



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Puma  
**COUNTRY:** Vietnam  
**FACTORY CODE:** 360084894G  
**MONITOR:** Global Standards  
**AUDIT DATE:** August 21 – 22, 2008  
**PRODUCTS:** Footwear  
**PROCESSES:** Cutting, Sewing, Preparation,  
Finishing  
**NUMBER OF WORKERS:** 5643



## CONTENTS:

|   |    |
|---|----|
| Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses                  | 3  |
| Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation | 4  |
| Wages, Benefits and Overtime Compensation: Worker Wage Awareness  | 5  |
| Forced Labor: Employment Records  | 6  |
| Forced Labor: Other - Forced Labor  | 7  |
| Freedom of Association: General Compliance Freedom of Association                                       | 8  |
| Harassment or Abuse: Discipline/Monetary Fines and Penalties  | 9  |
| Child Labor: Employment of Young Workers  | 10 |
| Code Awareness:   | 11 |
| Health and Safety: General Compliance Health and Safety   | 12 |
| Health and Safety: Permits and Certificates   | 14 |
| Health and Safety: Evacuation Requirements and Procedure  | 16 |
| Health and Safety: Use of Personal Protective Equipment   | 18 |
| Health and Safety: Chemical Management and Training   | 19 |
| Health and Safety: Material Safety Data Sheets/Worker Access and Awareness                              | 21 |
| Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance                         | 22 |
| Health and Safety: Machinery Maintenance and Worker Training  | 23 |
| Health and Safety: Medical Facilities   | 25 |
| Health and Safety: Sanitation in Factory Facilities   | 26 |
| Health and Safety: Toilets  | 27 |
| Health and Safety: Food Preparation   | 28 |
| Health and Safety: Drinking Water   | 29 |
| Health and Safety: Other - Health and Safety  | 30 |
| Hours of Work: General Compliance Hours of Work   | 32 |
| Hours of Work: Rest Day   | 33 |
| Hours of Work: Meal and Rest Breaks   | 34 |
| Hours of Work: Other - Hours of Work  | 35 |

### **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. In addition, all leave and bonuses shall be calculated correctly. (S)

#### **Noncompliance**

**Explanation:** 12 days annual leave is given to all workers, while the law requires 14 days for workers in dangerous, heavy and toxic job positions, such as sewing, chemical mixing, printing and cementing.

Legal reference: Decision No. 1453/LDTBXH-QD, Section XI

Sources: Worker and management interviews

**Plan Of Action:** Factory will follow the Vietnam law regarding annual leave

**Deadline Date:**

**Supplier CAP:** Included annual leave of 14 days for workers in hazardous and heavy jobs in the new Rules of Labor of the factory that was submitted to the government for approval.

**Supplier CAP Date:** 10/31/2008

**Action Taken:** November 10, 2008: Puma checked Rules of Labor which was submitted for approval on November 3, 2008 (approval not yet secured as of date of audit). The new regulation has not yet been formally announced, but supervisors who were interviewed already knew about it.

**Plan Complete:**

**Plan Complete Date:**

---

## **Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation**

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

### **Noncompliance**

**Explanation:** [Factory has not set up and registered the wage scale system, in violation of labor law.](#)

[Sources: Management interview, record review](#)

**Plan Of Action:** [Factory will develop wage scale system and have it registered with the Ministry of Labor - Invalid and Social Affairs \(MOLISA\).](#)

**Deadline Date:**

**Supplier CAP:** [Wage scale has been developed, but registration with MOLISA will be done upon completion of the transfer process to the new corporation.](#)

**Supplier CAP Date:** [11/30/2008](#)

**Action Taken:** [November 10, 2008: Wage scale not yet registered as transfer process had not yet been completed.](#)

[Source: Wage scale copy review](#)

**Plan Complete:**

**Plan Complete Date:**

---

## Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

### Noncompliance

**Explanation:** Piece rate system is unusually complicated and difficult to understand. Accountant has difficulty explaining the system and workers do not understand how to calculate their wages. Line supervisors record the coefficient for each worker every day and sum it up at the end of the month. Individual piece salary = [(total pieces produced X piece price) 1% for 3 material receivers + hourly salary of material distributors of 2 lines]: total coefficient of the whole line X coefficient of each individual.

