



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: PUMA SE

COUNTRY: Vietnam

ASSESSMENT DATE: 12/11/18

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Footwear

NUMBER OF WORKERS:

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide any orientation training to new workers. [ER.1, ER.15]
2. The factory does not provide ongoing training to workers on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection. [ER.1, ER.15, ER.25, ER.28]
3. The factory does not provide specific training to the relevant managers and supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection. [ER.1, ER.17, ER.27]
4. The factory does not provide specific training to the relevant HR personnel and administrative staff on Workplace Conduct & Discipline. [ER.1, ER.17, ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.25, ER.27, and ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

3. Missing training material and attendance record

Planned completion date

01/21/19

Company Action Plan Update

- 1, 2, 3, 4 : all actions are completed
1. For new workers , after training rules , introduce about factory , quality ...Training departments are HR , Security Guard , Account , Safe team , IE , Nurse. and then new workers are trained in production line.
2. The company has trained employees in the month of

less orders, the company will periodically train once every 6 months

3. Each worker or supervisor is trained Factory regulation and then each worker keeps a worker handbook, the Factory will improve and add content to the workers handbook.

4. On last Oct.02& 04.2018 under training of two supervisors together with 121 supervisors in Factory were trained about management skills , behavioral arts , working place discipline.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate with the general workforce regarding its policies and procedures or their updates across all Employment Functions. [ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, C.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29, and ER.30; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

the communication methods haven't been mentioned in written in policy. factory is suggested to add in the communication methods

Planned completion date

01/21/19

Company Action Plan Update

the communication methods haven't been mentioned in written in policy. factory is suggested to add in the communication methods

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not periodically review and update its policies and procedures on any of the Employment Functions. [ER.1, ER.29, ER.30, ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The company is committed to improve and periodically update policies more often

Planned completion date

01/21/19

Company Action Plan Update

The company is committed to improve and periodically update policies more often

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. 39 of the 77 foreign managers and supervisors working in the factory have not yet obtained work permits as required by local law. According to the factory, their work permits are being processed by the government, however, no receipts from the Bureau were available for review at the time of the assessment. [ER.1, ER.2]

2. The factory does not have a policy or procedures on Personnel Development [ER.1, ER.28, ER.29, ER.30]

Local Law or Code Requirement

Decree 11/2016/ND-CP on Detailed Regulations On Implementing A Number Of Articles Of The Labor Code Regarding Foreign Workers In Vietnam, Article 2, Article 9; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.28, ER.29, and ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Pending: To apply for a Vietnamese work permit, need to obtain a non-criminal record certificate, a 5-year work certificate, and a training certificate in China. After the completion of the process, you will be sent to the Department of Consular Affairs of the Ministry of Foreign Affairs for bilateral certification. These documents are handled by the foreign employees in their respective household registrations. On-criminal record, 5 years work certificate, training certificate" are free of charge The government does not provide any receipt.
2. factory had policy/procedure on recruitment. However, it is lack of personnel development procedure for employees/workers

Planned completion date

01/21/19

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory's Workplace Conduct & Discipline procedures lack an appeal process. [ER.1, ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Update and review procedure annually

Planned completion date

01/21/19

Company Action Plan Update

1. Completed: Factory set up the appeal process, part of discipline procedures (attachment -sheet 9)

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Elderly workers in the factory work more than seven hours per day. At the time of assessment, there were 13 elderly workers with ages ranging from 55 to 71 years old working in the inspection, Quality Assurance (QA), and Quality Control (QC) sections. These workers work eight regular hours per day, plus one to four hours of overtime per day as needed.[ER.14, HOW.1]

2. 70% of workers' working hours exceeded 60 hours per week during the months of May, June, and September 2018, with a maximum of 69 to 77 hours per week. During the other months, around 20-25% of workers worked 61 to 68 hours per week. [HOW.1, HOW.8]

3. The factory does not provide workers 24 consecutive hours of rest during every seven-day period. For example, 30-40% of workers (such as those in the lasting, sewing, and assembly sections) worked on Sunday, May 27, 2018 (a rest day). As a result, they worked for 13 days consecutive days. [HOW.1, HOW.2]

Local Law or Code Requirement

Labor Code of Vietnam No. 10/2012/QH13 Article 166 Clause 2; Labor Code of Vietnam No. 10/2012/QH13, Article 110, Clause 1; FLA Workplace Code (Employment Relationship Benchmark ER.14; Hours of Work Benchmarks HOW.1, HOW.2, and HOW 8)

Recommendations for Immediate Action

1. Ensure that the working hours of all elderly workers comply with legal requirements.
2. Do not allow or require workers to work more than a total of 60 hours per week (including regular and overtime hours).
3. Provide all workers at least 24 consecutive hours of rest during every seven-day period.

COMPANY ACTION PLANS

Action Plan no 1.

Description

maintain daily

Planned completion date

01/21/19

Company Action Plan Update

1, 2, 3: Completed

1. Based on the working attendance of elderly workers in Feb, Mar 2019, they worked 7hrs/day

2. Based on the data working record in Jan, Feb, Mar 2019. it is note that the highest working hours are 66hrs/ week and those cases belongs to security department.

3 Based on the data working record, there was no case who work on Sunday was found.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The monthly regular support bonus paid to the captain of the internal fire fighting team is lower than 30% of the basic salary as required by law. The captain is paid VND 390,000 (USD 16.90) per month instead of VND 417,000 (USD 18.07) per month. [ER.18, C.1, C.5]
2. The factory does not obtain workers' written consent before deducting union fees from their wages. [C.11, FOA.24]

Local Law or Code Requirement

Decree No. 79/2014/ND-CP dated July 31, 2014, Chapter IV, Article 35, Clause 3; FLA Workplace Code (Employment Relationship Benchmark ER.18; Compensation Benchmarks C.1, C.5, and C.11; Freedom of Association Benchmark FOA.24)

Recommendations for Immediate Action

1. Pay the captain of the internal fire fighting team a monthly regular support bonus that is at least 30% of the basic salary as legally required. Retroactively pay the captain for any regular support bonus payments that were calculated incorrectly in the past 12 months.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Pending: Factory has not paid the support bonus from Jan, Feb, Mar 2019

Planned completion date

01/21/19

Company Action Plan Update

2. Completed: Workers are freely to join trade union. Factory does not deduction Union fee from workers salary. Worker contribute member fee directly to Trade union only when they pass probation and submit application form.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One fire extinguisher in the sole workshop is undercharged. [HSE.1, HSE.6]
2. The factory's internal fire fighting does not have any vice captains as legally required. [HSE.1, HSE.5]
3. The factory does not conduct fire drills in the management dormitory building. At the time of assessment, there were 77 foreign managers and supervisors living in the dormitory. [HSE.5, HSE.25]
4. Two evacuation routes in the LEAN 2 workshop and one evacuation route in the sole workshop are missing floor markings and directional arrows to indicate the evacuation routes. In addition, the floor markings in the LEAN 2 workshop and embroidery workshop have not been updated to reflect the actual work areas and evacuation routes. [HSE.1, HSE.5]
5. Several of the evacuation routes in the PACE 1 and LEAN 2 workshops are obstructed by shelves. [HSE.1, HSE.5]
6. The evacuation map in the finished goods warehouse on the second floor of the West Building does not accurately reflect the evacuation route. [HSE.1, HSE.5]
7. Around 10% of the exit doors in the sole workshop and the finished goods warehouse in the West Building are partially obstructed by shelves containing partially finished goods and drinking water shelves. [HSE.1, HSE.5]
8. 80% of the exit doors in the West Building and the East Building are sliding or rolling doors instead of doors that open outward. In addition, one of the two exit doors in the embroidery room opens inward instead of outward. [HSE.1, HSE.5]
9. There are electrical wires running across the floors near the workstations in the LEAN 2 and LEAN 5 workshops. This could cause workers to trip and fall during an evacuation. [HSE.1, HSE.5]
10. There is only one exit door in the three-story dormitory building where 77 foreign managers and supervisors live. [HSE.1, HSE.5, HSE.25]

11. The factory's Health & Safety procedures do not include steps to ensure that all personnel, visitors, contractors, service providers, special categories of workers, and children in childcare facilities are safely evacuated. [ER.1, ER.31]

12. Management has not commissioned a fire risk assessment by a third-party expert. [HSE.5]

Local Law or Code Requirement

Vietnamese Standard TCVN 7435/1:2004, Article 5.1; Vietnamese Standard TCVN 5738/2001, Article 6.2; Decree 79/2014/ND-CP, Articles 7.1 and 32.4; Vietnamese Standard TCVN 2622/1995, Articles 7.5, 7.7, and 7.16; Vietnamese Code QCVN 06/2010/BXD, Articles 3.2.3 and 3.3.1; Vietnamese Standard TCVN 439/BXD-CSXD, Article 11.6.1; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.25)

Recommendations for Immediate Action

1. Ensure all fire extinguishers are properly charged.
2. Appoint two workers to serve as the vice captains of the internal fire fighting team as legally required.
3. Conduct annual fire drills in the management dormitory.
4. Mark all evacuation routes with floor markings and directional arrows. Update any outdated floor markings and directional arrows so that they accurately reflect the room layout and evacuation routes.
5. Remove obstructions from the evacuation routes in the PACE 1 and LEAN 2 workshops. Monitor all evacuation routes to ensure that they remain clear.
6. Update the evacuation map in the finished goods warehouse so that it accurately reflects the evacuation routes.
7. Remove obstructions from in front of the exit doors. Monitor all exit doors to ensure that they remain clear.
8. Replace all exit doors that roll, slide, or open inward with doors that open outward in the direction of evacuation.
9. Rearrange the electrical wires so that they do not pose a fall risk.
10. Install a second exit door in the management dormitory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

11. the procedure was set up before. However, it hasn't been trained & applied properly. Factory is suggested to include the procedure in the periodic HS training, orientation training at factory.

Planned completion date

01/21/19

Company Action Plan Update

Except 11, all findings from 1 to 12 were completed.

1. Factory is working with fire authority department to check on fire safety equipment every quarter. Besides, factory also check daily.
2. factory already officially appoint vice captains (2 vice captains) for their fire brigade. The monthly allowance was provided for these workers
3. Evacuation drill had been conducted for all expats in dormitory on Dec 29, 2018. The second practice is plan in May 2019
4. Floor marking have been repainted; Evacuation plant reflect actual production set up.
5. Evacuation routes were clean and clear
6. The evacuation map in the finished goods warehouse on the second floor of the West Building reflect the evacuation route.
7. Exits door were unlocked and unobstructed.
8. Due to we rent building from Best Royal Co. Ltd. So we will suggest her to repair exit doors.
In addition, in order to prevent the rolling doors from suddenly lowering down, factory installed metal stops which restrict the doors from lowering and ensure safety opening.
9. Trip and falling risk have been controlled.
10. Factory provided 2nd stair case.
12. in Feb 2019, the local fire police conducted fire safety inspection on site at factory
(attachment from 5.1 to 5.12)

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Two electrical panel boxes in the Sole workshop do not have insulated mats. [HSE.1, HSE.13]
2. There are flammable materials (e.g. material boxes) laying next to the electrical panel boxes in the Sole workshop. This poses a fire risk. [HSE.1, HSE.13]

Local Law or Code Requirement

Circular 04/12014.TT-BLDTBXH, Chapter VIII Appendix 1; Labor Code 10/2012/QH13, Article 138 Item C; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13)

Recommendations for Immediate Action

1. Provide insulated mats for the electrical panel boxes in the Sole workshop.
2. Remove the flammable materials from around the electrical panel boxes in the Sole workshop. Monitor the area to ensure that it remains clear.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Maintain daily

Planned completion date

01/21/19

Company Action Plan Update

1& 2: They were verified during onsite visit on Apr 25.All electrical panel boxes in the Sole insulated mats. Factory removed all flammable materials (Attachment 4.1; 4.2)

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. 20% of the Material Safety Data Sheets (MSDS) in the LEAN 2 workshop and the chemical warehouse in the sole workshop (e.g. for chemicals such as TL-1020J and TL-550S), are not available in the local language. [ER.2, HSE.1, HSE.2, HSE.10]
2. There is no secondary containment for 30% of the chemical containers (i.e. glue, alcohol, and paint containers) in the LEAN 2 and PACE 1 workshops. [HSE.1, HSE.9]
3. The labels on 20% of the chemical containers in the LEAN 2 workshop (i.e. containers of glue, alcohol, paint, and other production chemicals such as 311A5 and Loctite Bondace PC-3) are not in the local language. [HSE.1, HSE.9]

