

FLA Audit Profile	
Country	Vietnam
Factory name	38008460C
IEM	Global Standards
Date(s) in facility	November 24 - 25, 2004
PC(s)	Top of the World
Number of workers	405
Product(s)	Caps
Production processes	Cutting, Stitching, Ironing, Packing
Other brands in facility	None

Company Comment: In 2002, Top of the World (TOW) began buying this factory (Factory A) through Factory B (which continues to supply t Factory A had an annual contract with Factory B. In 2005, Factory B b construction of its own facility nearby. Factory B's new facility opened since then, TOW has ordered from Factory B. Since this IEM, Factory transitioned into the printing and apparel business. Many workers from hired by Factory B. Thusly, TOW is no longer involved with the factory

Findings				
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Monitor's Findings: Noncompliance (NC) or Indicator (IND)	Documentation (If Verified Via Multiple Sources, List All)
1. Code Awareness				
Code Posting/Information		FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	Reebok Code of Conduct (COC) standards posted in facility in local language. No code for Top of the World (TOW) or other codes present.	Visual inspection, management interviews
Worker/Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	NC code awareness is low. PC posted code and provided code training for top management. However, lack of documented code training for staff, supervisors or workers.	No Reebok or FLA COC training records or documentation for staff, supervisors, line leaders or workers. Confirmed in interviews with management and union.
Confidential Noncompliance 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.	Best practice. PC has posted contacts for workers to communicate directly with PC compliance representative. However, worker awareness and understanding is low.	Visual inspection, worker interviews, management interviews
2. Forced Labor				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.				
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.				
4. Harassment or Abuse				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.				
Progressive Discipline	Articles 82 & 83 Labor Code: Acts and conduct in breach of labor discipline, disciplinary measures and measures concerning material liability must include internal labor regulations.	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.	NC Factory lacks clear written system of policies and procedures for discipline in compliance with local legal requirements.	Discipline records, work rules, management interviews, HR interviews
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	NC Supervisors and managers not trained or provided with clear written guidance on discipline.	No training records. Management interviews, HR interviews
Record Maintenance	Art.87.4 of Labor Code: A record on proceeding concerning disciplinary action shall be made.	Employers will maintain written records of disciplinary actions taken.	NC Factory lacks clear written documentation of procedures for discipline in compliance with local legal requirements.	Discipline records, work rules, management interviews, HR interviews
Other	Suggestion Boxes and Grievance System	Suggestion Boxes and Grievance System	Ind Suggestion boxes are reportedly operated by union. However, no letters on file or evidence of responses or actions taken to show a functional system.	Management interviews, Union chairman interview, visual inspection
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.				
6. Health and Safety				
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.				
Fire Safety Health and Safety: Legal Compliance	Medical Clinic Regulation: Circular 14/1998/TTLT – BLD TBXH-BYT TLDDLVDN From October 31, 1998 requires 1 nurse on full-time staff for factory < 300 workers. Annual medical examination for all workers.	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.	NC Annual health checks have not been conducted for all workers as per circular 13 BYT. Special health checks must be conducted twice per year for kitchen staff as per law.	Management and health officer interviews; lack of documentation

	Lighting, Temperature, Noise, Ventilation and Air Quality Testing (H&S tests) for factory is required at least annually under reg. TT13/BYT-TT dated October 21, 1996.		NC Internal environmental safety tests have not been conducted as per law.	Management and health officer interviews; lack of documentation
Document Maintenance/ Accessibility	Article 98.2 of Labor Code: The workplace, machine sites and equipment installations, and places holding dangerous and harmful factors within enterprise must have arrangements to prevent risks of accidents, and signboards carrying instructions on occupational safety and hygiene must be posted at places where they can easily noticed and read.	All documents required to be available to workers and management by applicable laws (such as policies, material safety data sheets (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.	Ind Only 1 fire alarm in main production area, no fire alarm found in embroidery and warehouse areas. Alarm is triggered by a light switch (white) beside a red bell used to signal breaks without clear signage, creating a risk of confusion.	Visual inspection, safety officer interview
Safety Equipment		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.	NC Lacking operating permits for 3 air compressors as per law or regular maintenance and inspection records.	Visual inspection, Safety officer interview
Safety Equipment	Article 98.1 of Labor Code: The employer must ensure that machinery, equipment, workshops and storehouse are checked and repaired periodically in accordance with occupational safety and hygiene standards.	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.	NC Machine guarding is inadequate. Most all sewing machines lack needle guards. Die-cutting machines have belt guards that cover only half of belt mechanism.	Visual inspection, Safety officer interview
Safety Equipment	Article 98.1 of Labor Code: The employer must ensure that machinery, equipment, workshops and storehouse are checked and repaired periodically in accordance with occupational safety and hygiene standards.	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.	NC First aid boxes are available, but have no stock list of what they should contain. First aid boxes contain several medicines and pills, including some antibiotics that should be kept in clinic and dispensed by health professional. No emergency plans or procedures for treatment of serious accidents.	Visual inspection, Safety officer interview
PPE	Circular No.10/1998/TT-BLDTBXH dated May 28, 1998 of the MOLISA giving instructions for personal protective equipment (PPE).	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.	NC PPE provided, but not used consistently day to day. Hearing protection in embroidery section not in regular use where required.	Visual inspection, Safety officer interview