**Plan Of Action:** Revise wage computation system to make it simple and easy for workers to understand. Wage system must always ensure compliance with minimum wage.

**Deadline Date:** 11/30/2008

**Supplier CAP:** We will issue a memo to all workers on salary computation, including procedure and instructions for computing salary. We will also issue the memo to all supervisors to make sure they all follow the policy. Once corporation's transfer papers to new owners are completed, we will adopt a new salary calculation.

**Supplier CAP Date:** 11/30/2008

**Action Taken:** November 10, 2008: Wage computation system still same, although accountant was now able to demonstrate to Puma auditor how wages calculated. System may be difficult for workers to understand, even with sample computation. Puma will follow up with factory to adopt simple wage calculation system.

Source: Salary computation review

**Plan Complete:**

**Plan Complete Date:**

### **Forced Labor: Employment Records**

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

#### **Noncompliance**

**Explanation:** Personnel records and filing systems are not organized properly. Only 14 out of the 35 requested worker personnel files were available.

**Plan Of Action:** Develop a system that would ensure a) a separate and complete employment file for every employee and b) an easy location for every file.

**Deadline Date:**

**Supplier CAP:** Administration department will develop a computerized system for employment files that locates files through assigned employee numbers. Staff shall be assigned for the retrieval and arrangement of employment records.

**Supplier CAP Date:**

**Action Taken:** November 10, 2008: Except for the files of those hired in 1999 and earlier, (which cannot be located), all other files requested were easily made available. Factory will reconstruct the missing files.

Source: Employment file check

**Plan Complete:**

**Plan Complete Date:**

---

**Forced Labor: Other - Forced Labor**

Other

**Noncompliance**

**Explanation:** The new labor regulations draft has several provisions that are not in compliance with labor law and Company Code of Conduct (COC), e.g., policy to restrict workers' freedom of movement regarding using restrooms and drinking water 30 minutes before finishing work and policy to dismiss workers in cases where they are absent without leave for 3 days.

**Plan Of Action:** Review draft of manual and ensure contents are in accordance with labor laws and COC.

**Deadline Date:**

**Supplier CAP:** With the separation from the Vietnamese owners, factory will formulate a new Rules of Labor and Workers Manual that will be submitted to the government for approval. All regulations in previous Rules and regulations that are contrary to law will be removed. It must be mentioned that the 2001 VWC Rules and Regulations was stamped by the government. Furthermore, we have not restricted the movement of workers. Once approved, the manual will be printed for distribution to workers.

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

**Action Taken:** November 10, 2008: With acknowledgment of receipt by the government agency, manual no longer contains the questionable provisions. Factory still waiting for the notice of approval.

Source: Copy of new Rules of Labor and Workers Manual that was submitted to the government for approval on November 3, 2008.

**Plan Complete:**

**Plan Complete Date:**

---

## Freedom of Association: General Compliance Freedom of Association

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

### Noncompliance

**Explanation:** CBA has not been negotiated and signed between management and Union.

**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:** Factory should set up a trade union and sign a Collective Bargaining Agreement (CBA) as required by law.

**Deadline Date:**

**Supplier CAP:** We are now completing process of applying as a foreign-invested company after our separation from our Vietnamese partners and will sign a CBA once process is complete.

**Supplier CAP Date:** 02/28/2009

**Action Taken:** November 10, 2008: Transfer is not yet complete. According to head of union, a CBA will be negotiated once transfer of all employees to new company is complete.

Sources: Factory representatives and head of the union interviews

**Plan Complete:**

**Plan Complete Date:**



### Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

#### Noncompliance

**Explanation:** Discipline records in form of deduction of bonus are posted on bulletin boards.

**Plan Of Action:** Advise all concerned to stop the practice of posting disciplinary actions on bulletin boards. Factory to formulate guidelines for deductions in case of damage to materials by fault of a worker. Before making a deduction, factory should discuss it with the Executive Committee of the local trade union and ensure that deduction will not exceed 30% of monthly wage as provided for by law.

**Deadline Date:**

**Supplier CAP:** We will stop the practice of posting discipline records on bulletin boards. The deduction is only on the efficiency bonus and is done only when a worker damages material during work. Deduction amount is only part of the cost of the damaged material, just to make workers are more careful in their work.

