		All canteen staff to have medical checks every 6 months. (Note: during the adidas audit in August 2001 all the canteen staff at that time had received medical checks, but they were only being conducted annually, the factory was advised to conduct the medical checks at least every 6 months)			
<b>No Safety Policies</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Factory does not have machinery, equipment, & chemical safety policies and procedures. The factory does not label chemicals or post MSDS.					
<b>No Safety Training for Workers</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	These is no record of safety training for workers.					
<b>PPE</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 1) Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing 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. 2) All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unlocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	The factory has little PPE and no effective training or policies to ensure PPE is used. Cutting section was issued a several metal cutting gloves, but these are not used. Workers complain they do not fit their hands and feel uncomfortable. Factory has not taken any action to adjust/replace gloves or otherwise correct the situation. No eye protection or ear protection was in use, although inspection reports noted some noise violations and some riveting/fastening operations could call for eye protection.	Signs / Notices not logically & intelligently displayed – not in correct, appropriate languages & colours. Workers not provided with necessary protective equipment (PPE), and trained in the correct use of PPE.	Hearing protection signs required for the embroidery room.			
<b>Inadequate OSH Records</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Accident and health records are poor. No reported work accidents since June 2000 in factory 1 and only 1 accident report for factory 2 during the first 5 months of 2002.					
<b>No Worker Safety Committee</b>	<b>FLA Code Benchmark V. Health and Safety:</b> Workers should be involved in planning for safety, including through worker safety committees.	No worker safety committee or involvement in safety planning					

FLA Code/ Compliance issue	FLA Benchmark and/or Legal Reference	Findings		Remediation		Remediation Updates	
		Global Standards Finding	PC Internal Audit Findings	PC CAP Follow Up Result and Comments	Target Completion Date	PC Updates/Follow-up Comments	
<b>Poor Housekeeping</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 11)All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	Housekeeping was generally poor with scraps and trash left around the factory floor and heavy accumulation of dust in places. Trash was stored in or under stairways. In the cutting section scraps and waste had been piled up inside the ceiling of a back room to the point that they were falling down to the floor. Factory lacks a proper waste sorting or recycling system as well as permits and policies. The government environment report dated April 09, 2002, noted that the factory still does not have a contract for waste disposal.	Inadequate guarding.	All drive bells, chains and moving parts to be adequately guarded			
<b>Machine guards</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.						
<b>Forklift</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	Monitors also noted staff using overloaded push-carts and dangerous driving and use of a forklift.					
<b>LPG Tanks</b>	<b>FLA Code Benchmark V. Health and Safety:</b> 10) All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner. 11)All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.		LPG tanks are stored in a separate room from the cooking area, this is an internal room. This does not comply with our guidance but according to the factory it complies with the local fire regulations.	Recommend repositioning of cylinders - protected from elements but inside building. Recommend that the gas storage and distribution system be relocated to comply with the HSE Guidelines. Generally, LPG tanks for cooking should be separated from open flames by at least 7.5 metres. LPG tanks for cooking (& other areas where multiple tanks are connected) stored outside (protected from elements / lightning).			
<b>First Aid Kits</b>	<b>FLA Code Benchmark V. Health and Safety:</b> All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.		First aid kits not available in all work areas (1 per every 100 workers); not inspected monthly; not restocked as required after use / All materials within their "use by" dates.	Need to review locations and numbers of first aid kits. System for regular checking of kits and replacement of used/out of date items to be established and inspections recorded.			
