



2009

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Nike, Inc.
COUNTRY: Vietnam
FACTORY CODE: 070084436H
MONITOR: Global Standards
AUDIT DATE: November 18-19, 2009
PRODUCTS: Footwear
PROCESSES: Cutting, Stitching, Stock Fitting, Assembly, Inspection, Packing
NUMBER OF WORKERS: 1473



CONTENTS:

Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation _____	3
Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation _____	4
Wages, Benefits and Overtime Compensation: Worker Wage Awareness _____	5
Wages, Benefits and Overtime Compensation: Other - Wages, Benefits and Overtime Compensation _____	6
Forced Labor: Personal Worker Identification and Other Documents _____	7
Freedom of Association: Right to Freely Associate _____	8
Freedom of Association: Grievance Procedure _____	9
Harassment or Abuse: Discipline/Progressive Discipline _____	10
Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies) _____	11
Code Awareness: _____	12
Code Awareness: _____	13
Miscellaneous: Illegal Subcontracting _____	14
Health and Safety: Written Health and Safety Policy _____	15
Health and Safety: Health and Safety Management System _____	16
Health and Safety: Communication to Workers _____	18
Health and Safety: Notification and Record Maintenance _____	19
Health and Safety: Permits and Certificates _____	19
Health and Safety: Evacuation Requirements and Procedure _____	20
Health and Safety: Safety Equipment and First Aid Training _____	22
Health and Safety: Personal Protective Equipment _____	23
Health and Safety: Chemical Management and Training _____	24
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness _____	25
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance _____	25
Health and Safety: Machinery Maintenance and Worker Training _____	27
Health and Safety: Medical Facilities _____	28
Health and Safety: Sanitation in Factory Facilities _____	29
Health and Safety: Toilets _____	29
Health and Safety: Food Preparation _____	30
Health and Safety: Other - Health and Safety _____	31
Hours of Work: General Compliance Hours of Work _____	31
Hours of Work: Rest Day _____	33
Hours of Work: Meal and Rest Breaks _____	34
Hours of Work: Protected Workers (Women and Young Workers) _____	35



Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Wage scale has not been officially registered or approved per law.

Sources: management interview and record review; Legal reference: The Labor Code (Article 57) and Decree No.114/2002/ND-CP [the wage scales and wage tables shall have to be registered with the labor authority of the province, and shall be made public in the enterprise.]

Plan Of Action: - The factory should register the wage scale with the labor authority.

- Train the factory management to raise awareness of register in every renewal.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Wage scale not registered yet.

Plan Complete: No

Plan Complete Date:



Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: The factory pays 150% for OT work at night, instead of 195% for OT after 9pm as required by law.

Sources: Management interview, record review; (time records, payroll, the CBA) Legal reference: Circular No.14/2003/TT-BLDTBXH, ItemV.3.c [overtime night work pay = actual paid hourly wage x 130% x 150% (or 200% or 300%) x number of OT night work hours]

Plan Of Action:

- A copy of the local labor law should be kept in the office for review.
- Identify workers who received payments below the minimum wage in 1 or more months during the last 12 months.
- Back pay must be paid within 1 month. Communication and training to workers have to be set up in order to explain the reasons and precautionary actions taken by the factory.
- Keep all back pay records such as pay date or bank in date, and workers' signatures for confirmation.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Factory control overtime ends before 9pm after FLA audit.

Plan Complete: No

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: The factory pays allowances and bonuses over and above minimum wage, but has no written policy or formula to explain this to workers. The factory has a policy to pay a skill/technical allowance and productivity allowance, but lacks a clear written policy and training for workers to understand their wages and why they receive their bonus.

Sources: Interview with management and with workers, record reviews; (payroll, time records, production records, CBA and work rule) Legal reference: The Labor Code, Article 63 [Systems of allowances, bonuses, advancement in wage grades and other systems of labor incentives may be agreed upon in labor contracts, collective agreements or established in the work rules.]

Plan Of Action:

- Provide training to all employees in accordance to the local law and Nike's Code of Leadership Standards (CLS).
- Post legally required documents on notice board and in workshop, canteen, dormitory, etc.
- Establish training procedure and policies.
- Train all employees at the time of hire and on an ongoing basis.
- Document the training attendance by recording date(s), attendee name(s) and visual proof of the training (i.e., photos).