**Supplier CAP Date:**

**Action Taken:** November 10, 2008: No disciplinary records or pictures of workers with disciplinary actions seen posted on bulletin boards. According to Administration department personnel, they have been advised regarding this. For follow up with factory, create guidelines for deductions in cases of material damages.

Source: Visual inspection

**Plan Complete:**

**Plan Complete Date:**

---

## Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant 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. (P)

### Noncompliance

**Explanation:** Factory employs 366 workers who are 17 years old and allows them to work normal hours, a violation of the labor law.

**Plan Of Action:** Formulate guidelines to keep track of young workers, their working hours, job assignments and other requirements of the law.

**Deadline Date:**

**Supplier CAP:** We will limit young workers' hours to 7 a day. To comply with regulations on young workers, our company:

1. Keeps a list of all young workers with all pertinent information;
2. Provides annual checkups, together with other regular workers;
3. Will not assign young workers to dangerous and heavy jobs;
4. Lets young workers leave the work area 1 hour early.

**Supplier CAP Date:** 09/30/2008

**Action Taken:** November 10, 2008:

1. Updated list.
2. Annual checkup provided to them.
3. Job assignments for young workers not among those whose attendance records were checked.

Source: Test-checked pertinent records relative to young workers

**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:** Interviewed workers do not demonstrate an understanding of Company COC, further training needed.

**Plan Of Action:** Include elements of COC in Workers' Manual and in new employee orientation. Conduct a re-briefing for existing workers on COC.

**Deadline Date:**

**Supplier CAP:** COC elements will be included in Workers' Manual once Rules of Labor under the new name of the company are approved by the government. Workers' Manual will be printed and distributed, and retraining will be conducted for all workers.

**Supplier CAP Date:** 11/30/2008

**Action Taken:** November 10, 2008: Checked Rules of Labor under the new name of the company. Approval not yet secured. Retraining of workers not yet conducted.

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 no documented tests of internal or surrounding environment, in violation of Decree No. 80/ND-CP on environment. In monitor's judgment, there are many areas where temperature, noise and chemical exposure exceeds allowed limits.

2. Factory has not conducted annual health checks for workers since August 2007, but plans to conduct them in October.

3. Factory has not organized annual on-the-job H&S training for all workers in compliance with Circular No. 37/2005/TT-BLDTBXH.

4. Factory has not conducted required lightning, grounding and electrical testing. Factory has no licensed or trained electrician on staff and has experienced a number of electrical accidents.

5. Factory does not have an adequate system to review and try to prevent labor accidents in compliance with legal requirements.

Legal reference: Circular No. 10/2003/TT-BLDTBXH & Joint Circular No. 14/2005/TTLT-BLDTBXH-BYT-TLDLDVN

### Plan Of Action:

Factory should arrange the following:

1. Environmental test must be done every year.
2. Health check up must be conducted annually for general workers; every 6 months for those in hazardous or heavy jobs.
3. Annual on-the-job H&S training should be provided to all workers.
4. Conduct electrical, lightning, and grounding tests.
5. Factory to develop system on evaluating risks involved in each operation to determine necessary precautions and personal protective equipment (PPE). Factory shall also develop system for accident investigation to determine causes of accidents and to implement corrective actions to prevent the same accident from recurring.

### Deadline Date:

**Supplier CAP:**

1. We had environmental check done by the government, but the documents are with our previous partners.
2. We will arrange health checkups for workers in October 2008
3. On-the-job H&S training will be conducted for all workers. Training will be provided first to representatives from each department, particularly supervisors, who will then provide training to the others.
4. All our electricians have a license from the local government. We will arrange electrical, lighting and grounding tests.

**Supplier CAP Date:** 11/30/2008

**Action Taken:** November 10, 2008:

2. Checked records of health checkups arranged on November 7, 2008 for 2,587 workers who had at least 1 year of service. Factory was advised that workers in hazardous or heavy jobs must be provided checkups every 6 months.
4. Interviewed 3 electricians to check educational backgrounds and how they got their licenses. All showed a copy of their license. According to them, they submitted a copy of their license to office when they applied. According to office, they could not find the file during the FLA audit.

No action done yet on other items.

**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:** 1. 20 air compressors and compressed air cylinders are in use in factory, but safety inspection certificates expired May 25, 2008. Elevator permits expired in December 2006 and March 2008.