<b>7. Freedom of Association and Collective Bargaining</b>							
<b>Management control over union</b>	<b>FLA Code Benchmark VI. Freedom of Association:</b> The employer will not interfere with the right to freedom of association by controlling workers' organizations or favoring one workers' organizations over another. Employers and employees will honor in good faith, for the term of the agreement, the terms of any collective bargaining agreement they sign. Employees shall be able to raise issues regarding CBA compliance by the employer without retaliation.	The current CBA which was signed in 1997, for the term of 3 years until 2000 has expired and has not been renewed or updated with information such as salary, working hours, benefits & allowances for workers. Most workers do not understand the CBA & Union role. [It was reported in worker interviews that] [workers] did not sign a letter to join Union or receive a membership card, but are required to pay dues monthly. ...workers must pay dues or else [Company] office would call him to the office for "discussions". Workers also complained of dues paid to supervisors for the union going missing or being misappropriated. Union also reportedly required self-criticisms of workers who complained about Union to adidas auditors.		This item was not addressed in the adidas SOE action plans. However, based on the auditors' findings, we will monitor for the following items: - the methods by which workers are enrolled in the factory based union and documentation authorising deductions from their salaries of monthly union dues; - use of inappropriate disciplinary methods such as 'self criticism letters', and the involvement of the union in workplace disciplinary practices in the first instance; - access by workers to information about the union, its levels of transparency, and reporting by the union to workers on issues which affect their working lives; - whether workers are free to join or free from joining the union, and whether there is any coercive behaviour in this respect.			CBA issue still unresolved as at December 2002. Other issues require ongoing monitoring.
<b>8. Wages &amp; Benefits</b>							
<b>Personnel files</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, Overtime Compensation:</b> All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	There was no info in files of terminated employees.	Based on internal audit, agree that Personnel/Administration departments do not keep well maintained worker records or other files. There is a general failure to comply with basic administrative procedures and practices required under the adidas SOE for proper management of the workforce.	The personnel filing system should be organised so that all information is centralised and all documents relating to an individual can be found on one file only. The goal is to locate all documents relating to a worker within 15 minutes of random selection of the worker. Worker files should be updated according to [document] and kept on the factory premises.	30 September 2002		As at December 2002, this item completed and proper admin/personnel system in place.
<b>Files for seasonal workers</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, Overtime Compensation:</b> All compensation records will be maintained accurately and should be acknowledged by the employees as accurate.	Seasonal workers work without personnel files, contracts, benefits (ie. cash payments in lieu of annual leave, social and health insurance), timecards.	See notes directly above under <i>Personnel Files</i> and the comments in the item on <i>Employment Contracts under Forced Labour</i> .	See notes directly above under <i>Personnel Files</i> and the comments in the item on <i>Employment Contracts under Forced Labour</i> .			See notes directly above under <i>Personnel Files</i> and the comments in the item on <i>Employment Contracts under Forced Labour</i> .
<b>Wage rates</b>	<b>FLA Code provision on Wages and Benefits:</b> 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.	Officially the factory is a local state-owned enterprise, but operates under contract with foreign investor/manager Factory as an unlicensed foreign investment/ joint-venture. As such it should respect the Minimum wage for such factory (45usd). Currently [Company] represents Factory in recruiting and signing labor contracts with employees under the wage rate of state owned enterprise (approximately 24usd per month), while production and daily management tasks are all decided by Factory's [Foreign] Managers. The factory currently pays higher salary to workers, but this occurs outside the official contract structure.  In the payroll register, factory applies the daily rate 22,000vnd to new workers, about 572,000vnd per month, equal 37.50usd (exchange rate 15,250vnd/ usd on May26, 2002) A worker who has joined Factory since early 1997 (more than 5 years seniority) has a wage rate 25,000vnd per day (675,000vnd per month= equal 44.33usd) In the labor contracts, all workers signed at a rate 373,800vnd per month (24.51usd), which is also the rate applied to social insurance; medical care contribution and beneficial entitlements.	Based on internal audit, agree that the factory does not make proper minimum wage payments to workers. There is no proper wage/salary policy in place. Factory fails to pay at the correct (foreign enterprise) rate, and does not provide the correct wage increases required by law. Factory also, therefore, fails to pay social and medical contributions based on the correct rates.	Vnd 626,000 is the minimum wage that the factory must provide to workers who are on probation or who perform the most elementary work (with no training). The VN Labor Code also regulates contracted basic salary increases, ie, at least 10% raise for workers who have been trained for less than 24 months and have been working of at least 2 years, at least 7% for those who have been trained for more than 24 months and working for more than 3 years and so on. Factory must amend the factory salary policy and provide to [representative] to review. Worker contracts must also set out actual basic salary and actual mandated benefits. Adjust the basic salary level in all signed labor contracts to actual level. Adjust social and medical contribution paid by two parties in accordance with the adjusted salary.  Regarding the issue of joint ventures/local licence partners, this is covered by the SOE rating tool. Suppliers who fail to ensure that their partners understand the SOE requirements, and who do not accept responsibility for implementing proper management systems within the factory (because they have a local partner) will score very poorly in this section of the rating tool. This will have an impact ultimately on the overall performance of the factory, and how orders are placed there.	25 September 2002		Factory had made improvement in this area as at December 2002. However the issue of social benefits is still not resolved.