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Allowances and bonuses policy are posted in the local language.

Plan Complete: No

Plan
Complete
Date:

Wages, Benefits and Overtime Compensation: Other - Wages, Benefits and Overtime Compensation

Other

Noncompliance

Explanation: The factory does not make a formal annex or amendment to contracts for wage increases as per law.

Sources: Records review (labor contract and payroll), interview with management and with workers; Legal reference: The Labor Code, Article 33 [In the course of implementation of a labor contract, any party who wishes to modify the contents thereof shall give notice of its intention to the other party at least 3 days in advance. The modification of the labor contract may be effected by way of amendments to the existing labor contract or by the conclusion of a new labor contract.]

Plan Of Action:

- Labor contract should be updated accordingly, once there is a change of terms.
- Train all employees to ensure that they understand the change.
- Keep all training records.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: The formal annex or amendment is not yet complete.

Plan Complete: No

Plan
Complete
Date:

Forced Labor: Personal Worker Identification and Other Documents

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

Noncompliance

Explanation: In one case a worker's personnel file contained the original family registration book. The factory could not explain this, but promised to return the documents. (Although there does not appear to be any systematic forced labor issue here, it is certainly a violation to have original documents kept like this. Therefore, this issue has been cited for the brand's attention in case there are any further such cases.)

Plan Of Action: - The factory should only keep copies of documents.
- Develop guidelines about document verification and training to recruitment related staff to ensure the guidelines are in place.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: The family registration book was returned immediately.

Plan Complete: No

Plan Complete Date:

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: - Post a copy of Vietnamese law about labor unions in workshop.
- Encourage workers to elect a representative or union under the Vietnamese law framework.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Freedom of Association: Grievance Procedure

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

Noncompliance

Explanation: Instructions for suggestion box/grievance systems are partly written only in Chinese. No letters have been received and the channels appear nonfunctional.

Sources: From walkthrough and interview with HR manager, workers and union leader.

Plan Of Action:

- All factory policies, including grievance systems, should be written in local language.
- Set up confidential procedure for employees to report grievance.
- Set up follow-up procedure for grievance collection, investigation, documentation, disciplinary actions and reporting.
- Secure confidential grievance boxes that are installed in private areas and should only be accessed by senior management.
- Provide training to all workers on grievance procedures, keeping training records.
- Record all grievances for traceability and corrective actions taken accordingly.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: New grievance policy had been implemented already; the policy posted in local language, however, no grievance or complaint has been received yet.

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: The factory lacks a proper system of discipline records and decisions according to law. No discipline records were provided to monitors for review. However, monitor found some warning letters posted in workplace.

Sources: Interview with management and with workers, walkthrough, work rules;
Legal reference: Decree No.41/CP, Decree No.33/2003/ND-CP, Circular No.19/2003/TT-BLDTBXH

Plan Of Action:

- Set up confidential procedures for employees to report grievances.
- Set up follow-up procedure for grievance collection, investigation, documentation, disciplinary action and reporting.
- Secure confidential grievance boxes installed in private areas and only accessed by senior management.
- Provide training to all workers on grievance procedures, keeping training records.
- Record all grievances for traceability and corrective action taken accordingly.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: The discipline record, system and policy are not ready.

Plan Complete: No

**Plan Complete
Date:**

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation: Recruitment announcements posted at factory gates routinely limit both age and gender in a discriminatory manner. Management lacks awareness and training on anti-discrimination practices and policies.

Sources: Management interview and walkthrough; Legal reference: The Labor Code, Article 5 [Every person shall have the right to work, to choose freely an employment and occupation, to learn a trade and to improve his professional skills without any discrimination in respect of sex, race, social class, beliefs or religion.]

Plan Of Action:

- The factory should provide equal opportunities in recruitment.
- Develop recruitment policy and review the policy in line with Nike CLS.
- Train all recruitment related staff to make sure the policy is in place.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: The recruitment announcement was removed immediately.

