



2008

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Nike, Patagonia, Eddie Bauer

**COUNTRY:** Vietnam

**FACTORY CODE:** 090384807G

**MONITOR:** Global Standards

**AUDIT DATE:** August 27 – 28, 2008

**PRODUCTS:** Apparel

**PROCESSES:** Cutting, Sewing, Finishing

**NUMBER OF WORKERS:** 4790



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## Freedom of Association: Rights of Minority Unions and their Members

FOA.24 Trade unions not recognized as a bargaining agent of some or all of the workers in a facility shall have the means for defending the occupational interests of their members, including making representations on their behalf and representing them in cases of individual grievances, within limits established by applicable law. (S)

### Noncompliance

**Explanation:** *FLA Comment: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party.” Vietnam’s legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.*

**Plan Of Action:** Participating companies (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.

**Deadline Date:**

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**



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

Other

### Noncompliance

**Explanation:** Monitors interviewed the union leader, who confirmed that every worker signed an application and volunteered to join the union. However, monitors reviewed the union application forms of some workers in July and found that only worker representatives, (i.e., line supervisor) signed the application, workers signed a separate list attached.

**Plan Of  
Action:**

**Deadline  
Date:**

**Supplier  
CAP:** [Factory Response, November 17](#): As per guideline from Labor Federation, there are 2 formats that can be used for workers joining trade union. One format is filled up by individual workers and the other is used for groups of workers to make it convenient for the trade union and employees. We are using the second format. However, we will use the individually-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 has registered yet, but it will be used when new workers want to join. PC will keep following up with factory to confirm the new form is in use.

**Plan  
Complete:**

**Plan  
Complete  
Date:**

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**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:** Factory has strong, detailed training programs and materials for management and staff, but limited training for workers. Some new workers (Line 7, Factory 3) have not yet received orientation training as per factory's plan.

**Plan Of Action:** Factory management reviewed the audit report with Eddie Bauer 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 and local labor laws and on informing workers of codes of conduct for all the brands that manufacture at the factory. Training should take place upon initial hiring, with refresher trainings provided on an annual basis.

**Deadline Date:**

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

**Supplier CAP Date:** 09/25/2008

**Action Taken:** Orientation training is provided for all workers. For Line 7, Factory 3, training is conducted on September 12, 2008. Training log book was provided for review which indicated training content and date of training with employee signatures.

Reported by: Eddie Bauer

**Plan Complete:**

**Plan Complete Date:** 09/25/2008

**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 walkthrough and management interview, the PCs have not created a secure noncompliance reporting channel in the factory for workers to use.

**Plan Of Action:** Eddie Bauer will send a poster, with regional contact number and email address for workers to report noncompliance issues in the local language, to the factory soon. Patagonia has an email address on its code of conduct posters where workers are encouraged to email concerns in their local language.

**Deadline Date:**

**Supplier CAP:** Waiting for Eddie Bauer poster. After receiving Eddie Bauer poster with regional contact number and email address, we will display at working area.

**Supplier CAP Date:** 12/17/2008

**Action Taken:** 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 the suggestion box or make a call to CR team, trade union, and/or HR for any concerns. In addition, PCs compliance staff spends time listening to factory employees during audits, in one-on-one confidential interviews. As a last resort, each PC has contact information posted in the factory ranging from email address, direct phone number and hotline.

**Plan Complete:**

Plan 04/22/2009

Complete

Date:

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### 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, in violation of Circular No. 04/2004/TT-BCA. The next one is scheduled for November 2008.
  2. According to record review, government environment inspection from April 2008 found wastewater was over the limit for four contaminants and fined the company 20M VND. Fine was paid, but corrective action to treat wastewater is still pending.

- Plan Of Action:**
1. 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 specifically trained person, who is also in charge of recording drills and documenting their process. In addition, this person should be responsible for reviewing the process and making improvements where applicable.
  2. Factory should have in place an environmental management system, where the factory is continuously monitoring itself to ensure that environmental impacts are mitigated.

**Deadline Date:**

- Supplier CAP:**
1. A fire drill with the fire department was conducted August 25 - 26, 2008. Fire drill record and pictures were provided for review. Factory's response is pending on why the relevant document was not able to be presented during the IEM audit.
  2. New certificate from government is approved for wastewater disposal, which indicates the corrective action was taken by factory and approved by the government.

Reported by: Eddie Bauer



**Supplier CAP** 10/15/2008

**Date:**

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

2. Subcontractor already repaired the drainage system to solve that problem at their expense. Done September 20, 2008. Attached: CAP with pictures of completed drain.

**Plan Complete:**

**Plan Complete** 09/25/2008

**Date:**

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### **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, factory has not obtained certificate for the generating and disposing of hazardous wastes as per Environmental Protection Law No. 52/2005/QH11.