<b>Lack of Worker Awareness of Wages and Benefits</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> Employers will provide all legally mandated benefits to all eligible workers. 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.	In interviews, many workers are confused and do not understand their wages, benefits, and allowances. Most do not remember the wage rate in the labor contract and do not have a copy. [Some] workers asked monitors why the factory signs wage levels in the labor contract much lower than the real rate they get paid. ... Currently many workers are confused about the grading criteria, which determine their salary raises. ... Many workers have not received social security books from factory.		The payroll and pay-slip documents must conform to SOE standards. Workers must be provided a pay-slip showing their income and all relevant items in their own language. Workers must receive a wage statement each month and sign for receipt of pay. (Also see the notes above regarding signing of labour contracts and the proper content of the employment contract under section "Forced Labour, Singing of Contracts", and the notes directly above regarding legally mandated salary increases.) Regarding social security, factory must calculate the level of social and medical insurance contribution properly based on salary applicable to workers' current job and ensure that all workers including probationary are enrolled in the scheme. The factory must amend the factory rules and provide evidence of payment of contributions by employees and the factory to the social and medical security departments.	25 September 2002		Payroll and payslip items completed as at December 2002.
<b>Pregnancy Benefits</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> Employers will provide all legally mandated benefits to all eligible workers.	Also pregnancy benefits are often denied to workers by factory/social security office even though they are legally entitled to these benefits.		There must be a separate record/list of pregnant and nursing (ie breast-feeding) workers who qualify for special benefits under the VN Labor Law. Workers who are 7 months' pregnant or more and nursing children under 12 months of age must work no more than 7 hours per day, ie must not work over time and must be assigned lighter job duties. Factory must keep a register of pregnant workers and those nursing a child under 12 months of age to track benefit entitlements.	25 September 2002		See notes above regarding pregnancy/maternal under the <i>Non-discrimination</i> section.
<b>Severance pay and seniority benefits</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> Employers will provide all legally mandated benefits to all eligible workers.	Factory could not provide evidence of providing full severance pay to terminated workers. The labor contract does not record the first date of employment but the date of signing contract which is about 3 to 6 months later. Workers are not entitled to seniority benefits for this pre-contract period.	Based on internal audit, factory fails to provide all legally mandated benefits, or keep proper records in relation to benefit entitlements. Agree that workers are not provided proper severance packages when their employment is terminated.	Seniority should date from date entry into employment, provided worker passes the probationary period. We will also ask the factory to address this item in the revision of its worker handbook. Generally, regarding benefits, the procedures governing all types of leave, eg sick leave, annual leave, maternity leave, paid personal leave, unpaid leave must be provided according to the relevant labor law and the SOE requirements and set out in the factory regulations. Factory must amend factory rules and distribute to workers. Personnel/adm must create leave request form for use by workers. Proper records/files must be kept in relation to leave requests and benefits. Copies of these should be kept on the centralised worker files. Regarding bonus payments, this issue was not previously recorded in the adidas SOE action plans. However, we will monitor this item in our future audits and ensure that the factory is aware that it has legal obligations in relation to payment bonuses.	25 September 2002		Item completed as at December 2002 - requires ongoing monitoring.