Plan Complete: No

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 factory has not posted the Nike code. The management and workers lack awareness or training on code principles. [Comment: Management was not aware of FLA or its IEM process]

Plan Of Action:

- Post Nike CLS in workshop, dormitory, canteen, etc. The policy can be part of the worker handbook; a hard copy should be given to every workers.
- Factory to review Nike CLS for worker training needs and develop training materials.
- Initiate worker awareness training to all on-board and newly hired employees.
- Develop training contents by incorporating Nike CLS, worker rights/benefits and their responsibilities.
- Incorporate Nike CLS to worker handbook and issue to each worker by obtaining signatures.
- Develop training calendar to conduct training sessions with workers from all departments.
- Maintain training records through proper documentation, which includes trainee attendance list, photographic evidence, etc.
- Department heads to ensure worker participation through postings and meetings to avoid absenteeism.
- HR department to randomly interview workers to check their awareness level on training topics to identify refresher training needs.
- Management to review weekly training records to maintain a steady progress level.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Internal code of conduct and CLS training completed.

Plan Complete: No

**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: There was no channel provided for workers to contact the Participating Company (PC) directly. Sources: Walkthrough, interview with management and with workers.

Plan Of Action: - Post Nike contact information in the workshop.
- Training to all workers on how to contact PC directly, keeping all training records.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Nike Code of Conduct with Nike contact posted in workshop.

Plan Complete: No

**Plan Complete
Date:**

Miscellaneous: Illegal Subcontracting

MISC.1 Illegal Subcontracting

Uncorroborated Evidence of Noncompliance

Explanation: The subcontracting factory is located in the same compound as the factory. Workers and managers move freely between these workshops and commonly refer to this area as the out-sole workshop. Management says this workshop is a separate company with different ownership that contracts to produce both with Factory 1 and with Factory 2 across the street (no production contracts seem to exist between these corporate entities). Factory 2 produces for a different company and was not included in the scope of this IEM, although monitors visited the chemical warehouse and fabric materials warehouse which “belong” to Factory 1, but are located inside Factory 2's compound. Monitors view the out-sole workshop as an integral part of the factory, noting that managers and some workers there wear factory uniforms. Nike product was seen being made in this area. Sources: Walkthrough, interview with management and workers

Plan Of Action:

- The factory has to ensure subcontractors can be employed within the facility officially and comply with Nike Code of Leadership standards. If this option is not applicable, factory must discontinue any relationship with subcontractors immediately.
- All subcontract facilities have to go through New Source Approval Process (NSAP) before there is any Nike production in the facility.
- Immediately stop all production with subcontractors until completion of NSAP.
- Develop subcontract policy and communicate to top management and production supervisors to make sure Nike production takes place in an authorized facility.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Written Health and Safety Policy

H&S.3 Employers are required to develop, maintain and regularly review a written health and safety policy. The policy must, at the very least, be aimed at complying with legal minimum safety and health standards, regulations and procedures. (P)

Noncompliance

Explanation: Health and safety rules are mentioned broadly in the company labor regulations but with no detailed guidelines or instructions.

Sources: Document review, walkthrough, management interview; Legal reference: VN Labor code Article 98, 101

Plan Of Action:

- Provide training to all employees in accordance to the local law and Nike's Code of Leadership Standards.
- Post legally required documents on notice board and in workshop, canteen, dormitory, etc.
- Establish training procedure and policies.
- Train all employees at the time of hire and on an ongoing basis.
- Document the training attendance by recording date(s), attendee name(s) and visual proof of the training (i.e., photos).

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Environment, Safety and Health Committee has been set up. Its responsibilities include training and setting up guidelines.

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:**
1. There is no Health and Safety Committee set up as per local law.
 2. The factory has no trained personnel in charge of health and safety.
 3. The factory lacks proper policies and systems for assessing health and safety risks.

