



2009

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Ashworth
(acquired by adidas Group)
COUNTRY: Vietnam
FACTORY CODE: 420084185H
MONITOR: OneStep Viet Co., Limited
AUDIT DATE: August 13-14, 2009
PRODUCTS: Jackets, Blazers, Raincoats,
Coats
PROCESSES: Warehouse, Cutting, Sewing,
Ironing, Packing
NUMBER OF WORKERS: 1400

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Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: [FLA Comment:](#) Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party. Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

Plan Of Action: We acknowledge that labor relations in Vietnam do not meet core ILO standards due to the maturity level of their industrial relations. We acknowledge that a long-term, joint advocacy effort is needed to enable better labor relations in Vietnam. We have met with a number of global organizations, trade unions, non-governmental organizations and multi-stakeholder initiatives regarding our approach to industrial relations. In 2008, we began implementing Human Resource Management workshops in a number of countries, including Vietnam, to raise awareness and good labor practices.

Currently, there is a trade union in the factory that is fully supported by the factory's top management. Factory management continuously trains workers on the function/purpose of the union in order to raise worker awareness and understanding of the union as well as their rights and benefits if they join the trade union. Moreover, all sections of the factory have 1 union representative; therefore, after a trade union meeting, the representatives will inform their sections all information mentioned in trade union meeting. Factory has organized elections for workers' representatives so they are chosen by workers, as it is one of requirements of the trade union.

Once representatives are chosen, a final list of trade union representatives and a statute of trade union executive committee will be sent to local trade union organization for approval. The factory management conducts meetings with workers' representatives every month to discuss not only work related issues, but also to understand workers and promote the friendly atmosphere and relationship between factory management and workers.

Deadline Date: 10/01/2010

Action Taken: adidas-Group September 2010 Update:

1. The Factory's Collective Bargaining Agreement was revised and approved by [City name] Department of Labor, War Invalids and Social Affairs (DOLISA) on April 6, 2010.

2. According to the law, the election of the Trade Union Chairman and its members was conducted on September 18, 2007. Currently there are 8 part-time members, including the Chairman, in the TU Organization. As stipulated in Trade Union law, the TU needs to be re-elected in 3 years. The next TU election will be held on September 20, 2010.

3. The Trade Union monthly fee is 10.000 VND per member; this fee is deducted from the worker's salary. As a member of the TU, the workers are provided with either a gift or financial support in the event of sickness, accident or family funeral. An outing trip is also scheduled one time per year. Additionally, the Trade Union is also responsible for discussing with factory management the workplace issues brought up by workers to the Union.

4. As per the current policy, workers will be automatically included in the Trade Union Organization after they fulfill their probationary time and are hired permanently. Workers can refuse to join if they don't want to, without causing any impact to the factory's decision on recruitment. SEA has suggested that factory management reviews their union affiliation process and creates a standardized process. TU sign-in request form needs to be developed and implemented to ensure all workers freely join the trade union.

5. Trade Union Committee members have monthly internal meetings to discuss all work-related issues and then share/work with factory management and workers. To enhance workers' awareness about TU's function and responsibilities and to encourage them to join the TU, it has been suggested for Union management to hold meetings with workers about their rights and benefits when they join the TU. All meeting records need to be available at the time of next visit.

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: It was noted that there were several disciplinary cases where written warnings were issued because employees were not meeting production targets set by management; this principle was not included in the internal regulation or collective bargaining agreement (CBA). If a worker receives 3 warning letters, this impacts their annual year-end bonus. About 30% of annual bonuses have depended levels on disciplinary notes.

