



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: PUMA SE
COUNTRY: Vietnam
ASSESSMENT DATE: 09/17/20
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 815

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.

FLA Code Element	Number of Violations
Hours of Work	2
Employment Relationship	4
Health, Safety, and Environment	12
Nondiscrimination	1

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory's annex to the employment contract is not updated with the new working shift that changed on April 1, 2020.
A) Before April 1, 2020: Workers worked from 7:30 to 17:00 with 45 minutes of lunch break from 11:45 to 12:30 from Monday to Friday and from 7:30 to 11:45 on Saturday, with a total of 48 regular working hours in a week. This working shift is regulated in the factory regulation approved on October 21, 2018 by local government.
B) Starting on April 1, 2020: Workers work from 7:25 to 17:35 with 34 minutes of lunch break from 11:45 to 12:19 from Monday to Friday, with a total of 48 regular working hours in a week. This working shift is regulated in the factory regulation and Collective Bargaining Agreement (CBA) approved on March 27, 2020 by local government. The factory makes the change so that workers can have more time with their children at home during school closures due to Covid-19. [ER.10.1]
2. The factory does not maintain time or payroll records for the four onsite contract canteen workers and six onsite contract security guards. The food service company and security service company do not provide those records to the factory due to non-disclosure policy. [ER.11, ER.7.1]

Local Law or Code Requirement

Vietnam Labor Code, Article 24, Article 94, Article 95, Article 96, Article 97, Article 104, Article 105, Article 106, Article 107, Article 108, Article 109, Article 110. FLA Workplace Code (Employment Relationship Benchmarks ER.10 and ER.11)

Recommendations for Immediate Action

1. <!--[endif]-->Update the annex to the employment contract and provide a copy to each worker when there is a change in working time.
2. <!--[endif]-->Maintain time and payroll records for onsite contract canteen workers and security guards.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Overtime hours exceed the legal limit of 30 hours per month. Time records for three sample months of August 2020, October 2019 and December 2019 indicate that the monthly overtime for about 5% to 47% of sample workers exceeded 30 hours in all three sample months, with a maximum of 61.5 overtime hours in December 2019. [HOW.1.1]

2. Total working hours exceed 60 hours in a week. Time records for three sample months of August 2020, October and December 2019 indicate that the weekly working hours for about 7% to 19% of sample workers exceeded 60 in one week per month in October and December 2019, with a maximum of 67.5 hours in December 2019. [HOW.1.3]

Local Law or Code Requirement

The Vietnam Labor Code, Article 106. FLA Workplace Code (Hours of Work Benchmark HOW.1)

Recommendations for Immediate Action

1. <!--[endif]-->Ensure overtime hours do not exceed legal limit of 30 hours per month.

2. Control total working hours do not exceed 60 in a week.

3. <!--[endif]-->Ensure that overtime is not included as a general practice into the factory's production planning. FLA affiliate Company's Sourcing and Social Compliance teams should:
 - 1) Implement FLA Principles of Fair Labor and Responsible Sourcing and
 - 2) Accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comment: Vietnam has not ratified ILO Convention 87. 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. [FOA.2, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.10)

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory conducted the working environment inspection on October 2, 2019. However, this inspection did not include the wastewater treatment plant and mechanic room. [HSE.1]
2. There are some large cracks on the walls in the generator room and operation room of the wastewater treatment plant. The cracks are 1 to 1.4 centimeters in width. Normally, one worker is working inside for some time but not for the full eight hours in a day. The factory obtained a construction inspection report issued on July 30, 2019. However, it does not indicate if the generator room and operation room of the wastewater treatment plant are included in the inspection. [HSE.1]
3. The factory does not install safety covers on two electrical switches in the canteen area. In addition, two to three electrical wires are connected with duct tape in the canteen area. [HSE.13]
4. The factory does not install a safety guard on the cutting machine in the mechanic room. [HSE.14.1]
5. The factory has installed eye protection shields on all sewing machines. However, approximately 10% of sewing workers do not use the eye protection shields when operating the sewing machines. [HSE.14.2]
6. The warning signs and operation buttons are labelled in English and Chinese on the fabric relaxing machine. The factory does not label the warning signs or operation buttons in the local language of Vietnamese. [HSE.14.3]

Local Law or Code Requirement

Decree 45/2013/NĐ-CP, Article 14; Decree 38/2015/NĐ-CP, Article 4; Circular 36/2015/TT-BTNMT, Article 7; Vietnam Standard TCVN 3890:2009, Clause 6.1.1; Law No. 84/2015/QH13 on Health and Safety, Article 16. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.13 and HSE.14)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct the working environment inspection that covers all working areas.
2. <!--[endif]-->Ensure all buildings are structurally safe and in good condition.

3. <!--[endif]-->Install safety covers on all electrical switches and ensure electrical wires are in good condition.
4. <!--[endif]-->Install safety guard on the cutting machine in the mechanic room.
5. <!--[endif]-->Provide more training on machine safety and supervise workers to use machine safety guards consistently during working hours.
6. <!--[endif]-->Label the warning signs and operation buttons on the fabric relaxing machine in local language of Vietnamese.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not conducted an inspection for the sprinkler system since it was installed in 2017. [HSE 6.1]
2. Both fire alarm buttons are obstructed with materials in the material warehouse. One fire hose outside of the production building and one fire extinguisher in the mechanic room are obstructed with waste and other equipment. [HSE.5.1, HSE.6.1]
3. All five evacuation aisles are obstructed with carton boxes, materials and other equipment in the accessory warehouse, which is about 399 square meters. [HSE.5.1]
4. The factory does not have a good maintenance for the eyewash stations. One out of two eyewash stations near the chemical warehouse is not clean, with moss and dust on the spraying head. [HSE.6.1]
5. The factory does not provide secondary containment for one bottle of ink named "EB Solvent" in the printing room. [HSE.9.1]

Local Law or Code Requirement

Law on Chemical 2007, Article 30; TCVN 3890:2009, Clause 7.2.2; Decree 79/2014, Article 7; QCVN 06:2020/BXD, Clause 3.1.1; Vietnam Labor Code, Article 138. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.6 and HSE.9)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct an annual inspection for the sprinkler system and obtain the inspection report.
2. <!--[endif]-->Ensure all fire alarm buttons and firefighting equipment are unblocked and free from obstruction.
3. <!--[endif]-->Ensure all evacuation aisles are unblocked and free from obstruction.

4. <!--[endif]-->Conduct routine maintenance for eyewash stations to ensure they are clean and in good condition.

5. <!--[endif]-->Provide secondary containment for all chemical containers.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has a designated hazardous waste warehouse and disposes of all hazardous waste properly using a licensed service provider. However, the factory does not store all hazardous waste properly. Some empty chemical containers are mixed with industrial waste and other scraps in the scrap warehouse and empty paint containers are stored in the open air near the canteen. [HSE.9.1]

Local Law or Code Requirement

Decree 38/2015/NĐ-CP, Article 4; Circular 36/2015/TT-BTNMT, Article 7. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. <!--[endif]-->Store all hazardous waste in the designated hazardous waste warehouse.