Source: Document review, management interview, walkthrough; Legal reference: Joint Circular 14/1998/TTLT-BLDTBXH-BYT-TLDDVN VN Labor code Article 98, 101



- Plan Of Action:**
- The factory must establish an Environmental, Safety and Health (ESH) Committee with at least a monthly meeting.
 - ESH Committee should comprise of members from approximately half number of management and half representation from workers.
 - The factory should have professional EHS staff responsible for factory ESH system setting and maintenance.
 - ESH Committee should determine the biggest ESH risk in factory.
 - ESH Committee must assist the employer in evaluating the employer's ESH Management System/Program, and make written recommendations to improve the program where applicable.
 - ESH Committee must review the ESH Inspection Report made by committee. Based on the results of the review, the committee must make recommendations for improvement of the employer's ESH Management System/Program.
 - The factory's top management must respond in writing to all ESH Committee recommendations before the next meeting.
 - ESH Committee must establish procedures for investigating all ESH-related incidents including injury, accidents, illnesses, deaths, etc.
 - The factory must evaluate the ESH Committee process annually and make corrections and/or improvements as necessary for making the process more efficient and effective.
 - All EHS Committee meeting minutes must be posted, sent to each committee member and kept for 3 years.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Environment, Safety and Health Committee has been set up. Internal training is only provided to the committee members and safety personnel in charge. The policy and system to assess risk are to be discussed in the committee.

Plan Complete: No

Plan Complete Date:

Health and Safety: Communication to Workers

H&S.6 The health and safety policy shall be communicated to all workers in the local language or language(s) spoken by workers if different from the local language. (P)

Noncompliance

Explanation: The factory has not organized health and safety training/communication for workers:

1. The factory has not organized pre-job and annual on-the-job training on health and safety for all workers in compliance with Circular No. 37/2005/TT-BLDTBXH.
2. Occupational health and safety training is not provided to workers exposed to noise, hazardous chemicals and dangerous machines.

Sources: Management interview, walkthrough; Legal reference: Joint circular 14/2005/BLDTBXH-BYT-TLDLDVN

Plan Of Action: - All training should be conducted according to law with record kept.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Environment, Safety and Health Committee setup already. Training schedule and content to be prepared by the committee.

Plan Complete: No

Plan Complete Date:



Health and Safety: Notification and Record Maintenance

H&S.7 Employers shall notify the relevant authorities of all illnesses and accidents as required by applicable laws. All illness, safety and accident reports shall be maintained on site for at least one year, or longer if required by law. (P)

Noncompliance

Explanation: Accidents are recorded in the clinic only; there was no investigation conducted and no report sent to local authorities to inform them of injuries as per local law.

Sources: Management interview, walkthrough; Legal reference: Joint circular 14/2005/BLDTBXH-BYT-TLDDLVN

Plan Of Action: - Record all accidents, investigate and send the findings to local authorities. Do this in accordance with local law.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Environment, Safety and Health Committee has been set up. An investigation and report will be handled by the committee.

Plan Complete: No

Plan Complete Date:

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance



Explanation: 1. The factory lacks a legal fire permit from the fire department, as per legal requirements.
2. The 2 forklift trucks lack safety inspection certificates.
3. The factory has not obtained certificate for hazardous waste as per Decree No. 80/ND-CP. Hazardous wastes are removed by waste service as normal waste.
Sources: Management interview, document review; Legal reference: Circular 04/2004/TT-BCA; TT 04/2008/TT-BLDTBXH

Plan Of Action: - Apply for all permits and certificates with local authorities whenever necessary.
- Train and assign staff to maintain all these documents.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: The fire certificate received in January 2010. Registered training course for the forklift driver and forklift inspection completed. Hazardous wastes still disposed as normal waste.

Plan Complete: No

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. Evacuation plans are old, damaged and hard to read in black and white only.
 2. An emergency evacuation has not been organized since 2008.
 3. From walkthrough and management interviews, it was noted that the fire extinguishers, exit lights and emergency lights are inspected monthly and not weekly.
 4. Automatic fire alarm system is controlled from the security gate, but there is no indicator of whether it is functioning. There is no panel to show the location of the fire alarm/source or operating instructions.
 5. Some smoke detectors installed in material warehouse, but only downstairs, not upstairs and not connected to the automatic fire alarm central placed in security gate. There is no manual fire alarm in either the material or the finished product warehouses. And fire alarms are not tested regularly.
 6. Automatic fire detection systems are not inspected or maintained to make sure they are functional.
 7. Exit signs should all be lit, as per national standards.
 8. Many fire extinguishers/equipment in the production areas and in warehouses are blocked.
 9. Aisles in production areas were obstructed by materials and semi-finished products.

