



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Phillips Van Heusen (PVH)

COUNTRY: Vietnam

FACTORY CODE: 100084901G

MONITOR: Global Standards

AUDIT DATE: August 26 – 27, 2008

PRODUCTS: Apparel

PROCESSES: Cutting, Sewing, Finishing

NUMBER OF WORKERS: 2417



CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____ 3
Freedom of Association: Right to Freely Associate _____ 4
Code Awareness: _____ 5
Health and Safety: Evacuation Requirements and Procedure _____ 6
Health and Safety: Safety Equipment and First Aid Training _____ 8
Health and Safety: Personal Protective Equipment _____ 9
Health and Safety: Chemical Management and Training _____ 10
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness _____ 11
Health and Safety: Machinery Maintenance and Worker Training _____ 13
Health and Safety: Medical Facilities* _____ 14
Hours of Work: General Compliance Hours of Work _____ 14
Hours of Work: Rest Day _____ 16
Hours of Work: Extraordinary Business Circumstance/Forced Labor _____ 17

*Denotes a Notable Feature



Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. Also, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: Factory does not pay severance allowance to workers dismissed for being absent without permission for 5 days in a month. This is in violation of the labor law.

Source: According to records review,

Plan Of Action: PVH urged [Factory name] to review the legal requirement on severance allowance and confirmed factory's understanding on workers' severance pay entitlement. PVH also asked factory to review its termination policy, procedure and payment settlement and to find out the root causes of the violation. Also, set up a monitoring system to keep track of the implementation.

Deadline Date: 05/31/2009

Supplier CAP: Those workers were not dismissed, but instead left work without notification. Company had to make a decision on their absence after at least 5 work days, as to terminating their labor contracts. The action of leaving without notice is considered as unilateral termination in labor contract; according to Labor Code of Vietnam, Article 41(2), those workers are not entitled to any severance allowance. At the audit, company provided auditors time records and line leaders' reports on these cases for assessment and explanation. Company will review documentation to ensure termination procedures still follow legal requirements.

Supplier CAP Date: 11/30/2008

Action Taken:

Plan Complete:

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:**

**Deadline
Date:**

**Action
Taken:**

**Plan
Complete:**

**Plan
Complete
Date:**



Code Awareness:

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

Noncompliance

Explanation: Code of Conduct (COC) training was conducted, yet worker awareness and understanding remains low.

Source: worker interviews

Plan Of Action: PVH led factory to understand the importance and benefits of giving COC training to workers. Guided factory to review effectiveness of existing COC training and to set up a system to monitor and evaluate the effectiveness of COC training hereafter.

Deadline Date: 05/31/2009

Supplier CAP: Factory provides training on all policies and procedures, including PVH's COC, for workers at job commencement and a refresher training every 6 months. To strongly build workers' understanding of these policies and procedures, factory will provide every worker a personal handbook of policies and procedures in addition to scheduled trainings. Therefore, in case workers do not capture all the information in the trainings, they can access the notice boards and their personal handbooks for further reference at any time. Personal handbook of policies and procedures will be distributed to every worker by the end of October 2008. 2008 second training of policies and procedures is scheduled to be in November 2008.

Supplier CAP Date: 11/30/2008

Action Taken:

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. There is no fire/smoke detector in material or finished goods warehouses, which are in high risk of fire. Not in compliance with TCVN 4317 Hours of Work: 86.
 2. The light for emergency exit stairs of shirt factory was broken at audit time.
 3. Some exit aisles are too narrow and frequently blocked with workstations and/or product trolleys. A few aisles in shirt section are only 60cm wide when international and local standards usually require a minimum of 1m.
 4. Flammable materials (boxes) were stored under stairs and in stairwell by cutting/finishing in building 1.
 5. Fire extinguishers outside embroidery were last checked in February; those in the warehouse last checked in April. Not in compliance with TCVN 3890 Hours of Work: 84.

Source: visual inspection

Plan Of Action: PVH urged factory to understand 1) the importance of a safe working environment, 2) the reasons behind the H&S requirements and 3) how those requirements help factory to be more competitive in terms of costs and productivity. Also, we guided factory to set up a functional H&S Committee which can review H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions; and provide necessary trainings to workers.

Deadline Date: 05/31/2009



**Supplier
CAP:**

1. Security department is working on proposal for smoke detector installation in material and finished goods warehouses. Proposal will then be submitted to General Director for approval.
2. Factory is recharging emergency light in shirt factory's emergency exit stairs.
3. Production buildings of factory are of old design and structure. Factory is now very aware of risks of narrow aisles and is strongly committed to improving the situation by strictly and continuously supervising and managing aisles to ensure they are unobstructed.
4. Flammable materials were removed to warehouse immediately after audit. Factory also requested H&S department to strictly supervise and manage premises for safety conditions.
5. Fire extinguishers in embroidery section and warehouse were immediately inspected after audit. Furthermore, security department confirms to regularly inspect all fire extinguishers in all sections/areas on a monthly basis.

**Supplier CAP 12/31/2008
Date:**

**Action
Taken:**

**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 boxes were empty or lacking first aid supplies. First aid training for workers was inadequate.

Sources: visual inspection, worker interviews

Plan Of Action: PVH helped factory understand the importance of first aid training and the need for fully-stocked first aid boxes. We guided factory to set up a functional H&S Committee which can review H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions; and provide necessary trainings to workers.

Deadline Date: 05/31/2009

Supplier CAP: Training of first aid/CPR was conducted in July 2008. Number of participants in training averages 60 workers/workshop (x5 workshops) and 28 office staff; the total is 328 employees (equivalent to 10% of total workforce) trained for first aid/CPR. We just submitted list of trained workers of about 1% (of total workforce) for getting official certificates by September 2008. We confirm that actual number of trained workers (10%) is sufficient for factory emergency and meeting client's requirements. For 2009 schedule Hours of Work: August 2009, we would submit list of trained workers of 2% of total workforce to get official certifications. All first aid kits inspected and fully supplied after audit. Furthermore, H&S department is responsible for regularly inspecting first aid kits.

Supplier CAP Date: 08/31/2009

Action Taken:

Plan Complete:

**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 operating cutting machines did not wear chain gloves until after they saw monitors enter.

2. Some workers work near large ventilation fans without hearing protection, although this area was identified as a noise risk area in previous audit by PVH. No hearing protection used in embroidery section.

3. Worker was spraying chemicals (Siroset) in suit-pressing section with no material safety data sheet (MSDS) or personal protective equipment (PPE) available.

Source: visual inspection

Plan Of Action: PVH led factory to understand risks of improper use of PPE. A functional H&S committee is encouraged to be set up in factory which can help to review current H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions; and provide necessary trainings to workers. We also educated factory to evaluate effectiveness of training.

Deadline Date: 05/31/2009

Supplier CAP: Company confirms to fully provide appropriate PPE for workers at all sections. The H&S department also provides regular training on proper use and importance of PPE. Yet, it is still difficult at time to have all workers wear their PPE. Production supervisors strongly requested all workers wear PPE and are responsible for strictly ensuring PPE is used at all times.

Supplier CAP 09/30/2008

Date:

Action

Taken:

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: Chemical storage warehouse has no secondary containment and no PPE, eyewash or other safety measures.

Source: visual inspection

Plan Of Action: PVH educated factory on purpose of using secondary containment and on importance of PPE and eye wash lotion. A functional H&S committee is encouraged to be set up in factory which can help to review current H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions; and provide necessary training to workers. We also educated factory to evaluate effectiveness of training.

Deadline 05/31/2009

Date:



Supplier CAP: Company confirms to provide secondary containment for chemical tanks and also to segregate chemicals in different categories in storage area. Eye wash and appropriate PPE are equipped as well at store.

Supplier CAP Date: 11/30/2008

Action Taken:

Plan Complete:

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: Worker was spraying chemicals (Siroset) in suit-pressing section with no MSDS or PPE available.

Sources: visual inspection

Plan Of Action: PVH educated factory on purpose of posting MSDS and using PPE. A functional H&S committee is encouraged to be set up in factory which can help to review current H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions; and provide necessary trainings to workers. We also educated factory to evaluate effectiveness of training.



Deadline 05/31/2009
Date:

Supplier Chemical (Siroset) is supplied by Japanese customer, specifically used for their products (vests/suits). They confirmed to factory that it is not harmful. However, to comply with H&S policy and procedures, factory has asked for MSDS many times. Factory has still not received an answer. Factory management strongly requests Japanese customer again for this correction plan to provide MSDS. In case factory could not receive MSDS for Siroset, it confirms to stop using this chemical until having MSDS. Company confirms to fully provide appropriate PPE for workers in all sections. The H&S department also provides regular training on the proper use and importance of PPE. However, it is still difficult at times to have all workers wear their PPE. Production supervisors strongly requested all workers wear PPE and are responsible for strictly ensuring it is used at all times.
CAP:

Supplier CAP 11/30/2008
Date:

Action
Taken:

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: Knife blade found in suit-cutting department used for cutting fabric without a handle for safe handling.

Sources: visual inspection

Plan Of Action: PVH urged factory to equip knife blade with safety device immediately. A functional H&S committee is also encouraged to be set up in factory which can help to review current H&S policy and procedure; monitor and detect H&S violations periodically; find out root causes of violations; have close communication with different departments; take appropriate corrective actions and provide necessary trainings to workers. We also educated factory to evaluate effectiveness of training.

Deadline Date: 05/31/2009

Supplier CAP: Company confirms to fully provide appropriate PPE for workers in all sections, as well as safety devices at work. H&S department also provides regular training on utilities and safety purposes. The supervisor is responsible for continuously supervising workers' practices with safety devices and PPE as well. Knife blade in suit-cutting department was equipped with safety device immediately after audit, by August 30, 2008.

Supplier CAP Date: 08/30/2008

Action Taken:

Plan Complete:

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)

Notable Feature

Explanation: [Factory has a large clinic center for workers as well as a daycare facility.](#)

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: [Workers are working in excess of 60 hours per week; not in compliance with PVH requirements. In many cases at the end of May, workers worked 12 hours regular OT plus 9 hours on Sunday in 1 week, for a total of 21 OT hours.](#)

[Sources: record review](#)

Plan Of Action: [PVH guided factory to understand disadvantages of excessive OT in terms of costs, productivity and CSR concerns. At same time, how can factory benefit if they can control work hours. Encouraged factory to keep KPI in file to understand actual work hours situation; evaluate root causes of excessive OT; and find feasible solution to improve the situation. Have close communications between different departments and share same goal of reducing work hours.](#)

Deadline Date: [05/31/2009](#)



Supplier CAP: Workers and factory management agreed to work 1 - 2 hours of OT per day, 6 days per week. In other words, work hours are controlled within 60 hours per week. However, due to Sunday work, total work hours that week were up to 69 hours (48 regular hours + 12 daily OT hours + 9 Sunday OT hours). For special cases when Sunday work is required, factory will arrange OT hours to not exceed 6 hours per weekday and 6 hours per work on Sunday, thus compensating an alternative day off within 10 continuous work days. This would not affect production capacity per month in general. Average production capacity per month is around 150,000 pieces based on 600 workers and 48 hours per week, and about 175,000 pieces based on 60 hours per week (2 OT hours per day). Work hours are always maintained at 54 - 60 hours per week (equivalent to 1 - 2 OT hours per day). Furthermore, when Sunday work occurs (once per month) there was always an alternative day off within that month. So production capacity per month is always stably managed. As confirmed in corrective action plan in PVH's last audit, this correction plan has already been practiced since July 2008.

Supplier CAP 07/01/2008
Date:

**Action
Taken:**

**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: Workers do not always get 1 day off in 7 days as per PVH standards. Workers in Factory 5 worked May 25, but compensation day off arranged for June 7. PVH requests factory to arrange compensating day off within 3 days; while labor code requires a minimum of 4 rest days per month, workers had only 3 rest days in May.

Sources: record review

Plan Of Action: PVH guided factory to understand disadvantages of rest day work in terms of costs, productivity and CSR concerns. At same time, how can factory benefit if they can control work hours. Encouraged factory to keep KPI in file to understand actual work hours situation; evaluate root causes of excessive OT; and find feasible solution to improve situation. Have close communications between different departments and share same goal of reducing work hours.

Deadline Date: 05/31/2009

Supplier CAP: Reason workers sometimes work Sundays is to combine alternative days off with public holidays, to make a long holiday for workers. For instance, workers worked on Sunday "Hours of Work: May 25, 2008 and compensated May 31, 2008/or June 7, 2008 in order to make a summer holiday of 2 days - Hours of Work: May 31 (Saturday) + June 1 (Sunday)/or June 7 (Saturday) + June 8 (Sunday). This plan was to ensure stable production capacity of factory during a month with a long holiday. As confirmed in corrective action plan of PVH's last audit, factory reconsidered production plans with public holidays to ensure they follow requirement of an alternative day off in 3 days before or after the worked Sunday. This has been practiced since July 2008.

Supplier CAP Date: 07/01/2008

Action Taken:

Plan Complete:

**Plan
Complete
Date:**

Hours of Work: Extraordinary Business Circumstance/Forced Labor

HOW.11 In case of extraordinary business circumstances, employers shall make reasonable efforts to secure voluntary overtime work prior to mandating involuntary overtime. Employers must get workers voluntary consent periodically for all overtime that is above the 12 hours as provided for in the Code and that is not due to extraordinary business circumstances. (P)

Noncompliance

Explanation: Voluntary OT sign up is prepared at end of month after OT has been worked; there is no advance OT volunteer form.

Source: record review

Plan Of Action: PVH led factory to understand importance of voluntary OT and purpose of OT agreement. Guided factory to review voluntary OT policy and procedure; set up a monitoring system; and to keep track of implementation. Find root causes of violations and provide necessary training to all parties if necessary.

Deadline Date: 05/31/2009

Supplier CAP: OT schedule based on production plan status. To improve situation, factory management requested workshops' manager to provide/update weekly production status and announce it to workers at beginning of week. Therefore, workers can be notified in advance and decide for themselves if they want OT work.

Supplier CAP Date: 10/01/2008

Action Taken:

Plan Complete:



**Plan
Complete
Date:**
