

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

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