Plan Of Action:

1. Factory has been asked to review current labor regulations, especially the chapter on disciplinary issues. The factory has been asked to ensure the following points:
 - a) All the issues must be in line with Vietnam's labor law and adidas workplace standards. Any behavior not specified in the factory's regulation and the CBA should not be disciplined until the factory's rules are updated.
 - b) No monetary fines should be implemented.
 - c) Develop a clear disciplinary process/procedure that enables the participation of the workers. These disciplinary procedures must be transparent and represented by employee representatives, HR and management.
 - d) The new regulation must be submitted for endorsement by local DOLISA (Department of Labour, Invalids and Social Affairs).
2. As soon as the regulation is approved by the government, the company is to schedule a training session for all employees, post the regulation on the company notice board and update the worker handbook. Training records will be kept.

Deadline Date: 06/01/2010

Action Taken: adidas-Group September 2010 Update:

1. It was verified that the Company's Regulations and Worker Handbook have not yet been revised. The Human Resources Department will work with local [City name] DOLISA on it. The Disciplinary Procedures need to be revised.
2. From January to August 2010, training records indicated that there has been no labor training provided for the workforce; the current company regulations have not been posted on the company notice board. Factory needs to schedule training for all employees and keep all records for future reference.

Plan No
Complete:

Plan
Complete
Date:

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: The company COC has not been provided and it has not communicated to the factory management and workers. The company has not communicated with the factory management about its association with FLA.

Plan Of Action:

1. The factory shall develop a more comprehensive training program that covers all relevant aspects of the Company Code of Conduct (COC), factory regulations, harassment and abuse as well as disciplinary procedures. These training topics could also be included in monthly trainings via loud speakers as well as quarterly trainings by line supervisors.
2. The internal SEA (Social and Environmental Affairs) team should be proactive by providing factory management with more information about FLA. Meetings between SEA team and factory management should be conducted on a frequent basis to highlight and work on those issues found from FLA audit. Meetings should also emphasize to the team about the membership of factory to FLA. Meeting records should be well maintained for future reference.
3. Annual training plan shall be properly executed with full training records (training materials, attendance list, supported pictures, tests and training evaluation form for workers after each training sessions).

Deadline 06/01/2010
Date:

Action adidas-Group September 2010 Update:

Taken:

1. There is no training on labor or compliance provided to workers from January to September 2010. The training program that covers all relevant aspects of the Company Code of Conduct (COC), factory regulations, harassment and abuse along with disciplinary procedures has not been developed yet.

2. There was no internal meeting and update from the Compliance Team to factory management about FLA issues. The Operation Director has just been managing the factory for 2 months, and is not familiar with the FLA. The action plan has been sent to the factory before the SEA audit, but nothing was improved from the action plan, as per the FLA follow up conducted in September 2010. For better understanding about the FLA, during the closing meeting, SEA provided new management all needed information about the FLA, such as: requirements and responsibilities when being audited by FLA, brand's membership to the FLA, etc.

3. As said in point 1, there have been no training follow-up activities.

Plan No

Complete:

Plan

Complete

Date:

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: It was noted that the company does not have a non-compliance mechanism which allows factory workers to directly contact the company.

Plan Of Action: 1. The factory management shall have in place a written grievance procedure that allows the worker to first attempt to settle grievances with their supervisor. Where this is inappropriate or has failed, it will be possible for a worker to have their grievance considered at a higher managerial level (depending on the nature of the grievance and the structure and size of the enterprise).

The possible grievance system will be: workers committees, grievance procedures, regularly scheduled meetings, ongoing job development and training, job evaluations, suggestion boxes, factory newsletters/magazines, social activities, suggestion boxes, management reports important business decisions or problems to the union, e.g., lay-offs; production problems.

2. When the grievance system is available, the factory should frequently review the system to see how it will work. The timeline, person in charge of handling issues need to be reviewed. Person in charge of handling issue/complaints needs to have ability to handle the issue/complaints and factory management needs to be involved in the handling of serious grievances. The factory shall ensure that the workers are familiar with the grievance procedures and applicable rules. The factory needs to show the benefit of using this system to all workers by the proper and timely addressing of grievances. The grievance committee needs to communicate the process and policy to all workers to ensure that this system is effective. Additionally, the factory management and the union should provide verbal training about the rights and responsibilities of the factory's trade union so that workers understand the difference between the factory's internal grievance systems and the trade union.

