



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** adidas Group, Nike, Inc.

**COUNTRY:** Vietnam

**FACTORY CODE:** 530284144H

**MONITOR:** Global Standards

**AUDIT DATE:** November 16-17, 2009

**PRODUCTS:** Apparel

**PROCESSES:** Cutting, Sewing, Embroidery,  
Printing, Finishing

**NUMBER OF WORKERS:** 2275



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

Other

**Noncompliance**

**Explanation:** The factory does not make formal annexes or amendments to contracts for wage increases, as required by law.

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:** The factory needs to review all employees' contracts to list wage increase cases and then create a formal annex for wage increases. HR needs to set up a process that clearly states that if any changes are made to workers' wages, HR needs to make an amendment to the contract indicating the change to workers. HR staff needs to ensure that they will monitor this process strictly.

**Deadline Date:** 01/31/2010

**Action  
Taken:**

January 25, 2010:

1. The factory has reviewed all employee contracts and created the Salary Increment Form to record and control any changes to employees' wages or to highlight any modification of the content of the labor contract as per Article 33 of the Labor Code. The training regarding this newly reviewed procedure has been provided to all HR staff on November 25, 2009.

2. HR monitored this process. The HR staff, after receiving the approved list of salary increments for employees provided by the HR Manager, will make a Salary Increment Form/Appendix of Labor contract to record the changes for each concerned employee and will file this document in the employee's personal file.

3. However, the Salary Increment Form made by company is not considered official, as the Labor Appendix according to the Labor Law (Circular 21/2003/TT-BLÃTBXH). Article 33 of the Labor Law, Item 2 - Article 8 of Decree 44/2003/ND-CP and Circular 21/2003/TT-BLDTBXH which states that "any changes in the Labor contract must be recorded in a form of Contract Appendix." The factory only needs to replace Salary Increment Form made by factory with Labor Appendix template made by Government.

adidas -Group October 19, 2010 Update:

3. Completed. Random review of 5 labor contracts of workers whose salaries were increased indicated all points regarding their salary increment have been updated. They have also been put into the Labor Appendix template made by the Government and signed by both parties (Employee and Employer), with each party keeping 1 copy for their retention.

**Plan  
Complete:**

Yes

**Plan  
Complete  
Date:**

10/19/2010

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## Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

### Noncompliance

**Explanation:** 4/16: The foreign staff lack work permits, as required by law. The factory is in the process of getting work permits and has a plan to comply by February 2010.

Law reference: The Labor Code, Article 133 and Decree No.34/2008/ND-CP [Foreign nationals working for more than 3 months for enterprises, organizations in Vietnam must obtain a work permit issued by the authority on labor of the province.]

**Plan Of Action:** Human Resource/Compliance Representative needs to work closely to ensure that all expats are aware of the documents they need to present prior to starting their work in Vietnam. Expats need to be provided with a list required documents; they will need to prepare these documents in their home country. For the remaining expats, HR needs to follow up with them to make sure all necessary documents are submitted on time.

**Deadline Date:** 03/01/2010

**Action Taken:**

1. Four foreign employees received work permits from the Department of Labor-Invalids and Social Affairs - (Province) on February 5th, 2010.
2. The factory has established a procedure, including a list of required documentation, for obtaining work permits in January 2010. Additionally, procedure states clearly which documents foreign workers should prepare in advance, as well as what they have to do when they start working at the factory and what the company needs to do to process their work permit.
3. HR monitors this procedure to ensure required documentation for foreign employees prior to begin work in Vietnam is ready. The information for new foreign workers will be sent to the HR staff by General Manager. The procedure will be sent to concerning foreign staff, before they enter accordingly, for their preparation. Right after the arrival of new foreign staff, the responsible HR staff will contact new foreign workers to collect all required documents and start the process for their work permits accordingly.