2. Factory has not obtained certificate for hazardous waste as per Decree No. 80/ND-CP.

3. Canteen supplier lacks proper food safety certificate.

**Plan Of Action:** 1. Secure necessary certificates/permits for air compressors, compressed air cylinders and elevator and renew as needed.

2. Obtain certificate for hazardous waste from the appropriate government agency.

3. Require canteen concessionaire to secure food safety certificate; renew as needed.

**Deadline Date:**

**Supplier CAP:** 1. We will secure necessary safety inspection certificates/permits for air compressors, air cylinders and elevators, and will renew them as needed.

2. Factory will obtain the certificate of hazardous waste.

3. Canteen concessionaire will be asked to get food safety certificate and arrange renewal as necessary.

**Supplier CAP Date:** 10/31/2008

**Action**      November 10, 2008:

**Taken:**

1. Safety inspection certificate for air compressors valid until October 26, 2011; certificate for elevators valid until September 15, 2010.
2. Test results from suppliers regarding presence of harmful substances on materials presented by factory, but this was not required certificate for hazardous waste.
3. Food safety certificate obtained by canteen concessionaire October 24, 2008.

Factory still to work on:

1. Safety inspection certificate for air cylinders;
2. Certificate for hazardous waste from proper government agency.

**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. Factory lacks legal fire permit, evacuation plan and annual fire training from the fire department as per legal requirements. Internal fire drills are conducted frequently (every month).

2. Factory has no central or automatic fire alarm system, but a series of manual alarms for each floor in each workshop. No fire detection systems (smoke detectors) in the material warehouse.

3. Some exit doors closed and/or locked and others lacked lighted exit signs and emergency lights.

**Plan Of Action:** 1. Secure fire permit and renew as needed. Arrange an annual evacuation drill and fire fighting training from fire department.

2. Install centralized fire alarm system and smoke detectors at materials warehouse. Arrange regular inspections and tests of these items.

3. Advise all concerned to keep exits unlocked and free from any obstruction at all times during operations. Provide lighted exit signs and emergency lights at areas where they are missing. Arrange regular inspection of these items.

**Deadline Date:** 11/30/2008

**Supplier CAP:** 1. We will secure fire permit in 2009 after completion of the transfer documents to new company. We have evacuation plans posted at every section. We have a fire fighting training certificate, but it already expired. We will arrange to have training.

2. Fire alarm will be installed in February 2009. Smoke detectors will also be installed.

3. All exits will be kept unlocked during operations. Missing exit signs and emergency lights will be installed. Emergency lights will be inspected regularly.



**Supplier CAP** 02/28/2009

**Date:**

**Action** November 10, 2008:

**Taken:**

1. Checked documents, including pictures, on fire safety and fire fighting training conducted by government on November 8, 2008, but certificate has not yet been issued. Factory also had an internal fire fighting training conducted by its Security Department on October 10, 2008, for 56 persons.
2. Inspected smoke detectors that were installed (in the last week of October 2008). Visited the new chemical storage area; area is provided with better ventilation and secondary containment. Centralized fire alarm not yet installed.
3. Inspected additional exit signs and emergency lights that were installed (in the first week of October 2008). Exits that were checked were unlocked and unobstructed.

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

---

## Health and Safety: Use of Personal Protective Equipment

H&S.12 Workers shall not incur any costs related to the normal and regular provision and maintenance of personal protective equipment. (P)

### Noncompliance

**Explanation:** Workers do not always use PPE consistently. Workers were issued carbon masks previously, but they got dirty and have not been replaced; now they all use cotton dust masks. Gloves are rarely used for chemical application (workers complain about the fit and cut open the fingers) No hearing protection available in embroidery section, etc.

**Plan Of Action:** Provide correct PPE where necessary. Advise Personnel Department to keep track of regular replacement of PPE. Brief workers and supervisors on the importance and proper use of PPE. Advise supervisors to monitor consistent and proper use.

**Deadline Date:**

**Supplier CAP:** Lacking PPE will be provided and supervisors will regularly check if PPE is used consistently and properly. Administration Department will keep track of the regular replacement of carbon masks.

**Supplier CAP Date:**

**Action Taken:** November 10, 2008: Workers were seen with PPE, but some were using the wrong mask; others were not using PPE properly. Factory committed to conduct training on PPE before the end of November 2008.