Chemical Management	Circular No. 23/2003/TT-BLDTBXH of November 3, 2003 prescribing and guiding the procedures for registration and expertise of assorted machinery, equipment, supplies and substances subject to strict requirements on labor safety and labor sanitation.	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.	NC Alcohol and some adhesives used in spot cleaning and embroidery without appropriate safeguards. No safety procedures, MSDS or training programs in place.	Visual inspection, Safety officer interview
7. Freedom of Association and Collective Bargaining				
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.				
Union as the Bargaining Agent	Chapter XIII of Labor Code.	In any case where the industrial relations system specifies certain unions as the exclusive bargaining agent, employers will not be required to engage in collective bargaining with other worker groups or organizations on matters covered by the collective bargaining agreement (CBA).	Ind Provisional executive committee of union was formed in 2002, but no further action or steps have been taken as per union law. No permanent union formed, no election held, no CBA.	Union, management and worker interviews
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.				
Legal Benefits	Article 141 of Labor Code: The compulsory social insurance scheme shall apply to enterprises, bodies and organizations, which employ employees under labor contract with definite term of over 3 months and labor contract with indefinite term.	Employers will provide all legally mandated benefits to all eligible workers.	NC Factory has not paid compulsory social insurance for all workers as required by law. As of October 2004, only 58.3% of workers were paid up in social insurance as required.	Insurance records; chief accountant and management interviews
9. Hours of Work				
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.				

Overtime Limitations	Labor Code, Article 69: Employer and employee may agree on additional working hours provided that number of additional hours worked is no more than 4 hours a day or 200 hours annually, except in a number of special cases where number of additional hours worked is no more than 300 hours annually as stipulated by Government after consulting Vietnam General Confederation of Labor and representatives of employees.	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 1 day off in every 7 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.	NC Facility created a separate and secret record for OT hours and Sunday work in September 2004, paying these hours separately from regular payroll. Due to lack of accurate and reliable records, monitors unable to analyze OT hours and verify OT compensation was paid correctly.	Document review; management and chief accountant interviews
Overtime Limitations	Labor Code, Article 72: In every week, each employee shall be entitled to a break of at least 1 day (24 consecutive hours).	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.	NC Facility created a separate and secret record for OT hours and Sunday work in September 2004, paying these hours separately from regular payroll. Due to lack of accurate and reliable records, monitors unable to analyze OT hours and verify OT compensation was paid correctly.	Document review; management and chief accountant interviews
Legal Compliance With Protected Workers	Art.115 of Labor Code: Female employee nursing a child under 12 months of age shall be entitled to 60 minutes off in every working day with full pay.	Factory will comply with all applicable laws governing work hours, including those regulating or limiting the nature and volume of work performed by women or workers under the age of 18.	NC Pregnant workers and nursing mothers work OT with other workers, instead of going home early as required by law.	Document review; management and chief accountant interviews
Voluntary OT	Art. 69. Employer and employee may agree on working overtime.	Overtime hours worked in excess of code standard will be voluntary.	NC Facility has no real procedures to ensure OT work is voluntary.	Document review; management and chief accountant interviews
10. Overtime Compensation				
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.				
Accurate Recording of OT Hours Worked?		Employees will be paid for all hours worked in a work week. Calculation of hours worked must include all time that the employer allows or requires the worker to work.	NC Facility created a separate and secret record for OT hours and Sunday work in September 2004, paying these hours separately from the regular payroll.	Payroll records. Confirm with management and chief accountant

OT Compensation		Factory shall comply with applicable law for premium rates for overtime compensation.	NC Facility created a separate and secret record for OT hours and Sunday work in September 2004, paying these hours separately from regular payroll. Due to lack of accurate and reliable records, monitors unable to analyze OT hours and verify OT compensation was paid correctly.	Document review; management and chief accountant interviews
OT Compensation for Piece	Decree 114/2002/ND-CP & Circular No.13/2003/TT-BLDTBXH: For laborers receiving product-based wages, wages paid for extra products made or jobs performed on OT shall be equal to 150% of unit wage paid for products made in regular working hours if laborers work OT on weekdays; 200% if they work OT on weekends; or 300% if they work OT on paid festive days or holidays.	Where workers are paid on a piece rate, payment for overtime work performed shall result in no less payment than the premium pay required by law.	NC Facility pays piece rate, but pays OT as piece rate + 50% hourly rate instead of 150% of unit wage for regular hours, contrary to local law.	Payroll records. Confirm with management and chief accountant

Miscellaneous



Third-Party Verification		Company Verification Follow Up	
External Verification (Date)	Documentation	Company Follow Up (Cite Date of Planned or Follow-up Visit, If Appropriate)	Documentation