**Plan Complete:** Yes



**Plan Complete Date:** 04/01/2010

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**Freedom of Association: General Compliance Freedom of Association**

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

**Uncorroborated Evidence of Noncompliance**

**Explanation:** Recently some workers in printing department were asked to leave the union without their consent. The union leader said that most workers in this department did not wish to be involved in the union and therefore they decided to drop them from the roster and stopped collecting dues from these workers in October 2009. However, these workers did not ask to withdraw from the union or sign any notice of withdrawal. More in-depth analysis may be needed to understand the actual problem.

Legal reference: According to Article 2 of the Vietnam Union's Regulations [When union members would like to withdraw from the trade union, Trade Union Committee will remove the name and collect the member union card.]

**Plan Of Action:** Union leaders need to review the list of workers dropped from the union in the printing department and determine whether these workers are willing to re-join the trade union. Additionally, union leaders should communicate with the Executive Trade Union to better understand the process of non-voluntary withdrawal for TU members. Union leaders have to talk to all union members about the withdrawal process to prevent this issue from happening again.

**Deadline Date:** 03/01/2010



**Action Taken:**

1. Factory has created a procedure to join or withdraw from the Trade Union. All workers can join the Trade Union at any time; they can find Trade Union information through bulletins and their trade union team leaders. If they want to join, they will ask for an application form from trade union team leaders, fill-in all required information, sign and then send back the form to their trade union team leaders. The trade union team leaders will collect and send the list to the secretary of the Trade Union executive boards by the 25th of the month. Vice versa, if any TU members don't want to join the Trade Union, they, at their wish, can obtain a withdrawal form from Trade Union team leaders to sign and apply. The trade union team leader will collect and send the list to the Secretary of Trade Union executive boards before the 25th of the month. The factory trade union has reviewed all workers who wanted to rejoin the trade union and allowed them to join the trade union again.
2. Factory has conducted training to all printing workers (120 workers) on TU (rights, responsibility, benefits) on March 11, 2010. After the training, 20% of printing workers have joined TU organization compared to 1% in November 2009. The training about TU provided to the rest of workers was done December 18, 2009.
3. Factory has communicated with printing employees about their willingness to re-join TU.

**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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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 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.

**Deadline Date:** 02/26/2010



**Action  
Taken:**

April 1, 2010:

1. Factory Collective Bargaining Agreement was registered and approved by local trade union on July 18, 2008.
2. Factory TU organized training for employees about their rights, roles, responsibilities and benefits on December 18, 2009 and for printing workers particularly on March 11, 2010. This training has been provided to all workers at the factory. (The role of the trade union is to act as the channel between employee and employer. Employees' responsibilities include contributing monthly trade union fee, selecting trade union chairman and attending some trade union meetings). After the training, 20% of printing workers joined the TU and currently there are 1150 TU members (number of TU members before January 2010 was 921).  
  
TU Executive Board has conducted interviews with about 20 workers who are not TU members (mostly are newcomers from February 2010), to review training effectiveness and to listen to their feedback. It is noted that most of them are willing to join TU after signing a labor contract, while the rest have had some comments about the higher benefits (such as more leisure trips, more entertainment, more activities for women workers...) if they become TU members.
3. Factory TU organized many activities for their employees: birthday gifts, women's day, team building, art contest, sports contest.
4. Factory TU monthly communications (newsletter, meeting) update employees about the unions' activities.
5. Factory TU representatives were selected by employees in the form of ballot on September 7, 2009.

adidas -Group October 19, 2010 Update:

The current Trade Union functioned very well with many activities, such as sport events, music shows, birthday gifts and financial support in the event of accidents and/or poverty. There were 1200 out of 2100 workers to join as TU members. The TU meetings have been conducted on a monthly basis, with clear objectives and follow up. There were several topics covered during these monthly meetings, such as reporting and updating on TU Fund expenses; communicating on upcoming TU activities; responding to workers' concerns; encouraging worker's initiative to improve factory Health and Safety working conditions; updating on buyer's audit outcomes; TU Org introduction and encouraging workers to join. After the meeting, all discussed points will be recorded in the TU monthly meeting minutes and posted on the TU bulletin board. Also, all TU leaders who were supervisors/line leaders share the meetings' outcome with their colleagues (workers).



**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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### **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:** There were 8 suggestion boxes along with clear policies and procedures for their management. However, workers did not show confidence in using these channels. The factory received no suggestion letters in 2009. Only 6 workers were recorded to have met directly with CR department. Workers expressed confusion in distinguishing between CR dept and the Union. (Union Leader is also CR Officer.)

**Plan Of Action:** The factory should review their Grievance System to see why workers don't show confidence in using it. The person in charge of handling these issues needs to review this process. Confusion and a lack of understanding could be the reason why workers don't feel confident using these channels. It could be argued it is because of late feedback or the incapability of handling persons.

The person in charge of grievances needs to be able to handle these issues and complaints. The factory management needs to be involved in the handling of serious grievances. The inclusion of a feedback timeline/method is also very important. The factory needs to show the benefit of using this system to all workers. The Grievance Committee needs to communicate the process and policy to all workers again to ensure that this system is effective. Additionally, factory management and unions should train all workers on 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** 01/01/2010  
**Date:**

**Action** 1. Factory has revised their policies and procedures; the feedback timeline is reduced to  
**Taken:** 7 days instead of 15 days.

2. Policies and procedures of grievances have been communicated to employees via periodic training and newsletters posted in the workshop. As up to the present, it is noted that workers have been using the suggestion box more as their communicating channels beside other valid channels to TU and factory's management. The training also indicated that CR is different from Trade Union in their role and activities.

3. Factory has solved one letter from a worker in time and officially communicated solutions to employees via newsletter. Workers asked TU for help with registering with the railways station for buying group tickets during Vietnamese New Year. In fact, the registration time was over, and the TU tried some other solutions to help workers buy tickets, such as via e-ticket and ticket registering through SMS. The TU's Executive decided that, for the next new year, TU will be more active in helping workers register with railway stations in time to buy tickets, or will contact some bus transport companies for further travel options for workers.

**Plan** Yes  
**Complete:**

**Plan** 04/01/2010  
**Complete**  
**Date:**

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## 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:** The factory materials warehouse and finished product warehouse are equipped with smoke detectors. However, this fire alarm system was not approved by the local fire department. From the management interview, it was observed that the fire alarm system was installed by the landlord. The factory should have had checked with the landlord for proper permits and approvals.

Legal reference: Law on Fire Fighting and Prevention Article 16. National Standards TCVN 4317:1986, National Standards TCVN 5738:2000

**Plan Of Action:** The factory has been asked to work with the landlord on getting written approval for the fire alarm system. The factory also needs to conduct fire alarm testing on a timely basis, to ensure proper function, with adequate records kept for future reference.

**Deadline Date:** 01/31/2010

**Action Taken:**

1. The factory has received written approval for fire alarm system by the local Fire and Police Department on December 29, 2009.
2. Inspection of the fire alarm system is being conducted weekly by factory's members of the Fire Fighting Group (members of HSE committee), especially those who work in and are responsible for handling machinery/electricity in the Maintenance Department. These workers have received training for their assigned jobs.

**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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## Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as firefighting 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. Firefighting equipment is not inspected weekly, as per local law.

2. Fire extinguishers, exit lights and emergency lights are inspected monthly.

3. The factory has no Vietnamese standards on inspection of fire equipment. Monthly inspection rule was based on experience of compliance team and standard practices of nearby companies.

Legal reference: Law on Fire Fighting and Prevention; National Standards TCVN 3890-84

### Plan Of Action:

1 & 2. HSE Committee will review and re-schedule the inspection for all firefighting equipment available in the factory as well as ensure all fire extinguishers will be inspected weekly, with proper checklists and records available. Also, training for responsible persons on how to conduct inspection effectively is necessary.

3. Factory to develop missing specific checklists based on local guidelines for all types of fire fighting equipments, and train HSE committee members on how to conduct inspections effectively (with available training records). To be more effective, these checklists should be in Vietnamese.

**Deadline Date:** 03/01/2010

### Action Taken:

1. The factory has revised safety policies, in which inspection for firefighting equipments is conducted weekly, with a checklist and records.

2. The weekly checking of fire fighting equipment is conducted by the factory members of Fire Fighting Group (who are members of HSE Committee), especially those workers from Maintenance Department. These workers have received training for their assigned jobs.

3. Factory has referred to Vietnam standards (TCVN 3980:2009) to make a checklist for inspection.

Plan Yes  
Complete:

Plan 04/01/2010  
Complete  
Date:

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### 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. Carbon masks and respirators were not provided to workers in the printing area. Hearing protection was not provided to workers in the embroidery area. Only 1 of 3 workers in the spot-cleaning room was observed wearing earplugs.
  2. Workers in printing area were only provided with fabric masks. From document review, it was noted that the factory PPE distribution policy does not mention the new printing section. From management interview, it was noted that the printing section is new in the factory and that the factory is considering its PPE needs.
  3. From the management interview, the factory compliance officer does internal tests for noise level in the embroidery section monthly, where the average noise level was recorded lower than 80 dBA. Hearing protection was not provided. It was also found that the noise meter was imported from Korea and the manual was printed in English. During the measurement with the factory compliance officer, the monitor observed that the noise meter was not used correctly according to the instruction manual (i.e., it was set on the low setting instead of the more appropriate medium setting).

<b>Plan Of Action:</b>	<p>1 &amp; 2. A. The factory will conduct an assessment of all production processes to ensure all required PPE is provided to workers, in order to avoid occupational health risks. All assessments should be documented for reference.</p> <p>1 &amp; 2. B. Once it is verified which workers need which type(s) of PPE, the factory management should provide workers with the appropriate PPE.</p> <p>1 &amp; 2. C. Factory management to schedule and conduct PPE training for all workers who are required to use PPE.</p> <p>1 &amp; 2. D. Supervisors should conduct periodic checks to verify if workers in their areas required to use PPE have proper PPE and are using such correctly. Provide carbon masks/respirators and earplugs to relevant workers in the printing area and embroidery room. PPE distribution procedure also needs to be developed to ensure the effectiveness of the PPE implementation.</p> <p>3. A. Factory to double check the noise meter manual to ensure accurate usage.</p> <p>3. B. Based on language of the people responsible for conducting testing, factory is to have this manual properly translated into Vietnamese and/or Korean.</p> <p>3. C. Provide training on how to use this noise meter correctly (with demonstration).</p> <p>3. D. HSE Committee and SEA Coordinator also need to attend this training. All documents of training records and noise meter manual translations should be available for future reference.</p> <p>3. E. Factory management will provide PPE to all workers in areas where noise levels exceed legal limits.</p>
<b>Deadline Date:</b>	03/15/2010

**Action Taken:** 1 & 2. A. PPE policy has been revised to include PPE needs for the printing area on March 10, 2010. This new policy came from a factory assessment on PPE needs conducted and approved by factory management for all areas in the factory.

1 & 2. B. PPE (carbon masks, earplugs) have been provided to workers.

1 & 2. C. It was noted that workers' awareness on using PPE has increased. More workers are displaying a willingness to wear PPE when working. The factory not only provided training for hearing protection PPE, but also other types of PPE (masks, gloves).

1 & 2. D. Supervisors are responsible for ensuring workers are wearing their required PPE.

3. A. Noise meter manual has been revised to correctly measure noise.

3. B & C. The factory has translated the instructions into Vietnamese and provided training for people who conduct this measurement.

4. A hearing test was conducted for concerned embroidery workers and cleaning workers on March 10, 2010 by doctors from the Department of Health-Medical Environment - [Province name]. The results showed that among a total number of 72 workers being tested, there were 3 workers whose hearing ability has slightly decreased (it was noted that they got flu at the time of testing). After 1 week, these 3 workers were checked again and there is no problem with their hearing ability.

**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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## 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:** There is no training on hearing protection, chemical safety, or the use of PPE provided to workers in the spot cleaning room, the printing area or embroidery area.

Legal references: Circular 37/2005/TT-BLDTBXH; VN Labor Code Article 101

**Plan Of Action:** The factory management will develop an annual training plan, with a focus on HSE.

A. The annual HSE training should include, but not be limited to, training on fire safety (fire drills, evacuation, extinguisher use), first aid, PPE, chemical management, machine safety, etc.

B. Training plan should have clear objectives and a timeline. This training plan should be approved by top management.

C. All trainings should be adequately documented and followed up.

**Deadline Date:** 03/15/2010

**Action Taken:** 1. A-C. Training workshops on PPE, chemical safety and hearing protection were conducted in December 2009. It is noted that workers have shown more awareness of PPE use when working with chemicals. The training plan was developed from training assessments and approved by factory management. These training plans have clear objectives and a timeline. All trainings sessions are documented with the workers' signatures.

2. ESH Committee has checked the implementation of worker PPE use, chemical handling and hearing protection. Monthly ESH Committee audits verify any of the issues; any found issues will be recorded and the Compliance Department will be informed for further action on corrective action plans and follow up.

**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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### **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:** The MSDS for Xylene was not available in the printing area. The MSDS for spot lifter and other spot cleaners are not posted in the spot cleaning room.

Legal reference: Law on Chemical Article 30; National Standards TCVN 5507: 2002

**Plan Of Action:**

1. The factory management will conduct a review of all chemicals in use and in storage to ensure that MSDS (English and Vietnamese versions) are available in any area where chemicals are located.
2. The HSE Coordinator should conduct inspections to ensure that the MSDS info is correct and updated.
3. Workers should be given training on MSDS, PPE and how to work safely with chemicals.
4. All training records should be available.

**Deadline Date:** 03/01/2010

**Action Taken:** 1. The factory has reviewed all chemicals and associated MSDS. All MSDS are available now in English and local languages.

2. There is now one staff member checking the MSDS availability and information.

3. Training on MSDS has been done as a part of chemical safety training on March 13, 2010 for about 150 workers which mainly work in the cleaning room, printing area and spraying room of the embroidery areas. Through the training, concerned workers have been shown their acknowledgement on MSDS and the importance of following the instructions mentioned in the MSDS when they work with or handle chemicals.

**Plan Complete:** Yes

**Plan Complete Date:** 04/01/2010

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### **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. Ventilation in printing area is limited and the factory has not conducted an internal environment test for this area.

2. Rags contaminated by solvents were kept on the floor next to the production area. Workers use solvents to clean up printing screens from solvent containers kept on floor without lids.

3. The factory has not conducted an internal environment test for the printing area. A management interview revealed that the printing area environment must be strictly controlled to ensure quality and productivity; such control requires limited ventilation and higher than usual temperature.

Legal reference: VN Labor Code

<b>Plan Of Action:</b>	<p>1 &amp; 3. A. Management will double check the current ventilation system in the printing area. The factory will also work with a consultant to put an effective ventilation system in place.</p> <p>1 &amp; 3. B. An assessment of this ventilation system should be carried out to ensure all the requirements are met (assessment reports and all related documents should be available).</p> <p>2. A. HSE Committee needs to review their functions to include internal environment tests in their working plan; tests of environment and noise should be conducted both internally and externally with available records in place.</p> <p>2. B. The factory needs to make sure that a full environmental test is conducted periodically.</p>
<b>Deadline Date:</b>	01/31/2010
<b>Action Taken:</b>	<p>1 &amp; 3. A. The factory has installed the ventilation system (fans) in printing areas on December 31, 2009. So far, the system works well and is being properly checked and maintained by mechanic staff (electricians).</p> <p>1 &amp; 3. B. Factory had a Third Party conduct environmental tests (December 2009 - air quality, noise, lighting) (external test) - The results indicated that emissions were within the limit (3733/2002/QD_BYT)</p> <p>2. Factory conducted noise measurement test in printing area (internal test) monthly and the results showed that the noise level was within the limits.</p>
<b>Plan Complete:</b>	Yes
<b>Plan Complete Date:</b>	04/01/2010

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## 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:** 33% of workers have worked overtime hours totaling more than 300 hours this year (up to 476 hours maximum) from January to September 2009. This is in excess of local law.

Legal reference: The Labor Code, Article 69 [the number of additional hours worked shall not exceed 4 hours a day, or 200 hours a year, with the exception of some special cases stipulated by the Government, the number of additional hours worked shall not exceed 300 hours a year.]

**Plan Of Action:**

1. The factory should have a clear working OT policy in place to ensure that weekly, monthly and yearly OT does not surpass the legal limit.
2. Top management needs to verbally communicate this policy to all departments. Frequent meetings between relevant departments should be followed up to ensure that everyone is aware of OT issues. In the case that any OT issues arise, all departments must work together to solve these problems together.
3. HR/CR needs to work closely in tracking workers' OT hours. Additionally, an OT control plan needs to be set up and monitored strictly by relevant departments to avoid excessive OT.

**Deadline Date:** 03/15/2010

**Action  
Taken:**

Apr 1, 2010. 1. The factory has created a clear policy on OT and communicated this information to employees via training and newsletter. Annual OT limit for 2010 (up to now) is within limit (300 hours). All compensation was paid correctly. The OT Policy indicates that workers may choose to work OT at their wish and OT limitation will be based on Labor Law requirements and Buyers' standards. The training on working OT is provided to all workers upon hire and during an annual training schedule. All workers understand the factory's OT Policy and so far have complied with it from 2010.

2. The factory management also communicated the OT Policy to all departments during their periodic meetings.

3. From the computer timekeeping system, it was noted that the factory complies with daily (maximum 4 hours) and weekly OT limits (maximum 12 hours). The factory has set up a system to control and monitor OT limits that include prior authorization to work OT from Production Manager, and ongoing monitoring by HR of workers' OT. Should a worker reach the weekly limits, HR informs Production Department to ensure the worker does not surpass legal limits.

4. However, due to high orders and worker shortage, workers who exceeded annual OT in 2009, as verified by FLA in November 2009, still worked OT. Per PC findings, 35% of workers working more than 300 hours between January-December 2009. Maximum amount of OT worked for 2009 was 612 hours. PC audit reviewed 2010 hours of work records, and verified that as of 2010, factory has been in compliance with legal OT limits. This issue will continue to be monitored by PCs to ensure factory continues to be in compliance with both local and PCs' hours of work requirements.

adidas -Group Oct 19, 2010 Update:

Points 1, 2 and 3 were properly implemented.

4. Factory is in compliance with daily and weekly OT limits. However, review of monthly OT tracking reports from May-September 2010 indicated nearly 50% (1096 out of 2100 workers) exceeded legal annual OT limit of 300 hours. There were many departments such as Sewing B, Cutting, Packing, Ironing, QC and Warehouse where workers were found to be working up to 456 hours as of late September 2010. As informed by factory, production orders have remarkably increased by 25% within 2010, and factory is setting up 6 more sewing lines and recruiting more workers to solve OT issues.

For sustainable improvement, it is suggested that the factory needs to:

- Gradually reduce granting OT to those who have already exceeded the 300 hours limit and provide the list of workers who have exceeded 300 hours to production managers. Work with production managers to control OT.

- Look for alternative solutions, such as expanding the facilities, recruiting more workers and providing multi-task trainings to workers.



**Plan**            **No**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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