Deadline 06/01/2010

Date:

**Action
Taken:**

adidas-Group September 2010 Update:

1. The written grievance system was in place, there were some components included in the internal grievance system:

- The written grievance policy and procedure was approved on September 1, 2009. Documentation review reflected workers' suggestion letters have been collected and responded to, but there is no proper follow up to prevent the reoccurrence of the issues, factory needs to work on root cause analysis and also public notice to workforce.

- Passive communication.

- Suggestion boxes. Currently factory has 4 suggestion boxes for 1,200 workers (3 in production lines and 1 in worker canteen) with posted Standardized Operating Procedure.

- There is no factory newsletter/magazine to enhance the quality of the internal grievance system. Suggest factory to implement this practice.

- There were some social activities held by Charity Committee which was part of the Trade Union. The activities aimed to support factory's poor workers with foods and finances (one time on Lunar New year 2010 and one time in Middle Autumn Festival 2010).

2. Factory has responded to workers' complaint letters; however, there were not frequent review meetings conducted to self-evaluate the effectiveness of the system.

3. At the time of visit, adidas Work Place Standards and the most updated Worker Hotline were posted on the public notice board. Workers interviewed reflected that 3 out of 5 persons knew how to contact local SEA members by email, letter or telephone, with almost all of them preferring direct calling. However, for the time being, workers said that they think the internal grievance system is effective and useful for them to use. After interviewing, SEA auditors gave them their business cards for easy contact in the future.

**Plan
Complete:**

No

**Plan
Complete
Date:**

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation: The health and safety committee is not effective. Several health and safety issues were found during the factory observation; aisles were blocked, emergency lighting was not functional and fire extinguishers were blocked. No regular inspection or checklists were found and periodic meetings have not been held.

Plan Of Action:

1. HSE (Health, Safety and Environment) Committee will review and reschedule the inspection for fire extinguishers, emergency lights, emergency exits, etc., to ensure no obstruction of all fire extinguishers and to verify that aisles will be maintained at all times. All fire extinguishers will be inspected on a weekly basis, with proper checklists and records available. In addition, there will be training for a responsible person to learn how to conduct inspections.
2. Factory should establish the HSE team based on the Circular No: 14/1998/TTLT-BLDTBXH-BYT-TLDDLVDN dated October 31, 1998, and the adidas HSE guidelines for a Safety Officer Program for factories with more than 150 workers.
3. The factory should have 1 safety officer who has formal health and safety training based on the adidas Safety Officer Program. The safety officer's roles and responsibilities must be defined by a job description and actively implemented through a daily walkthrough program, risk management/risk identification, an action plan, monitoring and reporting procedures, etc.

Deadline Date: 08/01/2010

Action adidas-Group September 2010 Update:

Taken:

1. There is no periodic plan from the HSE Committee to inspect the fire safety system including fire extinguishers, emergency lights, emergency exits, aisles, etc. There has only been 1 HSE related training provided by [Employee name], the factory HSE Officer, on July 20 for 1250 workers. The content of the training included chemical management, personal protective equipment, and machine safety. There is no training on fire safety and evacuation procedures.

2. The HSE Committee was established on June 6, 2007 with 7 members. However, the list of members and operation policy has not been regularly reviewed and revised. There are some members that have left the factory, but their names still show up on the members' list. Factory management should ensure that all missing members are replaced through workers' election.

3. There was one person appointed to be Safety Officer in the factory, with 8 years working in the factory. Safety Officer has gained HSE experiences through working and learning, and has attended numerous HSE related local and external trainings. However, the job description and HSE daily walkthrough program, risk management/risk identification, action plan, monitoring and reporting procedures were not developed yet.

Plan No

Complete:

**Plan
Complete**

Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

- Explanation:**
1. Several fire extinguishers were blocked by materials and objects. Some evacuation aisles in the cutting section were narrower than the requirements. Some aisles in the sewing section were blocked by material. According to Vietnam National Standard no.3890:84 item 2.1. According to Vietnam Standards 2622:1995.
 2. The procedure for checking emergency lights was inappropriate. No records show battery life of the lights. As a result, we were unable to verify if the light was sufficient enough for workers to evacuate. According to Vietnam Stand of Construction: 439/BXD-CSXD September 25, 1997 standard construction, Point: 11.6.1.5.
 3. The factory did not establish the emergency preparedness plan or implement one in the factory. According to Article 9, Decree 35/2003/ND-CP dated on April 4, 2003 on fire safety.

**Plan Of
Action:**

1. All the fire prevention equipment needs to be tested regularly. These tests must be documented on a monthly basis. Tests shall include: checking the fire alarm, emergency lights, fire extinguishers and also the emergency aisles. The factory management must ensure that all emergency aisles will be expanded by a width of at least 1.1m, as per adidas standards, and kept free of obstructions and tripping hazards at all times.

2. As part of HSE management, the factory must draft a clear procedure for the HSE team for maintaining the fire fighting equipment (emergency lighting system included) and keeping this equipment in the proper working condition. This procedure should include a list of all equipment that requires inspection, as well as criteria for inspection. HSE Team members should be trained on how to properly conduct an inspection. All records of trainings and inspections should be well maintained for future reference.

3. The factory shall establish an emergency preparedness plan that should include:

a) Developing a clear written fire and emergency evacuation plan;

b) Implementing the following items to complete the emergency preparedness program:

- Develop a written training procedure for employees that is properly communicated to the workforce;

- Conduct an evacuation drill biannually and keep records on file;

- Carry out regular tests on the alarm system, emergency lighting, sprinkler system and smoke detection, with all records kept on file;

- All fire extinguishers must be inspected by outside inspection and records must be kept on file;

c) Making proper floor maps for all buildings (including office and dormitory). The floor maps must be of a reasonable size and should be prominently displayed.

**Deadline
Date:** 05/15/2010

Action adidas-Group September 2010 Update:

Taken:

1. Factory tour reflected that fire extinguishers have been inspected monthly with records available; however, obstructed fire extinguishers were still found. All emergency aisles in the material warehouse have been improved to meet adidas standards (or at least 1.1m) but some aisles were missing arrows. All emergency aisles in the cutting and sewing section were improved in order to meet adidas' standards. However, some aisles were found obstructed by goods at the time of the visit. The awareness of fire safety among workers is low.

2. Fire fighting maintenance procedure has not been created. Additionally, no training is provided on proper fire safety maintenance to responsible workers.

3A. The written fire and emergency evacuation plan was available and approved by Factory Operation Director on August 9, 2010.

3B. The implementation of emergency preparedness program still needs to improve:

- Written training procedure for employees as they have not been developed yet;
- Only one evacuation drill has been conducted in 2010, factory should do it one more time;
- Factory needs to have a schedule for having all fire extinguishers inspected by an authorized third party, with all records kept on file.

3C. The factory floor maps are out of date and need to be revised.

Plan No

Complete:

Plan
Complete

Date:

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: It was noted that factory does not have a wastewater treatment system in place. Wastewater is directly discharged into the public drain. From the local authority test results dated Dec 19, 2008, it was noted that the COD (Chemical Oxygen Demand) indicator was higher than the standards (113 of 86.4). According to Law on Environmental Protection; Article 82.

Plan Of Action: The factory will establish a effective wastewater treatment system to ensure:

- a) The quality of wastewater discharged from the factory's wastewater treatment plant is within the local environmental regulation standard;
- b) Suitable treatment methods (mechanical, biological or chemical) treat wastewater effectively.
- c) An annual test is conducted on the quality of wastewater discharged from WWTP (Wastewater Treatment Plant). Tests must be conducted by professionals and test results must be checked by a qualified outside laboratory. All test records must be kept on file for future reference.

Deadline Date: 06/30/2010

Action Taken: adidas-Group September 2010 Update:

The wastewater treatment plan has been put in place:

- a) According to the environmental audit conducted by [City name] Resources and Environment Bureau on June 25, 2010, the emissions of wastewater discharged from factory's WWTP is within the local standards.
- b) Factory applied biological and chemical treatment methods to treat wastewater, and according to the environmental audit report, the current treatment is effective and it was recommended to continuously maintain it.
- c) Factory has scheduled testing of wastewater discharge from WWTP 2 times each year. The latest test was conducted on July 26, 2010 by the Laboratory of Geology Technology Research Center; the result indicated that discharged water meets local standards. Factory will get permit of wastewater discharged by November 2010.

Plan Complete: Yes

Plan Complete Date: 09/16/2010

Hours of Work: General Compliance Hours of Work

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

Noncompliance

Explanation: It was noted that work exceeded the legal annual overtime limit. The total overtime performed between January and July was between 300 to 350 hours. According to the Vietnam Labor Law, Article 69.

Plan Of Action: The factory shall review the OT policy and clearly state that overtime should not exceed 300 hours per year, as noted by Vietnamese law. The factory must develop a system to ensure that work hours do not exceed 300 cumulative hours per year. The factory should conduct the training for all workforces regarding this policy. The factory must keep all related training records for future reference.

Deadline Date: 06/30/2010

Action Taken: adidas-Group September 2010 Update:

It was noted that the factory has not yet developed or implemented a working hour policy and overtime monitoring system. Also, there is no related training for workers, managers and supervisors. Accumulative overtime report indicated that 914 out of 1450 workers exceeded the 300 hour limit; more than 50% of the workforce has reached 811 hours by the end of August 2010.

Plan Complete: No

Plan Complete Date:

Hours of Work: Rest Day

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

Noncompliance

Explanation: It was noted that most workers worked at least 1 Sunday in May, 2 Sundays in June and 3 Sundays in July 2009. The management did not provide reasons for the extra business circumstances on these Sundays worked.

Plan Of Action: All instances of Sunday work must be approved in advance by the adidas Group. These workers must receive a compensatory day off. Workers must be given 1 consecutive 24-hour period of rest per week. The rest day must not be randomly swapped without notifying the SEA Manager and adidas Group country manager and providing alternative rest days.

1. All OT must be in compliance with OT policy. Overtime policy states that OT must be approved by top management and sent to HR and the Social and Environmental Affairs team for their reference and monitoring. Additionally, OT policy indicates the overtime rate for OT worked on a rest day, holiday, etc.
2. Overtime should not be more than 4 hours per day and/or 300 hours per year.
3. Workers shall be informed at least 1 day in advance if there is a plan for overtime work.
4. Workers should be able to choose whether or not they want to work OT without receiving any repercussions, should they choose not to.
5. Factory management must provide 1 day off in a 7 day period.
6. All OT records, including OT policy trainings should be maintained internally.

Deadline Date: 06/30/2010

Action adidas-Group September 2010 Update:

Taken:

All the points from 1 to 6 as suggested are pending. Working hour records reviewed from January to September 2010 reflected that the factory also failed to provide a rest day for any work performed on Sundays from January until the end of August 2010. 50-90% of the total workforce did not have any day off for 8 months.