Source: Document review, management interview; Legal reference: Law on fire fighting and prevention Decree 35/2003/ND-CP Circular 04/2004/TT-BCA

- Plan Of Action:**
- Inspect all fire fighting equipment regularly, making sure all of them function properly and keep proper records.
 - Renew all evacuation plans where necessary.
 - Conduct fire and evacuation drills at least twice every year.
 - Install fire alarm in material and finished product warehouse.
 - Replace fire signs where necessary to meet national standards.
 - Clear all aisles to ensure easy access.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: Evacuation plan not updated yet. The factory will consider fire drill twice a year. Fire facilities are inspected weekly. The factory will renew fire alarm system, smoke detectors and automatic fire detection system in the next few weeks. All fire exits are lit. Fire facilities and aisles are clear from obstructions.

Plan Complete: No

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: 1. The fire fighting equipment is not inspected weekly as per local law.
2. One fire extinguisher in the chemical warehouse and 1 emergency light in the stock fitting area were broken.

Sources: Management interview, walkthrough; Legal reference: Law on Fire fighting and prevention; National standards TCVN 3890-84.

Plan Of Action: - Inspect all fire fighting equipments regularly with records.

Deadline Date: 03/31/2010

Action Taken: Nike internal visit on February 25, 2010: Denial access to workshop and documents. Factory representative provided this update verbally: All fire fighting equipment is inspected weekly. All fire extinguishers are inspected and replaced when necessary.

Plan Complete: No

Plan Complete Date:

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal 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 health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: 1. Many workers lack appropriate PPE for hearing, chemicals, etc., especially in the out-sole, skiving and cutting sections.

2. No carbon or chemical masks were used in production.

Sources: Walkthrough, document review, management interview; Legal references: VN Labor Code Article 101

Plan Of Action: - Review Nike CLS to make sure that chemical management policies are properly in place.

- Train all existing and new employees on all safety measures.

- Set up guidelines and training about chemical management and ensure PPE, warning sign, identification, etc., is in place.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

- Explanation:**
1. The factory lacks a proper system for the safe handling and use of chemicals, including PPE, chemical labeling, covered containers, warnings and detailed safety training for workers who use chemicals. Some chemical containers in production were not labeled or covered. Fabric masks are provided to workers with exposure to chemicals. No carbon or chemical masks used in production.
 2. The chemical mixing room lacks adequate ventilation; relying instead on 1 bathroom-type fan. There was no sign of anyone in charge of this section or list of trained and authorized staff. Workers appear to help themselves to chemicals.

Sources: Worker interview, document review, management interview; Legal reference: VN Law on Chemical, circular 37/2005/TT-BLDTBXH

- Plan Of Action:**
- Review Nike CLS to ensure all safety requirements are implemented properly.
 - Set up guidelines and training on chemical management and ensure PPE, warning signs, identifications, etc., are in place.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:



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

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

Noncompliance

Explanation: MSDS are not consistently available in local language where chemicals are used. MSDS book is available at the gate of the factory, but most MSDS are in English or Chinese and not local language.

Plan Of Action: - Review Nike CLS to ensure that all safety requirements are implemented properly.
- MSDS should be available, easy to access and kept in local language.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance



- Explanation:**
1. From walkthrough in production where solvent based chemicals were used, the smell is too strong because of open chemical containers and limited ventilation.
 2. In some areas of out-sole workshop, workers had no overhead light and had to work in the light from the windows.
 3. Lightning protection system not fully tested and certified. The factory installed lightning rods on columns in the street between 2 factories and a system of steel spikes on the rooftops of buildings for lightning protection, but only columns were tested for lightning protection.
 4. The factory has not done required tests of electrical grounding.
 5. Maintenance workers were observed using a welding machine without grounding. Electrical wires plugged in sockets without a plug.
 6. Wires in the air compressor area found in standing water.