Source: 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 a proper system for the safe handling and use of chemicals, including PPE; chemical labels and warnings; and detailed safety training for workers who use chemicals. Some chemical containers were not labeled.
  2. Factory has a policy to discontinue the use of hazardous chemicals containing Toluene; however, some Toluene-containing chemicals remain in use (i.e. CA535, 888A).
  3. No secondary containment available for diesel oil storage area.

- Plan Of Action:**
1. Observe system for the proper handling and use of chemicals, including the provision of labels, warning signs, MSDS, PPE and appropriate training.
  2. Advise all people concerned in purchasing and production to stop usage of chemicals with Toluene.
  3. Provide appropriate secondary containment for diesel oil.

**Deadline  
Date:**

- Supplier  
CAP:**
1. Outside chemical storage will be transferred to a different location with better system of storage. Chemical containers will be provided with labels and warning signs; corresponding MSDS will be posted. Workers will be provided training on chemical safety.
  2. We will discontinue the use of chemicals CA535 and 888A and find a suitable replacement.
  3. Factory will provide secondary containment for diesel oil.

**Supplier CAP  
Date:** 11/30/2008

**Action**      November 10, 2008:

**Taken:**

1. Inspected new chemical storage area. New area has better ventilation, provided with secondary containment and smoke detector. Copies of MSDS posted in area. Chemical containers provided with labels and warning signs. Training on chemical safety not yet done.
2. Checked documents pertaining to CA535 and 888A. Remaining CA535 stock intended to be returned was used up. No remaining 888A stock; last purchase was on May 14, 2008. CA535 was replaced with 886R, and 888A was replaced by 890A. MSDS of replacements show no Toluene content.
3. Inspected secondary containment for diesel oil and found it to be insufficient.

**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:** MSDS did not always correspond to chemicals in use. MSDS not available for some chemicals and workers had little awareness or training on safe chemical use.

**Plan Of Action:** Ensure corresponding copies of MSDS posted in areas where chemicals are in stock or in use. Copies that are not relevant should be put aside. Conduct training on chemical safety and handling and on MSDS.

**Deadline Date:**

**Supplier CAP:** Factory will ensure copies of MSDS of chemicals in use will be available and posted at areas of storage and use. MSDS of chemicals no longer used will be removed. Training on chemical safety will be conducted.

**Supplier CAP Date:**

**Action Taken:** November 10, 2008: MSDS of all chemicals in use posted in areas where corresponding chemicals were stored or in use. Training on chemical safety and on MSDS not yet done.

Sources: Visual inspection

**Plan Complete:**

**Plan Complete Date:**

---

## 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

|                           |  |
|---------------------------|--|
| <b>Explanation:</b>       | <p>1. Chemical mixing rooms lack proper exhaust ventilation and in some cases use an oscillating fan. Proper PPE (mask, gloves, boots) also not in use.</p> <p>2. No secondary containment, fire detection/passive fire extinguishing systems available in 2 chemical warehouses.</p>  |
| <b>Plan Of Action:</b>    | <p>1. Provide sufficient ventilation at chemical mixing room. Provide correct PPE and enforce proper usage.</p> <p>2. Provide secondary containment, smoke detector and sufficient fire fighting equipment at chemical warehouses.</p>   |
| <b>Deadline Date:</b>     |  |
| <b>Supplier CAP:</b>      | <p>1. Chemical storage area will be relocated and provided with proper ventilation. Proper PPE will be provided.</p> <p>2. Secondary containment and fire extinguishers will be installed in the area.</p>   |
| <b>Supplier CAP Date:</b> | 10/31/2008   |
| <b>Action Taken:</b>      | <p><u>November 10, 2008:</u></p> <p>1. Storage building for chemicals transferred to new location with ventilation on walls. Some workers do not have correct type of mask and some not wearing PPE properly.</p> <p>2. Secondary containment, smoke detector and fire extinguishers were installed.</p> <p>Sources: Visual inspection</p> |
| <b>Plan Complete:</b>     |  |

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. Maintenance workers were seen welding in slippers without eye protection.  
2. Workers are using forklifts, trolleys, platforms and ladders unsafely, without proper training and instruction. No permits available for fork lift.

Legal reference: Circular 04/2008/TT-BLTBXH

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

**Plan Of Action:** 1. Provide workers with goggles and require them to use goggles and shoes while working.  
2. Obtain permit for forklift and renew as needed. Provide training to workers on safe methods of handling and transporting materials.  
3. Post warning signs and safety instructions on the cutting and pressing machines.

**Deadline  
Date:**

**Supplier CAP:**

1. We will require them to wear shoes and provide them with gloves and face protection. We will train them on the importance of wearing shoes and PPE.
2. We will obtain a permit for the forklift. Train workers on safe methods of handling and transporting materials.
3. Warning signs and safety instructions will be posted on the cutting and pressing machines.

**Supplier CAP Date:** 10/31/2008

**Action Taken:** November 10, 2008:

1. Maintenance workers wearing shoes, gloves and face protection. They mentioned that they were briefed on the need to wear shoes and PPE.
2. Forklift permit (copy shown) obtained October 9, 2008. Warehouse supervisor briefed workers on the proper use of equipment used in moving or transporting materials. However, unsafe practice of using trolley was still found.
3. Warning signs were found posted on corresponding machines, but no safety instructions were found.

Sources: Records check, visual inspection

**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)

### Noncompliance

**Explanation:** Clinic for a factory this size is required to have a doctor. Clinic should also have government inspection license as per 14/1998/TTLT-BLDTBXH-TLDLDVN. First aid training is currently insufficient and lacks official certificates.

**Plan Of Action:** Comply with legal requirement on posting a doctor at factory and secure government permit for clinic. Arrange training on first aid by an accredited government agency or a private entity.

**Deadline Date:**

**Supplier CAP:** We will contract a doctor to stay at the clinic every day for 1 hour. We also have arrangement with a nearby hospital to accommodate emergency cases. We will ask the government agency for inspection certificate and first aid training.

**Supplier CAP Date:** 10/31/2008

**Action Taken:** November 10, 2008:

1. Factory contracted a doctor starting October 1, 2008 for 1 hour daily schedule at clinic. According to doctor (who was at factory during Puma visit), he stays 1 hour at the factory, but is on call anytime, as his clinic is 5 minutes away by motorbike. He has been in practice for 6 years.
2. Training on first aid has been done in-house, but no training yet by an accredited agency or entity. Clinic inspection certificate and first aid training not yet conducted.

Sources: Document check, visual inspection, applicable interviews

**Plan Complete:**

Plan  
Complete  
Date:

---

### 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:** Toilets lack adequate toilet paper, working sinks, running water, and soap.

**Plan Of Action:** Install necessary working sinks. Arrange regular inspection of toilets to ensure adequate supply of running water and soap.

**Deadline Date:**

**Supplier CAP:** We will ensure adequate supply of running water, soap and working sinks.

**Supplier CAP Date:**

**Action Taken:** November 10, 2008: During inspection, toilets were found to have been provided with soap and running water.

Plan  
Complete:

Plan  
Complete  
Date:

---

## Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

### Noncompliance

**Explanation:** Factory has 60 male and 60 female toilets for about 5,000 workers, 95% of whom are female. There are insufficient female toilets, approximately 67 female workers per bathroom.

Legal reference: 3733/2002/QD - BYT

**Plan Of Action:** Based on the ratio required by local regulations, arrange for the construction of additional units of toilets as necessary.

**Deadline Date:**

**Supplier CAP:** We have already identified the area where additional toilets will be constructed, but construction will start only in December.

**Supplier CAP Date:** 01/31/2009

**Action Taken:** November 10, 2008: No action taken yet by factory. According to factory, the land owner does not allow additional construction to be done. Factory pointed to Puma auditor the area being intended for the additional toilets, in case the land owner agrees.

**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:** Canteen hygiene and maintenance is poor. Food is left out uncovered. Freezer shows signs of rust outside and blood inside. Unsanitary wooden racks used in food preparation.

Legal references: Decision 505/BYT/QD, Decision 4128/2001/QD-BYT

**Plan Of Action:** Factory to require canteen concessionaire to do the following:

1. Secure sanitary permit and renew as needed.
2. Observe cleanliness in the area in general and in the proper way of handling and preparing food.

**Deadline Date:**

**Supplier CAP:** We will remind canteen concessionaire to observe proper hygiene in handling food and to ensure that canteen area is kept clean. Management and trade union representative will conduct regular inspection at the canteen.

**Supplier CAP Date:** 10/31/2008

**Action Taken:** November 10, 2008:

1. Canteen hygiene certificate was secured October 24, 2008.
2. Food trays on racks were covered with nets. Freezers were clean with no more signs of blood inside and rust outside. Tables used in food preparation were clean. However, there was a wooden rack just outside the kitchen for storage of miscellaneous items which Puma auditor asked factory to remove.

Sources: Document check, visual inspection

**Plan Complete:**

Plan  
Complete  
Date:

---

### Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

#### Noncompliance

**Explanation:** Drinking water safety should be tested quarterly, but no records of testing exist for the past several years.

Legal references: Decision 505/BYT/QD, Decision 4128/2001/QD-BYT

**Plan Of Action:** Arrange a regular testing of drinking water and keep test results on file.

**Deadline Date:**

**Supplier CAP:** We have a water filtration system (UV) installed by the government. We will arrange test of drinking water as required.

**Supplier CAP Date:** 09/30/2008

**Action Taken:** November 10, 2008: a) Copy of result of test on drinking water dated September 15, 2008. b) Water filtration system (ultra violet) installed by government.

Sources: Document check, visual inspection

Plan  
Complete:

Plan  
Complete  
Date:

## Health and Safety: Other - Health and Safety

Other

### Noncompliance

**Explanation:** 1. Accidents compensated under government regulations, but all accidents reviewed were classified as worker's fault. Monitors noted on visual inspection that the large standing fans are unsafe, with large gaps in the safety covers. In 1 recent incident, a worker had an accident when cleaning near 1 of the fans and lost 2 fingers. After treatment, her working ability was found to be impaired by 21% and she was paid compensation of 2.36 months' salary. In view of inadequate fan safety covers, monitors believe factory should pay her 5.6 months, for company's fault, as per required by circular 10/2003/TT-BLTBXH. In another case, a worker suffered a serious broken arm with some loss of function, but received no compensation.

2. Safety Committee was formed, but does not follow the prescribed format as required; meeting minutes for the past year are only available in Chinese.

**Plan Of Action:** 1. Ensure that accidents are properly evaluated to determine proper preventive measures and proper compensation for injured workers in accordance with government regulations.

2. Comply with composition requirements of H&S Committee. Advise Committee to keep minutes of meeting also in local language.

**Deadline Date:**

**Supplier CAP:** 1. We always follow Vietnamese law in investigating and compensating injuries. The accident involving the electric fan happened during break time. The electric fan has a safety cover and gaps are not really so big. Worker admitted it was her fault. In the second case, we asked the worker to go to the doctor to have a full evaluation of the injury and we will pay accordingly based on the evaluation.

2. We will add more members to H&S Committee. Meeting minutes will be made in 3 languages (Vietnamese, Chinese and English). Aside from H&S Committee meeting, we also have a monthly meeting between workers and management, where they can also ask about health and safety issues.

**Supplier CAP Date:** 10/31/2008

**Action**      November 10, 2008:

**Taken:**

1. No more standing fans in production areas; instead, there were big ventilating fans on the walls, which all had protective covers. According to workers interviewed on the floor, the ventilating fans were installed in October 2008. All standing fans found stored in warehouse. Puma auditor inspected the fan that was the subject of the accident. Although the gaps on protective cover were wider than normal cover, auditor believes that cover was enough to protect a prudent person from being harmed if they came near the fan.

2. H&S Committee had not yet had a meeting after the FLA audit. Composition not yet changed.

Sources: Interviews, visual inspection

**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:** OT hours exceed both code and legal limits. Approximately 50% of workers work more than 4 OT hours a day (4.5 – 5.5 hours), 90% worked more than 12 OT hours a week (13 – 29 hours).

Sources: Time record review of 30 selected time records from May – July 2008

**Plan Of Action:** Factory should develop program to ensure that production loading is within normal capacity, without the need to work extra overtime and work on rest day. Production and other related departments should be trained to coordinate for the timely supply of all items (materials, tools, personnel, etc.) needed in production. In case work on rest day cannot be avoided, a replacement rest day should be scheduled the following week.