<b>Seasonal Contract Workers</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> Employers will provide all legally mandated benefits to all eligible workers.	Factory does not provide any benefits to seasonal short-term contract employees.	Based on internal audit, factory employs workers on a short-term basis/contract which is then extended or renewed (ie the worker is continually re-hired on a temporary basis). These workers do not receive benefits according to law.	Benefits must be provided according to law.	30 September 2002		Issue of social security payments to short-term/seasonal contract workers still pending.
<b>Annual Leave</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> Workers will be paid for holidays and leave as required by law.	[Some] workers interviewed said they had not yet received annual leave balance in cash from last year (2001) as required by law (should be paid by end of Q1).	Based on internal audit, agree that annual leave is not provided to workers, or paid out in lieu.	Factory must provide paid annual leave to all workers according to the relevant labor law, ie at least 12 days and then according to seniority. Management must amend the factory salary policy accordingly. Provide tracking method to ensure that all workers are entitled to this benefit. Additionally, the procedure governing all types of leave, eg sick leave, annual leave, maternity leave, paid personal leave, unpaid leave must be provided according to the relevant labor law and the SOE requirements and set out in the factory regulations. Factory required to amend factory rules and distribute to workers.	30 September 2002		As at December 2002, annual leave being tracked and paid.
<b>9. Hours of Work</b>							

FLA Code/ Compliance Issue	FLA Benchmark and/or Legal Reference	Findings		Remediation		Remediation Updates	
		Global Standards Finding	PC Internal Audit Findings	PC CAP Follow Up Result and Comments	Target Completion Date	PC Updates/Follow-up Comments	
<b>Mandatory OT</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> 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. Negative incentives or punitive actions will not be used to induce overtime in excess of code standards. Overtime hours worked in excess of code standard will be voluntary. The employer will demonstrate a commitment to reduce mandated overtime and to enact a voluntary overtime system to meet unforeseen situations.	From interviews with workers, supervisors and Mgt, as well as documentary evidence, it is clear that the factory has chronic overtime issues and that OT is not always voluntary. (For example Monitors saw OT request forms where one person, a supervisor, had signed for all workers). While the factory allowed workers to go home on time when monitors were present, workers in factory [X] had to return later to work overtime. Workers were required to work until 2 am and the gate was locked and no one was given permission to leave despite repeated requests/complaints. Monitors found the "OT consent letters" of sewing line [X & Y] – factory [X] dated May12, 2002 (Sunday), sewing line [X] – factory [X] dated May5, 2002 (Sunday), and sewing line [X] – factory 1 dated April22, 2002 the signatures of workers were in the same hand writing as the person who filled in the form and matched the hand writing of the line supervisors.  Monitors also found self-criticism letters written by workers saying they committed mistakes such as not staying to work OT (some letters); refusing OT on Sunday (some) letters). Workers regularly work OT exceeding code and legal limits during peak production schedule from Oct until May, June in the following year.	Based on internal audit, agree with the findings of chronic OT problems in the factory; lack of over time approval procedures; workers have no concept of 'voluntary OT'. Based on worker interviews, it is clear that supervisors require workers to remain after the end of regular shifts or scheduled OT to complete work.	The policy of voluntary overtime must be documented in the factory regulations, together with the procedure by which a worker can advise a supervisor that he/she is not available or not willing to do overtime. The factory is prohibited from imposing penalties of any form upon workers who refuse to work overtime. Factory is required to amend the rules to include the policy and distribute to workers. According to Article 71 of VN Labor Code workers must be entitled to at least 12 hours of rest in-between two work shifts. Factory required to re-schedule work timetable and post the new timetable on the bulletin boards. Factory also required to conduct ongoing supervisor training on the voluntary overtime policy and process by which workers may refuse overtime. Train supervisors in the relevant labor law provisions and the adidas SOE requirements in relation to the 60 hour week and voluntary overtime.  Factory must develop a plan of ongoing training for supervisors on the issue of working hours. Note: Regarding the Global Standards audit findings regarding misconduct by supervisors, this issue was investigated immediately following the audit. A recommendation was made that the factory manager be disciplined by HQ, and he was in fact dismissed from his position, though it was not the intention of adidas to have the factory manager removed.	20 September 2002	Factory has worked to improve and monitor the OT schedule. Requires ongoing checking and auditing.	