Sources: Management interview, walkthrough, worker interview; Legal reference: VN Labor Code, Decision 3733/2002/QD-BYT

- Plan Of Action:**
- Review Nike CLS to ensure all safety requirements are implemented properly.
 - Conduct occupational exposure limit testing to verify if found smell is too strong and is a valid violation to affect the health and safety of workers.
 - Test and certify the factory lightning protection and grounding system.
 - Train all workers on general safety operation and electrical maintenance.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

- Explanation:**
1. Safety gate for the elevator in the material warehouse is left wide open with no safety warning or device used.
 2. Many sewing machines lack needle guards.
 3. No warning signs or safety instructions posted on cutting machines and pressing machines.
 4. Workers operating high risk machines like forklifts, air compressors, cutting and pressing machines are not provided safety training for operation.

Source: Walkthrough, management interview, worker interview; Legal reference: Circular 37/2005/TT-BLDTBXH; VN Labor Code

- Plan Of Action:**
- Review Nike CLS to ensure all safety requirements are implemented properly.
 - The safety gate of all elevators should be closed when no operations are taking place.
 - Needle guard warning sign should be in place where necessary.
 - All workers should be trained specifically on safety before commencement with annual renewal.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

- Explanation:**
1. One nurse was hired to take care of the clinic, but a factory this size is required to have a full-time doctor.
 2. First aid kits are checked weekly but not refilled as per medical supply list.
 3. There was no accident first aid procedure posted at first aid stations and clinic.

Source: Walkthrough, management interview, document review; Legal reference: 14/1998/TTLT-BLDTBXH-TLDDVN. Circular No. 10/2003/TT-BLDTBXH Joint Circular No. 14/2005/TTLT-BLDTBXH-BYT-TLDDVN.

- Plan Of Action:**
- Review Nike CLS to ensure that all safety requirements are implemented properly.
 - A full-time doctor is necessary according to local law.
 - Check and fill all necessary supplies in first aid kit.
 - First aid procedure should be posted at first aid stations and clinic as required.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: The bathrooms lack adequate amounts of toilet paper, working sinks, running water and soap. Source: Walkthrough; Legal reference: Decision 3733/2002/QD-BLDTBXH

Plan Of Action: - Review Nike CLS to ensure that all safety requirements are implemented properly.
- Provide adequate supplies in the factory's bathrooms.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Noncompliance

Explanation: The factory has insufficient toilets- 6 male and 36 female toilets for about 1600 workers. There are approximately 53 workers per bathroom when the standard is 30 to 1.

Source: Walkthrough; Legal reference: Decision 3733/2002/QD-BLDTBXH (30 persons per bathroom)

Plan Of Action: - Review Nike CLS to ensure that all safety requirements are implemented properly.
- Build additional washrooms, in accordance with local law.



Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Food Preparation

H&S.25 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws. All workers handling food shall be provided with the tools and equipment necessary to do so in a safe and sanitary manner. (S)

Noncompliance

- Explanation:**
1. Water for cooking in the canteen is not tested quarterly, as per local law.
 2. The factory does not keep food samples for 24 hours, as per local law.
 3. Some canteen workers were wearing slippers and not boots when working.

Source: Walkthrough, management interview, document review; Legal reference: Decision 41/2005/QD-BYT Decision 4128/2001/QD-BYT

- Plan Of Action:**
- Review Nike CLS to ensure all safety requirements are implemented properly.
 - Test water supplies in canteen and kitchen quarterly per local law.
 - Keep food samples for 24 hours per law.
 - Provide proper PPE including anti-slip boots, gloves, etc., to all canteen workers.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: The factory lacks a surrounding environmental impact assessment. The ambient environment is not tested regularly and factory lacks wastewater treatment facility.

Source: Document review, management interview; Legal reference: Law On Environmental Protection, Articles 18, 19, 35, 70, 71, 72 Circular 12/2006/TT-BTNMT

Plan Of Action: Apply environmental impact assessment and make sure all waste is discharged properly. Track wastewater discharge to ensure proper treatment is in place before discharge.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

**Plan Complete
Date:**

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: Working hours frequently exceed both code and legal limits. From 30 cases of time records reviewed for 6 months (May-October 2009) from the Assembly Department, Stitching Dept and Cutting Dept, it is noted that total maximum/average hours worked per week: May (70/62.58), June (69/61.3), July (55/48.9), August (51/48.4), September (65/56.1) and October (65.5/57.9)

Sources: Interview with management and with workers, review of time records, payroll and other relevant records during the period from May to October 2009; Legal reference: The Labor Code, Article 69 [the number of additional hours worked shall not exceed 4 hours a day, 16 hours per week and 300 hours a year].