**Plan Of Action:** 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:** Admin already 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 July 15 and the certificate was approved August 1, 2008.

Reported by: Eddie Bauer.

Copy of certificate attached in document marked "FLA CAP Nov 24."

**Plan**

**Complete:**

**Plan Complete Date:** 09/25/2008

**Date:**

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### **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:** According to the walkthrough, screen printing room in Factory 3 lacks adequate ventilation and safety measures for the safe handling of chemicals. Mixing room lacks proper exhaust ventilation. Some workers use carbon masks, while others use cotton masks. Solvent smell is strong and no testing has been done for chemicals (VOC, volatile organic compounds).

**Plan Of Action:** 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, the proper ventilation shall be put into place. Workers given and trained on the correct protective equipment.

**Deadline**

**Date:**



- Supplier CAP:**
1. Factory has a plan to move printing room to other place to reduce chemical smells and enhance the ventilation system on January, week 2, 2009.
  2. ESH team regular check and make sure that employee fully uses carbon mask.

**Supplier CAP Date:** 10/30/2008

**Action Taken:** Carbon masks are currently being used by employees. However, ventilation is not adequate.

Report by: Eddie Bauer. Photo included in factory update document, October 13, 2008.

1. Organize meeting with people concerned to remind again of safety regulations.
2. Already informed the use of stickers to verify chemicals, and prohibited one by CR Team.
3. ESH Team will inform again and strictly inspect the situation.
4. Violation cases will be strongly punished by factory regulation.

**Plan Complete:**

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

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## 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 walkthrough, QA Workers on production lines are using solvents from unlabeled bottles for spot cleaning. Sometimes cleaning solvents are placed in bottles marked "soap." Factory has policies on labeling and safe handling of chemicals, but fails to follow them. Chemicals in use include SuperKleen 580c (aka Hydrocarbon, Xanh), Everblum Gold Cleaning Fluid (aka Do) and Sprayway spot lifter. Workers handling chemicals lack awareness in the safe handling of chemicals.

**Plan Of Action:** 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 situations for chemical usage, 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 meeting with people concerned to remind again on safety regulations on September 5.
2. Already informed on use of stickers to verify chemicals and prohibited one by CR Team.
3. ESH Team will remind workers frequently and thoroughly inspect the situation.
4. Violation cases will be addressed through the internal disciplinary procedure.

**Supplier CAP  
Date:** 10/30/2008

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

Report by: Eddie Bauer. Photo included in factory update document, October 13, 2008.

**Plan Complete:**

**Plan Complete Date:**

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### **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 49/77 (63.6%) samples over the limit for dust particles. Testing for 2008 only tested 7 samples, finding 1 over the limit in Factory 1's down stuffing area.

Temperature testing (6 samples) on May 12 was within limits. However, according to the walkthrough, monitors noted the temperature was hot and there was little ventilation on the production lines. Thermometer in the factory read 33°C in the afternoon and temperature records from Factory 4 showed temperatures in excess of 30°C most days this month. According to records review, records show no lightning protection installed or tested to cover second canteen and material warehouse buildings.

**Plan Of Action:** Factory shall continuously review work spaces 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 workers' dust exposure. Factory management shall identify the key times of year where temperatures 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. 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 is autumn during the audit, the weather is rainy and cool, therefore the temperature is fine. It is still dusty on the work floor, and the factory should provide masks to all employees. Documents for lightning protection are still missing, and the factory claims will provide later.

Report by Auditor: Eddie Bauer

**Supplier CAP** 10/30/2008

**Date:**

**Action Taken:** Factory already received lightning system certificate from the fire police department on October 14, 2008. The reason for dust is lack of control of down garments. Factory will train workers to make sure that down garments are clean before going to production. As per result of working environment inspection, dust situation has been improved and meets with standard. (Update from factory)

**Plan**

**Complete:**

**Plan** 04/22/2009

**Complete**

**Date:**

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## 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:** According to the walkthrough, housekeeping needs to be improved. In particular, products and materials placed right next to or in front of electrical panels and controls or blocking fire fighting equipment.

**Plan Of Action:** Factory management shall develop a sustainable solution to ensure work spaces are kept clean and clear from obstruction, for worker safety and for emergency exits. Training should be provided to supervisors and workers; supervisors should be measured on their effectiveness in implementing this policy.

**Deadline Date:**

**Supplier CAP:** Housekeeping is improved and no blocking is detected. Periodic check on the pathway should be scheduled by the factory.

Report by Auditor: Eddie Bauer.

**Supplier CAP Date:** 10/30/2008

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

**Plan Complete:**

**Plan Complete Date:** 04/22/2009