<b>Compensation days</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> 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. Negative incentives or punitive actions will not be used to induce overtime in excess of code standards. Overtime hours worked in excess of code standard will be voluntary. The employer will demonstrate a commitment to reduce mandated overtime and to enact a voluntary overtime system to meet unforeseen situations.	Factory does not give a compensating day off for workers who work on Sundays. Workers in this factory especially workers in factory [X] have been working extremely long OT schedule in April & May 2002 and other busy production times in the year. In the time attendance-check list, all workers in the sample & cutting sections worked straight to 2:00am, starting work again at 6:00am the next morning, every day from April17 through April20-2002. At least 4 workers in cutting section also had the same OT situation. All workers in sample section worked most Sundays in April and in other busy months. In interviews, workers in factory [X] did not complain of overtime work as much as workers in factory [X] but they reported that working overtime is compulsory. They report that overtime is not voluntary as it is difficult to get an exit permit, which must be presented to the guard at the gate to leave. The security at the gate also confirmed Mgt policy that only workers with permits can leave the gate.	See comments regarding internal audit findings in relation to chronic over time work (directly above) and restrictions on freedom of movement (above under Ecoged/Labour section).	Management must conduct supervisor training on the voluntary overtime policy and process by which workers may refuse overtime. Train supervisors in the relevant labor law provisions and the adidas SOE requirements in relation to the 60 hour week and voluntary overtime. Factory must develop a plan of ongoing training. Factory must also follow the adidas SOE standards relating to compensation days off and freedom of movement (in and out of the factory) as discussed in various sections above.	20 September 2002	Voluntary OT System has been set out in the workers handbook as well as being advised to workers directly within their lines/work teams. This issue requires ongoing monitoring.	
<b>Excessive OT</b>	<b>Under Vietnamese Labor law</b> the maximum OT hours must not exceeding 4 hours per day and 200 hours per year. Every 7 working days worker must receive 1 day off. <b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, and Overtime Compensation:</b> 28) 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. If the employer repeatedly requires overtime in order to respond to the same situation, the employer will explain why it will not have sufficient staff on hand to avoid the necessity of overtime.	W/Workers in cutting & sample departments of factory 2 have worked far in excess of 60 hours, from 80 to 90 total hours during the last 2 weeks of April 2002. Monitors randomly selected [some] workers in sewing, sample, cutting sections and found the total OT hours for the year 2001 ranged from 555.5 OT hours to 670.5 OT hours. This is about 3 times the legal limit. (Some workers and supervisors in factory X and Y) interviewed complained strongly about working extremely long overtime hours. [Some] workers called monitors at home and office to report "unbearable" OT work overnight for many days, including many Sundays in a month without a rest day.	See notes above regarding excessive OT or chronic working hours issues.	Working hours must not exceed the SOE weekly 60 hour limit without notification to adidas. Additionally, according to Article 71 of VN Labor Code workers must be entitled to at least 12 hours of rest in-between two work shifts. The rest day must be provided within every 7 day period worked. In case of work on regular rest days due to production emergencies or force majeure, an alternative rest day must be provided; and the factory must re-schedule the work timetable to comply with the local law. All work related activities at other attendance at the factory outside of the schedule production times must be recorded as over time and paid at the correct rates. Total time worked must be recorded in proper records.	20 September 2002	See notes above regarding follow-up on over time issues.	