- Plan Of Action:**
- Total working hours, including overtime, must not be in excess of the local labor laws or 60 hours per week on a regularly scheduled basis, whichever is lower.
 - The factory has to guarantee 1 rest day to all workers within the 7 day week, including hourly paid office and supporting staffs.
 - Set up a monitoring system to track the work hours of every employee. Set up track point to raise possible excessive overtime. When the number of overtime hours is approaching the legal limit, production planning should be amended to limit the employees' working hours.
 - Improve the capability of industrial engineering to have more accurate production planning in full supply chain.
 - Prepare factory work hours policy, post and communicate to all workers.
 - Train all supervisors and workers on work hours policy to emphasize the importance of complying.
 - Record and analyze the root cause of every excess work hour in planning. Identify weak points in supply chain and improve accordingly.

Deadline Date: 03/31/2010

Action Taken:

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: Employees worked several Sundays in May and June 2009. From 30 cases of time records that were reviewed from a period of 6 months (May-October 2009) from the Assembly Department, Stitching Department and Cutting Department, it was noted that: workers in the Assembly Department worked from 1 to 4 Sundays in May 2009 and worked 1 Sunday in June 2009. Workers in Cutting and Sewing Departments worked 1 Sunday in May 2009.

Sources: Interview with management and with workers, records review; Legal reference: The Labor Code, Article 72 [Employees are entitled to a rest of at least 1 day (24 consecutive hours) per week. In exceptional circumstances where weekly leave cannot be arranged due to labor cycles, employees shall receive at least 4 days of rest per month.]

Plan Of Action: - Total work hours, including overtime, must not be in excess of the local labor laws or 60 hours per week on a regularly scheduled basis, whichever is lower.

- The factory has to guarantee a rest day to all workers once every 7 days a week, including hourly paid office and supporting staffs.

- Set up monitoring system to track the work hours of every employee. Set up track point to raise possible excessive overtime. When the number of overtime hours is approaching the legal limit, production planning should be amended to limit the employees' working hours.

- Improve the capability of industrial engineering to have more accurate production planning in full supply chain.

- Prepare factory work hours policy, post and communicate to all workers.

- Train all supervisors and workers on work hours policy to emphasize the importance of compliance.

- Record and analyze the root cause of every excess work hour of planning. Identify weak points in the supply chain and improve accordingly.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Hours of Work: Meal and Rest Breaks

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

Noncompliance

Explanation: The factory does not provide 30 min OT break paid at OT rate for workers who work 2.5 hours OT.

Sources: Interview with management and with workers, payroll and time records review; Legal reference: Circular No.15/2003/LBTBXH-TT [In cases where laborers work overtime for more than 2 hours a day, before the overtime work, employers must arrange for them an additional rest time of least 30 minutes which shall be counted into the overtime.]

Plan Of Action:

- A copy of local law should be kept in factory for reference.
- Control working hours and provide necessary pay breaks according to local law.
- Set up monitoring system to track the work hours of every employee. Set up track point to raise possible excessive overtime. When the number of overtime hours is approaching the legal limit, production planning should be amended to limit the employees' working hours.
- All workers should be fully aware of their rights and benefits, including OT paid break.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan
Complete
Date:

Hours of Work: Protected Workers (Women and Young Workers)

HOW.4 The factory shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age of 18. (S)

Noncompliance

Explanation: Pregnant/nursing mothers work OT as normal workers.

Sources: Interview with management and with workers, walkthrough, time records review; Legal reference: The Labor Code, Article 115 [Employer must not be allowed to employ a female employee either in her 7th month of pregnancy or nursing a child under 12 months of age to work overtime, at night or in distant places. A female employee nursing a child under 12 months of age shall be entitled to 60 minutes off in every working day with full pay.]

Plan Of Action:

- Keep a copy of labor law and update it regularly.
- Prepare pregnant/nursing mother rules to make sure their benefits are protected.
- Train all pregnant/nursing mothers to raise awareness.
- All pregnant/nursing mothers should be entitled to legal benefits, e.g., no overtime, no night shifts and no work in distant places.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: No

Plan
Complete
Date:

