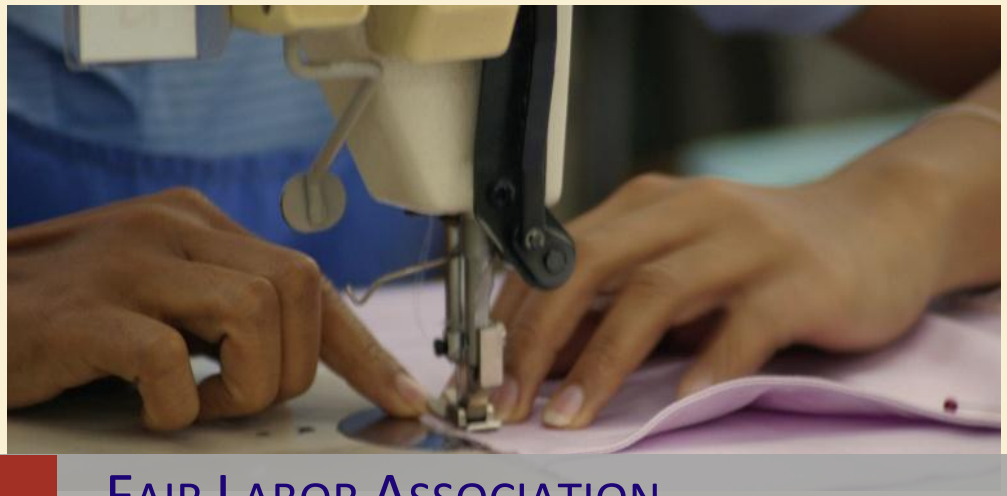

2008

FAIR LABOR ASSOCIATION
INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Puma
COUNTRY: Vietnam
FACTORY CODE: 360084912G
MONITOR: Global Standards
AUDIT DATE: August 18 – 19, 2008
PRODUCTS: Footwear
PROCESSES: Cutting, Sewing, Preparation, Finishing
NUMBER OF WORKERS: 4563

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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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:

Deadline Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: 1. Factory has not conducted tests of the surrounding environment in violation of Decree No. 80/ND-CP on environment.

2. Factory has not conducted annual health checks for workers since 2006 in violation of legal requirements.

3. Factory has not conducted lightning and electric testing since 2006.

Sources: Management interview, worker interviews, record review

Plan Of Action: 1. Factory shall get the services of the appropriate government agency or an accredited private company to conduct environmental test on an annual basis.

2. Provide medical exams for workers on an annual basis or as needed according to law.

3. Arrange lightning and electrical tests to be done by proper government agency or an accredited party.

Deadline Date:

Supplier CAP: 1. We will hire a duly accredited group to conduct tests on external factory environment.

3. Workers' health checkups will be conducted.

4. Lighting and electrical tests will be conducted by an accredited party

Supplier CAP Date: 09/30/2008

Action Taken:	November 12, 2008: Document review and interviews found the following: 1. Environmental test conducted by [Service company name] on September 12, 2008, covering temperature, humidity, air flow, noise level and air quality. 2. Health checkups were done by [Hospital name] August 26 – 30, 2008 for 3,135 workers, as some still had valid health checkups. A video covering medical checkup was also shown. Another checkup will be provided to workers in hazardous jobs in 6 months. 3. Electrical test conducted August 21, 2008. Lighting test to be done in December.
Plan Complete:	
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:	Factory has not obtained certificate for generating hazardous wastes. This is a violation of the Environmental Protection Law 52/2005/QH11. Sources: Management interview, record review
Plan Of Action:	Obtain certificate required by government for hazardous waste generation.
Deadline Date:	
Supplier CAP:	Factory will secure a certificate from government regarding kinds of hazardous waste it generates.

Supplier CAP Date: 10/31/2008

Action Taken: November 12, 2008: Document review showed factory registered the different kinds of hazardous wastes that it generates with Environmental and Resources Services of [Province name]. Certificate of hazardous waste issued November 3, 2008, stating it is in effect until factory ceases operations.

Plan Complete:

Plan Complete Date:

Health and Safety: Evacuation Requirements and Procedure

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

Noncompliance

Explanation: 1. Some exit doors closed and locked; others lack indicating signs and emergency lights.

2. Factory has not installed fire detection systems in material warehouse, as required by local fire brigade in recent inspection.

3. Materials stacked too high in warehouse (i.e., within 50 cm of ceiling).

Source: Visual inspection

Plan Of Action: 1. Ensure all exits unlocked while during operation. Install missing exit signs and emergency lights.

2. Install smoke detector at materials warehouse.

3. Advise warehouse staff to observe 0.5m ceiling clearance when making materials.

Deadline Date:	
Supplier CAP:	1. All doors designated as exits will not be locked during work hours. Exit signs and emergency lights will be installed where they are missing. 2. Factory will install smoke alarm at materials warehouse. 3. Warehouse personnel will be advised to observe clearance of 50cm between materials and ceiling.
Supplier CAP Date:	08/31/2008
Action Taken:	November 12, 2008: 1. All exits checked were not locked and had exit signs and emergency lights. Concerned staff mentioned they were advised to keep all exits unlocked during operations. 2. Smoke detectors installed at both materials and finished goods warehouses on September 25, 2008. 3. All materials on uppermost deck of racks removed and therefore were empty. Clearance from ceiling was more than 0.50m. According to warehouse personnel, they were advised not to place stock on uppermost deck of racks. Sources: Visual inspection, interviews
Plan Complete:	
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: Some first aid kits not fully stocked and contained expired items. No stock lists posted.

Source: Visual inspection

Plan Of Action: Provide list of items that should be inside each first aid box. Arrange regular inspections to check condition and sufficiency of first aid stock.

Deadline Date:

Supplier CAP: First aid boxes will be inspected regularly to ensure they are fully stocked. List of contents will be posted at each unit.

Supplier CAP Date: 08/31/2008

Action Taken: November 12, 2008:

List of contents posted in each unit. First aid boxes included in regular inspections. No expired items found. However, first aid box at cutting section lacked contents, as replenishment had not yet been made.

Sources: Inspection record check, visual inspection

Plan Complete:

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. Factory lacks proper system for safe handling and use of chemicals, including personal protective equipment (PPE); chemical labels and warnings; and safety training for workers who use chemicals. Some chemical containers not labeled; MSDS did not always correspond to chemicals in use.

2. Factory has policy to discontinue use of hazardous chemicals containing Toluene (i.e., CA 610, CA633, 96NH); however, other Toluene-containing chemicals remain in use (i.e., 740A7, 311P5 and 60 EL).

3. MEK and Acetone concentrations in many places are higher than national standards. Factory has reportedly acted to install more ventilation systems to improve. However, chemical smells remain strong in some areas where extraction is not available, and new tests have not yet been conducted to verify improvement.

Sources: Visual inspection, record review, management interview, workplace environment test report from August 2007

Plan Of Action: 1. Provide training on safe handling and storage of chemicals including proper labeling, provision of safety or warning signs, MSDS and PPE.

2. Advise purchasing and production staff to stop use of chemicals with Toluene content.

3. Arrange new test on air quality and implement measures to improve ventilation in areas that fail test.

Deadline Date:

Supplier CAP: 1. All workers will be trained on safe handling, chemical use and PPE.

2. Factory will ask supplier to get back remaining stock of 311P5 and 60EL and in accordance with policy, factory will stop using chemicals with Toluene contents.

3. Factory will change some processes to minimize concentration of solvent and will arrange for new test.

Supplier CAP Date: 08/31/2008

Action Taken:

November 12, 2008:

1. No training done on safe handling, chemical use and PPE. According to factory, training will be done in December, in cooperation with chemical suppliers.

2. CA633 had not been in use since last year, but MSDS is still on file. CA610 was replaced by CA810 and 96NH replaced by 98NH. Supplier did not pick up remaining stock of small quantity of 311P5 and 60EL. Instead, the stock was used up and no new purchase was made. 740A7 does not contain Toluene as shown on MSDS. Replacement chemicals CA810 and 98NH are already in use, MSDS of these chemicals indicated no Toluene content. No new purchases of old chemicals mentioned.

3. Factory had already taken steps to reduce concentration of solvent. After 2007 test a change in the process was undertaken, from dipping of component in solvent to direct spraying. New test was taken September 12, 2008, but 2 areas failed test on acetone concentration due to broken dispensers. Dispensers were replaced. New test was requested, but government agency had not yet set the schedule. No strong smell of solvent during physical inspection of production areas.

Sources: Document check, interviews, visual inspection

Plan Complete:

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. No warning signs or safety instructions posted on cutting and pressing machines.

2. Factory has not organized initial and on-the-job training on health and safety for workers, in violation of Circular No. 37/2005/TT-BLDTBXH.

Sources: Visual inspection, record review, worker interview

Plan Of Action: 1. Post warning signs and safety instructions in local language at cutting and pressing machines.

2. Include H&S training in new employee orientation. Provide H&S training to old employees.

Deadline Date:

Supplier CAP: 1. Warning signs and safety instructions will be posted at cutting and pressing machines.

2. Health and safety training will be included in initial training of workers. Old workers will be provided health and safety training.

Supplier CAP Date: 09/30/2008

Action Taken: November 12, 2008:

1. Warning signs posted at cutting and pressing machines, but not safety instructions.

2. On-the-job H&S training not yet done. According to factory, training will be done in December.

Sources: Document check, interviews, visual inspection

Plan Complete:

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: Drinking water safety should be tested quarterly and canteen workers should be reminded to use proper PPE (i.e., masks, gloves, boots, etc.).

Source: Visual inspection

Plan Of Action: Arrange quarterly testing on water drinkability. Advise canteen concessionaire to brief canteen staff on consistent and proper use of the necessary protective equipment.

Deadline Date:

Supplier CAP: 1. Water quality test will be conducted on a quarterly basis.

2. Canteen workers will be reminded to always use PPE.

Supplier CAP Date:

Action Taken: November 12, 2008:

1. Drinking water test conducted August 6, 2008, but only on coli form. Other test parameters were not included.

2. No briefing has been given to kitchen workers. Canteen workers were still not wearing PPE. According to factory, briefing will be done before the end of November 2008.

Sources: document heck, interviews, visual inspection

Plan Complete:

Plan Complete Date:

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: Factory has no system to investigate labor accidents and implement examination after treatment to compensate workers, in compliance with legal requirements. (Circular No. 10/2003/TT-BLDTBXH & Joint Circular No. 14/2005/TTLT-BLDTBXH-BYT-TLDLDVN).

Sources: Management interview, record review

Plan Of Action: Develop accident investigation system so real causes are identified and corrective measures made in order to prevent recurrences of the same accident. System should also be developed to determine proper compensation provided to concerned workers.

Deadline Date:

Supplier CAP: Factory will start a system to investigate accidents to determine causes, to prevent recurrences and for the purpose of determining workers' compensation.

Supplier CAP Date: 09/30/2008

Action Taken: November 12, 2008: No action taken yet by the factory on this issue.

Plan Complete:

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:	Approximately 20% of workers work 4.5 OT hours/day; 70% work 13 – 26 OT hours/wk. Sources: May – July 2008 time record review of 30 selected workers
Plan Of Action:	Factory to determine causes of overtime and rest day work and to implement measures towards eliminating causes of production delays.
Deadline Date:	
Supplier CAP:	Factory will formulate action plans to reduce overtime and eliminate rest day work.
Supplier CAP Date:	12/31/2008
Action Taken:	November 12, 2008: Factory adopted the following action plans to reduce OT and eliminate rest day work: 1. Monitor absences and machine downtime: Monitoring started in September 2008. Reduction in absences and machine downtime noted. 2. Proper line loading; no order accepted in excess of capacity starting December 2008. 3. Excess indirect workers reverted to operator positions in October 2008. 4. Increase in number of LEAN lines. However, as of October 2008, OT was still high and some rest day work was still found. Sources: Document check, interviews

Plan Complete:

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: Approximately 23% of workers work 1 – 4 Sundays a month with premium pay, but without a compensating day off.

Sources: May – June 2008 time record review of 30 selected workers

Plan Of Action: Factory to determine causes of overtime and rest day work and to implement measures to eliminate causes of production delays. In case rest day work cannot be avoided, a compensating rest day shall be provided in the following week.

Deadline Date:

Supplier CAP: Factory will formulate actions plans to reduce overtime and eliminate rest day work.

Supplier CAP Date: 12/31/2008

Action Taken:	November 12, 2008: Factory adopted following action plans to reduce overtime and eliminate rest day work: 1. Monitor absences and machine downtime: Monitoring started in September 2008. Reduction in absences and machine downtime was noted. 2. Proper line loading: No order to be accepted in excess of capacity starting December 2008. 3. Excess indirect workers reverted to operator positions in October 2008. 4. Increase in number of LEAN lines. However, as of October 2008, overtime was still high and some rest day work was still found.
Plan Complete:	
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:	Factory provides workers with 30-minute dinner break when OT lasts more than 2 hours a day. But, factory does not count break as part of OT, in violation of law requirements. Source: Record review
Plan Of Action:	Comply with legal requirement to include 30-minute dinner break as paid OT in the event of OT that is more than 2 hours a day.
Deadline Date:	
Supplier CAP:	Dinner break of 30 minutes before overtime will be credited and paid as overtime.

Supplier CAP Date:	08/31/2008
Action Taken:	November 12, 2008: Payroll program changed to include 30-minute dinner break as paid OT starting in August 2008. Test checking of attendance records showed that 30-minute dinner break was included as OT as reflected on payroll. Those interviewed were aware of this change. Sources: Document check, interviews
Plan Complete:	
Plan Complete Date:	

Hours of Work: Time Recording System

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

Noncompliance

Explanation:	OT beyond 2 hours per 1 day is recorded separately from main payroll. Sources: Record review, worker interviews
Plan Of Action:	Factory advised to stop practice of keeping separate records for OT in excess of 2 hours a day and for rest day work.
Deadline Date:	
Supplier CAP:	All overtime hours during the day and any work on rest days will be reflected on the attendance and payroll records.

Supplier CAP Date: 09/30/2008

Action Taken: November 12, 2008: Separate recording of excess OT and rest day work was stopped. Time cards for September and October 2008 that were checked reflected all OT hours, including OT in excess of 2 hours a day and rest day work. Computer program changed to include as paid OT the dinner break during OT of more than 2 hours a day.

Plan Complete:

Plan Complete Date:

Hours of Work: Other - Hours of Work

Other

Noncompliance

Explanation: Factory lacks written policies and procedures on voluntary OT. In some cases, workers were given written warnings for not working OT and failing to notify line supervisors in advance.

Sources: Management and worker interviews

Plan Of Action: Formulate a voluntary OT policy and inform all employees, especially supervisors, about the policy.

Deadline Date:

Supplier CAP: A voluntary overtime policy will be formulated and documented.

Supplier CAP Date: 09/30/2008

Action Taken:	November 12, 2008: OT policy and procedures formulated and posted on bulletin board. Factory said that supervisors had been briefed on this. When asked what happens if a worker refuses to work OT, interviewed supervisors mentioned they cannot give a warning since OT is voluntary. Sources: Document check, interviews, visual inspection
Plan Complete:	
Plan Complete Date:	