<b>Poor Record-Keeping/Time Records</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, Overtime Compensation:</b> 1) 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. 2) All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	Written time keeping system in factory [X] is not in compliance with code standards and the time swipe system in Factory [X] is not used properly/reliably to record working hours. Factory [X] workers swipe their cards at the beginning of the shift. At the end of shift, 2 representatives swipe cards for the entire line. Management explained this is to save time. Factory [X] has no machine time recording system but uses a manual check list completed by the line supervisors. Workers put in extremely long OT hours in Cutting & Sample sections in factory [X]. All time records are subsequently transferred to the main office [location]. Factory only provided time record summary to monitors, not original time records, preventing Monitors from verifying and checking the accuracy of time records and OT hours worked in detail.	No proper time recording; no reliable link between the time recording system and the payroll. Workers are not responsible for their own time recordings, ie clocking in and out in sometimes done on their behalf by supervisors or other workers. No proper double-checking or cross-referencing of manual time records (such as supervisor OT request forms) with the electronic records.	The factory must establish a proper time recording system, and develop more transparent time recording methods. The total time worked must be recorded in proper records. Additionally, the factory is required to link the time recording system to the payroll. Ensure that workers clock in-out at the start and end of work periods (4 times/day; before and after official time and overtime) by themselves. Factory must maintain all manual time records and enter them into the system accurately.	20 September 2002	Factory has fully functioning electronic time recording system in place - but it needs to be "fine-tuned" and this item will require ongoing monitoring to ensure that the system is being used properly and transparently.	
<b>Poor Record-Keeping</b>	<b>FLA Code Benchmark VII. Wages and Benefits, Hours of Work, Overtime Compensation:</b> 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. All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.	Written time keeping system in factory [X] is not in compliance with code standards and the time swipe system in Factory [X] is not used properly/reliably to record working hours. Also monitors were not able to review original time records for the factory to verify accuracy of payroll.		Total time worked must be recorded properly. See notes [ ] above recording time keeping and the SOE requirement that all work related activities or other attendance at the factory outside of the schedule production times must be recorded as over time and paid at the correct rates.	30 September 2002	See notes directly above.	
<b>10. Overtime Compensation</b>	<b>FLA Code provision on Overtime Compensation:</b> 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.		Workers do not receive the proper OT payments, ie based on the legal rate.	All workers must be paid in correct pay rate when they work overtime, ie 150% for regular work day, 200% for Sunday and holidays worked. Amend factory method to calculate payment to workers for regular and over time. Follow the "Unusual Circumstances" guidelines in relation to pay rates during disruption to production, such as material delay. Track/document "unusual circumstances" and other production delays on a monthly basis and provide this to [representative].	25 September 2002	As at December 2002, factory had implemented proper rates for all OT work.	
<b>11. Other Issues</b>							
<b>Unauthorized subcontracting / Joint Ventures / Local Licensees</b>		While Mgt maintains that it uses only minor subcontracting, Monitors find from interviews and documentary evidence that subcontracting and outsourcing are more widespread. Even without access to many records, a basic capacity review indicates that the factory ships far more than it produces. Monitors also learned from supervisors and workers that the factory receives finished products as well as components. Mgt maintained that such subcontracting is confined to sister companies within the [Mgt] group and maybe one or two Vietnamese suppliers. Monitors saw records of orders from at least four Vietnamese suppliers and understand these were not approved by adidas.		Unauthorised sub-contracting is against adidas policy and in breach of the manufacturing contract. These issues will be followed-up internally. The issue of sub-contracting, and whether our suppliers check the working conditions in their sub-contractors is covered by the SOE rating tool. Suppliers who fail to inform sub-contractors of our standards and check on the working conditions before placing orders will score very poorly in this section of the rating tool. This will have an impact ultimately on the overall performance of the factory, and how orders are placed there. In respect of the local partner, the same principles apply, adidas will hold its business partner responsible for working conditions in the factory and for informing local partners about the SOE and our expectations regarding labour and HSE requirements.			