Local Law or Code Requirement

Point 5, Article 40, No. 28/2010/TT-BCT; Law on Chemicals no. 06/2007/QH12, Article 12; FLA Workplace Code (Employment Relationship Benchmark ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.9, and HSE.10)

Recommendations for Immediate Action

1. Provide MSDS for all chemicals in the local language.
2. Provide secondary containment for all chemicals.

3. Label all chemicals in the local language.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Require to maintain daily

Planned completion date

01/21/19

Company Action Plan Update

1; 2;3 : Verified during the onsite visit in Apr 25 . (Attachment - sheet 6.1, 6.2, 6.3)

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no sign posted on the unused elevator in the Shoe Last storage section to indicate that the elevator is no longer in use to prevent unauthorized access. [HSE.14]
2. The factory does not provide the legally required Occupational Safety and Hygiene training to the workers who operate lifting equipment such as the forklift and elevator. [ER.1, HSE.1, HSE.14]
3. None of the first aid boxes in the factory are fully equipped with all legally required first aid supplies (i.e. scissors, tweezers, waterproof plastic pads, splints, etc.) [HSE.1, HSE.6, HSE.18]
4. The factory is not taking steps to reduce the risk of repetitive-motion stress and injuries. For example:
 - a. Workers who lift boxes in the finished goods warehouse are not provided lifting belts;
 - b. Workstations are not adjustable to fit individual workers; and
 - c. There are no anti-fatigue mats for the cutting workers in the PACE 1 workshop who work standing up. [HSE.7, HSE.17]
5. The factory's Health & Safety procedures do not include the following components:
 - a. Protection against retaliation for workers who raise health and safety concerns; and
 - b. Steps to manage entry into confined spaces. [ER.1, ER.31]

Local Law or Code Requirement

Labor Code 10/2012/QH13, Articles 138 and 150; Circular 19/2016/TT-BYT, Article 6; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.7, HSE.14, HSE.17, and HSE.18)

Recommendations for Immediate Action

1. Post a sign on the unused elevator in the Shoe Last storage section to prevent unauthorized access.
2. Provide the legally required Health & Safety training to workers who operate lifting equipment.
3. Stock the first aid kits with all legally required medical supplies.
4. Provide lifting belts to workers who lift heavy objects.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Pending: Factory got approval for the training course and training fees. However, No relevant training courses are available at training center. It has been kept on hold and waiting for the course organized.
4. Pending: a/ Based the CAP submitted, factory is required to have specific training for these workers who are requested to use the

ergo belts... And some illustration photos are recommended to post at workplace.b/ There is total 27 workers in Finished good warehouse. Through workers interview, it is note that maximum 14 workers will need to lift boxes during loading. Factory only bought 4 belts, therefore the number of the belt was less that the actual needs of workers.

Planned completion date

01/21/19

Company Action Plan Update

1. Completed: During onsite verification, it was noted that factory disconnected electricity and block the unused elevator
3. Completed: the first aid boxes in the factory are fully equipped
5. Completed: .a/ During the interview, all workers (samples) know that they freely to raise HS concern.
b. Factory set up the policy/procedure relevant to confined space. However, there is no any facilities on site considered as confined spaces

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not have a policy or procedures on Retrenchment. [ER.1, ER.19, ER.32]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Annual review the policy

Company Action Plan Update

factory already set up retrenchment policy. After reviewing, PUMA required to revise the policy & procedure more detail in accordance to local legal & brand requirements. (attached file- sheet 2.10)

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The hazardous waste, solid waste, and used chemical tanks are not segregated in the waste storage area. [HSE.1, HSE.9]
2. The factory has not conducted an Environment Impact Assessment as legally required. [HSE.1, HSE.4]
3. The factory's Environmental Protection procedures do not enable workers to raise environmental concerns. [ER.1, ER.31]

Local Law or Code Requirement

Decree 38/2015/NĐ-CP On Management Of Waste And Discarded Materials, Articles 5 and 15; Decree No. 18/2015/ND-CP dated February 14, 2015, Chapter IV, Article 12, Clause 1 & 2; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Pending- It was found that a Drinking water bucket was placed inside Chemical waste area.
2. In discussion: The original environmental assessment annual output value of 3.600.000 pairs and element are the rental building and the company has closure plan in 2020.

Company Action Plan Update

3. Completed: factory already revised their Environmental Protection policy in Jan 2019. he complaint part about environment concerns were added.