



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Patagonia, Nike Inc.
COUNTRY: Vietnam
FACTORY CODE: 090384807GV
MONITOR: Global Standards
AUDIT DATE: November 5, 2011
PRODUCTS: Apparel
PROCESSES: Cutting, Sewing, Finishing
NUMBER OF WORKERS: 7052

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



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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: 1) 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.

2) Monitors interviewed the Union Leader who confirmed that every worker signed application and volunteer to join the Union. However monitors reviewed the Union application forms of some workers in July and found that only worker representative, i.e. a line supervisor signed the application. Workers' signatures were found on a separate sheet.

Plan Of Action: 1) PCs 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. PCs are engaged with a number of global organizations, trade unions, non-governmental organizations and multi-stakeholder initiatives to raise awareness and good labor practices.

2) Factory management reviewed the audit report with staff and responded to the issue. Corrective action: Factory management shall establish a clear policy and procedure for workers applying to the factory union. Records of applications shall be clearly recorded and kept on file. Factory workers shall be notified of the changes.



Deadline Date: 09/25/2008

Supplier CAP: [Factory Response - November 17](#)

As per guidelines from the labor federation, there are 2 formats that can be used for worker to joining Trade Union. One form can be filled out by individual workers; the other is used for group of worker to make convenient for TU and employee. We are using 2nd format. However, we will use individual signed format according to your recommendation.

Supplier CAP Date: 09/25/2008

Action Taken: New forms are made for individual workers. As it is newly made, no new worker was registered yet but it will be used when new workers want to join. PC will keep follow up with factory to confirm the new form was in used.

Reported by: ***Auditor Name***

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action [Pending:](#)

Verified

Text:

Due to the FLA Comment on FOA2 for Vietnam

1) The official trade union was set up at the beginning of factory operations. The last union congress was held in August 2010 for a five-year term 2010-2015. Workers elected an executive committee with 17 members by ballot. The executive committee elected chairman, vice-chairman and other union positions as recognized by the Labor Union in writing. Approximately 92% of workers are union members. The Collective Bargaining Agreement was signed and registered on 28 January 2011 for a term of 3 years. Terms agreed include labor contract, time of work and time of rest, wages and benefits, etc. All of the provisions are in compliance with the local labor laws. Copies of the CBA are posted on bulletin boards for workers to read. Union fee is 2,000VND/month. There are some benefits for members, e.g. send gifts to union members in holidays (Lunar New year, International Women's Day...).

2) Most workers are aware of the Union in the factory as well as the Union Leader. All workers interviewed confirmed that they volunteered to join the Union.

Action 11/05/2011

Verified

Date:

Follow-up [March 13, 2012 – Nike:](#)

Plan of

Action:

This issue is national issue that cannot be solved at the factory level. The factory follows the law on this FOA item



Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation: Monitors interviewed the Union Leader who confirmed that every worker signed the employee application and volunteered to join the Union. However, monitors reviewed the Union application forms of some workers in July and found that only worker representative, i.e. line supervisor signed the application. The workers signed a separate list attached.

Plan Of Action:

Deadline Date:

Supplier CAP: [Factory Response - November 17:](#)

As per guidelines from the labor federation, there are 2 forms that can be used for joining the Trade Union. One form is filled out by individual workers and the other can be completed by a group, which is convenient for the TU and employees. We are using second group format. However, we will use individual signed form as per your recommendation.

Supplier CAP Date: 09/25/2008

Action Taken: New forms are available for individual workers. As it is newly made, no new worker has registered yet but it will be used when new workers want to join. The PC will keep follow up with factory to confirm the new form was in used.

Reported by: ***Auditor Name***

Plan Complete: Yes



**Plan
Complete
Date:**

Action Verified: No

Action Verified Text: Completed: Per record review, worker interviews and management discussion, it was noted that factory has an updated form with consent to deduct membership dues from their monthly salaries, signed by workers individually. This was put into place soon after the IEM in 2008.

Action Verified Date: 11/05/2011

Code Awareness:

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

Noncompliance

Explanation: The factory has strong and detailed training programs and materials for management and staff, but limited training for workers. Some new workers have not yet received orientation training, as per the factory's plan.

Plan Of Action: Factory management reviewed the audit report with staff and responded to the issue.

Corrective action: Factory management shall establish a clear policy and procedure for training workers on factory code of conduct, local labor laws and inform workers of codes of conducts for all the brands that manufacture at the factory. Training should take place upon initial hiring, then refresher trainings provided on an annual basis.

Deadline Date:

Supplier CAP: Organize training for untrained people. From now on, newly hired employees will be trained within 10 days after their starting date.

Supplier CAP Date: 09/25/2008

Action Taken: Orientation training is now provided for all workers. Training was conducted on September 12, 2008. The training logbook was provided for review; this book indicated training content and date of training with employee signatures.

Plan Complete: Yes

Plan Complete Date: 09/25/2008



Action Verified: No

Action Verified Text: [Completed:](#) Training for new workers has been improved. Based on record review and interviews with workers and management, it was noted that the factory conducted a training session over 4 days for all new recruits. This training session covered factory regulations, factory policies, code of conduct, labor law, and the lean system. After training, workers completed a test and signed an attendance sheet. They were provided a handbook and cards with Nike and Patagonia contact information. The most recent training was held from October 10 to October 13, 2011.

Action Verified Date: 11/05/2011

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: According to the factory walk-through and management interview, the PCs (Participating Companies) have not created a secure noncompliance-reporting channel in the factory for workers to use.

Plan Of Action: EB will send a poster with a regional contact number and email address for workers report to non-compliance issue in local language soon. Patagonia has included an email address on its code of conduct poster. Workers are encouraged to email concerns in their local language.

Deadline Date:

Supplier CAP: We are waiting for the EB poster. Upon receiving the EB poster with regional contact number and email address, we will display it in the working area.

Supplier CAP Date: 12/17/2008

Action Taken: The PCs objective is to strengthen contract manufacturers' internal grievance systems, so that direct involvement by PCs in employee grievances should be considered a last resort. In alignment with this objective to strengthen contract manufacturers' internal grievance processes, PCs work with manufacturing partners to build an effective grievance process.

The factory has many channels for workers to raise concerns: suggestion box, hotline, and meetings. Workers can submit a letter to suggestion box or make a call to CR team, Trade Union, and/or Human Resources Department for any concerns. In addition, PC Compliance staff spends time listening to factory employees during one-on-one confidential interviews during audits.

As a last resort, each PC has contact information posted in the factory ranging from e-mail address, direct phone number, and hotline.

Plan Complete: Yes

Plan Complete Date: 04/22/2009

Action Verified: No

Action Verified Text: Completed: Per visual inspection, worker interviews and management discussion, it was noted that Patagonia has provided contact details in the US on the CoC (email, phone, address). Nike provided a local telephone hotline contact for workers.

Action Verified Date: 11/05/2011

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. According to records review and management interview, a fire drill with the fire department has not been conducted annually since 2006. This is in violation of Circular No. 04/2004/TT-BCA. The next one is scheduled for November 2008.

2. According to record review and government environment inspection from April 2008, wastewater was over the limit for 4 contaminants. The company was fined 20M VND. The fine was paid, but corrective action to treat wastewater is still pending.

Plan Of Action: 1. The factory shall develop a policy and procedure for routinely conducting all health and safety inspections, including fire drills. Organization of drills shall be assigned to a specific person who will also be in charge of recording drills, who was trained and documenting the process. In addition this person should be responsible for reviewing the process and making improvements to the process where applicable.

2. Factory should have an environmental management system in place. The factory should continuously monitor itself to ensure that environmental impacts are mitigated.

Deadline Date:

Supplier CAP: 1. A fire drill with fire department was conducted on August 25 and 26, 2008. Fire drill record and pictures were sent to the FLA for review. A response from the factory about why relevant documents were not presented during the IEM audit is pending.

2. A new certificate from government has been approved for wastewater disposal. This certificate indicates that the corrective action was taken by factory and was approved by the government.

Reported by: ***Auditor Name*** (EBI)



Supplier 10/15/2008
CAP Date:

Action Taken: 1. Fire equipment training was conducted on August 25, 26, and 28 and a fire drill was performed on November 13 with fire department. Fire drill will be held on November 25 with fire department.

2. Sub-contractor repaired the drainage system to solve that problem by their expense. Done September 20, 2008. Pictures of completed drain sent to the FLA.

Plan Complete: Yes

Plan Complete Date: 09/25/2008

Action Verified: No

Action Verified Completed:

Text: 1. From record review and worker and management interviews, the factory has a policy to conduct fire drills 3 times per year (including once time with the local fire police). The most recent fire drill with local fire and police departments was conducted on January 19, 2011. In 2011, internal fire drills were conducted on April 22 (factory 5), May 22 (factory 2), and July 22 (factory 9).

2. Per walkthrough and record review, one wastewater treatment plant was built in 2011. Outlet water testing report on May 17, 2011 met national standards for wastewater.

Action Verified Date: 11/05/2011

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: According to records review, the factory has not obtained a certificate for generating and disposing hazardous wastes as per Environmental Protection Law No. 52/2005/QH11.

Plan Of Action: The factory shall have a procedure for assessing all required documents for operation. A person shall be assigned to ensure that the company has valid permits, certificates and licenses.

Deadline Date:

Supplier CAP: The administration has obtained the certificate for generating and disposing of hazardous wastes as per Environmental Protection Law No. 52/2005/QH11.

Supplier CAP Date:

Action Taken: Inspection was done on July 15 and certificate was approved on August 1, 2008.

Reported by: ***Auditor Name*** (EBI)

A copy of certificate attached in document marked "FLA CAP November 24" was given to the FLA.

Plan Complete: Yes

Plan Complete Date: 09/25/2008

Action Verified: No

Action Verified Text: Completed: Per record review, certificate for generating and disposing of hazardous wastes was issued for factory on August 1, 2008. The factory has contracted with authorized supplier to treat waste generated. Treatment tracking reports are recorded and kept in file. The latest waste transfer was in February 17, 2011.

Action Verified Date: 11/05/2011

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: The screen-printing room in one of the factories lacks adequate ventilation and safety measures for safe handling of chemicals. The mixing room lacks proper exhaust ventilation. Some workers use carbon masks, while others use cotton masks. The smell of solvents is strong and no testing has been done for chemicals (Volatile organic compounds, aka VOCs).

Plan Of Action: The factory shall establish a policy for health and safety. From this the factory shall appoint responsible people for ensuring that the procedures around this policy are followed. In this case, there needs to be an assessment of the environmental and health impacts to workers in the mixing room. (Checking on the chemicals being used). After the assessment, proper ventilation shall be installed. Workers will be provided with and trained on the correct protective equipment.



**Deadline
Date:**

**Supplier
CAP:** 1.The factory has a plan to move the printing room to reduce chemical smell and enhance the ventilation system in January 2009 (Week 2)

2.ESH team regularly checks and makes sure that employee use carbon masks.

**Supplier
CAP Date:**

**Action
Taken:** Employees are currently using carbon masks. However ventilation is not adequate.

Report by : ***Auditor Name*** (EBI)

Photo sent to the FLA for review.

October 13, 2008

1. Organize meeting with concern people to remind again safety regulation
2. Already informed to use the sticker to verify chemical and prohibited one by the CR Team.
- 3.ESH Team will send out a reminder and inspect the situation.
4. Violation cases will be strongly punished by factory regulation.

**Plan
Complete:** No

**Plan
Complete
Date:** 01/30/2009

**Action
Verified:** No

Action Verified Text: Ongoing: From the walk through, it was noted that the screen-printing has been moved to another factory on campus. A new cooling ventilation system has been installed (not in use at the time of the audit). Air circulation seems to be improved; however there was no detailed testing for VOCs has been done.

There is no clear policy or guidelines on when or if to turn the ventilation on Several workers were seen working without carbon VOC masks while printing. Use of gloves was also inconsistent. From record review, annual environment test on May 23, 2011 took 1 sample in printing and shows borderline, but passing levels: C6H6 (Benzene) 13 < 15mg /m3 and (CH3) 2CO (Aceton) 950 < 1000 mg/m3.

No Benzene was found during walk-through.

Action Verified Date: 11/05/2011

Follow-up Plan of Action:

1. The factory moved the printing room to the second floor of the factory. We have also enhanced the ventilation system since end of January, 2009
2. Update from the factory: All printing workers used carbon masks.

Nike - March 13 2012:

The Environment Bureau was authorized to conduct tests twice a year. The result of each inspection showed that tests for VOCs were already conducted. However, when auditor came to printing room, he may have misunderstood that there was no testing for VOCs.

*Guidelines on when to turn ventilation will be hung in each location

*Chief of Printing Section carefully checked and reminded workers to wear masks and gloves during working time. The ESH Team will also regularly check to ensure all workers following ESH Regulation Currently, cooling system is experimentally set up in Printing Section and some sections of the factory. However, humidity is increased during the operation of the cooling system so, we are looking for other cooling options with optimal and most effective way.

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: According to the walk through inspection, QA Workers on production lines are using solvents from unlabeled bottles for spot cleaning. Sometimes cleaning solvents are placed in bottles marked “soap.” The factory has policies on labeling and safe handling of chemicals, but fails to follow them. Chemicals in use include SuperKleen 580 c (aka Hydrocarbon, Xanh), Everblum Gold Cleaning Fluid (aka Do) and Sprayway spot-lifter. Workers handling chemicals lack awareness in safe handling of chemicals.

Plan Of Action: The factory management shall review its procedures for implementing its policy on chemical management. Workers and supervisors must be trained on the proper handling of chemicals. The factory must provide the ideal situation for chemical use, including proper ventilation and protective equipment. Workers should demonstrate their understanding of the training through a quiz or demonstration to ensure that they will continue to handle chemicals correctly.

Deadline Date:

- Supplier CAP:**
1. Organize meetings with concerned people to remind again safety regulation on September 5.
 2. Workers have been informed by the by CR Team to use the stickers to verify chemicals and prohibited products.
 3. ESH Team will remind workers frequently and thoroughly inspect the situation.
 4. Violation cases will be address through the internal disciplinary procedure.



Supplier 10/30/2008
CAP Date:

Action Chemical properly labeled. Still the need for the factory to arrange a chemical handling
Taken: training to all workers to increase the awareness of chemical safety.

Report by: ***Auditor Name*** (EBI)

Factory update document sent to the FLA on October 13, 2008

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action Ongoing: From walk through, factory has MSDS sheets and posts these in spot cleaning
Verified rooms in each factory. However, in practice, the line leader does not use PPE when
Text: performing spot cleaning. Small plastic bottles of Everblum Gold Cleaning Fluid were
labeled, but workers tried to conceal them from Monitors. Unlabeled bottles of solvent
were also present. (Photo sent to the FLA for review).

Action 11/05/2011
Verified
Date:

Follow-up [Nike - March 13 2012:](#)

Plan of
Action: All workers who contact with chemical while cleaning garment are fully provided masks
and gloves during working hours. Moreover, all chemical pots are labeled in both local
and English language. Besides, we reminded workers to move to cleaning room for
cleaning garments.

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: According to the records review, Working Environment test for 2007, covering most all production lines, found that 63.6% of the samples were over the limit for dust particles. Testing in 2008 only tested 7 samples, finding 1 over the limit in the down stuffing area.

1. Temperature testing (6 samples) on May 12 was within limits. However, according to the walk through, Monitors noted temperature was hot and there was little ventilation on the production lines. Thermometer in the factory read 33 degrees Centigrade in the afternoon and temperature records from factory 4 showed temperature in excess of 30 degrees Centigrade most days this month.

2. According to record review, there is no lightning protection installed or tested to cover the second canteen and material warehouse buildings.

Plan Of Action: The factory shall continuously review workspaces to ensure cleanliness and take steps to make improvements where applicable. In this case, the factory shall review the cause of the dust and work to reduce dust exposure to workers. The factory management shall identify the key times of year where temperature can pose a problem to workers and be outside the allowable limits. Then the factory should implement practices that provide better working conditions, this may include heating in the winter and cooling in the summer. The factory shall review the lightning protection in both the canteen and the material warehouse building and install the correct protection.

Deadline Date:

Supplier CAP: As it was autumn during the audit the weather was rainy and cool, therefore the temperature is fine. It is still dusty on work floor, and the factory should provide mask to all employees. Documents for lightning protection are still missing, and the factory claim will provide later.

Report by: ***Auditor Name*** (EBI)

Supplier
CAP Date:

Action Taken: The factory received a lighting system certificate from Fire Police Department on October 14, 2008. The dust is a result of a lack of quality control of the down garment area. The factory will train to workers make sure that down garment are clean before going to production. Update from the factory: As a result of the working environment inspection, the dust situation has been improved and meets the standard.

Plan Complete: Yes

Plan Complete Date: 04/22/2009

Action Verified: No

Action Verified Text: Ongoing: As per record review, working environment tests for 2011 did not include down stuffing rooms, which is a high-risk area due to high level of dust and particles. Other areas were tested and the results meet national standards. Most recent environment test in May 2011 found no violations. However, internal factory records show temperatures regularly rising to 34-36 C during July and August (These temperatures were noted in Factory 4, but all factories in the compound share same design and ventilation). The factory still needs to improve cooling systems for employees working during summer months.

Completed: Per record review, lightning systems were installed to cover all buildings and certified by local fire police station on August 23, 2008.

Action Verified Date: 11/05/2011

Follow-up Plan of Action: Nike - March 13, 2012:

1. An authorized Environment Bureau Working environment test was conducted in the down stuffing rooms in December 2011.

2. Currently the cooling system is set up in the printing section and some sections of the factory. However, humidity is increased during the operation of the cooling system so we are looking for other cooling options.

Health and Safety: Sanitation in Factory Facilities

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

Noncompliance

Explanation: Housekeeping needs to be improved. During the walk-through inspection, products and materials were found next to or blocking electrical panels and controls or blocking fire-fighting equipment.

Plan Of Action: Factory management shall develop a sustainable solution to ensuring that workspaces (especially emergency exits) are kept clean and clear from obstruction. Training should be provided to supervisors and workers and supervisors should be measured on the effectiveness of implementing this policy.

Deadline Date:

Supplier CAP: Housekeeping is improved and no blocking is detected. The factory should schedule periodical check on the pathway.

Report by: ***Auditor Name*** (EBI)

Supplier CAP Date: 10/30/2008

Action Taken: Factory management has organized meeting with Production ESH daily inspects the production floor and report to concerned department for improvement and taking action. Chief of sections regularly reminds workers to follow safety regulations. Update from factory: The factory is keeping a clean and safe working environment.

Plan Complete: Yes

Plan Complete Date: 04/22/2009

Action Verified: No

Action Verified Text: [Completed:](#) From walk through, housekeeping is improved. Internal HSE audits are conducted regularly and Monitors observed no blocked equipment.

Action Verified Date: 11/05/2011

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: [New Finding:](#) Based on a review of 30 time records a month (from January to September 2011) in different departments (sewing, ironing, cutting and packing), in 16 records, workers were found to be exceeding legal annual overtime limits, as of September 2011. Recorded overtime was found to be up to 372 hours (the maximum limit is 300 hours).

Plan Of Action: OT policy is set up & trained for all employees when they started working in company. Working overtime is voluntary. Our company carefully controls the employees weekly working hours to be within 60 hours.

Due to high production demand and lack of manpower factory will try to reduce overtime to 450 hours for 2012. We will try our best to comply and meet 300 overtime hours in 2013.

Deadline Date: 12/31/2013

**Supplier
CAP:**

**Supplier
CAP Date:**

**Action
Taken:**

**Plan No
Complete:**

**Plan
Complete
Date:**

**Action No
Verified:**

**Action
Verified
Text:**

**Action
Verified
Date:**