**Deadline Date:** 11/30/2008

**Action Taken:** November 10, 2008: Factory has not yet developed a program to reduce OT and eliminate rest day work. Extra overtime and rest day work were still found in the attendance and payroll records in September and October 2008.

Source: 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:** 20% of workers work from 1 – 4 Sundays a month without a compensating day off.

Source: Review of 30 selected time records from May – July 2008

**Plan Of Action:** Factory should develop program to ensure that production loading is within normal capacity without the need to work extra overtime and work on rest day. Production and other related departments should be trained to coordinate for the timely supply of all items (materials, tools, personnel, etc.) needed in production. In case work on rest day cannot be avoided, a replacement rest day should be scheduled the following week.

**Deadline Date:** 11/30/2008

**Action Taken:** November 10, 2008: Factory has not yet developed a program to reduce overtime and eliminate rest day work. Extra overtime and rest day work were still found in the attendance and payroll records in September and October 2008.

Source: Interviews

**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 in case of overtime more than 2 hours a day, but does not count and pay this period as overtime.

Legal reference: Circular No. 15/2003/TT-BLDTBXH

**Plan Of Action:** Comply with government circular to pay dinner break as overtime in cases of overtime work of more than 2 hours during the day.

**Deadline Date:**

**Supplier CAP:** We will include as paid overtime hours the 30-minute dinner break before overtime of more than 2 hours during the day. We will change the computer program to affect this.

**Supplier CAP Date:** 10/31/2008

**Action Taken:** November 10, 2008: A memorandum was issued September 17, 2008 that 30-minute dinner break before overtime would be included as paid overtime. Attendance and payroll records that were selected showed that dinner break of 30 minutes was paid as overtime. Supervisors who were interviewed mentioned this item as one of the recent announcements made by management. However, the inclusion of the dinner break as OT hours was done manually only, as the computer program for tracking work hours had not yet been corrected.

Sources: Document check, interviews

**Plan Complete:**

**Plan Complete Date:**

---

## Hours of Work: Other - Hours of Work

Other

### Noncompliance

**Explanation:** 1. Workers who are pregnant from 7 months or have a child younger than 12 months are allowed to work 8 hours a day. Workers have application, are allowed to work 8 hours a day, and are paid correctly. Note that this is generally voluntary, i.e., workers may be willing to work 8 hours and sign form to volunteer for this work, but the law does not really allow for this.

2. Factory lacks written policies and procedures on voluntary overtime.

Source: Worker interviews

**Plan Of Action:** 1. Factory should formulate separate policies for women workers in general to include: a) no discrimination against women, especially pregnant women; b) women not to be assigned to heavy or dangerous jobs or jobs requiring contact with substances having harmful effects on their reproductive and child-rearing functions; c) maternity leave; d) no night work or far-off work for women who are 7 or more months pregnant or have a child younger than 12 months old; e) work hours of women in the 7th month of pregnancy onward shall be reduced by 1 hour, but with full pay; f) women tending her child younger than 12 months old shall have 60 minutes off during work time with full pay.

2. Formulate voluntary overtime policy which includes provision that no one shall be disciplined for not working overtime. Develop a voluntary overtime form to be signed by workers who would like to work overtime.

**Deadline Date:**

**Supplier CAP:** 1. Effective September 1, 2008, we will follow Vietnam law that all workers who are pregnant 7 months or more will work only 7 hours per day.

2. We have been using the overtime sheet for a long time. This form is used by workers if they would like to work overtime.

**Supplier CAP Date:**



**Action Taken:** November 10, 2008: Factory issued a memorandum October 20, 2008 regarding the 7-hour work schedule of those who are 7 or more months pregnant and those with babies younger than 1 year old. When asked about the new announcements made by factory, among those mentioned by supervisors was the regulation that workers who are 7 or more months pregnant or have babies younger than 1 year will work for only 7 hours a day with full pay. Factory keeps a record of workers in this condition. Those who are in the early months of pregnancy are required to report to supervisors or the Personnel Department. They are also allowed not to tuck in their T-shirts.

2. Policy on voluntary overtime not yet formulated, although the overtime form is in use. Supervisors mentioned that they can only talk to workers in case there is overtime, as they cannot force workers.

**Plan Complete:**

**Plan Complete Date:**

---