Below are records of Sunday work:

January 2010: 4 Sundays (1221 workers)

February 2010: 3 Sundays (538 workers)

March 2010: 4 Sundays (749 workers)

April 2010: 5 Sundays (48 workers)

May 2010: 4 Sundays (522 workers)

June 2010: 4 Sundays (1150 workers)

July 2010: 5 Sundays (1035 workers)

August 2010: 4 Sundays (817 workers)

September 10: 1 Sunday (645 workers)

Plan No

Complete:

Plan

Complete

Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: It was noted that workers in the factory worked excessive overtime in recent months. Because many clients don't accept Sunday's work and excessive overtime, the management maintains 2 sets of payroll records and time cards. One set of records is for regular hours plus acceptable overtime, while the other record is for excessive overtime and Sunday work. The workers were not required to swipe their time card for those excessive hours (after 6:00pm or 7:00pm or a Sunday). These hours have been recorded with a separate system in a different payroll record. It was noted that the management decided to record all working hours of workers in 1 time record starting from August 2009, because the factory has committed to their existing clients to adhere to transparency policy requirements. However, it is recommended to have close and regular monitoring of the timekeeping system, to ensure all hours are recorded in the timekeeping system.

Plan Of Action: With immediate effect, the factory is to stop this illegal practice as using of double-time cards and maintaining 2 sets of books. This is both illegal and in breach of the SEA standards; a warning letter will be issued if confirmed. The factory should review the current OT practice and replace it with an effective timekeeping system that enables an automatic link to payroll, thus making sure that all working hours are accurately recorded and paid accordingly. The management/HR/Personnel are to develop a method for tracking and monitoring the timekeeping system. Trainings on adidas working hour standards should be imparted to the entire workforce, especially for mid-level management (from local supervisors/line leaders to production managers). Any violation regarding double bookkeeping and/or practices that pay off the books will be subject to a disciplinary action. All training records should be self-maintained for future reference.

Deadline Date: 06/30/2010

Action adidas-Group September 2010 Comments:

Taken:

The practice of maintaining 2 sets of payroll and time cards, one for regular hours plus acceptable overtime and the other record for excessive overtime and Sunday work, has been ceased. At the time of visit, there is only one set of timekeeping records and payroll, which is consistent with production records and the software system. Workers interviewed also reported that they recorded their working hour by punching in and out every day.

- The electronic timekeeping system (GP 8000) has been installed since August 1, 2009, which automatically links to payroll. From August to December 2010, the factory had a 4 month trial for the timekeeping system to ensure that all records are correct (factory Personnel Officer checked daily time in and out records and then compared them with production records).

- From January 2010 onward, the GP 8000 system was effectively functioned. At the time of visit, 25 of the 25 selected sample workers have accurate time in and out records along with proper payment in payroll.

- However, there is no policy and procedure in place for tracking and monitoring the timekeeping system. Also, there is no training on adidas Working Hour Standards or disciplinary action for violations, in regards to double bookkeeping or paying off the books.

Plan No

Complete:

Plan

Complete

Date:

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: It was noted that workers worked between 73 to 77 hours per week in June 2009 and between 69 to 76 hours per week in July 2009. The management did not provide a reason for the extra business circumstances that resulted in excessive overtime.

Plan Of Action:

1. The factory must establish an OT policy that clearly states only a senior manager is able to approve OT. Any OT decisions made by a supervisor are against factory OT policy.
2. The factory should conduct the training regarding this policy. Any overriding of factory policy by supervisors should be subject to disciplinary action. A monthly OT report should be sent to adidas SEA for monitoring.
3. The factory management must create a tracking system that reviews workers' daily OT. Once worker hits the 60 hour limit they should neither be allowed nor asked to work OT.
4. The factory should consult the "Working Hours Package" from the adidas Workplace Standards for reference.

Deadline Date: 06/30/2010

Action Taken: adidas-Group September 2010 Update:
1, 2, 3 and 4: It was noted that factory management still has not developed or implemented the working hour policy and put the overtime monitoring system in place. Also, there is no related training for workers. A review of working hour records from January to August 2010 reflected that 62% of the workforce worked more than 60 hours per week. Notably, 95% of workers worked up to 83.5 hours per week in January 2010. There was no system in place to ensure OT will be strictly monitored and managed.

Plan Complete: No

Plan Complete Date: